

**COMMISSION OF INQUIRY INTO MONEY
LAUNDERING IN BRITISH COLUMBIA**

OPENING STATEMENT OF THE GOVERNMENT OF CANADA

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PART I OVERVIEW

1. The Government of Canada would like to thank the *Commission of Inquiry into Money Laundering in British Columbia* ('the Commission') and its members for your efforts to distinguish the nature and extent of money laundering in British Columbia, its causes, and how best to address them. We applaud the Government of British Columbia for demonstrating leadership to address these complex issues in the province.

2. Canada strongly supports the Commission's mandate and is committed to participating in the Inquiry to the fullest extent possible. Canada has provided and will continue to provide documents to the Commission within our legislative authority, while ensuring the protection of privacy and ongoing police investigations. Canada will also continue to facilitate the attendance of federal government witnesses at the Inquiry, many of whom have considerable expertise in the prevention, detection, and disruption of anti-money laundering and anti-terrorist financing (AML/ATF) activities.

3. Canada is proud to be well-known around the world for its stable and open economy, accessible, efficient and advanced financial system, and strong democratic institutions. Unfortunately, those seeking to launder proceeds of crime or raise, transfer and use funds for terrorism purposes have tried, and will continue to try, to exploit these strengths for their own illicit gains. Canada recognizes that money laundering and terrorist financing pose a significant threat to domestic and global safety and security and can compromise the integrity and stability of the financial sector and the broader economy.

4. These are not victimless crimes. Rather, the social, economic, and political consequences of money laundering and terrorist financing are sweeping and indiscriminate. By laundering money, serious and other organized criminals are able to profit from some of the most damaging

crimes, and operate and expand their criminal empires. Money laundering can fuel other criminal activities such as drug trafficking, human trafficking, and violent gang crime, as well as the opioid crisis that has harmed communities across the country. Money laundering can distort market prices and harm the legitimate Canadian economy by making housing less affordable, and money laundering can deny governments' tax revenue necessary for vital social programs.

5. While British Columbia has received much attention regarding this problem, money laundering is a national concern and the potential damage that money laundering can cause to business and civil society demands a clear, strategic, and timely response from all jurisdictions.

6. Throughout Canada, there is widespread recognition that more must be done to combat this threat. Alongside the federal government, provincial and territorial governments have an important role to play with respect to regulatory and enforcement responsibilities, for example, in safeguarding against the misuse of corporations, real estate, casinos, money service businesses, and the legal profession, and in conducting investigations and prosecutions.

7. The Minister of Finance, the Honourable Bill Morneau, acknowledged the need for ongoing focus and further efforts at the June 2019 Special Joint Ministerial Meeting that was convened to bring together federal, provincial, and territorial Ministers of Finance and Ministers responsible for AML:

Our government's message is simple: criminals, domestic and foreign, should not be able to hide their illegal money anywhere in Canada. When they do, it's Canadians who pay the price—in high housing costs and increased criminal activity in their community. Our government is committed to using every tool at our disposal to detect, stop and prosecute money laundering, but we can't do it alone. Now it's time for everyone—businesses, provinces, territories and the federal government—to come together and talk about the steps we can take to better protect Canadians and combat money laundering.

8. At the same time, Canada recognizes the need to ensure that robust AML/ATF measures respect the privacy rights afforded to Canadians under the *Canadian Charter of Rights and*

Freedoms (‘the *Charter*’), with attentiveness to the regulatory burden placed on financial institutions and businesses operating within or transacting with Canada. We acknowledge that there are no easy solutions or quick fixes to the complex issues of money laundering and terrorist financing.

9. We know that tackling money laundering and terrorist financing in Canada requires effective and efficient coordination across all levels of government in Canada, as well as the public and private sectors. It requires governments and institutions to be vigilant and agile in responding to new and emerging vulnerabilities and more sophisticated methods to launder money and finance terrorism.

10. Overall, an effective Canadian response needs to be balanced, flexible, and well coordinated. The Government of Canada is steadfast in its resolve to continue to tackle money laundering and terrorist financing, to keep Canadians safe and protect the integrity of our economy. We look forward to supporting the Commission in this timely and challenging task and to participating in developing solutions informed by past lessons and shared expertise.

PART II CANADA’S AML/ATF REGIME

11. An effective AML/ATF Regime is essential to protect the safety and security of Canadians, and promote the integrity of the financial system. Given the ever-evolving nature of the tactics and methods to launder money and finance terrorism, the Government continues to reinforce the federal Anti-Money Laundering and Anti-Terrorist Financing Regime (‘the Regime’), and in doing so, includes current international best practices.

12. Canada’s Regime is comprised of federal departments and agencies, including regulators, supervisors, law enforcement, and intelligence agencies, as well as legislation, regulations, and reporting entities.

13. The Minister of Finance and Minister of Public Safety and Emergency Preparedness have complementary responsibilities with respect to the Canadian AML/ATF Regime. The Regime is accountable to Parliament through the Minister of Finance, who is also responsible for strategic direction of the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC), Canada's AML/ATF regulator and financial intelligence unit (FIU). The Minister of Public Safety and Emergency Preparedness also plays an important leadership role at the national level. His mandate includes developing new policies and legislation to reduce organized crime and gang activity in Canada, including money laundering.

14. The Regime involves 13 federal departments and agencies,¹ eight of which receive dedicated funding totalling approximately \$70 million annually. In addition, individual Regime partners contribute resources in excess of the dedicated funding received. Budget 2019 included new funding of \$178 million over five years, which started in 2019-20, and \$38 million in ongoing funding, to modernize Canada's AML/ATF Regime by strengthening data resources, financial intelligence, information sharing, and investigative capacity.

15. In addition to federal organizations, provincial and municipal law enforcement bodies and provincial regulators (including those with a role in the oversight of the financial sector) are also involved in combatting these illicit activities. There are areas of shared jurisdiction, federal only jurisdiction, and areas where provinces and territories are solely responsible for the regulation of key sectors implicated in the Regime such as the establishment of corporations, partnerships and

¹ Department of Finance Canada, Department of Justice Canada, Public Prosecution Service of Canada (PPSC), Financial Transactions and Reports Analysis Centre (FINTRAC), Canada Border Services Agency (CBSA), Canada Revenue Agency (CRA), Royal Canadian Mounted Police (RCMP), Canadian Security Intelligence Service (CSIS), Public Safety Canada, Office of the Superintendent of Financial Institutions (OSFI), Global Affairs Canada, Innovation, Science and Economic Development Canada (ISED), Public Services and Procurement Canada (PSPC).

trusts, the accounting and legal professions, as well as the money services businesses, casinos, and securities sectors. Provincial and territorial law enforcement agencies also play a role in investigations and prosecutions of money laundering and have civil forfeiture regimes that can complement criminal asset recovery.

16. Within the private sector, there are almost 24,000 Canadian institutions, businesses, and professions with reporting and record-keeping obligations under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA). They are known as reporting entities and they play a critical frontline role in efforts to prevent and detect money laundering and terrorist financing.

17. The Regime operates based on three interdependent pillars – policy and coordination, prevention and detection, and investigation and disruption – that work together to support efforts to combat organized crime, terrorism, and other major crimes, such as tax evasion, corruption, human trafficking, cybercrime, drug trafficking, and fraud.

A. POLICY AND COORDINATION

18. The first pillar is policy and coordination. The Regime’s policy and legislative framework is overseen by the Department of Finance, which leads domestic and international policy coordination on money laundering and terrorist financing. The Department of Finance coordinates the national assessment of money laundering and terrorist financing risks, and policy advice to the Government on domestic and international policy to combat these threats. This policy coordination role includes developing domestic legislation and regulations to combat financial crimes and leading Canada’s delegation to the Financial Action Task Force (FATF) and other fora, both regional and international, related to AML/ATF.

i) Legislation and Regulations

19. Generally speaking, money laundering is the process used by criminals to conceal or disguise the origin of criminal proceeds to make them appear as if they originated from legitimate sources. Section 462.31 of the *Criminal Code* prohibits laundering the proceeds of crime, including laundering money. This offence makes it a criminal act for anyone to use, transfer the possession of, or otherwise deal with any property with intent to conceal or convert that property knowing or believing that, or being reckless as to whether, all or a part of that property was obtained or derived directly or indirectly as a result of the commission of a serious offence.

20. This offence was enacted in 1988. One of the main elements that needs to be proven when prosecuting this offence is that the accused knew or believed that all or part of the property or proceeds was obtained or derived by the commission of a designated offence. The offence is punishable by up to ten years imprisonment.

21. There are two main terrorist financing offences in the *Criminal Code*. The first is section 83.02 which makes it an offence to “wilfully and without lawful justification or excuse”, directly or indirectly provide or collect property intending or knowing that it will be used, in whole or in part, to carry out a “terrorist activity” as defined in section 83.01(a)(i)(ix) or any other act or omission intended to cause death or serious bodily harm to a person, if the purpose of that act or omission is to intimidate the public or compel a government to do or refrain from doing any act.

