



Financial Transactions and  
Reports Analysis Centre  
of Canada

Centre d'analyse des opérations  
et déclarations financières  
du Canada

# FINTRAC

ANNUAL REPORT 2012

HARNESSING THE POWER OF FINANCIAL INTELLIGENCE

Canada

# 2011–12 Highlights

- **PUBLIC RECOGNITION BY LAW ENFORCEMENT AGENCIES** of our significant contribution to investigations of organized crime and other offences
- **AFFIRMATION AS A KEY LAW ENFORCEMENT PARTNER** through a resolution passed by the Canadian Association of Chiefs of Police, ensuring we are made aware of law enforcement priorities across Canada
- **INTERNATIONAL TRAINING PROVIDED** through the Egmont/World Bank Tactical Analysis Course (TAC) and the Egmont Strategic Analysis Course (SAC), to which we contributed resources and expertise; these courses have trained hundreds of people around the world and strengthened global efforts to combat money laundering and terrorist financing
- **EXPERTISE SHARED** during key witness testimony at the Senate Banking, Trade and Finance Committee review of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*
- **PRESENTATIONS DELIVERED** to individuals and businesses who report to FINTRAC, key reporting stakeholders and law enforcement partners to enhance understanding of the importance of compliance activities
- **WORKSHOPS CONDUCTED** for businesses in Vancouver and Toronto to promote understanding of the value of transaction reports in supporting investigations and prosecutions, featuring presentations by the Office of the Superintendent of Financial Institutions, the RCMP and the Vancouver Police Department
- **CONTRIBUTIONS MADE** to the drafting of new recommendations by the Financial Action Task Force, the key international body that develops and promotes global standards to combat money laundering and terrorist financing

## FINTRAC by the Numbers

- **18,528,922** financial transaction reports received in order to produce financial intelligence and to guide our compliance program
- **1,069** compliance examinations conducted – 56% more than last year
- **7,540** phone and email interpretation queries answered – 54.9% more than last year
- **796** case disclosures made containing information of potential relevance to money laundering, terrorist financing and/or security threat investigations in Canada and around the world
- **4** issues produced of the *Money Laundering and Terrorist Activity Financing Watch*
- **3** Typologies and Trends Reports produced on suspicious transaction reporting and case disclosures
- **MULTIPLE** classified financial intelligence products produced

