

Financial Transactions and Reports Analysis Centre of Canada

For the Period ending March 31, 2005

Departmental Performance Report

The Honourable Ralph Goodale
Minister of Finance

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SECTION I – OVERVIEW

Director's Message

I am pleased to present the Departmental Performance Report (DPR) for the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) for the fiscal year 2004-05.

In this fifth year since our enabling legislation came into force, FINTRAC achieved significant success and gained a wealth of experience in the fight against money laundering and terrorist activity financing. Our partners in law enforcement and the Canadian Security Intelligence Service have indicated that they attach considerable value to our financial intelligence product.

This past year, we were able to produce case disclosures of significantly higher dollar value and of broader scope and complexity than was previously possible. By employing increasingly sophisticated analytical tools on the growing quantity and improving quality of financial transaction reports, the dollar value of our case disclosures more than tripled compared with last year's results.

Our strategic financial analysis kicked into high gear over the past year, producing numerous analyses of various aspects of our financial transactions and other information in response to internal and external requirements. It also produced an in-depth analysis of our disclosed money laundering cases to reveal patterns characteristic of different types of money laundering operations in Canada.

Our compliance function is now fully operational, including our monitoring and examination activities. With the advent of a number of new agreements with regulatory agencies, we minimized duplication in the conduct of on-site verifications and maximized the efficiency of existing regulatory reviews.

Money laundering and terrorist activity financing are international in scope and FINTRAC is also committed to making a difference internationally through participation and leadership in multilateral fora. During the year, we concluded thirteen new agreements for exchange of information with other financial intelligence units, bringing the total number of such agreements to twenty. We also maintained a strong presence in the Egmont Group of financial intelligence units, making important contributions to technology, administration and training initiatives, as well as providing support for new and prospective members.

Although still a young agency, we are rightfully proud of our accomplishments to date. This past year has been one of significant progress and achievement. I invite you to review this Performance Report for specific details on how FINTRAC is working along with our partners in national law enforcement, security agencies and reporting entities to identify and deter those who would use the Canadian financial system to launder money and finance terrorism.

Management Representation Statement

I submit for tabling in Parliament, the 2004-2005 Departmental Performance Report (DPR) for the Financial Transactions and Reports Analysis Centre of Canada.

This document has been prepared based on the reporting principles contained in the Treasury Board of Canada Secretariat's *Guide for the Preparation of 2004-2005 Departmental Performance Reports*:

- It adheres to the specific reporting requirements;
- It uses an approved Business Line structure;
- It presents consistent, comprehensive, balanced and accurate information;
- It provides a basis of accountability for the results pursued or achieved with the resources and authorities entrusted to it; and
- It reports finances based on approved numbers from the Estimates and the Public Accounts of Canada.

Name: Horst Intscher

Title: Director

Summary Information

This report presents FINTRAC's performance accomplishments against commitments made in the 2004-05 Report on Plans and Priorities (RPP). It follows the same strategic outcome and business line format as the RPP to facilitate easy comparison of information.

As outlined in FINTRAC's 2004-05 RPP, FINTRAC's raison d'être, mandate and mission are as follows:

Raison d'être

The Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) was established by the *Proceeds of Crime (Money Laundering) Act* (PCMLA) in July 2000 as part of the National Initiative to Combat Money Laundering. In December 2001, Parliament enacted the *Anti-terrorism Act*, c. 41, Statutes of Canada, 2001, that set out new responsibilities for FINTRAC and others to combat terrorist activity financing and threats to the security of Canada. At that time, the PCMLA was renamed the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA).

Mandate

FINTRAC's mandate and activities are prescribed by legislation. It is an independent agency, operating at arm's length from the police and other departments and government agencies to which it can provide financial intelligence.

FINTRAC's mandate is to:

- Receive reports on suspicious and prescribed financial transactions, and receive and collect other information relevant to money laundering and terrorist activity financing;
- Receive reports on the cross-border movement of large amounts of currency or monetary instruments;
- Analyze and assess the information it receives;
- Provide domestic law enforcement with financial intelligence that it suspects would be relevant to the investigation or prosecution of money laundering and terrorist activity financing offences;
- Provide the same information to the Canada Revenue Agency (CRA) if the Centre also determines that the information is relevant to an offence of evading or attempting to evade paying federal taxes, to Citizenship and Immigration Canada (CIC) if the Centre also determines that the intelligence is relevant to certain provisions of the *Immigration and Refugee Protection Act*; and to the Canada Border Services Agency (CBSA) if the Centre determines that the intelligence is also relevant to an offence of evading or attempting to evade duties or certain provisions of the *Immigration and Refugee Protection Act*;
- Provide CSIS with financial intelligence that would be relevant to threats to the security of Canada;

- Provide financial intelligence to foreign financial intelligence units with which it has concluded a memorandum of understanding providing for the exchange of such information;
- Ensure that personal information under its control is protected from unauthorized disclosure;
- Ensure compliance by financial institutions and other reporting entities with their obligations under the *Act* and regulations;
- Enhance public awareness and understanding of matters related to money laundering and terrorist activity financing; and
- Assist in fulfilling Canada's international commitments to participate in the fight against transnational crime, particularly money laundering and terrorist financing.