22. The second is section 83.03 which makes it an offence to directly or indirectly collect property or to make available, provide, or invite a person to provide property or financial or other related services:

- i) intending or knowing that they be used, in whole or in part, for the purpose of facilitating or carrying out a terrorist activity, or for the purpose of “benefiting” a person who is facilitating or carrying out a terrorist activity; or,
- ii) knowing that, in whole or part, they will be used by or will benefit a terrorist group.

23. These offences were enacted in 2001. These offences are punishable by up to ten years imprisonment.

24. The PCMLTFA is the legislation that establishes Canada’s AML/ATF framework. The PCMLTFA and its regulations require certain financial institutions and non-financial businesses and professions (collectively, ‘reporting entities’) to identify their clients and keep records in order to establish a paper trail that, with proper judicial authorization, can be accessed by law enforcement for criminal investigations or prosecutions. Reporting entities with obligations under the Act include banks and credit unions, life insurance companies and brokers, trust and loan companies, securities dealers and money services businesses, accountants and British Columbia notaries, real estate agents and developers, casinos, dealers in precious metals and stones and agents of the Crown that accept deposit liabilities.

25. The Act and its regulations contain mandatory reporting requirements for certain types of transactions such as suspicious financial transactions, large cash transactions, and cross-border electronic funds transfers. It also creates obligations for reporting entities to establish and administer an internal AML/ATF compliance program, including identifying money laundering and terrorist financing risks and putting in place measures to mitigate those risks.

26. The PCMLTFA also establishes FINTRAC as Canada’s financial intelligence unit, and authorizes it to receive and analyze information related to suspected money laundering or terrorist

financing activity, including financial transaction reports. When FINTRAC, on the basis of its analysis, determines that there are reasonable grounds to suspect that the information is relevant to an investigation or prosecution of a money laundering or a terrorist financing offence, it must disclose certain identifying information to law enforcement, intelligence agencies, and other disclosure recipients. FINTRAC is not a criminal law enforcement investigative agency. Its disclosures are intended to provide law enforcement with leads for investigation or prosecution purposes.

27. The information disclosed under the PCMLTFA can be used to support domestic and international partners in the investigation and prosecution of money laundering and terrorist financing related offences. The PCMLTFA also allows for FINTRAC to conduct research into trends and developments in the areas of money laundering and terrorist financing and to take measures to inform reporting entities, law enforcement authorities, and the public on the nature and extent of money laundering and terrorist financing domestically and internationally, as well as the obligations for reporting entities under the Act.

28. Public Safety Canada is the lead policy department responsible for combatting transnational organized crime and terrorism. Alongside the Department of Finance, Public Safety co-chairs various Regime governance committees to coordinate the implementation of AML/ATF policies across Regime partners. Public Safety is responsible for the implementation of Canada's Counter-Terrorism Strategy and the National Agenda to Combat Organized Crime. The Royal Canadian Mounted Police (RCMP), the Canadian Security Intelligence Service (CSIS), and Canada Border Services Agency (CBSA) all report to the Minister of Public Safety and Emergency Preparedness.

29. Public Safety is leading the development of the newly created Anti-Money Laundering Action, Coordination and Enforcement Team ('the ACE team') initiative, which was announced in Budget 2019, that will bring together experts from across intelligence and law enforcement agencies to strengthen coordination and cooperation, and identify and address significant money laundering threats.

30. The Department of Justice provides legal advice on money laundering and terrorist financing offences and Regime policy development. The Department of Justice is responsible for the *Criminal Code of Canada*, as well as the *Mutual Legal Assistance in Criminal Matters Act* and the *Extradition Act*, the two main statutes in relation to Canada's ability to cooperate internationally on money laundering and terrorist financing cases.

31. Global Affairs Canada also implements elements of Canada's efforts to combat terrorist financing, proliferation financing, and to combat the laundering of proceeds of certain crimes. Global Affairs is responsible for Canada's economic sanctions legislation and is the lead department for the United Nations crime conventions that Canada has ratified, some of which contain legal obligations relating to money laundering, terrorist financing, and other related public safety issues. In addition, Global Affairs' Counter-Terrorism Capacity Building Program and Anti-Crime Capacity Building Program provide technical assistance for capacity building to address to the needs of States lacking the laws, policies, plans, training, or operational expertise to prevent and mitigate acts of terrorism and combat organized crime and corruption.

ii) Regime Governance

32. All federal partners share responsibility for the ultimate outcomes of the Regime, which is governed by various inter-departmental committees. The Regime's governance structure was enhanced in 2019 to improve cohesion across partners. These committees work together to ensure

an efficient Regime with a focus on both policy and operations – anchored in shared intelligence on current money laundering and terrorist financing modalities, as well as the wider structure and activities of criminal and terrorist networks operating and transacting within the Canadian financial system.

33. At the apex of the Regime governance structure is the Deputy Minister Committee on National Security (DMNS). The DMNS considers a wide range of current and emerging issues affecting Canada's national security and is co-chaired by the Deputy Minister of Public Safety and the Senior Associate Deputy Minister of National Defence.

34. Reporting to the DMNS, and providing strategic oversight of the Regime is the Deputy Minister AML/ATF Committee, co-chaired by the Department of Finance and Public Safety, and comprised of Deputy Ministers from all Regime partners.

35. The AML/ATF Deputy Ministers' Committee oversees and drives the implementation of key policy and operational initiatives to strengthen the AML/ATF Regime in Canada and ensures alignment and integration with the Government strategy on national security and economic prosperity. At the strategic policy level, it is supported by an Assistant Deputy Ministers' Steering Committee, co-chaired by the Department of Finance and Public Safety, which is responsible for strengthening alignment of policy and operational priorities, including developing the Regime's strategy. This includes ensuring sustained attention to enforcement outcomes, addressing gaps and challenges within the Regime, and reporting to the Deputy Ministers' Committee on overall results and the Regime's contribution to financial sector integrity and safety and security of Canadians.

36. This balance in the Regime's governance structure between financial sector policy and security policy and operations gives federal policy and decision makers a holistic view of the

Regime, allowing them to set priorities, problem solve, and adapt Regime priorities to a shifting risk environment.

37. To deliver on priorities set by these senior governance committees, an Interdepartmental Coordinating Committee (ICC) bridges strategy and operations by developing coordinated approaches to addressing Regime gaps, and oversees the work of two working groups. The first working group reporting to the ICC is the Intelligence and Threats Assessment Working Group ('the Intelligence and Threats Group'). The Intelligence and Threats Group is responsible for ensuring the Regime has an understanding of new and emerging money laundering and terrorist financing vulnerabilities. The second working group reporting to the ICC is the Operational Effectiveness and Performance Measurement Working Group ('the Performance Group'). The Performance Group's role is to monitor Regime results and ensure effective and responsive implementation of the Regime strategy.

38. In addition to these two inter-departmental working groups, thematic or issues-based working groups may be created to support the Regime in specific areas of interest, as required, and may also include representation from provinces, territories, or municipalities. Currently, thematic working groups have been established with provinces and territories to address corporate and beneficial ownership transparency; with the Federation of Law Societies of Canada to explore issues related to money laundering and terrorist financing in the legal profession; and with the province of British Columbia to address issues and risks related to fraud, money laundering, and tax evasion through real estate in British Columbia.

iii) Public Sector Engagement

39. Given their frontline role in defending Canada's financial system from money laundering and terrorist financing threats, the Regime places priority on engaging with the private sector and

other stakeholders to support the Regime's overall effectiveness. The Advisory Committee on Money Laundering and Terrorist Financing (ACMLTF) is a public-private advisory committee with the role of encouraging collaboration and transparency with the private sector.

40. ACMLTF is responsible for facilitating information sharing and consultation, providing a high-level discussion forum to address emerging issues, and providing advice for Canada's overall AML/ATF policy.

41. Co-chaired by Department of Finance and a private sector representative selected for a three-year term, the membership of ACMLTF is comprised of senior-level representatives from key stakeholder organizations, including Assistant Deputy Minister level representation from the Department of Finance, FINTRAC, Public Safety, and Office of the Superintendent of Financial Institutions (OSFI), along with senior level representation from all private sector entities with obligations under the PCMLTFA, including banks; real estate developers, brokers, and sales representatives; insurance companies; accounting firms; casinos; and dealers in precious metals and stones.

42. Members advise the Regime both within a domestic context, including its effectiveness and efficiency, and in support of international AML/ATF developments. ACMLTF also presents an opportunity for the Government to provide valuable feedback to the private sector on overall AML/ATF trends.

B. PREVENTION AND DETECTION

43. The second pillar of Canada's AML/ATF Regime provides strong measures to prevent individuals from placing illicit proceeds or terrorist-related funds into the financial system, while having correspondingly robust measures to detect the placement and movement of such funds.

44. At the centre of this prevention and detection approach are the aforementioned reporting entities, which serve as the gatekeepers of the financial system in implementing the various measures under the PCMLTFA.

i) Compliance and Supervision

45. FINTRAC is Canada's principal AML/ATF regulator. FINTRAC administers a comprehensive, risk-based compliance program to assist and ensure that thousands of Canadian businesses fulfill their obligations under the PCMLTFA.

