



Financial Transactions and
Reports Analysis Centre
of Canada

Centre d'analyse des opérations
et déclarations financières
du Canada

ANNUAL REPORT 2010



FINTRAC

Ten Years of Connecting the Money to the Crime

Canada 



WHO WE ARE

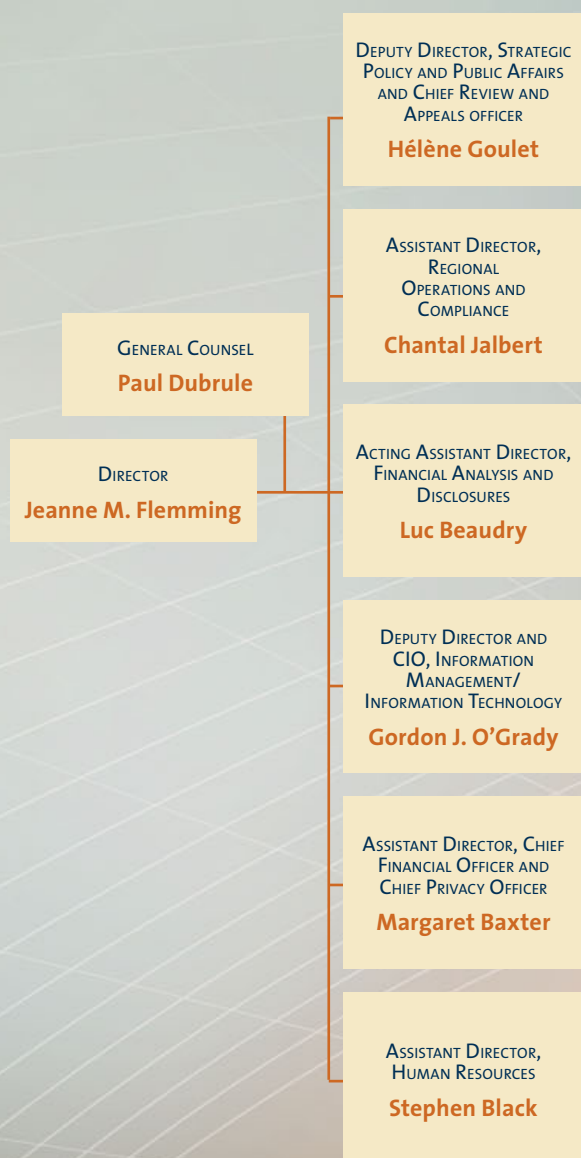
OUR MISSION

To contribute to the public safety of Canadians and to help protect the integrity of Canada's financial system through the detection and deterrence of money laundering and terrorist financing.

OUR VISION

To be recognized as a world class financial intelligence unit in the global fight against money laundering and terrorist financing.

OUR ORGANIZATION



OUR ACTIVITIES

- Receiving financial transaction reports in accordance with the legislation and regulations and safeguarding personal information under our control.
- Ensuring compliance of reporting entities with the legislation and regulations.
- Producing financial intelligence on suspected money laundering, terrorist activity financing and other threats to the security of Canada.
- Researching and analyzing data from a variety of information sources that shed light on trends and patterns in financial crime.
- Enhancing public awareness and understanding of money laundering and terrorist activity financing.

OUR RELATIONSHIPS

DOMESTIC:

- Reporting entities (REs) and their representative associations
- National and provincial financial regulators
- Royal Canadian Mounted Police (RCMP)
- Sûreté du Québec and Ontario Provincial Police
- Montréal, Toronto, Vancouver and other municipal police forces
- Canadian Security Intelligence Service (CSIS)
- Canada Border Services Agency (CBSA)
- Canada Revenue Agency (CRA)
- Communications Security Establishment Canada (CSEC)
- Department of Finance
- Department of Justice
- Department of National Defence (DND)
- Public Prosecution Service of Canada (PPSC)
- Public Safety Canada (PS)
- Foreign Affairs and International Trade Canada (DFAIT)
- Privy Council Office (PCO)
- Treasury Board of Canada Secretariat (TBS)
- National Coordinating Committee on Organized Crime (NCCOC)
- Canadian Association of Chiefs of Police (CACP)

INTERNATIONAL:

- Foreign financial intelligence units (FIUs)
- The Egmont Group of Financial Intelligence Units
- Other international organizations such as the Financial Action Task Force (FATF), the World Bank, the International Monetary Fund (IMF), the Caribbean Financial Action Task Force (CFATF) and the Asia/Pacific Group on Money Laundering (APG)



September 27, 2010

The Honourable James M. Flaherty, P.C., M.P.
Minister of Finance
L'Esplanade Laurier
140 O'Connor Street
21st Floor, East Tower
Ottawa, Ontario
K1A 0G5

Dear Minister:

Pursuant to subsection 71(1) of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, I am pleased to present you with the ninth Annual Report for the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC). This report provides details of our operations and our achievements for the period from April 1, 2009 to March 31, 2010.

We continue in our commitment to promote compliance with Canada's anti-money laundering and anti-terrorist activity financing legislation and to deliver high-quality financial intelligence.

Yours sincerely,

Jeanne M. Flemming
Director



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MESSAGE FROM THE DIRECTOR

During 2010, FINTRAC, as Canada's financial intelligence unit, celebrates its tenth anniversary. I feel privileged, since my tenure began in 2008, to build upon the solid foundation of those few who started the Centre—with the goal of connecting the money to the crime—and set it on the course that has made it one of the pre-eminent financial intelligence units in the world.



Since becoming Director, I have primarily focused on two goals. The first is to provide more and better financial intelligence with increased relevance to those who use it, that is, police forces, national security agencies, the Canada Revenue Agency or other law enforcement agencies. The second is thorough and rigorous governance of the Centre.

Last year, we developed a set of strategic priorities that were presented in the 2009 Annual Report. This year, we report on how these priorities are being met. There have indeed been appreciable improvements in the speed and efficiency of our case development process. Our financial intelligence product is more geared to the needs of law enforcement agencies, and there is a much quicker turnaround time in response to requests for assistance. We have also increased and diversified our output of strategic intelligence products such as assessments of terrorist groups and countries of national security interest, as well as a series of reports focusing on typologies and trends observed in different business sectors. We have also continued to work with reporting entities, to ensure that effective measures are adopted in a variety of business sectors to combat

money laundering and terrorist activity financing. By improving compliance with the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, we will strengthen Canada's defences against those that would abuse its financial system.

I'm happy to note that, both in multilateral and bilateral arenas, FINTRAC's international reputation continues to grow. We have been active in a number of important initiatives in areas such as training and technical support, strategic analysis, and compliance. As Vice-Chair of the Egmont Group and Chair of its Training Working Group, I have personally been able to encourage a number of projects designed to help fledgling FIUs reach their goals.

This past year also saw a review by the Office of the Privacy Commissioner (OPC). The Commissioner in her report recognized our unstinting dedication to protecting the security of both our information holdings and our physical and IT infrastructures. We are now implementing the recommendations made by the OPC in the report.

In the coming year we expect to be even more helpful to police and to federal and international partners. Our ability to contribute good financial intelligence to investigations will always be the true measure of success.

A handwritten signature in dark ink that reads "Jeanne M. Flemming". The signature is fluid and cursive.

Jeanne M. Flemming
Director



LOOKING BACK ON OUR FIRST DECADE

FINTRAC's origins are rooted in what had become a global fight against money laundering and, later, terrorist financing. In 1996, the international Financial Action Task Force (FATF), of which Canada is a member, called on member countries to establish financial intelligence units (FIUs). These units were to collect and analyze information about suspicious transactions and, where appropriate, make disclosures to law enforcement and other agencies responsible for further investigation and prosecution.

FINTRAC, Canada's FIU, was legislated into existence in July 2000 by the *Proceeds of Crime (Money Laundering) Act*. Once in existence, FINTRAC developed quickly. In its first year, with Horst Intscher as its Director, it developed its organizational structure, acquired physical premises and created an information technology infrastructure that, from the earliest days, was one of the most advanced among FIUs. It consulted key stakeholders, created a Web site, and established a regional presence in Montréal and Toronto. (The Vancouver regional office was added in 2002). With the first phase of regulations in place, FINTRAC began to receive suspicious transaction reports (STRs) from financial institutions before the end of 2001.


Following the 2001 terrorist attacks, FINTRAC's mandate was expanded to combat terrorist financing activity. Its enabling legislation became the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA), and the Centre amended its structure and operations to deal with its new responsibilities. By June 2002, it had begun to receive STRs relating to terrorist financing.

By April 2003, FINTRAC was receiving 2 million reports annually, 99 percent of them electronically. These came to include information on international electronic funds transfers (over \$10,000), on

cross-border currency and seizure reports, and on large cash transaction reports (also over \$10,000). In the next year, FINTRAC received 9.5 million reports, and its disclosures became of greater scope and complexity.

During this initial period, the size of FINTRAC's own workforce was necessarily increasing, and the staff both needed and received training. The vast amount of personal information flowing into the Centre had to be, and was, rigorously protected. International connections with other FIUs were developed. As well, in 2002, FINTRAC had become a member of the Egmont Group, a group designed to facilitate international cooperation among FIUs. The following year, FINTRAC signed its first memoranda of understanding with foreign FIUs (the U.S., the UK and Belgium), which allowed the exchange of financial intelligence with these countries.

Good working relationships with the reporting entities had to be developed and maintained, and FINTRAC began a continuing program to help these entities to understand and comply with the PCMLTFA. By 2006, F2R, a streamlined online reporting mechanism, had been launched. This provided entities with prompt feedback on report quality, making it easier for them to correct their reports and thus to improve the data sent to us.



