



Financial Transactions and Reports Analysis Centre of Canada

Performance Report

For the period ending
March 31, 2002

Canada

The Estimates Documents

Each year, the government prepares Estimates in support of its request to Parliament for authority to spend public monies. This request is formalized through the tabling of appropriation bills in Parliament.

The Estimates of the Government of Canada are structured in several parts. Beginning with an overview of total government spending in Part I, the documents become increasingly more specific. Part II outlines spending according to departments, agencies and programs and contains the proposed wording of the conditions governing spending which Parliament will be asked to approve.

The *Report on Plans and Priorities* provides additional detail on each department and its programs primarily in terms of more strategically oriented planning and results information with a focus on outcomes.

The *Departmental Performance Report* provides a focus on results-based accountability by reporting on accomplishments achieved against the performance expectations and results commitments as set out in the spring *Report on Plans and Priorities*.

The Estimates, along with the Minister of Finance's Budget, reflect the government's annual budget planning and resource allocation priorities. In combination with the subsequent reporting of financial results in the Public Accounts and of accomplishments achieved in Departmental Performance Reports, this material helps Parliament hold the government to account for the allocation and management of funds.

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Foreword

In the spring of 2000, the President of the Treasury Board tabled in Parliament the document “Results for Canadians: A Management Framework for the Government of Canada”. This document sets a clear agenda for improving and modernising management practices in federal departments and agencies.

Four key management commitments form the basis for this vision of how the Government will deliver their services and benefits to Canadians in the new millennium. In this vision, departments and agencies recognise that they exist to serve Canadians and that a “citizen focus” shapes all activities, programs and services. This vision commits the Government of Canada to manage its business by the highest public service values. Responsible spending means spending wisely on the things that matter to Canadians. And finally, this vision sets a clear focus on results – the impact and effects of programs.

Departmental performance reports play a key role in the cycle of planning, monitoring, evaluating, and reporting of results through ministers to Parliament and citizens. Departments and agencies are encouraged to prepare their reports following certain principles. Based on these principles, an effective report provides a coherent and balanced picture of performance that is brief and to the point. It focuses on outcomes - benefits to Canadians and Canadian society - and describes the contribution the organisation has made toward those outcomes. It sets the department’s performance in context and discusses risks and challenges faced by the organisation in delivering its commitments. The report also associates performance with earlier commitments as well as achievements realised in partnership with other governmental and non-governmental organisations. Supporting the need for responsible spending, it links resources to results. Finally, the report is credible because it substantiates the performance information with appropriate methodologies and relevant data.

In performance reports, departments and agencies strive to respond to the ongoing and evolving information needs of parliamentarians and Canadians. The input of parliamentarians and other readers can do much to improve these reports over time. The reader is encouraged to assess the performance of the organisation according to the principles outlined above, and provide comments to the department or agency that will help it in the next cycle of planning and reporting.

This report is accessible electronically from the Treasury Board of Canada Secretariat Internet site:
<http://www.tbs-sct.gc.ca/rma/dpr/dpre.asp>

Comments or questions can be directed to:

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Financial Transactions and Reports Analysis Centre of Canada

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Period ending
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Minister of Finance

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Director's Message

I am pleased to present the 2001-2002 Departmental Performance Report of the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC). This document provides a summary of FINTRAC's activities and results in accordance with our Report on Plans and Priorities for 2001-2002.

Since its creation, FINTRAC has focused its energies on establishing the processes and infrastructure needed to fulfill its mandate. Our mission is to provide law enforcement and intelligence agencies with financial intelligence on money laundering, terrorist financing activity and threats to the security of Canada, while ensuring the protection of the information we hold.

Since July 2000, we have been engaged in a unique start-up venture, one that has seen the building of a brand new government institution. This involved not only the recruitment of top-notch talent, but also the acquisition of the latest technologies, the identification and adaptation of the best practices of similar entities around the world, and the establishment of our physical premises. In October 2001, FINTRAC reached its critical milestone of becoming fully operational. During its first five months of operations, FINTRAC completed the full cycle of receiving and analyzing financial and other information and the disclosing of financial intelligence to law enforcement. The Centre also implemented the necessary systems to ensure the protection of its information holdings from unauthorized disclosure.

In addition, the Centre began its new role to assist in the detection, prevention and deterrence of terrorist activity financing offences, which came into effect with the expansion of FINTRAC's mandate under the *Anti-terrorism Act*, following the tragic events of September 2001.

FINTRAC has established positive relationships with those financial intermediaries required to report to the Centre, as well as with other government departments involved in anti-money laundering and terrorist financing initiatives. We will continue to strengthen these relationships. On the international front, FINTRAC is working towards playing an active role in international initiatives to combat money laundering and terrorist financing. During the period of this report, FINTRAC actively participated in the Financial Action Task Force and the Caribbean Financial Action Task Force, and applied for membership in the 69-member Egmont Group of Financial Intelligence Units, which assists in the international exchange of financial intelligence.

In addition to this report, the Minister of Finance will be tabling FINTRAC's first Annual Report in Parliament this fall. The Centre's Annual Report will be broader in scope, covering the period from July 2000 to March 31, 2002. It will also provide more-detailed information with respect to the work completed to set up FINTRAC and the Centre's priorities for 2002-2003.

I regard FINTRAC's mission as essential to the safety and well-being of Canadians. I am proud of the strides we have made and I am confident that the Centre will be a strong performer in the global fight against organized crime and terrorism.

Section I: Strategic Context

Background

Money laundering and the financing of terrorism are problems for which the solution has been to involve not only national action but also international co-operation. FINTRAC's origins are rooted in the global effort to combat organized crime and money laundering, in which Canada has long been a key player. In the 1980s it came to be recognized that the solution to the money laundering problem would not be found by individual countries working in isolation; it would require extensive international cooperation.