46. Compliance with the legislation ensures that FINTRAC receives the information that it needs to generate actionable financial intelligence for Canada's police, law enforcement, and national security agencies. Promoting compliance with front line reporting entities incorporates a level of deterrence by ensuring that relevant questions are asked and appropriate records are kept to deter criminals from using the legitimate financial system to launder their illicit money.

47. FINTRAC provides businesses with comprehensive, clear, and direct guidance to help them better understand and comply with their obligations under the PCMLTFA. As part of its broader transparency initiative in 2018–19, the Centre published its Compliance Framework, which captures the guiding principles that shape FINTRAC's compliance program. It provides a comprehensive description, in an easy to navigate format, of the services and tools that are available to assist businesses in complying with their obligations.

48. This enhanced support and transparency initiative reinforces FINTRAC's assessment approach to ensuring compliance. With this approach, the emphasis is on the overall effectiveness of a business's compliance program, including the impact of non-compliance on achieving the objectives of the Act and the Centre's ability to carry out its mandate. The initiative also focuses on the three pillars of FINTRAC's compliance program: assistance, assessment, and enforcement.

49. Over the past year, FINTRAC's outreach efforts focused on increasing awareness and understanding, as well as eliciting feedback, on the new regulatory amendments developed by the Department of Finance.

50. FINTRAC has also engaged extensively with real estate regulatory bodies, associations, and businesses across the country to strengthen compliance in the sector. For example, the Centre signed a new Memorandum of Understanding with the Real Estate Council of British Columbia. The first of its kind for real estate regulators in Canada, the Memorandum of Understanding establishes a framework within which FINTRAC and the Real Estate Council of British Columbia can share compliance-related information in order to strengthen compliance in the real estate sector in British Columbia. It also helps to enhance the knowledge and expertise of each organization regarding new and evolving trends in the real estate sector in British Columbia and across Canada.

51. The Office of the Superintendent of Financial Institutions (OSFI) supervises and regulates more than 400 federally regulated financial institutions (FRFIs) and 1,200 pension plans. OSFI regulates by developing rules, interpreting legislation and regulations, and providing regulatory approvals for certain types of transactions. All of this must balance the goals of safety and soundness with the need for institutions to operate within a competitive marketplace.

52. In line with its prudential regulatory mandate, OSFI assesses these institutions' financial condition, material risks and the quality of its governance, risk management, and compliance processes. When weaknesses are identified, OSFI intervenes early and works with executive management and boards to adopt corrective measures. OSFI regularly issues guidelines outlining sound business and financial practices and posts these guidelines publically on its website.

53. Although OSFI plays an important oversight role, it does not manage the operations of institutions. Their respective executive management and boards of directors are responsible for

their success or failure. OSFI's supervision approach is risk-based to reflect the nature, size, complexity, and risk profile of an institution. Financial institutions must be allowed to take reasonable risks and compete effectively both at home and abroad, while at the same time safeguarding the interests of depositors, policyholders and creditors. OSFI's goal is to balance competitiveness with financial stability, and international standards with Canadian market realities.

54. OSFI is an independent federal government agency that reports and is accountable to Parliament through the Minister of Finance, and is funded through assessments of FRFIs and pension plans.

55. Until recently, OSFI and FINTRAC conducted concurrent and/or joint assessments of FRFI AML/ATF compliance. In an effort to enhance coordination of supervision of FRFIs in the AML context, OSFI and FINTRAC have established an approach to FRFI AML supervision that aligns with the agencies respective mandates and authorities. Following a transition period, FINTRAC will exercise primary responsibility for conducting independent AML/ATF compliance examinations of FRFI's against the PCMLTFA and associated regulations. OSFI will apply its prudential lens by leveraging FINTRAC's work in assessing the strength of FRFIs' regulatory compliance and risk management practices.

56. This new approach will deliver a strong and effective AML/ATF Regime, while reducing duplication through better alignment with FINTRAC and OFSI's respective mandates and authorities. Additionally, OSFI and FINTRAC meet quarterly to exchange relevant information.

57. It is also important to note the role of Innovation, Science and Economic Development Canada (ISED). ISED is the federal Department responsible for the regulation and oversight of Canada's marketplace framework, which includes corporate governance and federal incorporation

under the *Canada Business Corporations Act*. ISED has played a leadership role in recent years to advance a national approach to strengthen beneficial ownership transparency.

58. Provincial and federal corporate laws, registries, and securities regulations also contribute to preventing and detecting money laundering and terrorist financing in Canada. The concealment of corporate ownership information (also called ‘beneficial ownership’) can be part of international networks used to facilitate tax evasion, money laundering, and other financial crimes. Consequently, effective prevention and detection measures should allow appropriate authorities to identify who owns which companies in Canada.

59. ISED also contributes to the Regime through its responsibility for the *Personal Information Protection and Electronic Documents Act* (PIPEDA) and the related guidance and regulations. This is particularly important in discussions surrounding enhanced information sharing, both between public and private sector and amongst private sector entities, to ensure the privacy rights of Canadians continue to be appropriately protected.

ii) Financial Intelligence

60. As previously noted, FINTRAC is both Canada’s principal AML/ATF regulator and Canada's financial intelligence unit (FIU). As such, FINTRAC is central to Canada’s broader AML/ATF Regime. Working with other regulators and law enforcement agencies, it plays a vital role in keeping criminals out of Canada’s financial system and supporting efforts to detect and disrupt financial crimes.

61. FINTRAC is an independent agency, at arm’s length from police and other departments and agencies to which it is authorized to provide financial intelligence. FINTRAC’s independence from law enforcement is essential to protecting Canadians’ privacy given the information FINTRAC receives.

62. FINTRAC receives, analyzes, and assesses reports and information from a variety of sources in order to assist in the detection, prevention, and deterrence of money laundering and terrorist financing. Under the PCMLTFA, police, including the RCMP and other government institutions and agencies, can provide voluntary information records (VIRs) to FINTRAC about suspicions of money laundering or terrorist financing. VIRs are among the various sources of information, including financial transactions sent by reporting entities that FINTRAC uses to perform its analytical work. When FINTRAC's analysis meets specific legal thresholds set out in the Act, FINTRAC must disclose financial intelligence to the appropriate law enforcement and/or national security agencies named in the Act.

63. FINTRAC was organized in a way to respond to the threat posed by actors engaging in money laundering and terrorist financing by providing police, law enforcement, and national security officials with the information they need to deprive criminals of the proceeds of their criminal activities, while ensuring that appropriate safeguards are put in place. FINTRAC's mandate and powers are explicitly designed to protect the privacy of personal information. The protection of privacy is crucial to maintaining confidence in the Regime._

64. Financial transactions that reporting entities must report are sent to FINTRAC, not directly to police or law enforcement. Only if FINTRAC has reasonable grounds to suspect the information would be relevant to investigating or prosecuting a money laundering or terrorist financing offence will certain information be disclosed to police, law enforcement agencies, or other recipients of FINTRAC disclosures. FINTRAC's structure protects privacy and accomplishes the law enforcement need in an effective and efficient manner.

65. FINTRAC cannot disclose all of its information to law enforcement agencies, only specific types of identifying information that are set out in the PCMLTFA and its regulations. There are

severe penalties for unauthorized disclosure of information by FINTRAC's employees. FINTRAC is subject to the *Privacy Act* and the Privacy Commissioner of Canada conducts regular reviews of the measures taken by FINTRAC to protect the information it receives or collects and reports this to Parliament.

C. INVESTIGATION AND DISRUPTION

66. The final pillar of the Regime deals with the disruption of money laundering and terrorist financing. Regime partners, such as CSIS, the CBSA, and the RCMP undertake investigations in relation to money laundering, terrorist financing, other profit-oriented crimes, and threats to the security of Canada in accordance with their individual mandates. The Canada Revenue Agency (CRA) also plays an important role in investigating and prosecuting tax evasion (and its associated money laundering) and in detecting charities that are at risk, to ensure that they are not being used to finance terrorism.

i) Royal Canadian Mounted Police (RCMP)

67. At the forefront of Canada's efforts to disrupt the illicit flow of proceeds of crime and terrorist financing through Canada is the RCMP. As the national police force, the provincial police force in all provinces except Ontario and Quebec, and the local police force pursuant to a contract with many municipalities or districts across Canada, the RCMP has a fundamental role in the overall efficacy and success of the Regime.

68. Due to its dual role of federal and contract policing, RCMP members work with either federal or provincial statutes and legislation. In many situations, the role of the province is of equal importance in impacting the ability of RCMP members to conduct successful money laundering investigations.

69. The RCMP investigates money laundering and terrorist financing cases, lays charges, makes arrests, and seizes funds or assets suspected of being offence related property and/or proceeds of crime or used in support of terrorist criminal activity. Throughout the course of an investigation, the RCMP may work with partners – including the Public Prosecution Service of Canada (PPSC), CRA, CBSA, police of jurisdiction, or international law enforcement agencies – to pursue the investigation. Following investigations, the RCMP may refer cases to the PPSC for prosecution, to the CRA for the purpose of investigating tax fraud, or to civil forfeiture offices to potentially seize and forfeit assets under their own authorities.