In 2006, amendments were made to the PCMLTFA, which strengthened Canada's anti-money laundering and anti-terrorist financing regime. Through these provisions, the type of institutions that had to report was broadened, the deterrence provisions in the PCMLTFA were strengthened, and the range of information that FINTRAC was permitted to disclose to its partners was increased. A significant addition to the PCMLTFA, which came into force in 2008, allowed FINTRAC to issue monetary penalties against non-compliant reporting entities.

In 2007, the Government of Canada pledged five million dollars over five years to establish the Egmont Group's permanent Secretariat in Toronto, thus demonstrating Canada's strong commitment and leadership role to the global fight against money laundering and terrorist financing.

Jeanne Flemming became FINTRAC's new Director in 2008. One year later, she became the Chair of Egmont's Training Working Group and in 2010 Vice-Chair of the Egmont Group itself. Under her leadership, FINTRAC continues to produce financial intelligence of the highest quality, and is working particularly closely

with its partner agencies to ensure that the right information is provided at the right time and so provides the maximum assistance with investigations. In these two years, the number of case disclosures has more than doubled.

During this period, enhanced priority has been given to the production of strategic intelligence on money laundering and terrorist financing. As a result, FINTRAC has now published a series of reports on trends and typologies in the banking (May 2009) and casino (November 2009) sectors. These reports help reporting entities, as well as other partners, to recognize new criminal methods and techniques and so to further the AML/ATF regime. A third such report for the money services business sector is being prepared. In addition, FINTRAC has also started to play an increased role in contributing to various security and intelligence community papers whose function it is to inform national security and law enforcement decisions.

FINTRAC has not ceased to grow and to learn, to improve and to share in its first decade. The second decade will, no doubt, present equally difficult challenges and FINTRAC, we are sure, will rise to meet them.



SAFEGUARDING PERSONAL INFORMATION

Every year, FINTRAC has access to information about millions of transactions. All the information is sensitive and in all cases its confidentiality must be assured. It goes without saying that FINTRAC's permanent goal is to add even more strength to its existing measures to protect information.

THE PCMLTFA AND DISCLOSURES

To enable FINTRAC to fulfill its mandate of ensuring the protection of the personal information that it holds, the Centre has implemented rigorous security measures for the handling and storage of all the sensitive data under its control. When its statutory thresholds have been met, FINTRAC must make a disclosure containing “designated information” to police and other security and law enforcement agencies identified in the PCMLTFA.

SECURITY CONTROLS

The protection of privacy lies at the heart of all FINTRAC's systems and programs. An integrated security system prevents unauthorized access to all our premises in Ottawa, Montréal, Toronto and Vancouver. The multi-layered security in our IT systems ensures that any access to them is strictly controlled.

The Government of Canada's policy on Privacy Impact Assessments (PIAs) requires FINTRAC to identify and deal with possible privacy risks before it implements any new programs.

PERSONNEL

All our employees must have high security clearances and are given rigorous ongoing training directed at protecting personal and other sensitive information. This year we have, in addition, launched a Centre-wide Security Awareness program, whose purpose is to reinforce existing training concerning the duty to protect all such information. This program is being delivered to all employees in small groups and in

both official languages. In the unlikely event that there were to be an unauthorized disclosure of information, the penalty for the employee could be as much as five years in jail, and might also be accompanied by a fine of up to \$500,000.

PRIVACY COMMISSIONER RECOMMENDATIONS

Since amendments to the PCMLTFA in 2006, the Office of the Privacy Commissioner (OPC) has been required, every two years, to review FINTRAC's measures to protect the information it receives or collects. The OPC's first such report, received in the fall of 2009, recognized the Centre's good work in protecting both its information holdings and its strong physical and IT security infrastructures, and also made recommendations for improvements. We are now implementing those recommendations.

Perhaps the most important of these suggested that FINTRAC appoint a Chief Privacy Officer to strengthen our privacy management framework and to coordinate and oversee privacy-related activities. A member of the Executive Committee now occupies this position.

One of the most important privacy principles is that of ensuring that the amount of personal information collected does not exceed what is required by the PCMLTFA. FINTRAC, as one of its significant services, provides advice to reporting entities to determine what personal information must be included in their reports. Similarly, the Centre aims to remove any personal information that is not necessary or relevant from its own holdings.



HIGHLIGHTS OF 2009-10

- 📌 FINTRAC made 579 (up from 556 in 2008-09) disclosures of information suspected to be relevant to investigations of money laundering, terrorist financing, and/or threats to the security of Canada. Turnaround time on cases improved 17 percent, and requests for our assistance went up 36 percent. By converting more and more to the use of electronic media for our case disclosures, we sharply reduced delivery times, and provided a more flexible product for our law enforcement and intelligence partners to work with.
- 📌 FINTRAC published, first, a new series of strategic intelligence assessments focusing on terrorist groups and countries arousing national security concerns and, second, reports informing partners about current and emerging typologies and trends in money laundering and terrorist financing. The Centre was also the Canadian lead for the FATF typology project about the use of new payment methods for money laundering purposes.
- 📌 The Office of the Privacy Commissioner issued a report praising the Centre's management of personal information, and recommended the appointment of a Chief Privacy Officer. FINTRAC was pleased to implement this and other OPC recommendations.
- 📌 FINTRAC held a major workshop involving over 140 key reporting entity, law enforcement and government representatives. Its aim was to promote awareness of the Centre's role in the continuum of anti-money laundering and anti-terrorist financing activities.
- 📌 As part of our risk-based compliance program, we conducted 691 examinations of reporting entities, an increase of 52 percent over the previous year.
- 📌 The Administrative Money Penalties (AMP) program completed its first full year of operation, with seven AMPs being issued.
- 📌 FINTRAC's Director was named chair of the Egmont Group of FIUs' Training Working Group in June 2009, and spearheaded the launch of a major Egmont training initiative for FIU analysts world-wide.
- 📌 FINTRAC sponsored a wide range of international technical assistance initiatives, including tactical analysis and compliance training courses for FIUs in the Caribbean and Africa.
- 📌 In *Budget 2010*, the Government recognized the importance of combatting money laundering and terrorist financing by increasing FINTRAC's ongoing funding by a total of eight million dollars per year, starting in 2010-11.

OUR RESULTS

FINTRAC's results during the past year have all been guided and shaped by the six Strategic Priorities that lie at the heart of the Strategic Plan we have adopted for the period 2009-2012. In this report we have presented each result under the priority to which it most directly relates, while recognizing that it does support other priorities as well.

Strategic Priority: Align our financial intelligence products more closely with our partners' needs and identify emerging money laundering and terrorist financing (ML/TF) trends

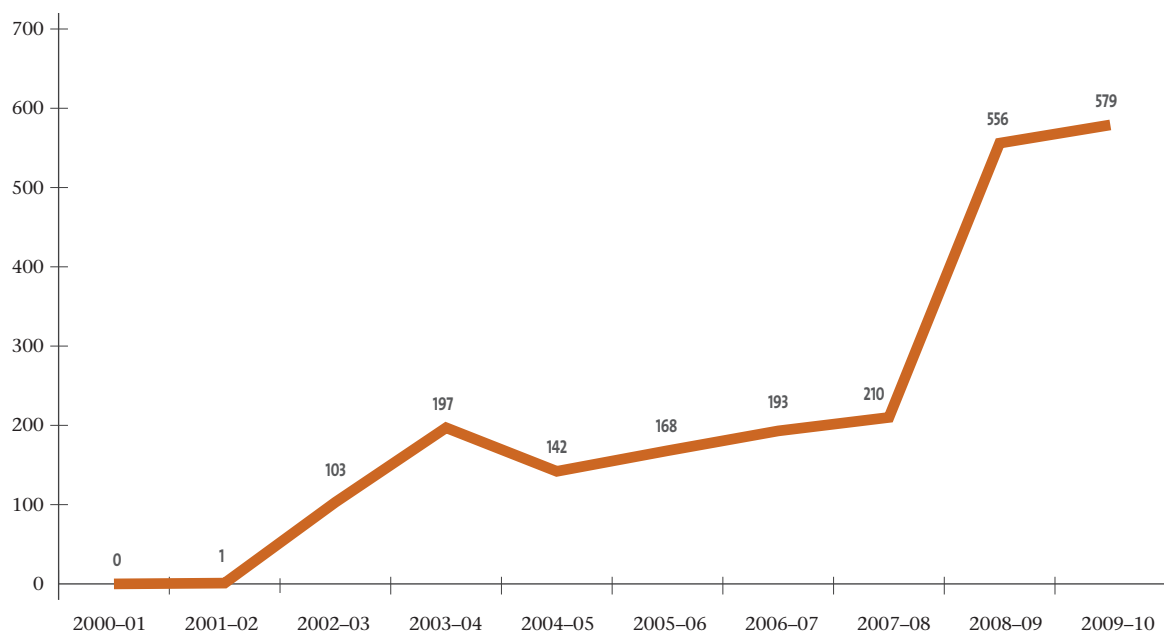
Our Tactical Analysis Disclosures

One of FINTRAC's main products is financial intelligence in the form of case disclosures. Demand for tactical analysis continued to climb, with a 36 percent increase this year in voluntary information received from police or other agencies. Our case disclosure output increased again this year, with a record 579 disclosures being developed. While the RCMP is by far the biggest recipient of these disclosures, we also sent a significant number to the Ontario and Quebec provincial police forces, as well as to municipal law enforcement, CSIS and other federal and international partners.

"The disclosure was useful in identifying new subjects and the charts help visualize the money laundering strategy used by the subjects."