Mission

FINTRAC's mission is to provide law enforcement and intelligence agencies with financial intelligence on suspected money laundering, terrorist activity financing and threats to the security of Canada, while ensuring the protection of the information it holds.

The requirement to disclose information is balanced by the protection of privacy. The PCMLTFA strikes a careful balance between the needs of law enforcement and an individual's right to privacy. In keeping with the PCMLTFA, FINTRAC applies a high and rigorous standard of privacy protection to the personal information under its control.

FINTRAC is uniquely positioned to provide strategic intelligence on broad trends and emerging developments in money laundering and terrorist activity financing to partners and stakeholders engaged in anti-money laundering and anti-terrorism efforts. To this end, it undertakes strategic analysis and participates in a number of key domestic and international fora to exchange information and share expertise.

For more information about the PCMLTFA, please go to:

<http://laws.justice.gc.ca/en/p-24.501/93840.html>

Benefits for Canadians

Canada's Financial Intelligence Unit (FIU), FINTRAC contributes to the National Initiative to Combat Money Laundering and to Canada's anti-terrorism efforts by assisting in the detection, prevention and deterrence of money laundering and terrorist activity financing in Canada and abroad. In so doing, the Centre contributes to the public safety and national security of Canadians through the Government's National Security Policy and related security and intelligence activities. The Centre is also part of an international community of similar organizations engaged in combating money laundering and the financing of terrorist activities.

Summary of FINTRAC's Performance

Strategic Outcome:

Financial intelligence that contributes to the detection and deterrence of money laundering and terrorist activity financing in Canada and abroad.

2004–2005 Priorities/ Commitments	Type	Planned Spending	Actual Spending	Performance Summary and Results
Deliver timely and high quality financial intelligence to law enforcement and intelligence agencies, and foreign financial intelligence units	Ongoing	\$18.9	\$18.9	Successfully met expectations - FINTRAC's case disclosures were unprecedented in the total value they represented and in the complexity of money laundering networks revealed. The Centre's financial intelligence product made a relevant and meaningful contribution to the fight against money laundering and terrorist activity financing.
Implement the comprehensive risk-based compliance program	New	\$9.0	\$9.1	Successfully met expectations - All of FINTRAC's key functions that comprise the cooperative risk-based compliance function were operational in 2004-05. Examinations were conducted in every reporting entity sector resulting in higher levels of compliance.
Disseminate strategic information on money laundering and terrorist activity financing to partners, stakeholders, and the general public	New	\$3.0	\$3.0	Successfully met expectations – FINTRAC substantially reviewed all case disclosures in 2004-05 to produce valuable new insights about the patterns and trends related to money laundering and terrorist activity financing in Canada. By sharing this information with various national and international partners, the Centre contributed to efforts to develop new money laundering indicators.

Total Financial Resources

Planned	Authorities	Actual
\$30.9	\$32.9	\$31.0

Total Human Resources

Planned	Actual	Difference
200	183	17

Operating Environment and Context

Operational Context

FINTRAC contributes to the National Initiative to Combat Money Laundering (NICML) and to Canada's Public Security and Anti-Terrorism (PSAT) Initiative by gathering financial information, analyzing it, and disclosing the resulting financial intelligence to law enforcement and CSIS. The Centre is also part of an international community of similar organizations engaged in combating money laundering and the financing of terrorist activities.

FINTRAC reports to Parliament through the Minister of Finance, who is responsible for the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)* and its accompanying regulations. The organization is funded through appropriations.

FINTRAC is headquartered in Ottawa and has small regional offices in Montreal, Toronto and Vancouver.

FINTRAC contributes to the public safety and national security of Canadians by assisting in the detection and deterrence of money laundering, terrorist activity financing and threats to the security of Canada. Given the transnational nature of money laundering and terrorist activity financing, FINTRAC's international initiatives, particularly in the form of information sharing, are an important aspect of its work.

For more information on Canada's anti-money laundering and anti-terrorist financing initiatives, please go to <http://www.fintrac.gc.ca/>

The Year in Review

In the five years since it was founded in 2000, FINTRAC has evolved into a valuable component of Canada's effort to combat money laundering and terrorist activity financing. In 2004-05, the Centre achieved significant progress against all of the priorities identified in its Report on Plans and Priorities.