70. RCMP operations are premised on collaboration with domestic and international law enforcement agencies and public and private stakeholders. In recognition of the need for collaboration, the RCMP continues to develop initiatives with key stakeholders to enhance its efforts to identify trends, the scope of money laundering, vulnerabilities, information sharing, and mutual operations that can enhance its whole of government response to money laundering. Internationally, the RCMP has liaison officers and analysts deployed to strategic missions to support the RCMP mandate to fight transnational crime and share information between Canadian law enforcement agencies and the law enforcement agency of the host country and assist with capacity building when appropriate.

a. Federal Serious and Organized Crime (FSOC)

71. Under their federal mandate, the RCMP is tasked with enforcing federal laws, including those related to commercial crime, counterfeiting, drug trafficking, cyber-crime, border integrity, transnational and serious organized crime, and other related matters. It also provides counter-terrorism and domestic security and participates in various international policing efforts.

72. Within the ambit of transnational and serious organized crime, proceeds of crime and money laundering investigations are a key activity of federal police. This includes following the money on all tiered Federal Policing investigations to identify, seize, and ultimately submit applications to forfeit the major assets and criminal profits of these crime groups, in addition to uncovering their financial facilitators and criminalized professionals who enable their criminal enterprises to operate effectively.

73. In addition to carrying out asset-tracing and proceeds of crime investigations for all substantive transnational organized crime files, Federal Policing will also lead on files within its jurisdiction that target a professional money launderer, international money controller network, or other major facilitator such as a complicit money services business.

74. In British Columbia, the Federal Policing mandate (as it relates to money laundering and proceeds of crime) is a priority for the Federal Serious and Organized Crime (FSOC) Program of which the “Financial Integrity Program” is part. The FSOC has teams located in the Lower Mainland, the Island, and Southeast District. The Financial Integrity Program is made up of a number of distinct operational groups, including specialized market enforcement and money laundering teams.

75. In particular, the Integrated Market Enforcement Team (IMET) has a mandate to detect, deter, and investigate *Criminal Code* capital market fraud offences that are of regional or national significance that pose a threat to investor confidence, economic stability in Canada, and the integrity of Canada’s capital markets. In pursuit of these objectives, IMET partners with key stakeholders including: Federal Bureau of Investigation (FBI), CRA, British Columbia Securities Commission, Civil Forfeiture Office, Real Estate Council of British Columbia, and Bank Investigators, among others.

76. In addition, the Financial Integrity Program houses two specialized money laundering teams tasked with intelligence led detection, disruption and enforcement of organized crime groups involved in money laundering operating in British Columbia, nationally and internationally. The money laundering teams are responsible for investigations and project development respectively, with a focus on four key priorities:

- i) First, the disruption of criminals using laundered funds and thereby impacting the British Columbia economy;
- ii) Second, the disruption of criminals involved in utilizing underground banking systems as a vehicle to legitimize funds in Canada;
- iii) Third, increasing formalized engagement with partners and stakeholders in furtherance of the Financial Integrity Program's money laundering mandate; and,
- iv) Fourth, increasing strategic intelligence to assist in identifying current and future risks, threats and opportunities.

77. The Investigations team conducts large-scale money laundering investigations, including transnational money laundering investigations, and assists on large FSOC priority files with a money-laundering component.

78. The Project Development team contributes to discrete national and international projects, such as specialized probes into mail or tax fraud schemes, criminal use of cryptocurrencies, and trade-based money laundering, to name a few. The team's role is to probe and refer to an investigative team if the probe reveals substantive information and intelligence to warrant a full investigation.

b. Combined Forces Special Enforcement Unit (CFSEU-BC)

79. Under provincial and municipal contracts, the RCMP also provides front-line policing in all areas outside of Ontario and Quebec that do not have an established local police force, including in British Columbia.

80. At the provincial level, the Combined Forces Special Enforcement Unit – British Columbia (CFSEU-BC), which is the province’s anti-gang agency, plays an important role in the AML/ATF Regime.

81. In particular, CFSEU-BC houses the Joint Illegal Gaming Investigation Team (JIGIT), which was formed in 2016. JIGIT is a dedicated, multi-jurisdictional police investigative and enforcement response to organized crime related illegal gaming in British Columbia. As an integrated provincial policing unit, JIGIT brings together police officers from federal, provincial, and municipal agencies, as well as criminal analysts, data and administrative support, and Gaming Policy Enforcement Branch (GPEB) investigators.

82. In contrast to the federal Financial Integrity Program, which has a broad mandate in relation to terrorist financing and money laundering investigations, JIGIT’s role is limited to unlawful activities within British Columbia gaming facilities and illegal gambling in British Columbia.

83. JIGIT has three key strategic objectives:

- i) First, the targeting and disruption of organized crime and gang involvement in illegal gaming;
- ii) Second, criminal investigations of illegal gambling activities; and,
- iii) Third, the prevention of criminal attempts to legalize the proceeds of crime through gaming facilities.

84. Typically, JIGIT's money laundering and loan sharking investigations have focused on top tier organized criminals' exploitation of casinos and banks. JIGIT investigations have also targeted individuals operating Money services businesses that were not compliant with their reporting obligations under the PCMLTFA.

85. To date, JIGIT has executed many search warrants on illegal gaming houses throughout British Columbia. These investigations have resulted in charges, convictions, and disruption of criminal enterprises and have led to seizures of various drugs, cash, gaming tables, and the deportation of one individual.

86. In addition, JIGIT investigations into money laundering, proceeds of crime, and illegal gaming houses have resulted in successful civil forfeitures totalling an amount in excess of \$700,000 since its inception.

87. As a result, JIGIT has developed considerable subject matter expertise and strives to perform a public education function with respect to the identification and reporting of illegal gambling in British Columbia in collaboration with its provincial partners.

88. JIGIT has also invested considerable time and effort in information sharing initiatives in order to increase detection, disruption, and enforcement capacity.

89. For example, JIGIT has developed the British Columbia Money Laundering Working Group, to engage municipal, provincial, and federal law enforcement resources in British Columbia to share information about money laundering trends, intelligence and investigations. This information sharing initiative is achieved through monthly conference calls with police officers and analysis at all policing levels. In addition to increasing awareness of money laundering activity, the group expects to develop a cadre of money laundering subject matter experts.

90. JIGIT also works closely with the Gaming Policy and Enforcement Branch (GPEB) through a collaborative intelligence model, known as the Gaming Intelligence Unit (GIU). The GIU is comprised of the JIGIT Police Sgt., who provides general oversight and development, the GPEB Director, a GPEB analyst, and a GPEB investigator.

91. The mandate of the GIU is to provide a quality, dedicated, coordinated multi-jurisdictional intelligence approach to illegal gaming in British Columbia, with an emphasis on money laundering and transnational organized crime networks. In furtherance of that mandate, GIU focuses on generating and sharing timely, actionable intelligence for both law enforcement and GPEB investigators

92. Similarly, members within JIGIT, the British Columbia Lottery Corporation (BCLC), and GPEB assemble monthly as part of a Gaming Intelligence Group (GIG) to discuss various evidence based money laundering trends, typologies, and other suspicious illegal gaming activity in British Columbia casinos.

93. GIG members also discuss and consider proactive and reactive measures to tackle illegal gaming in British Columbia, such as placing conditions, suspensions, or bans on casino patrons, and improvements to source of funds measures to reduce opportunities for money laundering, cash facilitation, and other suspicious activity.

94. In addition to the monthly meetings, GIG members have weekly conference calls for more timely discussion and exchange of information regarding the detection and analysis of suspicious transactions within casinos.

95. In March 2019, JIGIT engaged with the provincial government on the development of a provincial licencing regime for money services businesses in British Columbia. As part of that initiative, JIGIT researched and worked with the Autorité des Marchés financiers ('the AMF') in

Quebec, who have a robust provincial licencing program for all individuals involved in Money services businesses.

96. This collaboration ultimately evolved into a formal working group with representatives from CFSEU-BC, the British Columbia Ministry of Finance, the British Columbia Attorney General's Office, British Columbia Police Services, Richmond City Council, and the AMF in Quebec. JIGIT is coordinating this initiative with a view to improving provincial regulatory oversight and developing legislation to better govern Money services businesses in British Columbia.

97. For JIGIT, these collaborative relationships, with both public and private stakeholders, are critical to the short and long-term success of law enforcement and regulation in the gaming industry.

ii) Other Intelligence and Enforcement Partners

98. In addition to the RCMP, CSIS is at the forefront of Canada's national security system.

99. Generally speaking, CSIS has a mandate to collect, analyze, and report to the Government of Canada information and intelligence concerning threats to Canada's national security, and to take measures to reduce those threats. Under the PCMLTFA, CSIS is also a FINTRAC disclosure recipient and may receive financial intelligence relevant to threats to the security of Canada when certain legislative thresholds are met.