— MONTRÉAL INTEGRATED PROCEEDS OF CRIME UNIT, RCMP

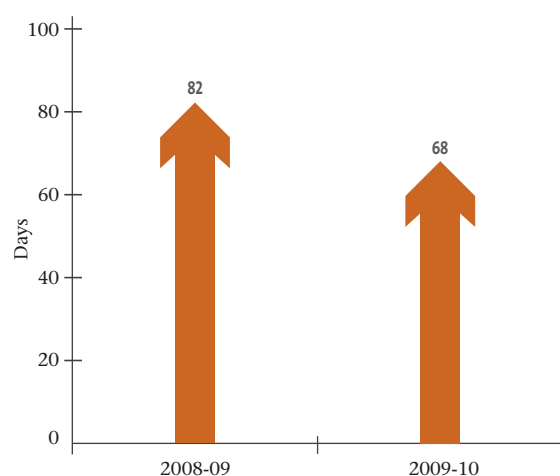
FINTRAC CASE DISCLOSURES FROM 2000-01 TO 2009-10



“In brief, we are extremely satisfied with the results and the promptness with which they have been sent to us.” [Translation]

— SÛRETÉ DU QUÉBEC

DISCLOSURE TIMELINESS AVERAGE TURNAROUND TIME FOR 2008-09 AND 2009-10



A great effort was made this past year to align our product more closely with the needs of law enforcement and our other partners, and to improve our turnaround time. The result was an improvement of 17 percent in the time taken to produce a disclosure.

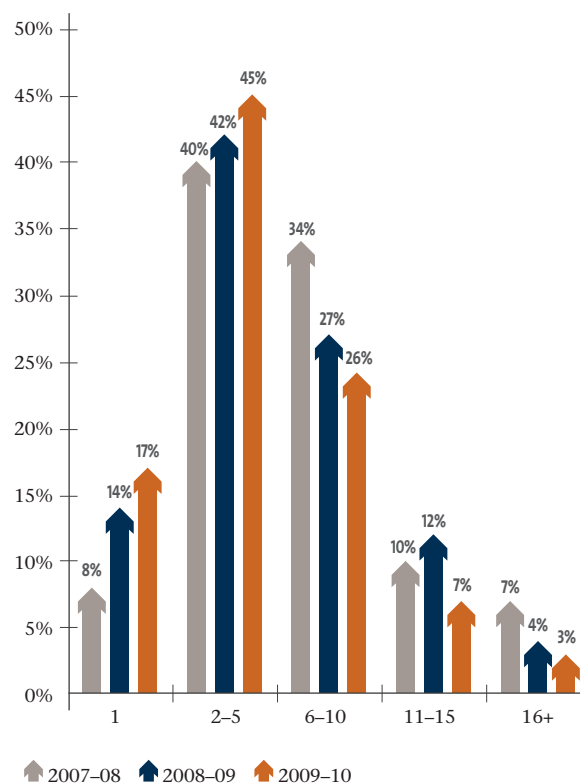
We also take pride in knowing, through the feedback received from our partners, that our case disclosures provide leads to previously unknown persons, and that disclosures that assisted police to meet the grounds for warrants and productions orders have tripled.

This table shows the breakdown in type of case disclosures in 2009-10. As expected, the majority, 470, related to money laundering (ML), while 73 concerned terrorist activity financing (TF) and threats to the security of Canada (TH). A further 36 were related to all three areas.

Disclosures by Type	
ML	470
TF/TH	73
ML/TF/TH	36
Total	579

The chart below illustrates why a financial intelligence unit such as FINTRAC is needed by law enforcement and intelligence agencies. Money launderers attempt to evade detection by spreading their activities over multiple financial institutions. In some cases, they use sixteen or more institutions to attempt to cover the money trail. Through our skilled analysts and highly automated data capture, we can provide police, national security and other designated government agencies with a detailed picture of the money trail and the suspects involved.

NUMBER OF REPORTING ENTITIES REPRESENTED IN CASE DISCLOSURES



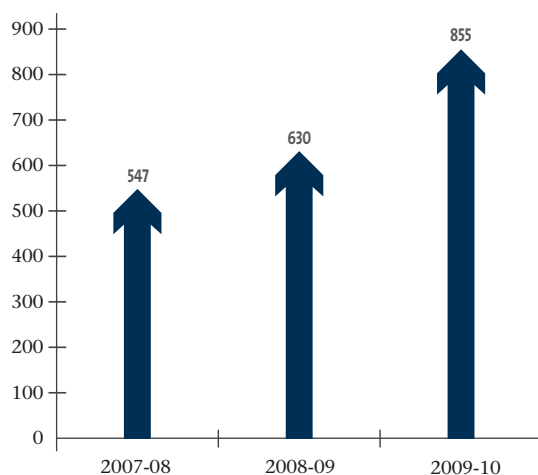
■ 2007-08 ■ 2008-09 ■ 2009-10

Due to rounding, the percentages in this chart may not add up to 100%.

As well, during this year, the number of voluntary information records we received increased by one third (from 630 to 855).

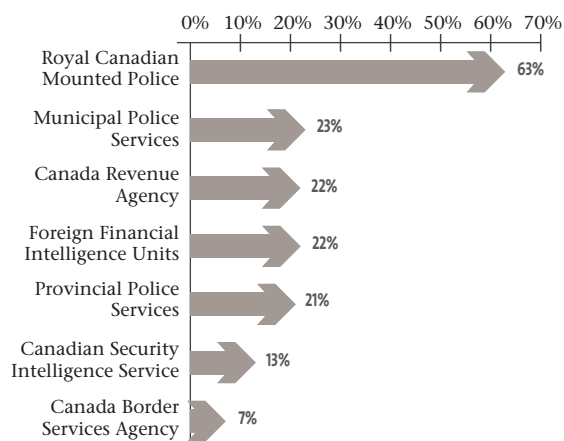
Clearly, the demand for our financial intelligence grew at a sharp rate.

TOTAL NUMBER OF VIRs RECEIVED FROM 2007-08 TO 2009-10



Our prime disclosure recipient remained the RCMP but disclosures to provincial police agencies doubled from the previous year. There was also an increase in requests for assistance from foreign financial intelligence units.

DISTRIBUTION OF DISCLOSURE RECIPIENTS IN 2009-10

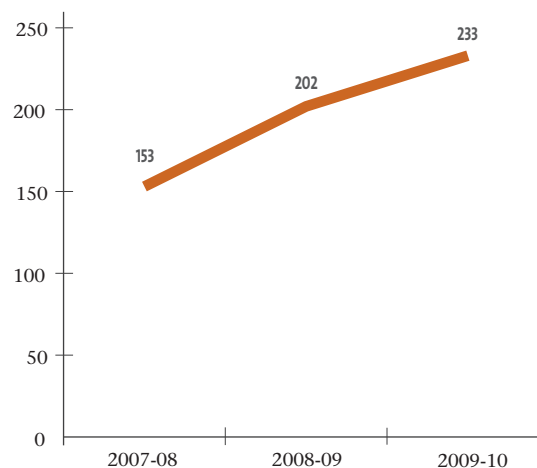


The percentages in this chart do not add up to 100% because FINTRAC disclosures are often destined for more than one recipient.

“FINTRAC disclosures provide very useful information...the disclosures assist in choosing the correct targets.”

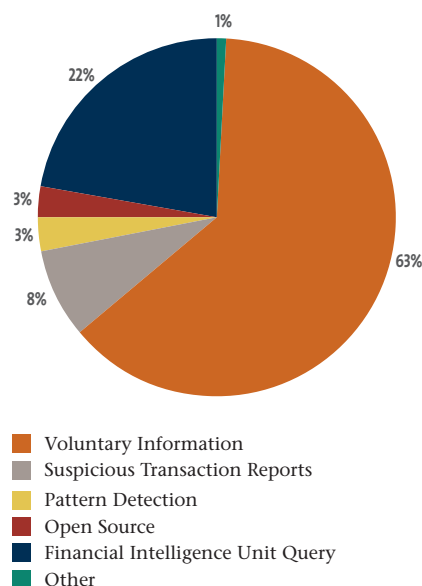
— VANCOUVER POLICE DEPARTMENT

NUMBER OF QUERIES RECEIVED FROM FOREIGN FIUs FROM 2007-08 TO 2009-10



This chart shows the distribution of sources of information leading us to generate a case disclosure. We use many different sources of information in our analysis, including our own cases generated from data mining. Voluntary information provided by our partners remains the chief originator, in keeping with our focus on aligning our work with their needs. As well, queries from foreign FIUs are a major source, reflecting the high level of international cooperation that we have achieved.

DISTRIBUTION OF CASES ORIGINATORS FOR 2009-10



A SNAPSHOT OF OUR 2009-10 CASES

CASE 1

In 2010, a foreign financial intelligence unit (FIU) submitted a query to FINTRAC concerning a fraud and money laundering investigation within its jurisdiction. The individual being investigated had ordered electronic funds transfers (EFTs) to Canada for the benefit of an individual and an entity. The FIU did not know the extent of the involvement of the Canadian beneficiaries in the fraudulent activities.

FINTRAC's analysis revealed that the beneficiary of the transfers in Canada had also received EFTs from individuals in other countries. However, many of the transfers originated from the foreign FIU's country and were suspected to be associated with several ongoing domestic fraud investigations in Canada that were mainly related to telemarketing schemes.

Through its analysis, FINTRAC was able to uncover a large international network of individuals and entities suspected of being involved in fraudulent activities. Furthermore, FINTRAC was able to connect seemingly unrelated fraud and money laundering investigations in various domestic and international jurisdictions.