During the year, a total of 142 case disclosures of suspected money laundering, terrorist activity financing and other threats to the security of Canada were made to law enforcement and intelligence agencies, as well as to foreign Financial Intelligence Units. Of these, 115 were new cases, and 27 were updates on cases that had been the subject of previous disclosures.

The dollar value of the transactions included in case disclosures for 2004-05 was just over \$2 billion – close to triple the value disclosed last year and more than four times that of previous years. The increase in the total dollar value of the transactions involved in disclosures reflected the increasingly sophisticated analysis applied to the growing quantity and improving quality of the information contained in the Centre's databases. FINTRAC's growing capacity to uncover more complex and larger cases was also evident in the significant increase in the number of individuals or businesses implicated in each case disclosure and the number of different reporting entities involved.

Over the past year, FINTRAC also looked for trends and patterns in its disclosure information to provide insights to senior management in support of operational and policy decision-making. This included an analysis of the thousands of transaction reports associated with FINTRAC's yearly case disclosures, as well as a macro analysis of reports received.

Among other findings, this analysis unveiled patterns characteristic of several different types of money laundering operations in Canada. Some insights confirmed the findings gained over long experience by anti-money laundering experts, others shed new light on criminal methods and practices. In all, the results allow FINTRAC to begin building a knowledge base that can assist in supporting measures taken by law enforcement, government and financial institutions against money laundering and terrorist activity financing.

The financial intelligence FINTRAC produces is directly linked to the financial transaction reports the Centre receives. In 2004-05, FINTRAC received over 30,000 transaction reports per day from reporting entities, for a total of 10.8 million reports. The reports were from all reporting streams, including: Suspicious Transaction Reports; Electronic Funds Transfer Reports; Large Cash Transaction Reports; Terrorist Property Reports; Cross-Border Currency Reports; and Cross-Border Seizure Reports. The Centre also received voluntary information from a variety of sources, including law enforcement, intelligence agencies and the general public.

The Centre achieved a critical milestone during the year, conducting compliance examinations in every reporting entity sector. The Centre also enhanced relationships with key federal and provincial regulators through the signing of agreements for the exchange of information to help minimize duplication in the conduct of verifications, maximize the efficiency of existing regulatory reviews, and lessen the regulatory burden on reporting entities.

FINTRAC continued to support the global campaign against money laundering and terrorist activity financing by moving forward in a number of areas. During the year, the Centre concluded 13 new agreements for exchange of information with foreign financial intelligence units, bringing the total number of such agreements to 20. FINTRAC also continued to maintain a strong presence in the Egmont Group of Financial Intelligence Units, an international association of FIUs representing close to 100 countries that work together to promote information exchange and to enhance the capabilities of financial intelligence units from around the world. FINTRAC made important contributions in the areas of technology, administration and training initiatives.

In the past year, the Office of the Auditor General undertook a value-for-money audit of the National Initiative to Combat Money Laundering and made helpful recommendations to improve the functioning of the initiative overall and of FINTRAC. After considering the recommendations, the Centre began implementing the FINTRAC-specific recommendations. This work, together with the recommendations of an independent evaluation of the National Initiative to Combat Money Laundering is helping to prepare the Centre for the year-five Parliamentary review of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, expected to begin in the fall of 2005.

The Centre also worked closely with the Department of Finance on the development of a consultation paper entitled "Enhancing Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime", which was released in June for public consultation. The paper contains a range of proposals for legislative and regulatory enhancements to keep Canada at the forefront of the global fight against money laundering and terrorist financing, including a proposal to expand the scope of designated information FINTRAC can provide in its case disclosures, thereby addressing a recommendation of the Auditor General.

The protection of the personal information entrusted to the Centre is an important FINTRAC obligation. During 2004-05, the Centre continued to reinforce security measures. State-of-the-art security identification systems, as well as the vigilance of FINTRAC employees, protect both data and premises.

FINTRAC produces an Annual Report that details the Centre's activities and achievements in carrying out its mandate to detect and deter money laundering and terrorist activity financing. The Annual Report can be accessed at: <http://www.fintrac.gc.ca/>.