100. Information collected by CSIS may be disclosed to other Regime partners, within its mandate to provide advice to assist in the performance of their activities within the Regime. For example, CSIS provides VIRs to FINTRAC on activities suspected to be a threat to the security of Canada.

101. The CBSA is responsible for ensuring the security and prosperity of Canada by managing the access of people and goods to and from Canada.

102. Within the AML/ATF Regime, the CBSA is responsible for the administration and enforcement of Part 2 of the PCMLTFA, which requires individuals or entities to report on the cross-border movement of currency or monetary instruments valued at \$10,000 or greater.

103. Border Services Officers enforce the physical cross-border reporting obligation, including the examination of baggage and conveyances, and can question and search individuals for unreported or falsely reported currency and monetary instruments. The CBSA can seize currency and monetary instruments if they are greater than the reporting threshold and are not reported. Seized non-reported currency and monetary instruments are forfeited with no terms of release when they are suspected to be the proceeds of crime or funds for terrorist financing activities.

104. The CBSA transmits information from cross-border currency reports and cross-border seizure reports to FINTRAC. Separately, the CBSA may also provide VIRs to FINTRAC, as appropriate, and is a disclosure recipient of information that FINTRAC must disclose when certain legislative thresholds are met.

105. Finally, the CBSA also plays a pivotal role in the identification of suspected cases of Trade-based money laundering and the disruption of related criminal activities. Trade-based money laundering describes the process of disguising proceeds of crime (from predicate offences such as human trafficking, human smuggling, tobacco smuggling, firearms trafficking, and illicit drug trafficking) or terrorist financing activities as legitimate trade transactions by misrepresenting import and export declarations for goods entering or leaving Canada.

106. The CRA also plays an important role in the investigation and enforcement of Canada's AML/ATF Regime.

107. The CRA's role in the context of the Regime is twofold: to minimize the impact money laundering and terrorist financing have on the Agency's ability to collect and protect taxes and duties; and to protect the integrity of Canada's charitable registration system from the risk of terrorist financing abuse.

108. Since 2010, the CRA can use the powers available under the Regime to investigate money laundering offences when the designated offence is tax evasion under the *Income Tax Act* and/or the *Excise Tax Act*.

109. The CRA also provides VIRs to FINTRAC and is a disclosure recipient of information from FINTRAC in cases where the information is suspected to be relevant to the investigation or prosecution of a money laundering or terrorist financing offence, relevant to tax evasion, or relevant to the determination that a charity has ceased to meet the registration requirements of the *Income Tax Act*.

110. More recently, the CRA has played a role in policy discussions that relate to tax evasion, such as work to improve the transparency of beneficial ownership information and the reporting requirements for trust companies.

111. When charges are laid against individuals or entities following an investigation into money laundering, terrorist financing or other activities related to the proceeds of crime, responsibility for prosecution shifts to the Public Prosecution Service of Canada (PPSC) and provincial prosecutors.

112. PPSC is an independent organization, reporting to Parliament through the Attorney General of Canada. PPSC is responsible for initiating and conducting federal prosecutions. When deciding whether to prosecute, the prosecutor will assess the sufficiency of the evidence gathered during the course of the investigation and any relevant public interest criteria.

113. PPSC ensures that money laundering and terrorist financing offences are prosecuted to the fullest extent of the law. It is important to note, however, that the Attorney General of Canada (as opposed to a provincial Attorney General) has authority to prosecute a money laundering offence only where the predicate offence is a contravention of an Act of Parliament other than the *Criminal Code* (for example, the *Controlled Drugs and Substances Act*). This does not necessarily mean there will always be charges for the underlying offence that accompanies the money laundering offence. This will depend on the facts of the case, the evidence, as well as public interest in adding charges for the offence underlying the money laundering offence.

114. The restraint and confiscation of proceeds of crime is also an important law enforcement component of the Regime. Public Services and Procurement Canada (PSPC) manages lawfully seized and restrained property on behalf of the Government of Canada, through the Seized Property Management Directorate (SPMD). SPMD is co-located with various RCMP units across Canada and provides consultative advice and asset stewardship and disposition services for seized assets through a national network of service representatives, secure warehouses and private sector suppliers. In addition, SPMD offers case management, data gathering, and reporting services to key partners.

115. PSPC's Forensic Accounting Management Group (FAMG) provides forensic accounting expertise to law enforcement at all levels of government to support investigations involving financial crimes. The services include reviewing FINTRAC disclosures provided by law enforcement partners with a mandate to analyze the data and identify potential money laundering indicators, reviewing financial information to provide an expert opinion on money laundering indicators, preparing expert forensic accounting reports, and providing expert witness' testimony on the financial aspects of criminal investigations and prosecutions.

iii) Other Federal Stakeholders

116. In addition to the partners already described, other federal stakeholders may also interact with the Regime from time to time, bringing their expertise on specific issues:

- i) The Communications Security Establishment (CSE) collects and analyzes foreign signals intelligence, which may include intelligence related to transnational serious organized crime, cyber crime, and/or terrorist activities that engage Canada's national interest. They are also a disclosure recipient of FINTRAC financial intelligence as prescribed by the PCMLTFA.
- ii) The Canada Mortgage and Housing Corporation (CMHC) provides input to the Regime in the areas of mortgage fraud and coverage of the real-estate sector.

PART III CANADA'S INTERNATIONAL LEADERSHIP

117. The growing global nature of crimes related to money laundering and terrorist financing requires international cooperation to learn and share trends, risks, typologies, and best practices. Maintaining current international best practices assists Canada in fulfilling its international commitments to participate in the fight against transnational crime. In addition, international cooperation facilitates investigations and prosecutions domestically and abroad. Canada's efforts also serve to safeguard its financial system against its use as a vehicle for money laundering and terrorist financing.

118. As the International Monetary Fund has stated:

...action against money laundering and terrorist financing thus responds not only to a moral imperative but also to an economic need [...] In an increasingly interconnected world, the harm done by these activities is global. Money launderers and terrorist financiers exploit the complexity inherent in the global financial system as well as differences between national laws; jurisdictions with weak or ineffective controls are especially attractive to them.

119. In addition to domestic AML/ATF efforts, Canada has taken a strong leadership role in global efforts to disrupt transnational organized crime, including money laundering and terrorist financing.

A. FINANCIAL ACTION TASK FORCE (FATF)

120. Most notably, Canada is a founding member of the Financial Action Task Force (FATF), which leads global efforts to adopt and implement measures designed to counter the use of the financial system by criminals.

121. The FATF develops international AML/ATF standards, and monitors their effective implementation through peer reviews and public reporting. To date, the FATF has developed 40 Recommendations and 11 Immediate Outcomes on AML/ATF, which are widely considered the international standard.

122. To encourage jurisdictions to strengthen their AML/ATF regimes, the FATF publishes peer evaluations of its members and publicly identifies non-compliance with the international AML/ATF standards. The FATF also leads international efforts related to policy development and risk analysis, and identifies and reports on emerging money laundering and terrorist financing trends and methods.

123. Canada participates in the FATF by regularly attending Plenary and working group meetings; contributing to the development of policy, guidance, and typology reports; providing assessors and reviewers for peer reviews of other member countries; participating in joint regional review groups to monitor compliance of high-risk jurisdictions; and supporting capacity building of the global network.

124. Following every FATF Plenary meeting, FINTRAC issues an Advisory to reporting entities to inform them of FATF decisions with respect to countries that pose a risk to the international financial system.

125. Participation in the FATF Style Regional Bodies (FSRBs) further allows Canada to monitor, influence, and support the AML/ATF activities and efforts of member countries in regions of strategic interest to Canada.

126. Canada works in close cooperation with FSRBs such as the Caribbean Financial Action Task Force (CFATF), where Canada is a Co-operating and Supporting Nation, and the Asia/Pacific Group on Money Laundering (APG), where Canada is a full member. Canada also provides substantial financial support and expert contributions in technical assistance to the APG and the CFATF through partnerships with federal departments and agencies.

B. EGMONT GROUP

127. In 2002, FINTRAC became a member of the Egmont Group. Comprised of financial intelligence units (FIUs) from 164 jurisdictions, the Egmont Group's goals are to foster communication and improve the exchange of information, intelligence, and expertise among the global network of FIUs in support of member countries' AML/ATF regimes.

128. As Canada's FIU, FINTRAC works with foreign FIUs to protect Canadians and the integrity of Canada's financial system. Through over 100 bilateral agreements, FINTRAC is able to disclose financial intelligence to FIUs worldwide when the appropriate threshold is met. At the same time, FIUs are able to share their information with FINTRAC, which broadens its analyses of international financial transactions.

129. Canada also provides technical assistance and shares expertise with foreign FIUs, helping to enhance global knowledge of money laundering and terrorism financing issues and to strengthen international compliance and financial intelligence operations.

C. INTERNATIONAL LAW ENFORCEMENT

130. In the law enforcement realm, the RCMP regularly contributes resources and expertise to international investigations, through working relationships with the FBI, UK's National Crime Agency (NCA), Europol, and other international police agencies.