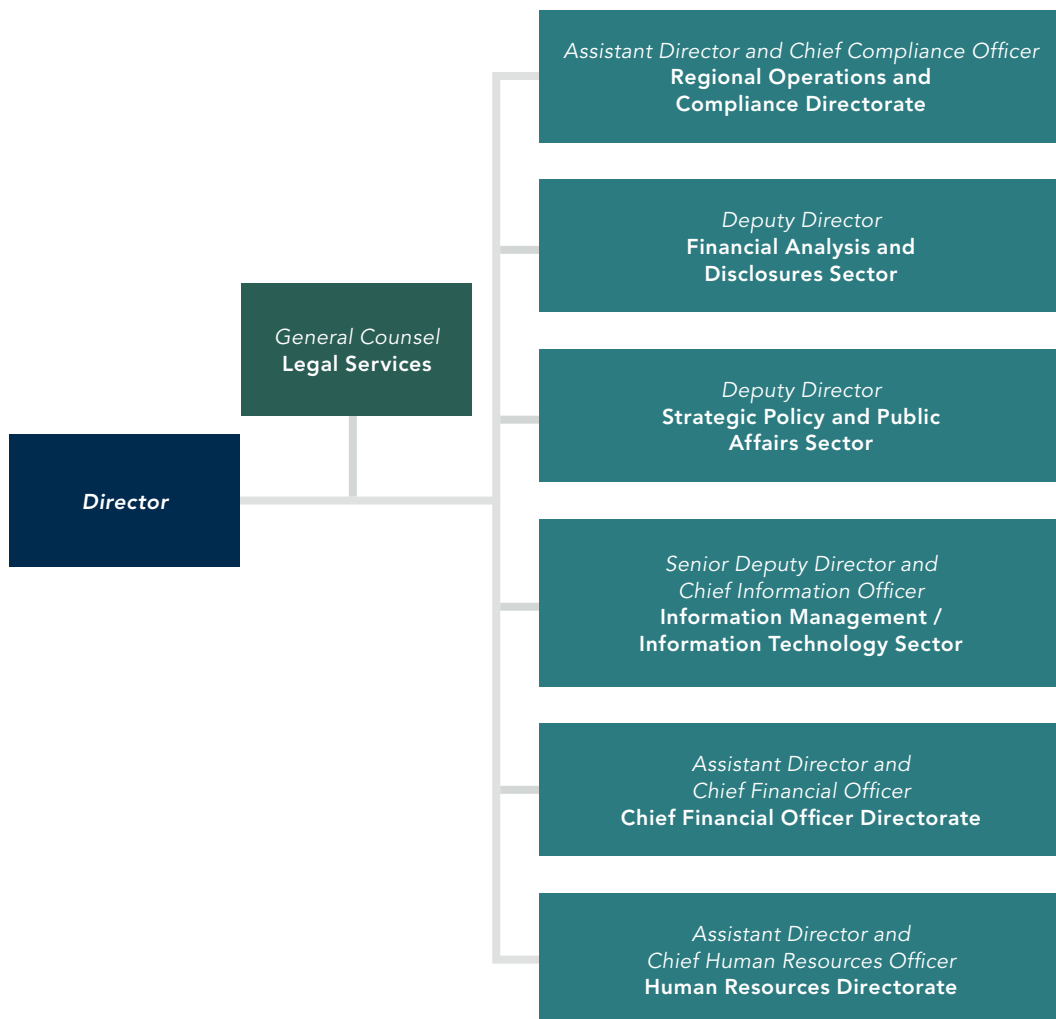
# Our Mission

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

# Our Vision

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

# Our Organization





# Our Relationships

## Domestic

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

## International

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

# Table of Contents

<b>MESSAGE FROM THE DIRECTOR</b>	<b>1</b>
<b>WHAT WE DO</b>	<b>2</b>
FINTRAC's Mandate	2
Strategic Priorities	2
Protecting the Privacy of Canadians	5
<b>WHAT WE HAVE ACHIEVED</b>	<b>6</b>
Tactical Financial Intelligence	6
<i>Relevant Intelligence for Investigators</i>	7
<i>A Snapshot of a Case</i>	12
Strategic Financial Intelligence	15
<i>Policy Coordination and Cross-Government Collaboration</i>	16
Ensuring Compliance	17
<i>Main Features of our Compliance Program</i>	19
<i>A Risk-Based Approach</i>	21
<i>Compliance Enforcement</i>	21
<i>Compliance Promotion</i>	22
Our Global Contribution	24
<i>Bilateral Initiatives</i>	24
<i>Multilateral Initiatives</i>	25
Our Corporate Strength	26
<i>Human Resources</i>	26
<i>Information Management and Information Technology</i>	27
<i>Security</i>	28
<i>Resource Management</i>	28
<i>2011–12 Budget Highlights</i>	28
<b>CONCLUSION</b>	<b>29</b>
<b>GLOSSARY</b>	<b>30</b>





# Message From the Director

As FINTRAC's Acting Director since March 2012, I am pleased to present this report of our activities from 2011 to 2012. This was the final year of tenure of our former Director, Jeanne Flemming, and FINTRAC made significant progress during that time. This report affirms our continued commitment to financial intelligence.

In the twelve years since FINTRAC's creation, we have become a valuable resource for law enforcement agencies and government partners in Canada and abroad. In 2011–12, further refinements to our intelligence-gathering and analytical processes have increased the utility of FINTRAC's intelligence to investigations. The results speak for themselves. In the past year, several police investigations leading to criminal charges have recognized the assistance provided by FINTRAC, and the Canadian Association of Chiefs of Police publicly commended FINTRAC as a valuable source of relevant, timely information. Our strategic intelligence is read widely in Canada and around the world by government officials and members of the security and intelligence communities, and has been praised for its insights into trends in money laundering and terrorist financing.