In 1988, Canada joined with other nations in Vienna to sign the *United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (the Vienna Convention)*, which recognized the need for international cooperation to detect proceeds of crime and money laundering.

In 1989, at their Economic Summit, the G7 leaders established the Financial Action Task Force on Money Laundering (FATF), with Canada as one of the founding members, to spearhead the coordination of international efforts to fight money laundering. That same year, Canada enacted legislation that made the possession and laundering of proceeds of crime offences under the *Criminal Code*. Soon after, the FATF adopted the Forty Recommendations on measures to be implemented by member countries to combat money laundering.¹ In 1991, the original *Proceeds of Crime (Money Laundering) Act* was enacted, requiring many financial institutions to identify customers and to maintain records.

In the late 1980s and early 1990s, some FATF members had begun to create specialized agencies, known as financial intelligence units (FIUs), to collect, analyze and disclose financial information and intelligence on proceeds of crime and money laundering activities. In 1995, a number of these FIUs came together to form the Egmont Group², whose purpose is to provide an international forum for cooperation and information exchange to support member countries' anti-money laundering regimes. The Group's goals were recently expanded to include the combating of terrorist financing activity. In 1996, the FATF called on all member countries, including Canada, to require financial intermediaries to report suspicious transactions to a central financial intelligence unit. That same year, Canada committed to introducing a new regime to deal with money laundering, setting the stage for the creation of FINTRAC as Canada's financial intelligence unit.

Following an extensive round of public consultations, the Government introduced and passed a new *Proceeds of Crime (Money Laundering) Act* that ultimately led to the creation of FINTRAC on July 5, 2000. Over the following year and half, the Centre undertook a vigorous campaign to establish critical policies and procedures and set up key organizational and personnel requirements, in advance of becoming operational in the fall of 2001. Following the terrorist attacks of September 11, 2001, FINTRAC's enabling legislation was amended in December 2001 to expand the Centre's mandate to include the added responsibility to detect, prevent and deter the financing of terrorist activities.

¹ For more information see www.oecd.org/fatf

² For more information see http://www1.oecd.org/fatf/Ctry-orgpages/org-egmont_en.htm

For a more detailed explanation of the mandate and objectives of FINTRAC, please see Annex B.

Key Milestones for FINTRAC

1996

- The FATF revises its original Forty Recommendations, calling on all member countries to require the mandatory reporting of suspicious transactions and to establish centralized financial intelligence units.

1997

- The FATF's evaluation of member countries' anti-money laundering initiatives highlights Canada's lack of mandatory reporting requirements and absence of a centralized financial intelligence unit.

1997 – 1998

- The Canadian government consults the public on proposed legislation and regulations that, in addition to other measures, would require the mandatory reporting of suspicious transactions to a new central financial intelligence unit.

1998

- At the Birmingham G8 Summit, the Prime Minister of Canada and other G-8 leaders commit to establishing financial intelligence units (FIUs).
- Development begins on a National Initiative to Combat Money Laundering, bringing together several federal departments and agencies including the Solicitor General of Canada, the Royal Canadian Mounted Police, Justice Canada, the Canada Customs and Revenue Agency, Citizenship and Immigration Canada and the Department of Finance.

1999

- The Government introduces new anti-money laundering legislation (Bill C-81), which would introduce new reporting requirements and create the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC). The Bill dies on the order paper, but is later re-introduced as Bill C-22.

2000

- Bill C-22, the *Proceeds of Crime (Money Laundering) Act*, receives Royal Assent in June and FINTRAC is officially created on July 5.

July 2000 – September 2001

- FINTRAC defines its organizational structure, acquires physical premises and equipment, recruits and trains staff, conducts consultations with key stakeholders, creates an information technology infrastructure, establishes operational policies and develops a regional presence in Toronto and Montreal.

October 2001

- FINTRAC begins receiving voluntary information about suspicions of money laundering.

November 2001

- The first phase of regulations comes into force. FINTRAC begins receiving Suspicious Transaction Reports.

December 2001

- Parliament enacts the *Anti-terrorism Act*, which adds combating terrorist financing activity to FINTRAC's mandate. The *Act* is renamed the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*.

February 2002

- FINTRAC amends its organizational structure and operations to include terrorist financing analysis.

March 2002

- A third regional office is established in Vancouver.
- FINTRAC completes the full cycle of receiving and analyzing financial and other information and disclosing of financial intelligence.

Section II: FINTRAC Activities

The *Anti-terrorism Act* passed by Parliament in December 2001 expanded the mandate of the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC). Responsibility for the detection, prevention and deterrence of the financing of terrorist activities has been added to FINTRAC's mandate. In addition, FINTRAC's ability to provide information to CSIS on threats to the security of Canada has been expanded.

Strategic Outcome

Detection, prevention and deterrence of laundering of proceeds of crime and the financing of terrorist activities.