131. Along with regular bilateral engagement, the RCMP also continues to be a strong partner on the Five Eyes Law Enforcement Group Money Laundering Working Group (FELEG MLWG) and shares information with our FELEG partners on suspects and typologies involved in international money laundering. Beginning in March 2020, RCMP will chair the FELEG MLWG for two years.

D. INTERNATIONAL TECHNICAL ASSISTANCE AND CAPACITY BUILDING

132. Canada also provides training, equipment, and technical and legal assistance to help countries develop capacity and frameworks to strengthen their AML/ATF frameworks.

133. Most Canadian AML/ATF foreign technical assistance is funded through two programs administered by Global Affairs, the Anti-Crime Capacity Building Program and the Counter-Terrorism Capacity Building Program. These programs currently have seven operational projects focused on or targeting AML/ATF, with a total value of \$9.3 million.

134. Partners in Canada's AML/ATF Regime, including FINTRAC, RCMP, and CRA also provide direct assistance to other countries in their areas of expertise.

135. Capacity building projects include training analysts from FIUs, banking supervisors, prosecutors, investigative magistrates, and judges in countries of strategic interest, as well as projects implemented by international organizations. Canada also provides technical assistance and shares subject matter expertise directly, through FINTRAC, the RCMP, and the Department of Justice.

PART IV DEMONSTRATING RESULTS

136. Canada's AML/ATF Regime and the financial intelligence generated by FINTRAC have contributed to combatting financial crimes and efforts by law enforcement across the country to combat organized crime and keep Canadians safe.

137. For example, the Toronto Police Services' Major Project Section of the Integrated Gun and Gang Task Force recognized the value of FINTRAC's financial intelligence in *Project Patton*, a nine-month investigation focused on the criminal street gang "The Five Point Generalz". Following the execution of 53 search warrants, more than a thousand charges were laid against 75 individuals, 78 firearms were seized and \$1.2 million of fentanyl, carfentanil, cocaine and heroin was taken off the streets of Toronto and other Canadian communities.

138. The CRA recognized the value of FINTRAC's financial intelligence in *Project Collecteur*, a joint investigation with the RCMP that targeted a money laundering and tax evasion scheme in the Greater Montreal and Toronto areas. Charges were laid against 17 individuals, including laundering the proceeds of crime, and \$10.9 million in drugs and proceeds of crimes were seized, as were several properties with an estimated value of \$22 million. A legislative amendment made in 2010 (Part X11.2 of the *Criminal Code*) allowed for the restraint of property in this case.

139. The Ontario Provincial Police (OPP) recognized the value of FINTRAC's financial intelligence to *Project HOPE*, an intercontinental investigation that netted the largest single drug seizure in OPP history. 1,062 kilograms of pure cocaine, with the street value of approximately

\$250 million, was seized. Three individuals were charged with the importation of cocaine and possession of cocaine for the purpose of trafficking.

140. In November 2019, the Alberta Law Enforcement Response Teams recognized FINTRAC's contribution to *Project Coyote*, a two-year international investigation that led to Canada's largest seizure of fentanyl – 250,000 pills – and 81 kilograms of cocaine. In total, \$15 million worth of drugs, over \$4.5 million in cash and assets and 13 firearms were seized by police. Seven people face more than 77 charges, including laundering the proceeds of crime.

141. While Canada's domestic and international AML/ATF efforts are producing real and meaningful results for Canadians, there is no question that we are facing a challenging environment. This is not unique to Canada. Some of the challenges include:

- i) The global banking system and transnational nature of money flows have become increasingly complex and sophisticated;
- ii) Technology has brought new and evolving challenges such as anonymity, speed, and much larger volumes of transactions;
- iii) Cash transactions are being replaced by other negotiable instruments, including use of electronic and digital means;
- iv) The use of trade financing and the international trade system as a means to move value and illicit proceeds around the globe through trade based money laundering techniques;
- v) Criminal organizations, hostile state actors, and terrorist groups have become more adept at using the financial systems to achieve their goals; and,
- vi) New and emerging technologies are adopted quickly by criminal organizations and individuals.

142. The increasing complexity of money laundering and terrorist financing schemes and the use of technology by criminals has imposed unprecedented demands not only on law enforcement but the whole of government to adapt and modernize capacity, to develop new expertise, and to revise legislation, policies, and regulations that may be outdated. These challenges are common throughout the world and we have to meet them head on.

143. Canada's AML/ATF Regime can only do this effectively by working together and sharing information and best practices so that we can stay ahead of the criminals and hostile actors who are always looking for new ways to exploit our financial system to launder their proceeds from large-scale fraud, trafficking, and corruption.

144. Canada's Regime is regularly reviewed by Parliament and international peers to ensure it remains effective and aligned to international standards and best practices. These independent reviews provide assurance and understanding of the strengths of the Regime and guide the Government in targeting its ongoing efforts to further reinforce the Regime to close gaps and meet new threats.

145. Canada underwent a peer review by the FATF in 2016. The FATF Mutual Evaluation found that Canada has a comprehensive AML/ATF Regime that is largely effective, with appropriate legislation and regulations. It noted that Canada has a good understanding of its risks; effective cooperation of government bodies at both the policy and operational levels; effective supervision of reporting entities; and effective measures in place for preventing terrorists from raising, using, and moving funds.

146. At the same time, the FATF identified several areas where action should be taken to strengthen the overall effectiveness of the Regime: improving the availability of accurate beneficial ownership information to be used by relevant authorities; ensuring coverage of the legal

profession under the Regime; and increasing the number of money laundering investigations and prosecutions, in particular relating to complex schemes involving professional money launderers. In addition, the report found that Canada's AML/ATF framework could be strengthened by expanding the scope of the legislation to other types of businesses and sectors, and to apply new obligations to the designated non-financial businesses and professions sector in relation to politically exposed persons, heads of international organizations, and beneficial ownership requirements.

147. Every five years, a Parliamentary Committee conducts a statutory review of the PCMLTFA. In February 2018, the House of Commons Standing Committee on Finance (FINA) launched the most recent review. To support the Committee's work, the Department of Finance issued a discussion paper seeking feedback from Canadians on areas of vulnerability in Canada's AML/ATF Regime, including those identified by the FATF.

148. The paper was well received, with broad support for the Government to tackle beneficial ownership transparency and the inclusion of the legal profession in the Regime. In addition, private sector entities noted their desire for additional regulatory flexibility to implement new technologies and for reduced regulatory burden.

149. In its final report tabled in November 2018, FINA made 32 recommendations including: the creation of a central beneficial ownership registry; legislative changes to integrate the legal profession into Canada's AML/ATF framework; the implementation of a system for geographic/sector targeting orders similar to those used in the United States; the inclusion of new types of businesses under the PCMLTFA such as white-label ATMs, armoured car services, mortgage insurers, land registry and title insurers, and luxury goods dealers; and requirements for all businesses subject to the PCMLTFA to identify beneficial ownership and determine whether

their clients are politically exposed persons. In strengthening the Regime, the Government continues to assess the full set of recommendations, including to take into account regulatory burden on businesses and implications for the privacy and *Charter* rights of Canadians.

150. Canada has already begun to take some important steps to address the most pressing vulnerabilities in our Regime. The stakeholders that make up Canada's Regime are engaged in a number of ongoing initiatives designed to fill the existing gaps in AML/ATF regulation and enforcement, and to improve the capacity of agencies to respond to new and emerging money laundering and terrorist financing threats.

A. RECENT AND ONGOING AML/ATF INITIATIVES

i) Strengthening Legislation and Regulation

a. Beneficial Ownership Transparency

151. Since 2016, the Government of Canada has been working with provinces and territories to advance a national approach to strengthening beneficial ownership transparency. In order to safeguard against corporations being misused to launder money and hide ownership of assets, like real estate, authorities need to know who owns and controls corporations.

152. In December 2017, Canada's Finance Ministers agreed in principle to pursue legislative amendments in their jurisdictions that would require corporations to keep up-to-date records of their beneficial owners that are available to law enforcement and tax authorities, and to eliminate the use of bearer shares. Ministers agreed to make best efforts to complete these amendments by July 2019.

153. A series of legislative amendments to the *Canada Business Corporations Act* were completed and came into force in June 2019 to fulfill this commitment at the federal level. British

Columbia, Manitoba, Saskatchewan, and Prince Edward Island have also introduced or passed similar amendments in their jurisdictions. Nova Scotia has passed amendments to eliminate the use of bearer shares.

154. The Government is now taking the next steps needed to further strengthen corporate ownership transparency. In June 2019, several of Canada's federal, provincial, and territorial Ministers of Finance and ministers responsible for AML and beneficial ownership transparency met and agreed to cooperate to initiate consultations on a public beneficial ownership registry. Ministers re-affirmed their commitment to protect the integrity of Canada's economy by improving beneficial ownership transparency in a way that balances transparency and privacy safeguards while ensuring effective access for law enforcement, tax and other authorities, and maintaining the ease of doing business in Canada.