SECTION II –ANALYSIS OF PERFORMANCE BY STRATEGIC OUTCOME

Strategic Outcome Logic Model

Strategic Outcome	
<p><i>Financial intelligence that contributes to the detection and deterrence of money laundering and terrorist activity financing in Canada and abroad.</i></p> <p>FINTRAC's role is to provide financial intelligence that the Centre considers to be relevant to the investigation and prosecution of money laundering and terrorist activity financing. The Centre contributes to the safety and security of Canadian communities through its efforts to detect and deter the proceeds of crime.</p> <p>The actual spending for FINTRAC in 2004-2005 was \$31.0 million.</p>	
Key Relationships	
<p>FINTRAC has established relationships with both those from whom it receives information and those to whom it discloses financial intelligence. The Centre's effectiveness depends on forging ties with a network of internal and external partners and other federal stakeholders: government departments; the financial entities and intermediaries that send reports; law enforcement and security agencies; and financial intelligence units in other parts of the world. For a broader description of these relationships, see Section IV – Other Items of Interest, FINTRAC's Key Relationships.</p>	
Immediate and Intermediate Outcomes	
<p>The Centre's detection capabilities and contributions are continually strengthened</p>	<ul style="list-style-type: none"> • High-quality case disclosures are produced and disseminated on a timely basis • New and emerging money laundering and terrorist activity financing trends and methods are identified and communicated • Automated tools and solutions improve the efficiency and effectiveness of compliance monitoring and financial intelligence analysis • Global capacity to combat money laundering and terrorist activity financing is strengthened

Enhanced compliance and awareness supports the deterrence of money laundering and terrorist activity financing	<ul style="list-style-type: none"> • High levels of compliance are attained by reporting entities in meeting their legislative obligations • Required record-keeping and client identification practices are implemented by reporting entities • Increased awareness and understanding among partners, stakeholders and the general public
Effective security and protection of privacy	<ul style="list-style-type: none"> • Processes and controls are in place, and operating effectively, to protect the privacy of information collected and to guard against unauthorized disclosures
Plans and Priorities	
Priority	Associated Resources (Actual)
Deliver timely and high-quality financial intelligence to law enforcement and intelligence agencies, and foreign financial intelligence units	04/05 - \$18.9
Implement the comprehensive risk-based compliance program	04/05 - \$9.1
Disseminate strategic information on money laundering and terrorist activity financing to partners, stakeholders, and the general public	04/05 - \$3.0

Performance Report by Priorities in 2004-05 RPP

Strategic Outcome:

Financial intelligence that contributes to the detection and deterrence of money laundering and terrorist activity financing in Canada and abroad.

Priority 1:

Deliver timely and high-quality financial intelligence to law enforcement and intelligence agencies, and foreign financial intelligence units.

Key Results Achieved:

In 2004-05, FINTRAC produced case disclosures of higher dollar value and broader scope than in previous years. The Centre made 142 case disclosures. Of these 115 were new cases, and 27 were updates on cases that had been the subject of previous disclosures. The total dollar value of case disclosures was just over \$2 billion, close to triple the approximately \$700 million from 2003-04. As well the average number of transactions per disclosure increased from 62 last year to 136 in 2004-05.

Of the 142 case disclosures made in 2004-05:

- 110 were for suspected money laundering;
- 24 were related to suspected terrorist activity financing and other threats to the security of Canada; and
- 8 case disclosures involved both suspected money laundering and terrorist activity financing or threats to the security of Canada.

Key Initiatives and Performance Areas	Results Achieved
Enhanced Tactical Analysis and Disclosures	<p>In 2004-05, FINTRAC analysts utilized more sophisticated approaches to uncover suspicious money trails, resulting in increased breadth and depth of analysis contained in case disclosures. As a result, the number of case disclosures involving more than \$10 million in financial transactions increased to 22 per cent of total output, compared to 7 per cent in 2003-04. As well, the average number of reporting entities represented in each case disclosure increased from 4 to 6.</p> <p>Feedback from CSIS and from law enforcement agencies has confirmed that a number of FINTRAC case disclosures have added value to ongoing investigations, and in some cases have led to the initiation of new investigations.</p>

Key Initiatives and Performance Areas	Results Achieved
Implementation of a new case management system for disclosures	In 2004-05, FINTRAC initiated development of a new case management system. Implementation will be piloted in 2005-06 and the new case management system will ultimately be integrated with FINTRAC's other key applications for data management, analysis and detection.
Selection and implementation of a new suite of analytical tools for detection	In 2004-05, FINTRAC partnered with AUSTRAC, the Australian FIU in order to accelerate the development of FINTRAC's new data management, compliance support and detection platform. The new platform will leverage AUSTRAC's proven expertise in analyst assisted and fully automated detection tools.
Maintenance of a continuous outreach program with all large and medium sized law enforcement agencies, CSIS, CIC, CBSA and CRA	<p>FINTRAC's continuing outreach activities to large and medium sized law enforcement agencies, CSIS, CIC, CBSA and CRA included a large number of individual visits, senior level presentations, workshops and training activities to promote the Centre's financial intelligence products.</p> <p>A key result of these outreach activities has been improved information sharing and feedback to FINTRAC from case disclosure recipients on the value of disclosures to their investigations.</p>
Improved tracking of disclosures	FINTRAC, in consultation with disclosure recipients and other NICML partners, developed a mechanism to track case disclosures. Disclosure recipients will be encouraged to provide feedback to FINTRAC on the utility of case disclosures. The feedback received from disclosure recipients will allow the Centre to monitor the quality of its disclosures, enhance its core product, and better meet the needs of law enforcement.