CASE 2

Law enforcement provided FINTRAC with voluntary information that identified members of an organized crime group, together with its associated businesses, as being involved in the importation of narcotics and firearms. The members of the group were believed to be using gambling operations to launder their illicit proceeds and to associate with other organized crime groups in an effort to expand their criminal activity.

FINTRAC found a number of transactions that included deposits, electronic funds transfers and purchases of bank drafts. Information from suspicious transaction reports also described the activity conducted by one of the subjects at a casino. Deposits and bank draft purchases conducted by another subject were also deemed to be suspicious because of previous minimal account activity.

FINTRAC's analysis revealed eight new businesses associated with the subjects of the investigation. Related transactions and information regarding these businesses were also disclosed to law enforcement.

FINTRAC's subsequent analysis led to an additional disclosure pertaining to three current subjects of the investigation as well as identifying three new subjects.



CASE 3

In 2009, a law enforcement agency provided FINTRAC with voluntary information about an ongoing mortgage fraud, together with a money laundering investigation that involved one individual. The latter was suspected of being involved in at least 14 fraudulent mortgages obtained from a financial institution. The mortgages had been established with forged voided cheques, false tax forms, and with false reporting of employment. The law enforcement agency also believed the subject to be using one main account as a means of transferring, hiding and laundering profits from the fraudulent purchases. The value of the fraudulent mortgages was more than \$4,500,000.

Several suspicious transaction reports (STRs) identified a second individual as being connected to the first one and also involved in the mortgage fraud and money laundering. Information from the STRs revealed that both individuals were former employees of a Canadian financial institution and the principals of a company also used in the same activities. At least two other individuals and another company were also found to be involved in the “property flipping” scheme.

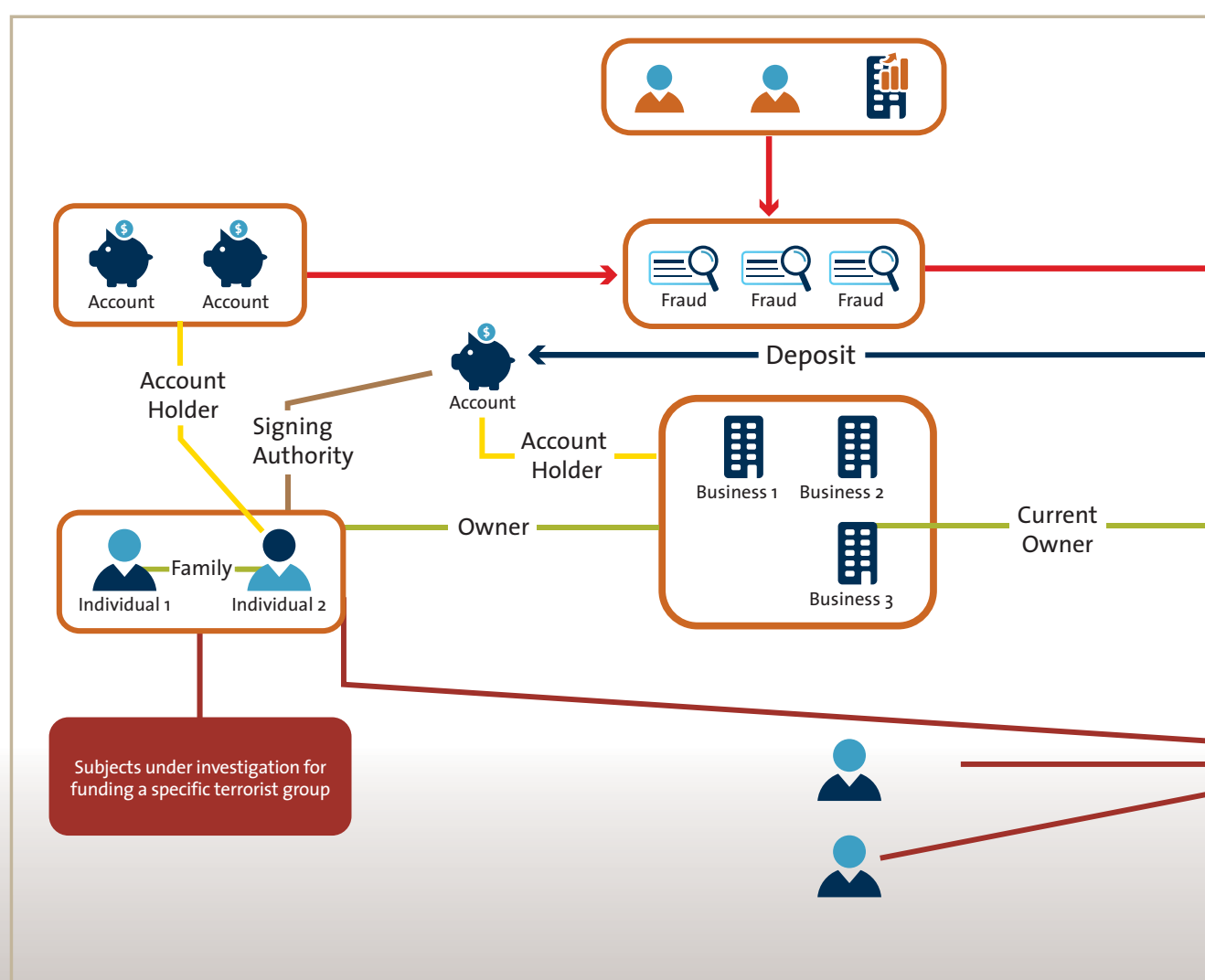
Basically, the main subject of the investigation would purchase a property at fair market price, using false information to obtain the mortgage. The purchase contract contained a clause allowing the re-selling of the property before the possession date. This allowed the subject of investigation to find straw buyers, usually with good credit and accumulated assets, to buy the property at an inflated value. Upon closing of the purchase, the first fraudulent mortgage would be paid off and the residual profits distributed between the various players. To close the loop, a legitimate new purchaser would be sought to buy the property again at an inflated price and assume a new mortgage. This scenario was repeated a number of times with additional properties.

FINTRAC’s analysis revealed transactions totalling \$2,597,275.84 in Canadian dollars. All relevant information was disclosed to law enforcement to further its investigation.

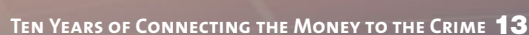
CASE 4

FINTRAC received voluntary information about an investigation of two individuals (**Individuals 1 and 2**) suspected of providing financial support to a terrorist group. The subjects of the investigation owned and operated several businesses located in a specific geographic area within Canada. One of the businesses was found to be also associated to **Individual 3**.

FINTRAC's analysis uncovered a number of accounts and businesses associated with the subjects under investigation. The transactions themselves consisted of multiple bank draft purchases, cash and cheque deposits, and EFTs that had been conducted through Canadian banks. Information from suspicious transaction reports also revealed a number of fraudulent financial activities.



It was further revealed that wire transfers were ordered through a money service business for the benefit of individuals in a country where the terrorist group was reported to be active. The money service business was associated to at least three of the individuals under investigation.



Our Strategic Analysis Products

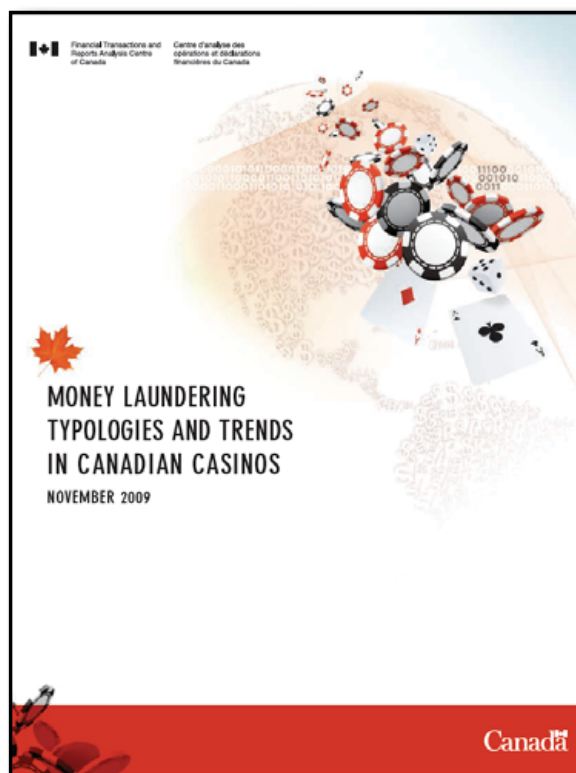
As the AML/ATF regime becomes more comprehensive, criminals inevitably try to find new ways to circumvent detection. The purpose of strategic analysis is to uncover new trends in their activities, and to recognize situations that have the potential to be exploited in the future.

During this financial year, FINTRAC provided various partners and stakeholders with a wide range of strategic financial intelligence assessments, briefs and reports. These were produced following consultations to determine priorities and needs. Discussions with partners about key findings were also conducted prior to their publication.

We published a number of classified *Financial Intelligence Assessments and Briefs*, which involved an extensive review of FINTRAC's data and other sources of information. These contributed to the knowledge of Canada's security and intelligence (S&I) community about countries and terrorist groups of interest. As well, for the first time, we contributed to a number of S&I community papers that provided information to senior government officials.

Following the success of *Money Laundering and Terrorist Financing Typologies and Trends in Canadian Banking*, our report published in May 2009, we produced a second report, *Money Laundering Typologies and Trends in Canadian Casinos* (November 2009). A third report, for the money services business sector (MSB), is currently being prepared for publication. These documents cover ML/TF matters, and include methods, red flags/indicators and case studies. The aim is to enable reporting entities and other partners to combat money laundering and terrorist financing more effectively. These reports are available on FINTRAC's Web site at **www.fintrac-canafe.gc.ca**.