155. On February 13, 2020, ISED and the Department of Finance initiated consultations on creating a publicly accessible registry of beneficial ownership. Provinces and territories have been invited and encouraged to participate in cross-country consultations with Canadians. British Columbia and Quebec have already moved ahead to initiate consultations on requiring corporations to disclose beneficial ownership information to government corporate registries and making this information public.

156. The results of these consultations will support the development of recommendations at the federal, provincial, and territorial levels for a path forward on strengthening corporate transparency in Canada.

b. Working Group with the Federation of Law Societies of Canada

157. The Government acknowledges the risk that the absence of AML/ATF obligations on members of the legal profession can pose to the effectiveness of the Regime and to the integrity of

the financial system. The FATF found that criminals seek out the involvement of legal professionals in their money laundering and terrorist financing activities. It is the financial services offered by lawyers that make them gatekeepers to the financial system and that make them the most vulnerable. In addition to conducting wire transfers, issuing cheques, and accepting cash, these services include establishing trust accounts, forming and managing corporations and legal trusts, and carrying real estates and securities-related transactions.

158. The inclusion of the legal profession in Canada's AML/ATF Regime is important to the objective of detecting and deterring money laundering and terrorist financing. It is important that financial intermediaries, such as lawyers, take measures to ensure they are not unwittingly used to launder money or to finance terrorism.

159. The Department of Finance and the Federation of Law Societies of Canada established a Working Group in 2019 to explore issues related to money laundering and terrorist financing, in order to address the inherent risks of money laundering and other illicit activity that may arise in the practice of law and to strengthen information sharing between the law societies and the Government of Canada.

160. The working group with the Federation of Law Societies of Canada has met twice to discuss trends and typologies of money laundering in the legal profession as well as a discussion on law society supervisory and audit functions.

c. Canada-British Columbia Ad Hoc Working Group on Money Laundering in Real Estate

161. The Canada-British Columbia Ad Hoc Working Group on Money Laundering in Real Estate was established in December 2019 and brings together senior officials from British Columbia and the federal government with the mandate to enhance communication, information

sharing, and alignment amongst relevant operational and policy partners to explore and better address issues and risks related to money laundering, tax evasion and fraud through real estate in British Columbia.

162. The mandate of the Canada-British Columbia Ad Hoc Working Group was recently extended to December 2020 to allow for further time to develop work under three work streams

- i) One to identify potential improvements to data collection and sharing practices to more effectively combat money laundering;
- ii) Another to identify areas where joint actions could be taken to address regulatory gaps, foster compliance of the real estate sector, and improve outreach and education to the sector; and,
- iii) A third to identify measures to facilitate enforcement and prosecution of criminal activities in real estate.

163. The Canada-British Columbia Ad Hoc Working Group will continue to report to Finance Ministers on its work and any conclusions or recommendations which may be developed.

d. Amendments to AML Regulations

164. In June 2019, the Government of Canada finalized a series of amendments to the PCMLTFA regulations to address weaknesses in the framework with regard to the regulation of on-line casinos, due diligence requirements for domestic politically exposed persons, virtual currency and prepaid payment products, and the risk assessment of new technologies.

165. These amendments will designate businesses dealing in virtual currency as money services businesses and will expand the scope of the regulations to include foreign money services businesses (for example, online platforms with no physical presence) in Canada's AML/ATF

Regime. These legislative provisions come into force in June 2020 and the full suite of regulatory obligations in June 2021.

166. The Government of Canada continues to strengthen Canada's regulatory framework to address priority recommendations of both the FINA and FATF reviews. On February 14, 2020, the Department of Finance published proposed amendments to the PCMLTFA regulations for consultation, which aim to enhance customer due diligence by requiring designated non-financial businesses and professions, for example real estate brokers, to take enhanced identification measures, such as obtaining beneficial ownership information and screening for politically exposed persons. The proposed regulations also aim to align record-keeping obligations for businesses dealing in virtual currencies and customer due diligence measures for casinos with international standards.

e. Budget 2019 Initiatives to Modernize and Strengthen Canada's AML/ATF Regime

167. The Government of Canada's Budget 2019 also announced legislative amendments to modernize Canada's AML/ATF Regime, such as the addition of recklessness to the offence of money laundering in section 462.31 of the *Criminal Code*. This criminalizes the activity of moving money on behalf of another person or organization while being reckless to the risk that this activity could be laundering the proceeds of crime. This is an important tool to improve the ability to investigate and prosecute professional money launderers associated with organized crime.

ii) Strengthening Intelligence Capacity and Enforcement

168. In addition to legislative changes, Budget 2019 also announced an integrated set of measures to strengthen intelligence and enforcement capacity across Canada's AML/ATF Regime.

169. Money laundering investigations are often lengthy and complex endeavors, necessitating large teams to conduct surveillance, recruit confidential informants, obtain reasonable grounds for various judicial authorizations such as wiretaps and production orders for bank records, listen to and transcribe communication intercepts, and review, analyze and collate vast amounts of information and prepare disclosure for Crown.

170. The Government of Canada recognizes the capacity of law enforcement, Crown counsel, and the courts must be commensurate with the demands placed upon them to investigate and successfully prosecute money laundering and terrorist financing offences.

171. In recognition of the complexity of money laundering investigations, and the need to strengthen federal policing capacity, Budget 2019 announced \$68.9 million over five years and \$20 million ongoing for enhanced federal policing capacity, including to fight money laundering. Subsequent to Budget 2019, Ministers Morneau and Blair announced an additional \$10 million for the RCMP to invest in, IM/IT infrastructure and digital tools to pursue complex financial crimes.

172. Budget 2019 also created four new dedicated real estate audit teams through the provision of \$50 million over five years to the CRA.

173. Finally, Budget 2019 provided additional funding to FINTRAC, which is being used to strengthen compliance functions in relation to virtual currencies, foreign money services businesses, and customer identification. With this new funding, FINTRAC is also increasing their outreach and examinations in the real estate and casino sectors with a focus on the province of British Columbia.

iii) Improving Federal Leadership and Coordination

174. There is no doubt that criminal elements will continue to attempt to exploit the cracks in Canada's AML/ATF infrastructure. Canada is currently seeking to improve federal leadership and

coordination of the AML/ATF Regime through a number of initiatives that aim to improve the efficiency of information exchange, expertise and coordination among public and private entities.

a. The ACE Team

175. As previously noted, the last federal budget saw the creation of the Anti-Money Laundering Action, Coordination and Enforcement Team ('the ACE Team'), which is bringing together dedicated experts from across intelligence and law enforcement agencies to strengthen inter-agency coordination and cooperation and identify and address significant money laundering and financial crime threats.

176. The ACE team includes employees seconded from FINTRAC, RCMP, CRA, PSPC, OSFI, and Public Safety. The ACE Team's mission is to actively coordinate and support inter-agency efforts to counter money laundering in Canada, through:

- iv) Supporting alignment of horizontal operational AML priorities;
- v) Improving the sharing of information, knowledge, expertise, and resources;
- vi) Identifying and supporting significant money laundering investigations; and,
- vii) Maximizing the use of public-private partnerships to identify AML threats and red flags.

177. The ACE Team is currently reviewing AML efforts across the country and internationally, to inform the development of its operational model and staffing plan. While the ACE Team's initial focus is at the federal level, it is also seeking opportunities for greater federal, provincial, territorial, and municipal cooperation, including by exploring options to expand the initiative over the long term to include the private sector and provincial, territorial, or municipal enforcement or prosecution authorities.

178. The ACE Team will become operational in 2021 and will then provide inter-agency coordination and support to AML investigations and prosecutions across the country.

b. Money Laundering Banker's Contact Group (MLCG)

179. The Money Laundering Banker's Contact Group (MLCG), is a public-private partnership whose members include the RCMP, major financial institutions, and FINTRAC. The MLCG is pursuing opportunities to share information within Canada's lawful information sharing framework.

180. MLCG partners seek to work together to improve their collective understanding of money laundering threats. They also work together to clarify priorities, targeting and interventions, as well as to identify the benefits of, and obstacles to, information sharing amongst key Canadian AML/ATF Regime stakeholders.

181. The MLCG meets quarterly to provide government and private sector participants with a forum to exchange information on money laundering trends. The partners seek a common understanding of pressing issues and priorities, identify challenges to cooperation, and work collaboratively to strengthen the resilience of Canada's financial system.

c. Trade-Based Money Laundering Centre of Expertise

182. Budget 2019 also announced \$28 million over five years and \$10 million ongoing for CBSA to create a Trade Fraud and Trade-Based Money Laundering Centre of Expertise, which will complement the work of the ACE Team.

183. The Centre, which is intended to be operational by April 2020, will bring together CBSA experts in both National Headquarters and regional offices across Canada to improve the CBSA's

ability to identify, interdict, and investigate the customs trade fraud offences that allow trade-based money laundering to occur.