We continue to enhance our compliance program. We have increased the number of examinations we carry out with respect to individuals and businesses that have legal obligations under Canada's *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*. There has also been increased demand for information and guidance to meet these legal obligations, which has enhanced the level of support that we offer. By ensuring that these individuals and businesses fulfil their legal obligations, we are strengthening Canada's defences against illicit financial activity.

FINTRAC's employees are committed to producing high quality financial intelligence and ensuring compliance with the law. At FINTRAC, we are motivated by a common purpose: to help protect Canada's financial system and to help to ensure the safety and security of Canadians. This past year, we successfully applied our efforts to do exactly that.



Darlene Boileau  
Acting Director





# What We Do

FINTRAC is an independent agency governed by the PCMLTFA and reports to Parliament through the Minister of Finance. We also work with government organizations that ensure the safety of Canadians, such as the Department of Justice and Public Safety Canada.

## FINTRAC's Mandate

Our mandate is to facilitate the detection, prevention and deterrence of money laundering and the financing of terrorist activities, while ensuring the protection of personal information under our control. We fulfill our mandate through the following activities:

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

## Strategic Priorities

The following were FINTRAC's Strategic Priorities for the period 2009–12:

1. Align our financial intelligence products more closely with our partners' needs and identify emerging money laundering and terrorist financing trends;
2. Pursue policy and legislative opportunities to strengthen the anti-money laundering/anti-terrorist financing (AML/ATF) regime;
3. Refine our risk-based compliance program and fully implement the new legislative requirements;



4. Be innovative in our approach to operational processes to maximize our efficiency and effectiveness;
5. Promote excellence in our workforce and strengthen our management and human resources framework;
6. Enhance collaboration within the organization and with our partners and stakeholders.

FINTRAC is Canada's financial intelligence unit (FIU), one of more than 130 such units around the globe. We receive and analyze financial information to produce financial intelligence that assists police and security agencies in fighting money laundering, terrorist financing and threats to the security of Canada. We also ensure compliance with the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA) by reporting entities, which are the individuals and businesses in Canada which have legal obligations under the Act. Ensuring that these individuals and businesses comply with their obligations helps to deter money laundering and terrorist financing. Moreover, the financial transaction reports that they provide are the foundation for our tactical and strategic analysis.

While money laundering and terrorist financing both typically involve money being moved around the world with some degree of concealment they are, in some ways, mirror images of each other. Money laundering begins with funds—often huge sums—acquired through criminal activities such as fraud, corruption and drug dealing. Laundering these funds means moving the money as far as possible from the scene and circumstances of the crime. Typically it passes through many hands, many institutions and many processes until, in the end, its criminal origin is lost. By contrast, the money for terrorist activities quite often originates in legitimate sources and is collected in small amounts from possibly unsuspecting donors.

Whether the funds are proceeds being laundered or are intended to support terrorist activity, the analysis done by financial intelligence units throws light on the money trail.

The PCMLTFA identifies a set of obligations for individuals and businesses that are subject to the law. The sectors covered by the PCMLTFA are accountants, British Columbia notaries, casinos, dealers in precious metals and stones, financial entities, lawyers<sup>1</sup>, life insurance, money services businesses, real estate, and securities dealers. Under the law, members of these sectors must report to FINTRAC large cash transactions and international electronic funds transfers of \$10,000 or more. In addition, financial transactions, whether they are completed or attempted, must also be reported if they are suspected of being linked to money laundering or to the financing of a terrorist activity. Casinos also have the obligation to report their disbursements of \$10,000 or more. Reports of terrorist property that are sent to the Royal Canadian Mounted Police (RCMP) and the Canadian Security Intelligence Service (CSIS) must be sent to FINTRAC as well. Information is also provided by the Canada Border Services Agency (CBSA) on cross-border movement of funds and seizures of currency. Finally, we work closely with the Canada Revenue Agency (CRA) on issues related to tax evasion offences.