Key Initiatives and Performance Areas	Results Achieved
Access to law enforcement databases	<p>FINTRAC has access to CPIC, the national Canadian Police Information Centre database, and during the year, was able to obtain access to PIRS, the RCMP's Police Information Retrieval System.</p> <p>Discussions are ongoing with other federal and provincial partners to secure access to strategically important databases maintained for law enforcement or national security purposes.</p>
Enhanced information sharing with foreign FIUs	<p>In 2004-05, FINTRAC concluded 13 new agreements for the exchange of information with Financial Intelligence Units (FIUs) in other countries bringing the total number of agreements in place to 20.</p>

Priority 2:

Implement a comprehensive risk-based compliance program

Key Results Achieved:

All of FINTRAC's key functions that comprise the cooperative risk-based compliance function were operational in 2004-05. Examinations were conducted in every reporting entity sector.

Relationships with key federal and provincial regulators were strengthened through the signing of agreements for the exchange of information to help minimize duplication in the conduct of verifications, maximize the efficiency of existing regulatory reviews, and lessen the regulatory burden on reporting entities.

In addition to these activities, FINTRAC continued its outreach efforts to raise awareness among reporting entities by participating in more than 700 presentations and meetings with reporting entities, reaching over 12 700 of their representatives. The Centre also responded to over 2300 call centre enquiries from reporting entities.

Key Initiatives and Performance Areas	Results Achieved
Undertaking of reporting entity assistance and policy interpretation	<p>A number of tools and approaches were utilized by FINTRAC in efforts to educate reporting entities and to assist them in meeting their obligations. Over the past year, these efforts included:</p> <ul style="list-style-type: none">• Conducting more than 700 presentations and meetings with reporting entities and reaching over 12 700 of their representatives;• Producing a nine-minute video to inform reporting entities of their legal obligations and help explain FINTRAC's role;• Distributing more than 117 000 pamphlets and information sheets to reporting entities and individuals in response to their questions about FINTRAC;• Responding to over 2300 call centre inquiries from reporting entities. <p>FINTRAC's efforts also focused on providing timely and consistent policy interpretation to reporting entities through monitoring efforts as well as by launching FINTRAC Interpretation Notices (FIN) on the Centre's website to address broad based policy issues and provide additional guidance to reporting entities.</p> <p>FINTRAC also provided strategic feedback to representatives in the banking, caisses populaires and real estate sectors on trends within their sector, the quality of reporting, as well as their sector's contribution to money laundering and terrorist activity financing disclosures.</p>

Key Initiatives and Performance Areas	Results Achieved
Monitoring of quality of reporting and Undertaking risk assessment	<p>During the year, FINTRAC produced compliance risk assessments covering all reporting sectors. Compliance questionnaires were also sent in most reporting entity sectors to further enhance FINTRAC's risk assessment information.</p> <p>This increased the Centre's effectiveness in determining where outreach and examination resources could be most effectively targeted.</p> <p>As a result of continuous monitoring and quality assurance follow-ups, the Centre noted a marked improvement in the quality of financial transaction reports submitted by reporting entities.</p>
Conducting of examinations	<p>By utilizing a variety of examination techniques, FINTRAC performed examinations in all reporting entity sectors in 2004-05.</p> <p>In 2004-05, the Centre performed 190 on-site examinations. The major focus for on-site examinations was on money services businesses and foreign exchange dealers.</p> <p>FINTRAC disclosed 2 cases of non-compliance to law enforcement.</p>
Implementation of enhanced technological support	<p>A number of tactical solutions were deployed in 2004-05 in support of the compliance program. Web based compliance questionnaires were issued to a number of reporting sectors. In addition, enhanced reporting tools were provided to support examination planning and preparation. Finally, a roadmap was developed identifying the new IT compliance solutions, which will be implemented over the next 3 fiscal years.</p>

Priority 3:

Disseminate strategic information on money laundering and terrorist activity financing to partners, stakeholders, and the general public

Key Results Achieved:

FINTRAC substantially reviewed all disclosures in 2004-05 to identify patterns and trends that provide new insights on money laundering and terrorist activity financing in Canada to be shared with national and international partners and contributing to the development of new money laundering indicators.

The Centre encouraged the sharing of strategic intelligence internationally through leadership and participation in a number of international fora including the United Nations Global Program against Money Laundering, the Egmont Group and the Financial Action Task Force.

In the past year, FINTRAC strengthened capacity and introduced new tools to raise public awareness of money laundering and terrorist activity financing.