Four new issues of the *Money Laundering and Terrorist Activity Financing Watch*, an environmental scan focusing on money laundering and terrorist financing, were distributed to Canadian government department agencies and to reporting entities.



Strategic Priority: Refine our risk-based compliance program and fully implement the new legislative requirements

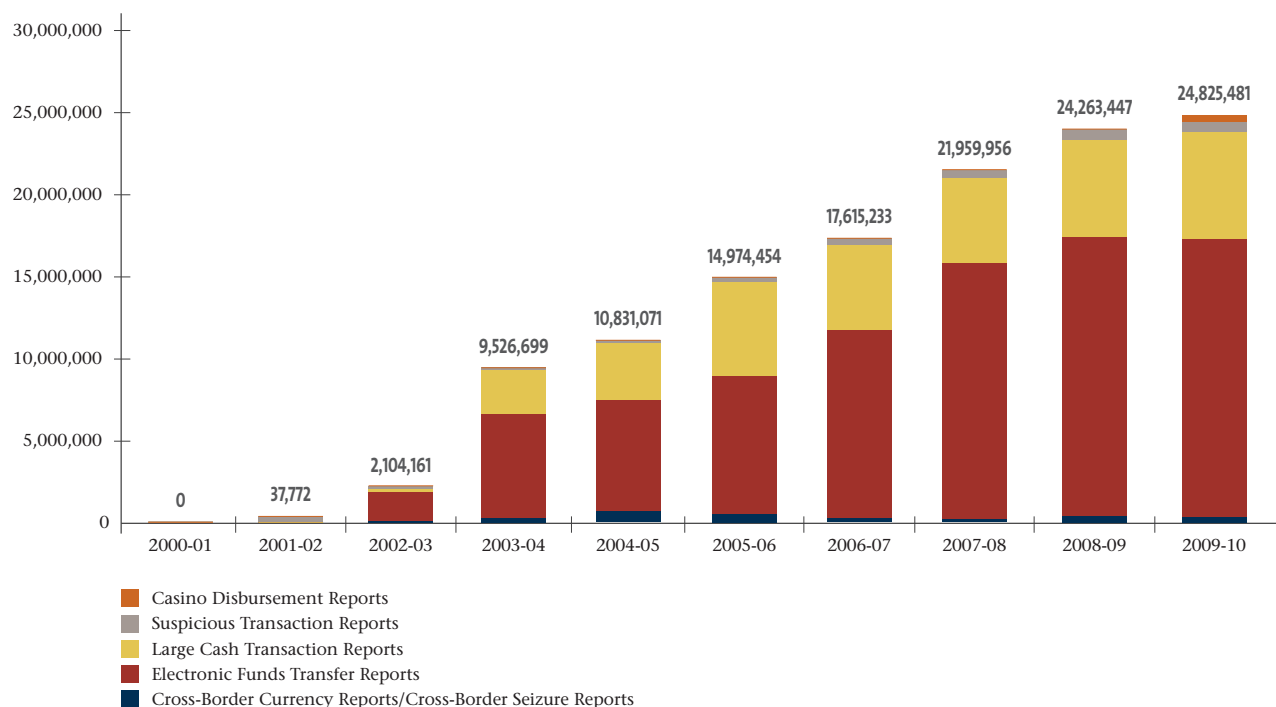
FINTRAC's ability to produce financial intelligence is inextricably linked to compliance, and depends first and foremost on the information that we receive from reporting entities. Improving the quality and timeliness of that information is one of FINTRAC's primary goals and will always remain so.


The chart below provides the number of reports received across all reporting sectors for the last ten years. As the chart shows, the volume of reports received by FINTRAC from reporting entities has seen a steady growth over the decade that FINTRAC has been in operation. In 2001, the PCMLTFA made it mandatory to report suspicious transactions related to money laundering. The other types of reports that FINTRAC currently receives were introduced in 2002 and 2003, except for the casino disbursement report, which was added in September 2009.

FINTRAC's Regional Operations and Compliance (ROC) directorate comprises a headquarters section in Ottawa and regional offices in Vancouver, Toronto and Montréal. Together they are responsible for ensuring compliance with Part I of the PCMLTFA and related regulations, including obligations concerning reporting, record keeping, verifying identity, and other requirements.

This year FINTRAC considerably increased its examinations, began issuing administrative monetary penalties, and continued its vigorous program of delivering timely and relevant information to reporting entities. Civil penalties represent a new and useful enforcement intervention for addressing non-compliance on the part of reporting entities. Civil penalties take the form of a monetary fine and may lead to publication of the name of the reporting entity that is fined. In the regime's first year of operation, administrative monetary penalties were issued to seven reporting entities, all of which were publicly named on our Web site.

REPORTS RECEIVED BY FISCAL YEAR AND TYPE





In this role, ROC maintains a robust compliance program that monitors and assesses the compliance of reporting entities. It begins with efforts to promote awareness and education among reporting entities of their legal obligations under the PCMLTFA, and is achieved through using various means including Web site guidance, information sessions, and publications. From there, we apply a series of progressive compliance measures including examinations and the imposition of administrative monetary penalties.

Specifically, the compliance program consists of several activities, of which the most prominent are: undertaking awareness activities to ensure understanding among reporting entities of their legal obligations under the PCMLTFA; providing technical support to facilitate reporting; building relations with regulators and key stakeholders; taking responsible enforcement actions that include monitoring and examination functions; maintaining a money services businesses (MSB) registry; and, taking appropriate remedial action when non-compliance is detected, which may result in civil or criminal penalties.

A RISK-BASED APPROACH

Recognizing that not all reporting entities operate in the same circumstances, FINTRAC adopts a risk-based approach whose purpose is to ensure that compliance efforts are tailored to respond to specific risk considerations. This approach involves weighing the characteristics of industry sectors. It takes into account the nature of each sector, as well as the size and complexity of reporting entities within the sector. Sectors that are considered to be at higher risk of non-compliance are thus subject to a greater degree of enforcement activities, such as a compliance examination.

COMPLIANCE ENFORCEMENT

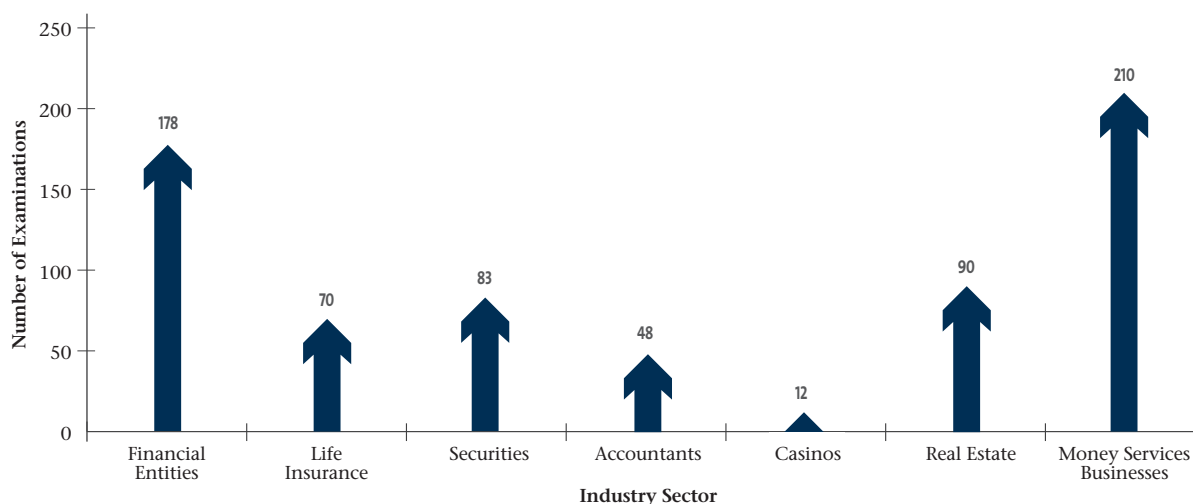
While FINTRAC continues to leverage its suite of enforcement activities, compliance examinations remain the key instrument for assessing how well entities are meeting their legal obligations. These examinations review a reporting entity's compliance program, reporting history, record keeping and client identification obligations.

Various examination methods are applied, including onsite visits to the premises of a reporting entity and desk reviews conducted at FINTRAC offices. Desk reviews may also focus on a reporting entity's reporting performance (i.e. the quality, timing and volume of reports). Appropriate and measured enforcement actions are taken in all instances where non-compliance is detected.

FINTRAC also maintains important partnerships with key national, provincial and international financial and other regulators. FINTRAC has entered into memoranda of understanding (MOUs) with these regulators, which enable FINTRAC and each regulator to share compliance information and otherwise collaborate with each other with respect to compliance with Part 1 of the PCMLTFA. One example is the MOU with the Office of the Superintendent of Financial Institutions (OSFI), which supervises federally regulated financial institutions (FRFIs) and ensures their compliance with the requirements of the *Bank Act* and other governing legislation. OSFI conducts regular AML/ATF assessments on FRFIs and shares the relevant compliance information results with FINTRAC.

These MOUs increase efficiency and reduce regulatory burden on reporting entities. Over the course of ten years, FINTRAC has signed 19 memoranda of understanding with these domestic and international regulators.