Activities with Indicators

Analysis and assessment of information to detect activities and behaviour involved in money laundering and terrorist activity financing or threats to the security of Canada

- Collaborative activities with financial entities to help them comply with their obligations voluntarily
- Effective processes for receipt of reports and collection of other information
- Effective collation of reports from all reporting entities to identify patterns or occurrences warranting further analysis
- Effective and timely analyses and assessments, adding value to transaction information

Determination that there are reasonable grounds to suspect that information about certain financial transactions would be relevant to the investigation and prosecution of a money laundering or terrorist activity financing offence or threats to the security of Canada

- Timely review and decisions on cases

Disclosure of designated information suspected to be relevant to the investigation or prosecution of a money laundering or terrorist activity financing offence or threats to the security of Canada

- Timely disclosure of appropriate information to appropriate agencies

Establishment of relationships with domestic, foreign and international entities to increase knowledge of evolving money laundering and terrorist activity financing initiatives

- Effective working relationships with domestic, foreign and international entities
- Improvements in knowledge of evolving money laundering and terrorist financing activities

Enhanced public awareness and understanding of matters related to money laundering and terrorist activity financing including their effects on Canadian society

- Improved public awareness of the nature and impact of money laundering and terrorist activity financing

- Increased public support for anti-money laundering and anti-terrorist financing activities

Protection of private, personal and corporate information

- Security provisions in place for the protection of personal information
- Enhanced awareness within FINTRAC relating to privacy

Outputs, Activities and Indicators

Outputs	Activities	Indicators
<ul style="list-style-type: none"> • Establishment and operation of a reporting entity compliance regime • Establishment and operation of report receipt and other data collection strategies • Establishment and operation of analytical strategies • Employment and development of qualified analysts • Establishment and operation of IT systems to support receipt, acquisition and analysis of data, and case management 	<ul style="list-style-type: none"> • Analysis and assessments of information to detect activities and behaviours involved in money laundering and terrorist activity financing 	<ul style="list-style-type: none"> • Collaborative activities with financial entities to help them comply with their obligations voluntarily • Effective processes for receipt of reports and collection of other information • Effective and timely analyses and assessments, adding value to transaction information • Effective recruitment process established and implemented • Effective training modules developed and implemented for analysts
<ul style="list-style-type: none"> • Establishment and operation of decision and review processes • Establishment and operation of IT systems to support decision-making processes 	<ul style="list-style-type: none"> • Determinations that there are reasonable grounds to suspect that information about certain financial transactions would be relevant to the investigation and prosecution of money laundering and terrorist activity financing offences or threats to the security of Canada 	<ul style="list-style-type: none"> • Timely reviews and appropriate decisions on disclosures to law enforcement and CSIS • Effective analysis systems and case management systems developed and implemented for analysts

Outputs	Activities	Indicators
<ul style="list-style-type: none"> • Establishment of MOUs to allow the collection of information from databases held by domestic entities • Establishment and operation of disclosure mechanism 	<ul style="list-style-type: none"> • Disclosure to law enforcement agencies or CSIS of designated information suspected to be relevant to the investigation or prosecution of money laundering and terrorist activity financing offences or threats to the security of Canada • Disclosure to CSIS of designated information suspected to be relevant to threats to the security of Canada 	<ul style="list-style-type: none"> • Timely disclosure of appropriate information to appropriate agencies • MOU developed and implemented to allow access to databases held by domestic law enforcement and intelligence agencies • Disclosure Committee established and operational
<ul style="list-style-type: none"> • MOUs established, where appropriate, to formalize relationships with domestic entities • MOUs established, where appropriate, to formalize relationships with foreign financial intelligence units and other entities • Establishment and operation of IT systems to support appropriate exchange and use of information 	<ul style="list-style-type: none"> • Establishment of relationships with domestic, foreign and international entities to improve analysis of evolving money laundering and terrorist activity financing initiatives 	<ul style="list-style-type: none"> • Effective working relationships with domestic, foreign and international entities • Improvements in knowledge of evolving money laundering and terrorist financing activities to support exchange and use of information • Personal Key Infrastructure developed and implemented for reporting entities with large number of reports
<ul style="list-style-type: none"> • Establishment and implementation of a communications strategy, including: <ul style="list-style-type: none"> • Internet website • Brochures • Bulletins & fact sheets • Media interviews • Conference presentations • Public opinion research 	<ul style="list-style-type: none"> • Enhanced public awareness and understanding of matters related to money laundering and terrorist financing including their effects on Canadian society 	<ul style="list-style-type: none"> • Improved public awareness of the nature and impact of money laundering and terrorist financing • Increased public support for anti-money laundering and anti-terrorist financing activities
<ul style="list-style-type: none"> • Establishment of IT, physical and personnel security systems • Training and orientation of FINTRAC staff in matters relating to privacy 	<ul style="list-style-type: none"> • Protection of personal and corporate information 	<ul style="list-style-type: none"> • Security provisions in place to protect privacy of information • Enhanced awareness within FINTRAC relating to privacy issues

Section III: Performance Accomplishments

In July 2000, the passage of the *Proceeds of Crime (Money Laundering) Act* established FINTRAC, but at that point the agency existed in name only. It had a mandate, but no staff, equipment, systems or offices. Starting in July 2000, FINTRAC had the tremendous challenge and opportunity of building an organization from the ground up. The activities to be undertaken by the Centre were not being provided by any other government department or agency. Our story is that of a unique start-up venture within the federal public sector.

During the foundation-building period we created from scratch the organization and infrastructure required to carry out our mandate. We acquired offices and equipment. State-of-the-art physical security arrangements required by the highly sensitive nature of our operations were put in place. An overall management structure for the organization, including an Executive Committee and operational working groups were established and supported by appropriate approval and decision-making processes. The full array of corporate functions needed by a government agency were created: policy and planning, public affairs, finance and administration, human resources, security, information technology and legal services. By March 31, 2002, we had implemented the full cycle of receiving and analysing financial and other information, and disclosing financial intelligence – in other words, our core functions – which attests to our success in meeting this challenge.