184. The Centre will also generate increased intelligence and investigative referrals to the ACE Team and the RCMP when trade-based money laundering is suspected. This initiative is also expected to result in increased CBSA referrals to other government departments, such as the CRA, for related offences such as tax evasion.

185. This initiative will therefore support whole of government efforts to enhance the safety and security of Canadians, and the protection of the integrity of Canada's financial and trade systems.

iv) Enhancing the Exchange of Information while Protecting Canadians' Rights

186. In recognition of the pivotal role of legal information exchange in the effective operation of Canada's AML/ATF Regime, the federal government is working to strengthen new and existing partnerships across the public and private sectors.

a. Project Athena

187. CFSEU-BC recently launched *Project Athena*, a public-private partnership between domestic law enforcement agencies, financial institutions, casinos, and federal and provincial government bodies such as FINTRAC.

188. *Project Athena* was modelled after other successful public-private partnerships such as *Project Protect*, *Project Guardian*, and *Project Chameleon*, which are aimed at more effectively combatting money laundering associated with human trafficking in the sex trade, romance fraud, and the trafficking of illicit fentanyl.

189. The objectives of the Project are threefold:

- i) To improve collective understanding of money laundering threats (Detect);

- ii) To inform and strengthen financial systems and controls (Protect); and,
- iii) To disrupt of money laundering activity (Disrupt).

190. *Project Athena* began in 2018, following the implementation of source of funds declarations at British Columbia casinos. At that time, JIGIT at CFSEU-BC sought information from BCLC to launch a bank draft intelligence probe, with the aim to understand the use of bank drafts by those seeking to launder proceeds of crime and to assess the effectiveness of source of funds declarations in British Columbia's casinos. Ultimately, the bank draft intelligence probe identified a number of deficiencies and misrepresentations in the completion of source of funds declarations.

191. As a result, in May 2018, law enforcement, BCLC, GPEB, and a number of financial institutions met for a bank draft stakeholders meeting. At this inaugural meeting, JIGIT shared the money laundering methodology they had observed in British Columbia casinos and provided information garnered from the bank draft intelligence probe, leading some financial institutions to change their internal processes for identifying clients on bank drafts. By engaging multiple stakeholders through lawful information sharing, systemic changes were thereby achieved.

192. Based on this initial success, *Project Athena* has evolved into a nationally scaled public-private partnership that will link with a formal governance structure for private-public partnerships which includes an Executive Steering Committee.

193. *Project Athena* meetings now provide an important forum for strategic level, lawful information sharing between core stakeholders including law enforcement, FINTRAC, and key financial institutions. On Dec 10 2019, FINTRAC issued its first *Project Athena* Operational Alert, titled "Laundering the proceeds of crime through a casino-related underground banking scheme."

v) Renewing Canada’s Commitment to Transparency and Public Outreach

194. As Canada seeks to strengthen its AML/ATF Regime, the federal government has renewed its commitment to transparency, accountability, and public outreach in AML/ATF initiatives. The Government of Canada is focused on sharing more information with Canadian businesses, with an eye to ensuring they understand and are able to fulfill the obligations that are so critical to our financial intelligence mandate.

195. Over the past year, as part of this broader transparency initiative, FINTRAC has published its Compliance Framework, FINTRAC Assessment Manual, and revised Administrative Monetary Penalties policy, which outlines – clearly and transparently – FINTRAC’s new method of calculating penalties for non-compliance. No other AML/ATF regulator in the world has done this.

196. Canada understands that regulatory burden is a key concern to the private sector, and that it is important to strike a balance between capturing financial activity that poses money laundering or terrorist financing risks, and the amount of resources, either public or private, that are needed to comply with obligations and analyze that activity. FINTRAC has engaged extensively with businesses in revising its suspicious transaction reporting guidance to make it clearer, more concise and tailored to each reporting sector.

197. FINTRAC has also recently provided businesses with strategic financial intelligence to support them with their risk assessments and in fulfilling their reporting obligations, including the December 2019 Operational Alert titled “Professional money laundering through trade and money services businesses” and the “Terrorist Financing Assessment,” which assists businesses in better identifying and reporting suspected terrorist activity financing.

198. Canada's commitment to sharing more with Canadian businesses was recently recognized by the Community of Federal Regulators, which presented FINTRAC with an award for Excellence in Regulatory Openness and Transparency.

B. STRENGTHENING COOPERATION WITH PROVINCES AND TERRITORIES

199. While Canada's AML/ATF Regime as a whole is a federal responsibility, stemming from the criminal law power, there are many areas with shared jurisdiction and responsibilities with provinces and territories. All levels of government can do more to combat money laundering and terrorist financing in Canada.

200. Federal, provincial, and territorial governments share jurisdiction over incorporation, with approximately ten per cent of corporations in Canada established under the federal *Canada Business Corporations Act*. Provinces and territories have jurisdiction over incorporation of trusts, partnerships, and companies with provincial objects, which can also be misused for money laundering and other criminal purposes.

201. Provinces and territories are responsible for corporate and land registries, real estate regulation, securities regulation, regulation of the legal and accounting professions, casino regulation, and life insurance regulation.

202. They also have a role in the oversight of the financial sector. This includes regulation of credit unions, money services business, and regulation of provincial trust and loan companies. Provincial securities regulators receive financial intelligence from FINTRAC, when specific legislative thresholds are met.

203. From an operational perspective, provincial and municipal law enforcement agencies can conduct criminal investigations of money laundering and terrorist financing. Provincial law enforcement agencies are disclosure recipients of financial intelligence from FINTRAC and the

Public Prosecution Service of Canada (PPSC) works with provincial prosecutors ensure that crimes are prosecuted to the full extent of the law. Further, in some provinces (including British Columbia) the use of civil forfeiture as a means to forfeit suspected proceeds of crime is an available option.

204. Federal, provincial, and territorial governments all play a role in the protection of privacy, and many provinces have their own privacy legislation and privacy commissioners in addition to federal privacy laws (e.g., the *Privacy Act* and *Personal Information Protection and Electronic Documents Act*).

C. CANADA'S VISION FOR THE COMMISSION

205. The Commission represents an important opportunity to engage members of the Canadian public and key stakeholders on how governments can better combat money laundering in Canada.

206. The crime of money laundering is complex, perpetrated by sophisticated criminals using elaborate methods. The money can and does come from crimes committed anywhere in the world; with Canada's experience only part of a chain of events. The solutions are similarly complex. Coordinated provincial and federal government action is required across legal, technological, and regulatory spheres in order to fight this problem.

207. The Government recognizes that any measures to enhance Canada's AML/ATF framework must always seek to strike an appropriate balance among sometimes competing objectives.

208. For example, the need to improve information-sharing and provide timely and actionable intelligence to law enforcement agencies must be balanced against the imperative of protecting the privacy and *Charter* rights of Canadians. Moreover, robust and comprehensive preventative measures to combat money laundering and terrorist financing must not place an undue burden on

reporting entities, which are on the front lines of the fight against money laundering and terrorist financing.

209. Canada trusts that the work of the Commission will support Canada's ongoing AML/ATF initiatives by providing further insights into the extent, growth, and evolution of money laundering in British Columbia, including new money laundering typologies and emerging areas of vulnerability.

210. Canada also hopes that the Commission will facilitate a better understanding of the current AML/ATF landscape in British Columbia and identify additional regulatory or enforcement measures that the province can take within its areas of jurisdiction to bolster Canada's defences against money laundering and terrorist financing.

211. In particular, Canada believes that the Commission can make a valuable contribution to bolstering Canada's defences by investigating and providing recommendations that the province can take within its areas of jurisdiction to:

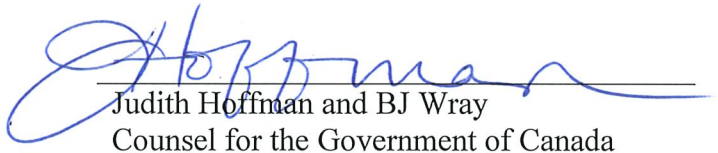
- i) The effective use of public-private partnerships to enhance the prevention, detection, and investigation of money laundering and terrorist financing activities;
- ii) Creative ways to facilitate legal information sharing and knowledge exchange between all stakeholders across the AML/ATF Regime;
- iii) Lessons learned from the practices and processes used by international agencies in the enforcement, prosecution and investigation of money laundering;
- iv) The identification of further risk-based approaches to AML/ATF and proactive measures to get ahead of new and emerging areas of vulnerability; and,

- v) Other efforts and initiatives that could be pursued by the province of British Columbia, supported by the Government of Canada, to make the province an undesirable place to the proceeds of crime.

212. Canada supports British Columbia's renewed commitment to combatting money laundering and terrorist financing in the province, and looks forward to engaging with other public institutions, private stakeholders, and everyday Canadians throughout the Inquiry on the best way to forward.

213. The Commission's work is of great importance to all Canadians and Canada is committed to working with the Commission as it addresses the issues set out in its mandate. Canada will continue to participate in the Inquiry to the fullest extent possible and we are confident that by working together, we will gain an even greater understanding of how to tackle these important and complex issues.

Dated: February 21, 2020


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