EXAMINATION BY SECTOR IN 2009-10



This year, our ROC directorate completed a total of 691 examinations, an increase of 52 percent over the previous year, and the largest number conducted in a given year to date. Of these, 327 (47 percent) were onsite examinations, and 364 (53 percent) were desk examinations. In addition, regulators shared with FINTRAC the results of 324 assessments that they had conducted.

With the implementation of the administrative monetary penalties regime, we also began issuing civil penalties in 2009.

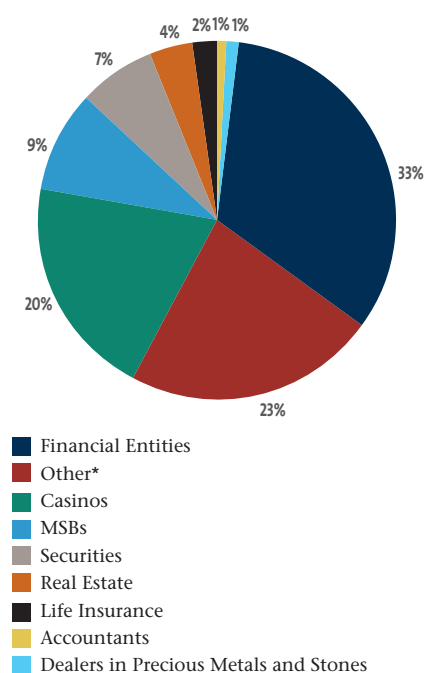
FINTRAC may also disclose cases of non-compliance to law enforcement when there is extensive non-compliance, or little expectation of immediate or future compliance. In this fiscal year, we submitted three non-compliance disclosures (NCD) to law enforcement. Over the course of ten years, a total of 34 NCDs have been issued.

COMPLIANCE PROMOTION

It is vital that reporting entities fully understand the requirements of the PCMLTFA. As FINTRAC shifts from a focus on promoting awareness to that of introducing additional compliance interventions, it will continue to spearhead outreach activities as required, while simultaneously promoting additional self-service tools on the Centre's Web site.

This year, FINTRAC held more than 160 presentations and meetings for reporting entities that involved more than 3,400 participants. We reached out to targeted sectors through electronic information dissemination, which included an e-learning module on terrorist financing, as well as a live 90-minute web-based seminar.

COMPLIANCE PRESENTATIONS 2009-10



* Other includes regulators, associations and conferences

We provided feedback to reporting entities on common deficiencies found through our examinations and on the overall reporting performance of their sectors, as well as responding to their ongoing inquiries. In all, FINTRAC handled over 3,100 calls from reporting entities, many of which involved clarification related to the 2006 amendments to the PCMLTFA, and to policy interpretation. The volume of such policy interpretation requests represented an increase of more than 300 percent over the number of similar requests the previous year. It is noteworthy that the inquiries reflect a growing awareness and understanding of the PCMLTFA. Similarly, policy interpretation questions are

increasingly complex and in several cases have resulted in improvements being made to reporting processes.

The 2006 legislative changes also required money services businesses (MSB) to register with FINTRAC and to renew their registration every two years. In 2009-10, an additional 223 MSBs registered with FINTRAC, bringing the total number registered to 954.

In 2009 FINTRAC delivered a first-ever workshop, held in Toronto, that brought together 140 participants from the banking, credit union and caisse populaire, securities, life insurance, and money services business sectors, as well as from law enforcement and other governmental partners. The goal was to demonstrate FINTRAC's key role and efforts as part of a larger regime of anti-money laundering and anti-terrorist financing activities.

A highlight of the workshop was a panel of officials from FINTRAC, the RCMP and the Ministry of the Attorney General of Ontario, which presented an end-to-end analysis of a high-profile money laundering case. Another panel of reporting entity representatives discussed their challenges and shared best practices. Additional sessions touched on special topics of interest, such as the ways in which digital precious metals are vulnerable to money laundering.

Finally, in an effort to improve still further the quality and relevance of the financial information FINTRAC receives, we launched a comprehensive review of our reporting forms. We plan to carry out this review in consultation with our reporting entities and the Department of Finance, which has the policy lead for changes to the PCMLTFA and related regulations. Improving the quality and timeliness of reported information will—much beyond our tenth year—remain one of FINTRAC's primary goals.

"[The] biggest value was obtaining better insight to how FINTRAC uses report information and law enforcement use of same. Better insight into value of smallest detail—now I can 'sell' the importance of this to front line areas to get their buy-in and cooperation."

— BANK COMPLIANCE OFFICER

WHAT ARE REPORTING ENTITIES?

Reporting entities are those persons and organizations covered under Part I of the PCMLTFA who are required to meet a number of obligations, principally to:

- Implement a compliance regime
- Keep records of financial transactions
- Identify clients and determine the third parties involved in relevant transactions
- Report certain financial transactions to FINTRAC

WHO MUST REPORT

- Financial entities of all types (banks, credit unions, caisses populaires, etc.)
- Life insurance companies, brokers or agents
- Provincially authorized securities dealers, portfolio managers and investment counsellors
- Money services businesses (including foreign exchange dealers and alternative remittance systems, such as Hawala, Hundi, Chiti, etc.)
- Crown agents accepting deposit liabilities or selling money orders
- Accountants and accounting firms, when carrying out certain activities on behalf of their clients
- Real estate brokers and sales representatives, when acting as agents in the purchase or sale of real estate

- Casinos, except some temporary charity casinos
- Real estate developers, when they sell a new house, a new condominium unit, a new commercial or industrial building, or a new multi-unit residential building to the public
- Dealers in precious metals and stones, when they engage in the sale of precious metals, precious stones or jewellery in an amount of \$10,000 or more in a single transaction
- British Columbia notaries, when carrying out certain activities on behalf of their clients

WHAT IS REPORTED

- Suspicious transactions related either to money laundering or to terrorist activity financing regardless of dollar value, as well as suspicious attempted transactions
- The existence of terrorist property in their possession or control, or information about a transaction or proposed transaction in respect of such property
- International electronic funds transfers involving \$10,000 or more
- Large cash transactions of \$10,000 or more
- Effective September 28, 2009, disbursements of \$10,000 or more made by casinos

Strategic Priority: Enhance collaboration within the organization and with our partners and stakeholders

COLLABORATION WITHIN FINTRAC

In spring 2009, FINTRAC created the Intelligence Committee, comprising the heads of key FINTRAC sectors and chaired by the Director. This committee is the Centre's forum for decision-making on domestic and international issues that relate to strategic and tactical intelligence. It aims to maximize cooperation on these matters within the Centre, and to align FINTRAC's products, where appropriate, with the needs of our partner agencies.

OUR DOMESTIC RELATIONSHIPS

Our Macro Analysis and Research (MAR) unit organized and coordinated two workshops—one for FINTRAC only and one open to external partners—whose purpose was to provide analysts from FINTRAC and partner agencies with learning opportunities in the areas of money laundering and terrorist financing. MAR analysts also actively contributed to a number of interdepartmental working groups where they developed and maintained important relationships with various partners.

The Financial Analysis and Disclosures directorate realigned its internal structure, first to enable the directorate to provide disclosures more closely matched to our partners' requirements and, second, to reflect geographical realities more accurately.


The realignment enables both the executive and operational levels to identify and prioritize key intelligence requirements, and is proving instrumental in building on our existing strong relationships. It has also increased the demand for financial intelligence that FINTRAC is able to provide. Because of the strong relationships FINTRAC has achieved with its partners, we have been able to organize staff exchanges with various partner agencies, allowing us to gain valuable insight into their needs.

FINTRAC places a high value on the feedback received from its partner agencies and, in the past year, has revised and improved how it collects it. The feedback data enable us to meet our continuing goal of improving our disclosures.

FINTRAC's relationship with other government agencies and departments—Public Safety, CBSA and CRA to name a few—allows the Centre to keep abreast of Canadian priorities and concerns. Building on the information it receives, the Centre has been able to add its unique perspective and contribution to assist in the fight against money laundering, terrorist financing and other threats to the country's security.

FINTRAC participates in the Public-Private Sector Advisory Committee chaired by the Department of Finance, which brings together representatives from the government and the private sector to discuss money laundering related issues. FINTRAC presented its Trends and Typologies reports on the banking and casinos sectors to the Committee.

In 2009-2010, FINTRAC continued to strengthen its working relationships with partners in Canada's Anti-Money Laundering and Anti-Terrorist Financing (AML/ATF) Regime. The Centre communicated its new strategic plan and priorities to law enforcement and to the security and intelligence community. As part of that outreach, FINTRAC emphasized its commitment to aligning its tactical and strategic intelligence products more closely with its partners' priorities, to enhancing the ongoing consultative process among AML/ATF partners, and to providing case disclosures on a timelier basis. As a result of these efforts, the Centre's feedback from regime partners indicates that they recognize the increased value of our financial intelligence.



The Director pursued her priority of increasing awareness about money laundering and terrorist financing, and about the work FINTRAC does. She made presentations to several key groups and conferences, including the third annual Managing Internal and Regulatory Investigations conference, the eleventh annual Auto Theft Export Summit, and the Canadian Gaming Regulators Association.

As well, in her speaking engagements and personal visits with regulatory partners across Canada, the Director has emphasized the crucial role that effective anti-money laundering measures play in protecting the integrity of our financial system.

OUR INTERNATIONAL RELATIONSHIPS

Effective anti-money laundering and anti-terrorist financing efforts require a concerted global effort, and involve a broad network of national and international organizations. FINTRAC provided leadership in a number of initiatives undertaken by both the FATF and the Egmont Group. It continued to foster strong working relationships with partner FIUs, providing technical assistance and training to a number of jurisdictions seeking to strengthen their AML/ATF regimes, and it also entered into a number of new or updated intelligence sharing agreements. As well, FINTRAC developed and maintained a number of relationships with representatives from the S&I community, not only within Canada but also internationally.