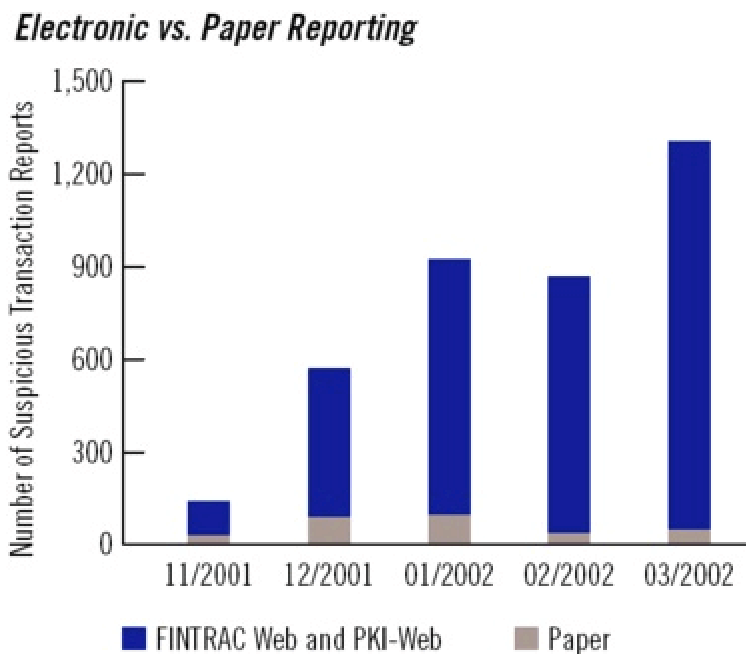
It is worth setting out in detail the work that has been done in each of these core areas over the past year or more.

Receipt of financial and other information

To facilitate compliance with the new anti-money laundering legislation, given its scope and complexity, the reporting requirements were phased in, starting with those pertaining to suspicious transaction reports and the receipt of voluntary information. FINTRAC worked on the legislation and regulations in close cooperation with the Department of Finance, which has lead responsibility, and actively participated in the extensive consultation process the Department carried out.

It was clear that implementing the first phase of the regulations would be an enormous challenge. Having identified over 100,000 financial and other entities that could be subject to the new reporting requirements, our liaison staff, together with others in the Centre, consulted extensively with banks, credit unions, money service businesses, accountants and others on the development of guidelines to assist them in meeting their regulatory obligations. This involved a year-long series of cross-country consultations with stakeholders and intensive work to draft guidelines that were relevant to all reporting entities, from large banking institutions to sole practitioner accountants. Our first set of guidelines was published in September 2001 and made available on our newly-created website (www.fintrac.gc.ca).

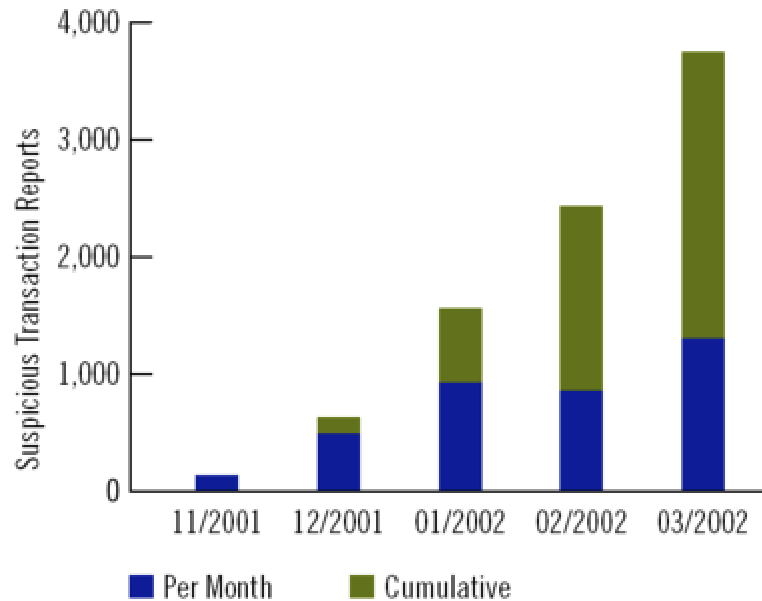
There was also the challenge of building the technical capability to enable reporting entities to submit their reports electronically to FINTRAC. We worked closely with the banking community and a cross-section of representatives from other reporting entities to determine electronic methods that they could most easily and efficiently use to submit their reports. We studied the reporting processes employed by other countries' financial intelligence units to see what elements could be borrowed from them. The methods we eventually adopted were consistent with the federal government's *Government On-Line* initiative and met the needs of both the large financial institutions as well as entities that report infrequently.



For entities with anticipated high volume and frequent reporting requirements, we implemented a system that uses the Internet with Public Key Infrastructure (PKI), similar to the systems used by several federal departments to deliver key services to the public. For entities that report low volumes and infrequently, we established a secure website with encryption, similar to the systems employed by businesses for credit card transactions, and by some banks for on-line banking.

In addition to putting in place an infrastructure for the receipt of information from reporting entities, we were faced with the challenge of receiving voluntary information from other sources, including law enforcement. In order to facilitate the receipt of this information, we consulted extensively with law enforcement and other government agencies to establish protocols and procedures to streamline the process.

Number of Suspicious Transaction Reports received



FINTRAC's processes for the receipt of voluntary information were in place by October 28, 2001, and systems to enable the electronic receipt of Suspicious Transaction Reports were tested and in place by November 8, 2001.

Our experience with electronic reporting is now being recognized internationally as a best practice model and a number of foreign FIUs have asked us to share our knowledge and expertise.

Analysis of information

Between November 8, 2001 and March 31, 2002, FINTRAC received a total of 3,747 suspicious transaction reports, involving over 11,000 financial transactions. In order to be in a position to conduct this core function of our mandate, the Centre invested heavily in the design and execution of its analytical process.