---

<sup>1</sup> The provisions of the PCMLTFA that apply to lawyers are in force but are inoperative as a result of a court ruling and related injunctions. This ruling has been appealed.



In December 2011, Calgary RCMP raided 11 properties in connection with Project Kwadrant. RCMP credited FINTRAC with having assisted their investigation with financial intelligence.

**PHOTO:** QMI Agency

Additionally, FINTRAC receives information that is provided voluntarily by law enforcement and security agencies, often as a result of their own investigations. In the last year, these groups provided 1,034 voluntary information records (VIRs) to FINTRAC. We search our data for connections to the information received. If there are reasonable grounds to suspect that certain designated information would be relevant to investigating or prosecuting a money laundering offence or a terrorist activity financing offence, or to threats to the security of Canada, we are required by law to make a tactical disclosure to the agency concerned. In 2011–12, FINTRAC made 796 such disclosures. These disclosures may contain information from hundreds or even thousands of financial transactions. They may also contain other information relevant to an investigation of potential money laundering or terrorist financing, including details on individuals or businesses. Through these disclosures, FINTRAC is able to show the financial links between individuals and businesses that may not otherwise be visible.

Our disclosures are increasingly valuable to law enforcement and security agencies. The money trail exposes potential proceeds of crime flowing from offences such as fraud, drug dealing, and human trafficking, all of which take an enormous toll on society and on individuals. However, FINTRAC does not conduct investigations or lay charges. These activities are the responsibility of law enforcement agencies and prosecutors.

Domestically, when specific statutory thresholds are met, FINTRAC is authorized to make tactical intelligence disclosures to the RCMP, provincial and municipal police services, CSIS, the Communications Security Establishment Canada (CSEC), CRA and CBSA. In addition, at the international level we also have a number of memoranda of understanding (MOUs) with foreign FIUs which allow us to disclose our tactical intelligence to them.

The data we receive at FINTRAC are also analyzed for potential trends and typologies that we can put to strategic use. Our strategic intelligence products, which we distribute throughout Canada and around the world, offer vital insights on patterns in money laundering and terrorist financing. These products inform our partners not only of current trends in these areas, but also of factors that may become of concern in the future. Consequently, our strategic intelligence plays an important role in strengthening both Canada's and the world's anti-money laundering and anti-terrorist financing (AML/ATF) regimes.

FINTRAC's compliance program is responsible for ensuring adherence to Part I of the PCMLTFA and associated regulations. Our compliance program uses a risk-based approach that combines elements of support and enforcement in order to ensure that individuals and businesses fulfill their legal obligations.

## Protecting the Privacy of Canadians

As we carry out FINTRAC's mandate, millions of Canadian financial reports pass through our hands. We safeguard all information entrusted to us by controlling access and limiting the use of this information to the purpose for which it was received or collected. The principles for this protection of privacy are set by our governing legislation, the PCMLTFA, and are upheld by our own operational policies and security measures.

FINTRAC's own security and privacy measures apply to all aspects of our work, including how information is received, used, stored, accessed and shared. Certain legal thresholds, for example, must be met before we are able to disclose information. Even then, we may disclose only a certain amount, and only to specific law enforcement and security agencies. No new system or program is implemented before possible risks to privacy are addressed. FINTRAC's premises in Ottawa, Montreal, Toronto and Vancouver have an integrated security program to prevent unauthorized access. Our information holdings are further protected by a multi-layered security system.

FINTRAC has a comprehensive privacy framework and a Chief Privacy Officer to enhance privacy management. The Office of the Privacy Commissioner of Canada (OPC), with which we work closely and collaboratively, carries out biennial examinations of the agency's information protection framework, pursuant to the requirement established in the PCMLTFA.

Employees have access to personal information only on a need-to-know basis. They all have a high security clearance, and are trained in their responsibilities involving the protection of personal information. Should a staff member improperly disclose such information, the penalty can be as much as a fine of \$500,000 and/or five years' imprisonment.