We played a significant role, together with other Canadian government agencies, in assessing states being considered by the FATF International Cooperation Review Group process. This involved a review of their AML/ATF regimes with the aim of identifying those countries whose regimes require improvement. In addition, FINTRAC is the Canadian lead for the FATF's typology project on the use of new payment methods (i.e. prepaid cards, online payment services and mobile banking services) for money laundering purposes. This project was initiated in the summer of 2009 and should be completed in October 2010.

In the past year we were particularly active in leading and supporting a wide range of international technical assistance initiatives. Our Director, as Vice-Chair of the Egmont Group and also the new chair of its Training Working Group, was able to champion a delivery strategy for the World Bank and Egmont Tactical Analysis Course, whose purpose is to train FIU analysts in the analysis of suspicious transaction and suspicious activity reports. As many as 240 analysts from all over the globe will be trained initially by this strategy, and they in turn will be able to extend the reach of the program by providing this training to their colleagues. FINTRAC helped the World Bank and Egmont to acquire Government of Canada funds for this initiative under the Department of Foreign Affairs and International Trade's (DFAIT) Counter-Terrorism Capacity Building Program.

FINTRAC developed a draft module for an upcoming Egmont strategic analysis course. The course will be the product of joint international collaboration, and aims to provide the developing FIU community with the necessary building blocks to enhance their strategic analysis capabilities.

Drawing on its compliance expertise, FINTRAC designed an International Compliance Program. This is a five-day course that offers all the tools, guidelines and policies that a jurisdiction would need to implement its own AML/ATF program.

The course was given a number of times. During the last fiscal year, it was delivered to Bermuda's FIU and to its monetary authority. As well, thanks to funding provided by DFAIT's Counter-Terrorism Capacity Building Program, we were able to pilot a Spanish version with participants from Mexico, Guatemala and Panama. Again with DFAIT's assistance, we gave the course to FIU representatives and compliance authorities from the Caribbean nations of Anguilla, St. Lucia, Barbados and Trinidad and Tobago.



FINTRAC's instructors organized courses and workshops (under the auspices of the United Nations Office on Drugs and Crime) to develop the skills of financial intelligence analysts. We delivered one of these to a group from the West African nations of Burkina Faso, Mali, Ivory Coast, Benin and Togo, and another to a South American group from Colombia, Peru and Ecuador.

Finally, FINTRAC continued to broaden its capacity both to receive intelligence from foreign FIUs, and to share information with them. In 2009-10, we signed new information-sharing MOUs with Albania, Armenia, Estonia, India, New Zealand and the United Arab Emirates, and updated agreements with Bermuda and Mexico, bringing our total number of MOUs to 62.

Strategic Priority: Pursue policy and legislative opportunities to strengthen the anti-money laundering and anti-terrorist financing (AML/ATF) regime

In our global and fast-moving economy, the patterns of money laundering and terrorist financing are constantly shifting. The criminal elements involved in these activities are quick to exploit new technologies and to take advantage of new vehicles of monetary exchange in order to elude detection. That means that FINTRAC must continuously work with its partners to monitor, assess and enhance the sophistication and effectiveness of its policies and its governing legislation.

This continuing process was instrumental in the development of the 2006 legislative amendments to the PCMLTFA. In anticipation of the second legislated Parliamentary review due in 2011, we created a Legislation and Regulation Task Force. This Centre-wide exercise resulted in many


suggestions for possible ways to improve the detection and deterrence of money laundering and terrorist financing through potential changes to the PCMLTFA and Regulations. We analyzed and refined these suggestions in order to better assist the Department of Finance, which has the policy lead and is responsible for the legislation and its regulations.

During 2009-10, FINTRAC was actively involved in a number of key initiatives intended to enhance the safety and security of Canadians. These initiatives included work on legislative amendments to provide new authorities to the Minister of Finance to safeguard the Canadian financial system from money laundering and terrorist financing threats emanating from foreign jurisdictions and entities of concern.

Strategic Priority: Be innovative in our approach to operational processes to maximize our efficiency and effectiveness

Throughout FINTRAC's ten-year history we have incorporated leading-edge technology into every aspect of our business. As a result, we have a solid foundation of systems and tools that are key to our performance and that allow us to address ever-changing expectations and demands. In

2009-10, we introduced applications that, among many other benefits, enable us to deliver financial intelligence to our partners far more efficiently, to extend our analytical capabilities, and to support our Compliance program more vigorously.



We continued to enhance the use of electronic media for delivering our case disclosures to our partners, and now have a secure, fully operational electronic system for this purpose. This allowed us to deliver disclosures more speedily and without the risks and delays associated with the transmission of paper documents.

In addition, we launched a pilot project to disseminate disclosure information in XML format. This step has the potential to allow our partners to rapidly integrate FINTRAC intelligence into their databases.

We continued to introduce ever-more sophisticated tools for data analysis, which now enable us to comb the more than 126 million reports in our data holdings and significantly extend the ability of our analysts to detect potentially significant patterns of financial activity. In the past year, these expanded capabilities included improvements in the detection of high-volume transmissions of funds out of Canada.

We also fully implemented our new data mining software. Its purpose is to enable FINTRAC analysts to uncover previously undetected patterns

in our transactions, and thus gain insights into new or emerging methods of money laundering and terrorist financing. And from this enhanced knowledge, FINTRAC can broaden the range of strategic intelligence products provided to its domestic and international partners. With more experience, this will turn out to be an extremely valuable tool.

Finally, in 2009-10, FINTRAC's system for receiving, processing and disclosing casino disbursement reports became fully operational, thus completing the final phase of implementation of the 2006 legislative amendments to the PCMLTFA.

We will continue to give priority to protecting FINTRAC's assets within a robust and secure IM/IT environment and continually updating our technology infrastructure to sustain a high level of performance. Work is underway to transition our entire business production infrastructure to new, modern technology, and to transfer our critical data stores to the latest and most feature-rich database software.

Strategic Priority: Promote excellence in our workforce and strengthen our management and human resources framework

INVESTMENT GOVERNANCE PROCESS

An investment management governance process was created. Its role will be to apply appropriate rigour and discipline to the Centre's prioritization and to the allocation of resources.

STRENGTHENING OUR MANAGEMENT FRAMEWORK

As part of the thrust to strengthen our management framework, we reviewed our corporate policies. When appropriate or necessary, these were updated or developed to align them with the policies of the Treasury Board of Canada and other federal public service agencies.

INTERNAL CONTROLS

To protect both our interests, and those of the Government of Canada, we created the Contract Review Committee to ensure that sound risk management is applied to potential FINTRAC contracts.

We strengthened our internal financial controls by implementing the recommendations that flowed from last year's external review.

MANAGEMENT ACCOUNTABILITY FRAMEWORK (MAF)

An external assessment is an excellent measuring, monitoring and improvement activity. As a small agency of the federal government, FINTRAC is assessed for management accountability every three years, and only for areas of management materially relevant to its mandate. This was the year that FINTRAC was assessed as part of the Treasury Board of Canada's Round VII (2009-2010) Management Accountability Framework (MAF).

The Treasury Board Secretariat reviewed FINTRAC's performance in 11 of 19 areas of management with generally good results. Since the last assessment in 2006-07, the Centre has maintained consistent ratings overall, with a particularly strong rating in the area of information management and technology. We shall take appropriate action where the MAF assessment makes recommendations for improvement, and we will identify ways to enhance management performance and accountability for management results.

PROMOTING EXCELLENCE IN OUR WORKFORCE

FINTRAC recognizes the value of its employees, knowing that the nature of our work demands high intellect, high integrity and high commitment, and we make every effort to select our staff on the basis of these qualities. This year, we took additional action to promote excellence in the workplace, to increase the focus on bilingualism, and to strengthen our management and human resources framework.

FINTRAC has always provided staff development programs that help not only to maintain, but also to enhance, the unique expertise and skill sets of our employees. In support of our vision of being an employer of choice and a learning organization, we continually need to improve performance through generating new ideas, knowledge and insights. To help us achieve this goal, we introduced, individual learning plans (ILPs) as part of our performance management process. The ILPs give employees and managers the opportunity to discuss the employee's learning objectives and to identify the learning priorities and educational and training activities required to upgrade his or her educational and professional qualifications.

FINTRAC understands that a successful organization is one in which a high-performing workforce demonstrates the competencies necessary to drive organizational success and to meet the organization's strategic goals. In the next year, we plan to develop a competency framework that will help managers identify the specific competencies required to fill vacant positions. The establishment

FINTRAC DEMOGRAPHICS

Total number of employees (including non-full time equivalents): 305 as of March 31, 2010

Designated Groups

- Representation of women: 49.18%
- Representation of visible minorities: 14.75%
- Representation of persons with disabilities: 2.30%
- Representation of Aboriginal persons: 0.66%

of common competencies will ensure greater consistency in the organization's staffing process. It will also help employees and managers assess training and development requirements.

We conducted an employee survey to gauge the current satisfaction level of our current workforce. Subsequently, we held focus groups with our employees to generate feedback—and possible solutions—on any specific concerns. In some cases, immediate action was taken to address these issues, and action plans are being drawn up to address the remainder.

To increase FINTRAC's visibility in the labour market place, we attended a number of career fairs. We hired 20 to 25 students in each of the three semesters and also placed advertisements in a magazine devoted to placing students with disabilities. Recruitment will also be significant in the next two years, with 26 new employees joining the organization in 2010-11 and another 26 joining in 2011-12.