We looked at the FIUs of other countries to learn about their analytic tools and methods. We researched current money laundering techniques and selected indicators to be used to identify transactions associated with potential money laundering and terrorist financing activities. As well, we identified government and commercial databases of interest to FINTRAC and concluded an agreement with the RCMP to gain access to a national law enforcement database. Skilled analysts with a wide variety of backgrounds from both the public and private sector were recruited and provided with specialized training to aid them in their duties. We benefited enormously from the expertise of the law enforcement and security communities in terms of learning and training as we prepared to implement our mandate.

Information technology is integral to FINTRAC's ability to produce high quality financial intelligence. A great deal of energy and resources were devoted to acquiring and putting in place the systems and software needed to structure the Centre's database, manage transaction reports and to access commercial and public databases. This

included development of an initial version of the “Analyst’s Workbench”, a toolkit that provides the ability to match or link data for the analysts to review. A comprehensive Case Management System was developed to retain all documents, reports, images and notes relating to a case. In addition, commercial software packages were acquired to search and query databases, and to display case relationships in link diagram form.

Disclosure of financial intelligence

The recipients of our financial intelligence are the law enforcement community and CSIS. We developed policies and procedures on disclosures, which covered the form and content of disclosures as well as the approval process. A Disclosure Committee was established and protocols for dealing with court orders to produce additional information were developed. During our first 5 months of operations designated information involving 161 suspicious transaction reports relating to a large number of financial transactions was disclosed to law enforcement.

Protection of information

We met our statutory obligation to protect the personal information under our control from unauthorized disclosure by developing a comprehensive set of practices, policies and procedures related to information management, the physical security of our facilities and equipment, and the security of our employees.

FINTRAC put in place a robust integrated security program that incorporates the latest security concepts to protect personnel, assets and the personal information entrusted to it. The Centre’s security policies have been developed recognizing that the analysis of financial and other information and the disclosure of financial intelligence must be balanced with the requirement to respect individual rights and freedoms and to ensure management accountability.

All FINTRAC personnel, consultants and contractors are required to hold the appropriate level of security clearance. Upon hiring, they receive a security briefing and are advised of FINTRAC security policies and the Centre’s obligations to protect personal information.

A state-of-the-art security system has been introduced to control and monitor access to FINTRAC premises and the restricted areas within. Sensitive information and functions have restricted access based on the “need to know” principle.

In the same vein, electronic networks have restricted access and are subject to audit. This includes e-mail and Internet activity. The use of electronic devices by visitors to FINTRAC is strictly controlled.

Policies and procedures have also been developed to ensure the integrity and expeditious delivery of financial intelligence to those agencies authorized to receive it. A process has also been implemented to ensure that all voluntary information provided to the Centre meets the necessary threshold for retention.

The practices, policies and procedures discussed above have been implemented by FINTRAC to ensure that, in exercising its responsibilities, the Centre fully respects the *Canadian Charter of Rights and Freedoms* and conforms to the privacy requirements of our *Act*, the *Privacy Act* and all other relevant legislation.

Immediately following the coming into force of the provisions of the *Act* that created FINTRAC, the position of Access to Information and Privacy Coordinator was created. The Coordinator is responsible for ensuring that information held by FINTRAC is stored in accordance with statutory requirements and is accessible as required by the *Privacy Act* and the *Access to Information Act*.

Ensuring compliance

An equally demanding challenge was that of implementing the compliance portion of our mandate. Based on extensive consultations with representative groups across Canada, spanning several months, we developed and published a series of compliance guidelines in response to needs identified by reporting entities. It is anticipated that FINTRAC's compliance powers will come into force in 2002.

On September 12, 2001, FINTRAC officially released its first two guidelines:

Guideline 1: Backgrounder

Guideline 2: Suspicious Transaction Reporting

Building relationships and enhancing public awareness

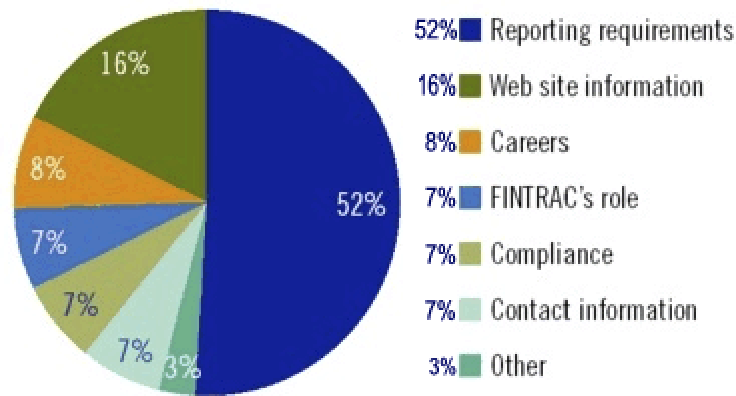
The first twenty-one months were marked by a strong emphasis on reaching out to key domestic and international stakeholders, as well as to the public, in order to promote awareness of FINTRAC and support for its objectives.

We established a corporate identity, including the creation of our logo and acquisition of our name, FINTRAC (Financial Transactions and Reports Analysis Centre of Canada) in English and CANAFE (Centre d'analyse des opérations et déclarations financières du Canada) in French.