Key Initiatives and Performance Areas	Results Achieved
Enhanced strategic analysis	During the past year, the Centre conducted an extensive analysis of the thousands of transaction reports associated with its yearly disclosures to gain an understanding of the patterns and characteristics of different types of money laundering operations in Canada. This analysis confirmed findings and shed new light on the criminal activities and behaviours among individuals and groups involved in money laundering that may assist in the future development of effective counter strategies.
Production of strategic analysis reports	In 2004-05, FINTRAC developed and provided strategic information products to a number of domestic and international partners and fora, including the National Coordinating Committee on Organized Crime, the United Nations Global Program Against Money Laundering and the Egmont Group. These insights gave added depth to the understanding that law enforcement and national security officials, policy makers and others have of money laundering and terrorist activity financing in Canada.

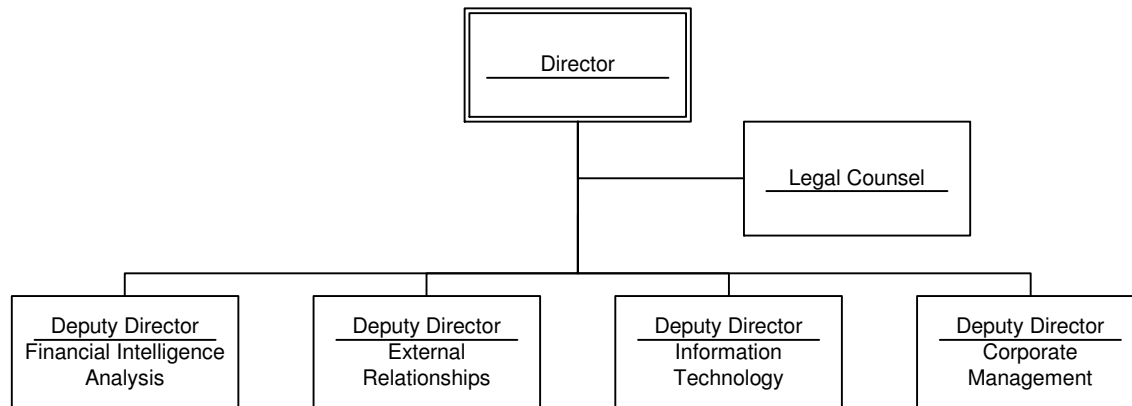
Key Initiatives and Performance Areas	Results Achieved
Provision of international technical assistance	<p>During the year, FINTRAC received a number of delegations from foreign FIUs seeking to discuss aspects of the Centre's operations, including information technology, analytical functions, and compliance operations.</p> <p>In 2004-2005 FINTRAC provided technical assistance on-site to a foreign FIU for the first time. The Centre shared its information technology expertise with the FIU of Colombia, as they worked to enhance their IT systems.</p>
External Communications	<p>To raise public awareness of money laundering and terrorist activity financing and help alert Canadians to the threat posed by these activities, FINTRAC undertakes a number of activities including:</p> <ul style="list-style-type: none"> • Publishing and disseminating an annual report to Parliament; • Publishing articles in trade journals and newsletters; • Publishing pamphlets and other printed material for distribution to reporting entities and their clients; • Operating a web site and a call centre to provide information to reporting entities and the public; • Participating in media interviews; and • Conducting a workshop with large financial institutions to share information on money laundering and terrorist activity financing typologies.

Other Significant Initiatives	
Key Initiatives and Performance Areas	Results Achieved
Development and implementation of an integrated planning, budgeting, and performance management framework	During the past year, FINTRAC took a number of steps to implement an integrated performance management framework, including the development of a results chain for the Centre illustrating the links and interdependencies between our resources, activities, outputs and outcomes; and implementing performance scorecards for each of FINTRAC's sectors and the agency overall.
Development and implementation of a comprehensive and rigorous approach to effective comptrollership	Updated policies and implemented new procedures in the areas of finance, procurement and internal audit. This included the introduction of a state-of-the-art financial delegation instrument along with associated training for all FINTRAC managers, a new delegation instrument for procurement, and an effective internal audit function.
Development of a business continuity plan	To further support FINTRAC's ability to resume business after a disruption of operations, the Centre reinforced its Business Continuity Program. The program provides a comprehensive approach to responding to potential crises or other types of business interruptions using a risk assessment model.
Leading investments in learning, human resource planning and support and organizational wellness initiatives	The Centre pursued a broad range of human resource initiatives designed to provide employees with a rewarding work environment. During the year, FINTRAC maintained investments in employee learning and development opportunities. For example, compliance officers took part in learning events designed to develop their expertise in policy interpretation, risk assessment and quality assurance; financial intelligence analysts took part in training that enhanced their knowledge of tracking terrorists online, casino operations, and of tax havens. As well, analysts were able to interact with experts in the academic community and with our partners in law enforcement.