During the last year, a new and expanded Awards and Recognition program was created. Its purpose is to recognize and acknowledge the valuable contributions made by FINTRAC individuals and teams, and it also supports a well-balanced and fair work environment.

In 2010-11, we are planning to revise FINTRAC's Code of Conduct and Ethics. While the revised Code will be consistent with the new Code of Conduct for the federal public sector, it will also reflect our unique environment and core organizational values. The Code is an important part of the federal government's broader commitment to maintaining and enhancing confidence in the integrity of the public sector.

All employees must ensure that their actions and decisions uphold the values of the public service and conform to high ethical standards. In this spirit, we will continue to promote initiatives to raise awareness and offer training to employees on the role of values and ethics in the workplace.

We have always striven, and will always strive, to be an employer of choice, and to attract and keep a workforce that is both diverse and dynamic.

2009-2010 BUDGET HIGHLIGHTS

FINTRAC received funding for the new initiatives called for by the December 2006 amendments to the PCMLTFA; however, as the coming into force dates of these initiatives gradually occurred over the following three fiscal years, important reprofiling of funds was prompted, which explains the apparent peak in resourcing for the years 2007-08 and 2008-09. The 2010-11 Budget is expected to increase to \$53.9M.

HISTORY OF FINTRAC'S BUDGET

(dollars in millions)

	2007-08	2008-09	2009-10	2010-11
Salaries	26.0	25.2	26.8	25.9
Employee Benefit Plan	4.1	4.5	4.5	4.4
Operations and Maintenance	21.4	24.0	19.7	18.7
Grants and Contribution	1.3	1.2	1.4	0.8
Total Approved Budget	52.8	54.9	52.4	49.8
Total Actual	51.1	50.6	49.9	–



WHAT A FINTRAC CASE DISCLOSURE CONTAINS

FINTRAC's case disclosures consist of designated information that identifies individuals or entities and their transactions or attempted transactions. A disclosure can include any or all of the following:

- The name and address of the company(ies) involved in the transaction(s);
- The name, address, electronic mail address and telephone number of each partner, director or officer of an entity involved in transactions or of an entity acting on their behalf;
- The name, address, telephone number and type of business where the transaction(s) occurred;
- The date and time of the transaction(s);
- The type and value of the transaction(s) including the amount and type of currency or monetary instruments involved;
- The transaction, transit and account number(s), as well as the type of account(s) involved;
- The names and addresses of all persons authorized to act in respect of the account (signing authority, power of attorney, etc.);
- The name of the importer or exporter, in the case of importation or exportation of currency or monetary instruments;
- Any person or entity involved in importation or exportation transactions or any person or entity acting on their behalf;
- The name, address, telephone number and electronic mail address of person(s) involved in the transaction(s);
- The date of birth, citizenship, and passport, record of landing or permanent resident card number of person(s) involved in the transaction(s);
- The telephone number and electronic mail address of any entities involved in transactions or any person or entity acting on their behalf;

- The fact that any persons or entities involved in transactions or a person or entity acting on their behalf have relevant criminal records or have had any relevant criminal charges laid against them;
- Relationships suspected on reasonable grounds to exist between any persons or entities suspected on reasonable grounds to be involved in transactions or persons or entities acting on their behalf and any other persons or entities;
- The fact that any persons or entities involved in transactions or persons or entities acting on their behalf have a financial interest in the entity on whose behalf the transaction was made;
- The person who FINTRAC suspects on reasonable grounds of directing the suspected money laundering or terrorist financing;
- The grounds on which a person or entity made a suspicious transaction report when found relevant by FINTRAC;
- The number and types of reports on which a disclosure is based;
- The number and categories of persons or entities that made the reports, and
- The indicators relied upon by FINTRAC to justify a disclosure.

Disclosures may also contain reports about cross-border movements of funds or monetary instruments and publicly available information. In certain circumstances, police and CSIS may seek to obtain FINTRAC's full case analysis by means of a production order granted by a court. The Canada Revenue Agency can seek a production order as well, but only for the purpose of an investigation in respect of an offence that was the subject of the previous FINTRAC disclosure to the CRA.



GLOSSARY

CANADA BORDER SERVICES AGENCY (CBSA)

The federal government agency responsible for providing integrated border services that support national security priorities and facilitate the free flow of persons and goods, including animals and plants, which meet all requirements under the program legislation. www.cbsa-asfc.gc.ca

CANADA REVENUE AGENCY (CRA)

The federal government agency that administers tax laws for the Government of Canada and for most provinces and territories, as well as various social and economic benefit and incentive programs delivered through the tax system. www.cra-arc.gc.ca

CANADIAN SECURITY INTELLIGENCE SERVICE (CSIS)

Canada's national security agency that has the mandate to investigate and report on threats to the security of Canada. www.csis-scrs.gc.ca

CASINO DISBURSEMENT REPORT (CDR)

A report that a casino covered by the PCMLTFA must file with FINTRAC when it makes a disbursement of \$10,000 or more in the course of a single transaction, or when it makes two or more disbursements totalling \$10,000 or more that it knows were made within 24 consecutive hours on behalf of the same individual or entity.

CROSS-BORDER CURRENCY REPORT (CBCR)

A report that must be filed with the CBSA by a person entering or leaving Canada advising that the person is carrying large sums of currency or monetary instruments (\$10,000 or more), or by a person mailing or sending such large sums into or out of Canada.

CROSS-BORDER SEIZURE REPORT (CBSR)

A report filed with FINTRAC by a CBSA officer who seizes cash or monetary instruments for which reporting obligations were not met.

EGMONT GROUP OF FINANCIAL INTELLIGENCE UNITS

An international organization of over 100 FIUs, founded in 1995, whose members find ways to cooperate and share expertise, especially in the areas of information exchange, training and information technology. www.egmontgroup.org

ELECTRONIC FUNDS TRANSFER REPORT (EFTR)

A report that a reporting entity must file with FINTRAC in respect of a transmission of instructions for the transfer of \$10,000 or more out of or into Canada in a single transaction or in two or more transactions totalling \$10,000 or more that it knows were made within 24 consecutive hours of each other by or on behalf of the same individual or entity, through any electronic, magnetic or optical device, telephone instrument or computer.

FINANCIAL ACTION TASK FORCE (FATF)

An inter-governmental body, established by the G-7 Summit in 1989, whose purpose is the development and promotion of policies, both at national and international levels, to combat money laundering and terrorist activity financing. www.fatf-gafi.org

FINANCIAL INTELLIGENCE ASSESSMENT

A FINTRAC publication based on an extensive review of FINTRAC's data and other information sources (classified and publicly available), which provides a strategic/macro-level financial intelligence perspective on ML/TF issues of interest to the Canadian security and intelligence community.

FINANCIAL INTELLIGENCE BRIEF

A FINTRAC publication that identifies risks/vulnerabilities associated with financial mechanisms used for money laundering and terrorist activity financing, and that provides case examples from FINTRAC's database.

FINANCIAL INTELLIGENCE UNIT (FIU)

A national governmental agency established to combat money laundering and terrorist activity financing. FIUs fulfill this function by collecting reports on financial transactions and other information for the purpose of analyzing and disclosing intelligence concerning suspected proceeds of crime or potential financing of terrorist activity.

LARGE CASH TRANSACTION REPORT (LCTR)

A report that a reporting entity must file with FINTRAC when it receives \$10,000 or more in cash in the course of a single transaction, or when it receives two or more cash amounts totalling \$10,000 or more that it knows were made within 24 consecutive hours of each other by or on behalf of the same individual or entity.

PROCEEDS OF CRIME (MONEY LAUNDERING) AND TERRORIST FINANCING ACT (PCMLTFA)

This statute establishes FINTRAC as the agency authorized to collect, analyze, assess and disclose financial information to assist in the detection and deterrence of money laundering and of the financing of terrorist activities. Originally enacted as the *Proceeds of Crime (Money Laundering) Act* in June 2000, it was amended in December 2001, to add combating terrorist activity financing to FINTRAC's mandate. In December 2006, the PCMLTFA was substantially amended to bring it in line with international standards by expanding its coverage, strengthening its deterrence provisions and broadening the range of information that FINTRAC may include in its financial intelligence disclosures.

ROYAL CANADIAN MOUNTED POLICE (RCMP)

Canada's national police force. Its Web site is www.rcmp-grc.gc.ca

STAGES IN THE MONEY LAUNDERING PROCESS

There are three recognized stages in the money laundering process:

- *Placement* involves placing the proceeds of crime in the financial system.
- *Layering* involves converting the proceeds of crime into another form and creating complex layers of financial transactions to disguise the audit trail and the source and ownership of funds. This stage may involve transactions such as the buying and selling of stocks, commodities or property.
- *Integration* involves placing the laundered proceeds back in the economy to create the perception of legitimacy.

SUSPICIOUS TRANSACTION REPORT (STR)

A report that a reporting entity must file with FINTRAC in respect of a financial transaction that occurs or that is attempted in the course of its activities and for which there are reasonable grounds to suspect that the transaction is related to the commission or attempted commission of a money laundering or terrorist activity financing offence.

VOLUNTARY INFORMATION RECORD (VIR)

A record of information voluntarily submitted to FINTRAC about suspicions of money laundering or of the financing of terrorist activities.

CONTACT INFORMATION:

FINTRAC

24th Floor, 234 Laurier Avenue West
Ottawa, Ontario K1P 1H7
Canada

Telephone: 1-866-346-8722 (toll free)

Facsimile: 613-943-7931

Email: guidelines-lignesdirectrices@fintrac-canafe.gc.ca

www.fintrac-canafe.gc.ca

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