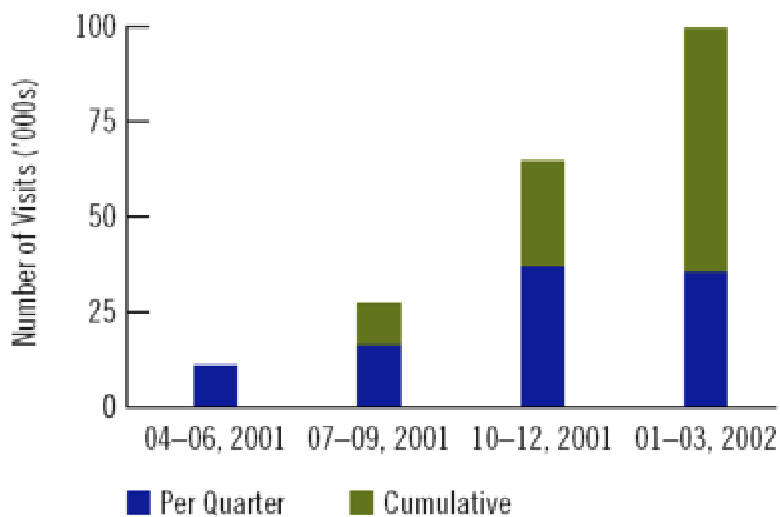
We developed both internal and external Websites (www.fintrac.gc.ca), promotional products and a trade show exhibit all aimed at providing vital information about FINTRAC and the reporting obligations under the *Act*. A Call Centre was established to respond to queries from reporting entities, the public and the media, offering a toll-free bilingual service (1-866-346-8722).

The need to consult with reporting entities on the development of guidelines provided a springboard for getting our message to financial and business communities. We also began dialogue with federal and provincial regulators on ways to cooperate in ensuring compliance with our reporting requirements. To support these outreach activities, we established regional offices in Montreal, Toronto and Vancouver.

Distribution of types of calls received by the Call Centre



Web site visits — April 2001 to March 2002



Relationships were established with the law enforcement and intelligence communities as well as with the federal departments and agencies involved in Canada’s anti-money laundering and anti-terrorism initiatives: the RCMP, provincial and municipal police forces, the Canadian Security Intelligence Service, the Communications Security Establishment, the Canada Customs and Revenue Agency, Citizenship and Immigration Canada, Solicitor General of Canada, Justice Canada and the Department of Foreign Affairs and International Trade, among others. We conducted information sessions and joint training with key partners.

We also began to establish our presence at the international level and to pave the way for playing a strong leadership role in international initiatives to combat money laundering and terrorist financing. We were a part of Canadian delegations to a number of

multilateral fora, including the Financial Action Task Force (FATF), the Caribbean Financial Action Task Force (CFATF) and the Canada-U.S. Cross-Border Crime Forum.

We applied for membership in the Egmont Group of Financial Intelligence Units in December 2001³. As of March 31, there were 58 FIUs participating in the Egmont Group. Membership in the Egmont Group is a necessary precursor to initiating discussions with foreign FIUs for the exchange of information.

Creating the FINTRAC team

FINTRAC is a separate employer. This means that the Centre fulfills the role of employer and is responsible for an agenda of rights and responsibilities that Treasury Board normally undertakes for other departments and agencies. Whereas other separate employers created in recent years brought with them the people, organization and administrative capacities they had before they were split off from their original departments, such was not the case for FINTRAC.

A first priority was to build a small, but highly effective workforce that was dynamic, diverse, dedicated and knowledgeable. The Centre identified what needed to be done and the competencies and people needed to get the job done.

From a recruitment perspective, FINTRAC had no employer recognition with prospective candidates. We designed and launched a successful national recruitment strategy and undertook an exercise to brand FINTRAC as a distinctive and exemplary employer with a mandate that touches all Canadians – the safety of our communities. We built a workforce and assembled a team of high-calibre professionals. As of March 31, 2002, 70% of our positions were staffed with 143 employees in place.

A compensation strategy was developed and implemented that allowed us to attract and support the talent critical to the success of the Centre. An underlying element of our human resources strategy is a comprehensive approach to compensation and employment practices. This total approach aims to market and describe our strategies and practices under the following themes:

Health: benefits including: health care; dental care; disability, life and accident insurance.

Compensation: salary, performance pay, merit awards and pension benefits.

Role: job content, accountabilities, competencies and performance.

Growth: career development and learning opportunities.

Work Environment: workplace facilities, occupational safety, health and ergonomics.

Family: employee and family assistance programs, family-friendly approaches, management of work/life balance.

Community: employee involvement in community activities, work/community partnerships, charitable campaigns.

³ The Egmont Group, founded in 1995, is an international group of financial intelligence units (FIUs), which work together in an informal organization to provide a forum for FIUs to improve support to their respective national anti-money laundering and anti-terrorist financing programs.

Our commitment to a diverse workforce is evident from our demographics:

- 11% of our employees self-identify as persons from visible minority groups
- 52% are women
- 34% are francophone
- Average age is 39

To be able to keep pace with the evolution and techniques of money laundering and terrorist financing, FINTRAC must be a learning organization that values the intellectual capital of its employees. We developed and delivered a comprehensive array of orientation and training programs for our staff. This was a particular challenge for employees delivering strategic analysis. No ready-made, off-the-shelf, training program for financial intelligence analysts existed. We met the challenge by designing a new curriculum. Our basic and advanced analyst-training package comprises modules developed and delivered using in-house expertise, external resources such as the RCMP, the Canadian Police College, financial industry specialists, as well as experts from other countries. As of March 31, 2002, 80% of our analysts had undergone the basic training component which included training on money laundering techniques and typologies, the use of analytical software and intelligence analysis.

To support the Centre's liaison and compliance functions, we relied on the knowledge and expertise of industry experts. With 13 different sectors of the financial services area being included as reporting entities, considerable effort was expended to ensure that staff responsible for liaison and compliance became knowledgeable about all of them. We held meetings, conducted extensive research and consulted with them to better understand the businesses of our reporting entities.

Reflecting the high value that FINTRAC places on intellectual capital, we chose to invest solidly in the creation of a learning environment. Over the course of this reporting period, our combined learning investments equaled some 4% of our payroll.