# What We Have Achieved

## Tactical Financial Intelligence

In crimes involving money laundering and terrorist financing, there are victims, there is violence, and there is social harm. At FINTRAC, we are assisting investigations that matter.

At FINTRAC, we assist criminal investigations by providing law enforcement agencies with tactical financial intelligence, which identifies details drawn from financial transactions. These can also include the names of individuals and companies involved. This tactical intelligence is a unique product that sheds light on the movement of funds. The law enforcement sector increasingly values this contribution, which provides information about targets in specific cases and which may reveal unknown connections among criminal networks, as well as details about the proceeds of their crimes.

This year, FINTRAC's tactical financial intelligence was used to assist money laundering investigations in the context of a wider variety of criminal investigations, where the origins of the suspected criminal proceeds were linked to investigations of drug offences, fraud, tax evasion, customs and excise offences, corruption and human smuggling and trafficking. It is important to bear in mind that with these types of crimes there are victims, there is often violence, and there is real social harm. We are assisting investigations that matter.

### TYPES OF PREDICATE OFFENCES<sup>2</sup> RELATED TO CASE DISCLOSURES

PREDICATE OFFENCE CATEGORY	2007-08	2008-09	2009-10	2010-11	2011-12
Fraud	35%	27%	29%	33%	35%
Drugs	28%	31%	34%	26%	27%
Unknown <sup>3</sup>	16%	18%	13%	14%	11%
Tax Evasion	4%	13%	6%	5%	9%
Customs/Excise <sup>4</sup>	8%	4%	3%	5%	5%
Corruption	0%	4%	3%	5%	5%
Human Smuggling/ Trafficking	0.5%	2%	2%	4%	3%
Theft	2%	4%	4%	3%	6%
Illegal Gambling	1%	2%	2%	1%	1%

<sup>2</sup> "Predicate offence" refers to any suspected offence as a result of which proceeds may have been generated that may become the subject of a money laundering investigation.

<sup>3</sup> This category reflects cases where the alleged predicate offence was unknown or not identified.

<sup>4</sup> The customs/excise category includes alleged cigarette smuggling/contraband and alleged illegal imports/exports.



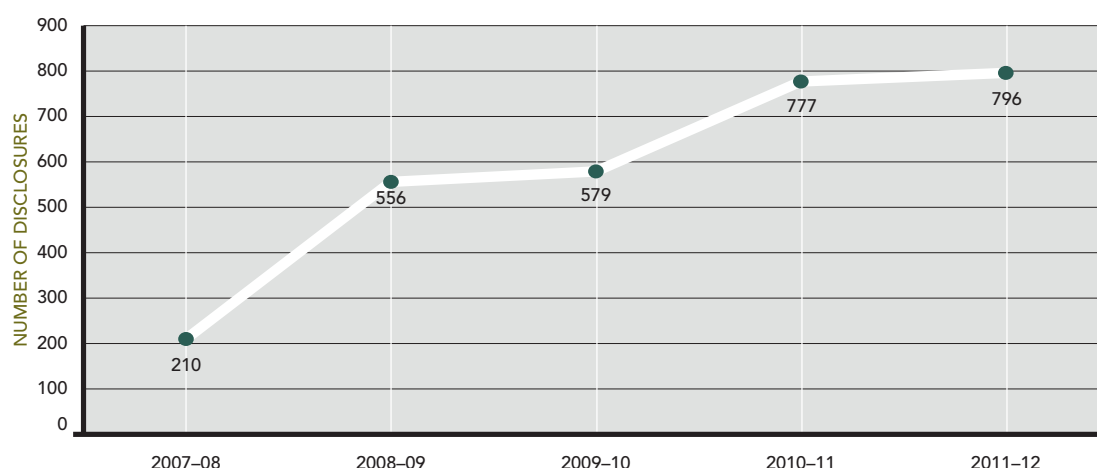
The RCMP receives the most significant number of FINTRAC's case disclosures of financial intelligence. A review of the RCMP's Integrated Proceeds of Crime major cases during the 2010 and 2011 calendar years showed that FINTRAC assisted investigations that resulted in 71 charges and 37 convictions. These results include 10 money laundering charges (4 convictions), 20 proceeds of crime charges (8 convictions), 9 organized crime charges and convictions and various other predicate offences charges and convictions (e.g. drugs and fraud offences).