Key Initiatives and Performance Areas	Results Achieved
Protection of personal information	<p>To demonstrate commitment to the protection of privacy, the Centre engaged an outside expert in 2004-05 to assess the extent to which effective privacy protection policies and practices are implemented within FINTRAC.</p> <p>This review included an examination of the awareness and compliance of staff in the protection of personal information, as well as an examination of the risk management approach adopted by the organization. In examining all aspects of FINTRAC's policies, business systems and processes, the specialist noted that: "FINTRAC has implemented the necessary measures...to achieve the protection of the personal information it receives and handles."</p>
Establish a comprehensive integrated information management framework	<p>In 2004-05, FINTRAC adopted its first formal information management (IM) Policy, developed and published IM Best Practices documents and provided IM Awareness training to all employees. An exercise was conducted by each sector to review and revise their file plans to ensure that they are reflective of FINTRAC's current information holdings.</p>

SECTION III – SUPPLEMENTARY INFORMATION

Organizational Information



The **Director**, appointed by the Governor-in-Council, has all the powers of a deputy head of a department, as well as those of a separate employer. The Director is required to report to the Minister of Finance from time to time, on the exercise of those powers and the performance of duties authorized under the Act.

FINTRAC's tactical and strategic analytical functions for combating money laundering and terrorist activity financing are grouped under the **Financial Intelligence Analysis Sector**.

The **External Relationships Sector** is responsible for FINTRAC's relationships with all partners and stakeholders, as well as for compliance and communications. The Reporting Entity Relationships group, including the regional offices, is responsible for implementing the compliance program and undertaking regional outreach to law enforcement. The Government Relationships section is responsible for relationships with domestic and international partners. The Communications group is responsible for external communications and public awareness.

The **Corporate Management Sector** is made up of four groups: Financial, Administrative and Strategic Management; Human Resources; ATIP & Library; and Security.

The **Information Technology Sector** is responsible for developing and applying information management and information technology methodologies that support and advance all of FINTRAC's objectives. It designs, maintains, implements and supports database management systems and other systems solutions to meet internal and external end user requirements.

Legal Services are provided by the General Counsel and three Senior Legal Counsel, who are employees of the Department of Justice. In addition, FINTRAC allocates one FTE toward the administration of this office.

Table 1: Comparison of Planned to Actual Spending (incl. FTE)

(\$ millions)	2002–03 Actual	2003–04 Actual	2004–2005			
			Main Estimates	Planned Spending	Total Authorities	Actual
Collection, Analysis and Dissemination of Financial Information	19.2	16.8	19.4	18.8	20.0	17.7
Corporate Support*	21.7	15.0	12.5	12.1	12.9	13.3
Total	40.9	31.8	31.9	30.9	32.9	31.0

Total	40.9	31.8	31.9	30.9	32.9	31.0
Plus: Cost of services received without charge	1.1	1.1	1.6	1.6	1.6	1.8
Net cost of Department	42.0	32.9	33.5	32.5	34.5	32.8

Full Time Equivalents	160	183	183			
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* In addition to agency management and corporate services, Corporate Support includes all of FINTRAC's costs for office space & facilities, legal services, and security & privacy to meet the Centre's special operational requirements and ensure the protection of personal information.

Table 2: Voted and Statutory Items

Vote or Statutory Item	Truncated Vote or Statutory Wording	2004–2005			
		Main Estimates	Planned Spending	Total Authorities	Actual
30	Operating expenditures	29.0	28.0	29.9	28.0
	Capital expenditures				
	Grants and Contributions				
	Minister of Finance – Salary and motor car allowance				
(S)	Contributions to employee benefit plans	2.9	2.9	3.0	3.0
	Total	31.9	30.9	32.9	31.0

Table 3: Net Cost of Department

(\$ millions)	2004–2005
Total Actual Spending	31.0
<i>Plus: Services Received without Charge</i>	
Contributions covering employers' share of employees' insurance premiums and expenditures paid by TBS (excluding revolving funds)	1.3
Salary and associated expenditures of legal services provided by Justice Canada	0.5
2004–2005 Net cost of Department	32.8

Table 4: Response to Parliamentary Committees, Audits and Evaluations for FY2004–2005