In addition to these key initiatives, we met the employer challenge of establishing and implementing a suite of practices, approaches and policies to ensure that FINTRAC's diligence in complying with legislative requirements were fully understood and met. This included our obligations with respect to human rights and privacy, employment equity, official languages and occupational safety and health.

Expenditure of Resources 2001-2002

Activities	Outputs	Resources
Analysis and assessment of information to detect activities and behaviour involved in money laundering and terrorist financing	<p>Progress in the establishment and operation of a reporting entity compliance regime</p> <p>Establishment and operation of report receipt and other data collection strategies</p> <p>Establishment and operation of analytical strategies</p> <p>Employment and development of qualified analysts</p> <p>Establishment and operation of IT systems to support receipt, acquisition and analysis of data, and case management</p>	\$29,023,808
Determination that there are reasonable grounds to suspect that information about certain financial transactions would be relevant to the investigation and prosecution of a money laundering or terrorist financing offence or a threat to the security of Canada	<p>Establishment and operation of decision and review processes</p> <p>Establishment and operation of IT systems to support decision processes</p>	\$1,036,565
<p>Disclosure of designated information suspected to be relevant to the investigation or prosecution of a money laundering or terrorist financing offence or a threat to the security of Canada</p> <p>Protection of privacy, personnel and corporate information</p>	<p>Establishment and operation of strategy for determining appropriate recipient agency or agencies</p> <p>Establishment and operation of disclosure mechanism, including IT components</p> <p>Establishing IT, physical and personnel security systems</p>	\$2,073,129
Establishment of relationships with domestic, foreign and international entities to increase knowledge of evolving money laundering and terrorist financing initiatives	<p>MOUs established, where appropriate, to formalize relationships with domestic entities</p> <p>MOUs established, where appropriate, to formalize relationships with foreign financial intelligence units and other entities</p> <p>Establishment and operation of other mechanisms, where appropriate, to facilitate interactions with domestic entities</p> <p>Establishment and operation of IT systems to support exchange and use of information</p> <p>Exchanges of information in accordance with MOUs and other mechanisms</p>	\$1,554,847
Enhanced public awareness and understanding of matters related to money laundering and terrorist financing including their effects on	Establishment and operation of a communications strategy, including: Internet website Brochures	\$2,073,129

Activities	Outputs	Resources
Canadian society	Bulletins & fact sheets Media interviews Conference presentations Public opinion research	
TOTAL		\$35,761,478

Annex A: Financial Tables

Summary of Voted Appropriations

Financial Requirements by Authority (\$ millions)		2001-2002		
		Planned Spending	Total Authorities	Actual
Vote				
Financial Transactions and Reports Analysis Centre of Canada				
30	Operating expenditures	21.2	34.5	34.5
(S)	Contributions to Employee Benefit Plan	1.3	1.3	1.3
Total Agency		22.5	35.8	35.8

Comparison of Total Planned to Actual Spending

Detection and deterrence of laundering of proceeds of crime and the financing of terrorist activities		2001-2002		
		Planned Spending	Total Authorities	Actual
FTEs		88	115	106
Operating		22.5	35.8	35.8
Total Net Expenditures		22.5	35.8	35.8
Costs of services provided by other departments		0.5	0.6	0.6
Net Cost of the Program		23.0	36.4	36.4

Historical Comparison of Planned versus Actual Spending

Detection and deterrence of laundering of proceeds of crime and of the financing of terrorist activities	Actual 1999-2000	Actual 2000-2001	2001-2002		
			Planned Spending	Total Authorities	Actual
Financial Transactions and Reports Analysis Centre of Canada	-	16.7	22.5	35.8	35.8
Total	-	16.7	22.5	35.8	35.8

Annex B: Agency Overview

Background, Mandate, Roles and Responsibilities

Background

Accountability, Role and Responsibilities

The Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) was established by the *Proceeds of Crime (Money Laundering) Act (PC(ML)A)*, Chapter 17, Statutes of Canada 2000. The *PC(ML)A* has since become the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PC(ML)TFA)* with the addition of the detection, prevention and deterrence of the financing of terrorist activities.

The key objectives of the *Act* are:

1. To implement specific measures to detect and deter money laundering and the financing of terrorist activities and to facilitate the investigation and prosecution of money laundering offences and terrorist activity financing offences.
2. To respond to the threat posed by organized crime by providing law enforcement officials with the information they need to deprive criminals of the proceeds of their criminal activities while ensuring the appropriate safeguards are in place to protect personal privacy.
3. To assist in fulfilling Canada's international commitments in the fight against transnational organized crime and terrorist activity.

The *Act*:

1. establishes the Financial Transactions and Reports Analysis Centre of Canada;
2. requires a wide range of financial institutions and intermediaries to keep records, identify clients and report suspicious and prescribed financial transactions;
3. requires persons to declare the cross-border movement of large amounts of currency or monetary instruments to the Canada Customs and Revenue Agency (CCRA). These reports will be forwarded to FINTRAC;
4. provides authority to pass regulations concerning the nature and extent of record keeping, identification of clients and reporting to FINTRAC and to make additional business entities or activities subject to the Act;
5. provides a high degree of privacy protection for the information provided to FINTRAC.

Along with the suspicious and prescribed financial transaction reports, the legislation enables FINTRAC to receive and use information that is voluntarily provided to FINTRAC, such as information from law enforcement and other agencies as well as information from the public, about suspicions of money laundering or of the financing of terrorist activities.

The Minister of Finance is responsible for FINTRAC.