Response to the Auditor General
Chapter 2 of the Report of the Auditor General issued November 2004 documents the results of the value-for-money audit of the National Initiative to Combat Money Laundering. The report made a number of recommendations to improve the functioning of the initiative overall and of FINTRAC. A complete list of the recommendations and the responses of FINTRAC and other initiative partners can be accessed at: http://www.oag-bvg.gc.ca/domino/reports.nsf/html/20041102ce.html
External Audits or Evaluations
The Year Five Evaluation of the National Initiatives to Combat Money Laundering and Interim Evaluation of Measures to Combat Terrorist Financing was conducted in late 2004. The final report detailing the conclusions of the evaluation may be found at: http://www.fin.gc.ca/toce/2005/nicml-incba_e.html
Internal Audits or Evaluations
During the year, Consulting and Audit Canada performed an internal audit of FINTRAC's Control Framework for the Protection of Personal Information. The findings and observations of the internal audit report will be made available in 2005-06 on FINTRAC'S website at: http://www.fintrac.gc.ca/

Table 5: Horizontal Initiatives

FINTRAC is involved in the following horizontal initiatives as a partner:

1. National Initiative to Combat Money Laundering
2. Public Security and Anti-Terrorism Initiative (PSAT)

Further information on these horizontal initiatives can be found at:

http://www.tbs-sct.gc.ca/rma/eppi-ibdrp/hrdb-rhbd/profil_e.asp

SECTION IV – OTHER ITEMS OF INTEREST

FINTRAC's Key Relationships

Reporting Entities: those who have obligations under the PCMLTFA, including submitting reports to FINTRAC

- Financial entities (including banks, credit unions, caisses populaires, trust and loan companies and agents of the Crown that accept deposit liabilities);
- Life insurance companies, brokers or agents;
- Securities dealers, portfolio managers and investment counsellors who are provincially authorized;
- Persons engaged in the business of foreign exchange dealing;
- Money services businesses (including alternative remittance systems, such as Hawala, Hundi, Chitti, and others);
- Agents of the Crown when they sell money orders;
- Accountants and/ or accounting firms (when carrying out certain activities on behalf of their clients);
- Real estate brokers or sales representatives (when carrying out certain activities on behalf of their clients); and
- Casinos.

Law Enforcement, National Security Agencies and other Partners: those to whom FINTRAC **must** send disclosures

When there are reasonable grounds to suspect that “designated information” would be relevant to the investigation and/or prosecution of a money laundering or terrorist activity financing offence, FINTRAC must disclose that information to the appropriate police force, i.e.:

- the Royal Canadian Mounted Police
- provincial, territorial or municipal police forces in Canada

When there are reasonable grounds to suspect that “designated information” would be relevant to threats to the security of Canada, FINTRAC **must** disclose that information to the:

- Canadian Security Intelligence Service

When there are reasonable grounds to suspect that “designated information” would be relevant to the investigation and/or prosecution of a money laundering or terrorist activity financing offence **and** FINTRAC determines that the information is relevant to an offence of evading or attempting to evade paying taxes or duties, FINTRAC **must** disclose that information to the:

- Canada Revenue Agency for tax evasion
- Canada Border Services Agency for duties evasion

When there are reasonable grounds to suspect that “designated information” would be relevant to the investigation and/or prosecution of a money laundering or terrorist activity financing offence **and** FINTRAC determines that the information would promote international justice and security

by fostering respect for human rights and by denying access to Canadian territory to persons who are criminals or security risks, and would be relevant to certain provisions of the *Immigration and Refugee Protection Act*, FINTRAC **must** disclose that information to:

- Citizenship and Immigration Canada
- Canada Border Services Agency

Foreign Financial Intelligence Units: those to whom FINTRAC **may** send disclosures

Where the Minister of Finance has entered into a written agreement or arrangement with the government of a foreign state or an international organization established by the governments of foreign states regarding the exchange of information between FINTRAC and an agency or institution of that foreign state or international organization that has powers and duties similar to those of FINTRAC, or where FINTRAC, with the approval of the Minister of Finance, has entered into a written agreement or arrangement with an agency or institution of a foreign state that has powers and duties similar to those of FINTRAC, regarding the exchange of information between FINTRAC and that agency or institution; and there are reasonable grounds to suspect that “designated information” may be relevant to the investigation or prosecution of a money laundering offence or a terrorist activity financing offence, or an offence substantially similar to either offence, FINTRAC may disclose that “designated information” to such a foreign agency or institution.

Outreach to Regulatory Bodies

Many reporting entities are overseen by regulatory bodies that ensure entities conform to specific norms of conduct. As part of its outreach activities, FINTRAC has been exploring the possibility of entering into agreements with regulatory bodies in order to allow the Centre to maximize its compliance efforts and minimize regulatory overlap. In 2004-05, FINTRAC signed five Memoranda of Understanding with the following regulatory bodies:

- The Office of the Superintendent of Financial Institutions (OSFI);
- The Alberta Gaming and Liquor Commission (AGLC);
- The Alcohol and Gaming Commission of Ontario (AGCO);
- The British Columbia Gaming Policy Enforcement Branch (GPEB);
- The Saskatchewan Liquor and Gaming Authority (SLGA).