The legislation strikes a balance between safeguarding the rights of Canadians, protected by the *Charter of Rights and Freedoms*, and the needs of law enforcement in investigating money laundering offences, terrorist financing activities offences and threats to the security of Canada.

FINTRAC *receives* financial and other information that it is under an obligation to *protect* from unauthorized disclosure. It *analyzes* this information with a view to detecting money laundering, terrorist financing activities and threats to the security of Canada. On the basis of its analysis, the Centre generates financial intelligence that it will, when appropriate, *disclose* to law enforcement and security agencies in order to assist in the investigation and/or prosecution of money laundering and terrorist financing activities offences, as well as threats to the security of Canada. Further, the Centre *ensures compliance* with the record keeping, client identification and reporting requirements of the *Act* and regulations and is charged with *enhancing public awareness* and understanding of matters related to money laundering and terrorist financing.

Failure by reporting entities to report prescribed or suspicious financial transactions, as set out in the *Act*, can result in significant fines or jail terms. FINTRAC will work closely with reporting entities to support their efforts to implement a compliance regime to assist them in meeting their obligations under the *Act* and Regulations.

In operationalising the legislative accountability, FINTRAC has adopted the following principles. FINTRAC will:

- strive to become a centre of expertise in the analysis of financial and other data to identify suspicious transactions associated with money laundering activities and the financing of terrorist activities, and to enhance awareness and understanding of matters related to money laundering and the financing of terrorist activities.
- safeguard the personal privacy of individuals and protect their records from unauthorized disclosure.
- operate at arm's length from law enforcement agencies and other entities to which it is authorized to disclose information.
- develop relationships with domestic and international entities to obtain and exchange data, information and knowledge.

FINTRAC Structure

FINTRAC is headed by a Director appointed by Governor in Council to be the Chief Executive Officer of FINTRAC, with the rank and powers of a Deputy Head of a department. FINTRAC is comprised of six functional areas: Money Laundering Analysis; Terrorist Financing Analysis; Policy, Planning and Public Affairs; Liaison and Compliance; Information Technology and Corporate Management. A Deputy Director heads each area. There is also a Legal Services unit headed by a General Counsel. The following provides an overview of the responsibilities and activities of each of the seven areas.

Money Laundering Analysis

Money Laundering Analysis is responsible for developing and implementing analysis frameworks and for analyzing financial data reported pursuant to the Act and Regulations together with other sources available to FINTRAC. This work is aimed at identifying potential money laundering cases, assessing general trends, patterns of activity, emerging risks as well as recommending disclosures to law enforcement and other national and international agencies in respect of money laundering.

Terrorist Financing Analysis

Terrorist Financing Analysis is responsible for developing and implementing analysis frameworks and for analyzing financial data reported pursuant to the Act and Regulations together with other sources available to FINTRAC. This work is aimed at identifying potential terrorist financing cases, assessing general trends, patterns of activity, emerging risks as well as recommending disclosures to intelligence agencies and other national and international agencies in respect of terrorist financing.

Policy, Planning and Public Affairs

The Policy area is responsible for the identification of strategic policy issues to be addressed in legislation, regulations, guidelines and internal operating procedures such as disclosure policy and procedures. This area develops a framework for establishing and maintaining international networks and multi-lateral relationships. Policy is also responsible for the establishment of Memoranda of Understanding (MOUs) with national, foreign and international organizations. Planning is responsible for coordinating the strategic planning, business planning, performance management and evaluation processes.

Through Public Affairs, FINTRAC uses a strategic communications approach to inform and educate its stakeholders and the general public on FINTRAC's activities in combating money laundering and the financing of terrorist activities in Canada and abroad. FINTRAC established a website to disseminate information to reporting entities and other stakeholder groups, and created outreach products and training tools to assist Liaison and Compliance.

Liaison and Compliance

Liaison is responsible for a key focus on fostering and managing positive relationships with reporting entities, their associations and law enforcement agencies. In addition, Liaison plays an important role with respect to the receipt of voluntary information and disclosing information to law enforcement and intelligence agencies. Liaison also provides support to reporting entities to help them better understand their legislative requirements through the development of tools such as FINTRAC's Guidelines.

Compliance has the responsibility for ensuring that reporting entities meet the requirements of the *PC(ML)TFA*. This section works closely with reporting entities and regulatory authorities to support their efforts to implement a compliance regime that will assist them in meeting their obligations under the *Act* and Regulations.

Information Technology

Information Technology has the responsibility for developing and applying information management and information and communications technology systems that will support and advance FINTRAC's objectives. This area designs and implements procedures and controls to ensure and protect the safety and security of all information, including the secure transmission of data between reporting entities and FINTRAC. It is also responsible for designing, maintaining and implementing database management systems and building and managing custom applications to meet internal requirements.

Corporate Management

Corporate Management has the responsibility for Human Resources, Finance and Administration, Security and the Corporate Secretariat. Human Resources ensures that appropriate HR systems, policies and procedures are in place to promote FINTRAC as an employer of choice, to respect employee rights, and to foster organizational wellness.

The Finance and Administration area advises FINTRAC's Executive on all comptrollership and administrative aspects of strategic and operational planning and priorities. Security designs, manages and monitors policies and procedures to protect FINTRAC's premises and information systems, and provides secure access to employees and other authorized persons.

The Corporate Secretariat manages the *Access to Information and Privacy Acts* (ATIP) portfolio and FINTRAC's library, and provides Secretariat coordination of several activities of FINTRAC, including the preparation of reporting requirements to Parliament and the maintenance of the correspondence tracking system.

Legal Services

Further to a Memorandum of Understanding, legal services are provided to the Centre by the General Counsel and three Legal Counsels who are all employees of the Department of Justice. FINTRAC pays for this service.

Organization Chart