## Relevant Intelligence for Investigators

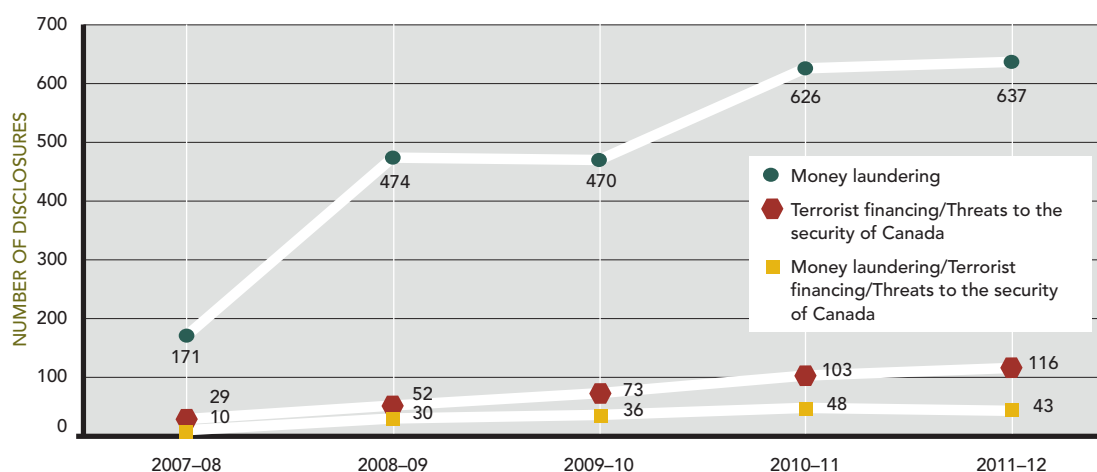
FINTRAC's work does not happen in isolation. Investigators view the intelligence we produce as increasingly valuable and relevant to their investigations. This year, we have successfully negotiated access to databases that will enhance our capacity to improve our output of tactical intelligence. We have also participated in key committees of the Canadian Association of Chiefs of Police, such as the Counter Terrorism and National Security (CTNS) and Organized Crime Committees, and also in several provincial bureaus of the Criminal Intelligence Service Canada (CISC).

The following graphs show the trend in the overall number of disclosures made by FINTRAC in recent years, as well as the categories of these disclosures: money laundering, terrorist financing or threats to the security of Canada.

### FINTRAC CASE DISCLOSURES FROM 2007-08 TO 2011-12



### DISCLOSURES BY TYPE FROM 2007-08 TO 2011-12



## What a FINTRAC case disclosure contains

### PERSON INVOLVED

- Name (including alias), date of birth, address, telephone number, e-mail address
- Citizenship, passport number, record of landing number or permanent resident card number
- Relevant details of the criminal record and any criminal charges of a person/entity involved or acting on their behalf
- Relationships between persons/entities suspected on reasonable grounds of being involved
- Financial interest of a person in an entity on whose behalf suspected transactions were made or attempted
- Name of person suspected on reasonable grounds of directing the transaction, attempted transaction, importation or exportation
- Name and address of any person on whose behalf the transaction or attempted transaction is conducted or on whose behalf the importation or exportation is carried out

### ENTITY INVOLVED

- Corporation name and number, incorporation date and jurisdiction, address, telephone number, e-mail address
- Name, address, e-mail address and telephone number for each partner, director or officer of an entity suspected of being involved
- Name of any person or entity acting on their behalf
- Address and telephone number of principal place of business
- Relevant details of the criminal record and any criminal charges of an entity involved or any person or entity acting on their behalf
- Relationships between persons/entities suspected on reasonable grounds of being involved
- Financial interest of an entity on whose behalf suspected transactions were made or attempted
- Name of entity suspected on reasonable grounds of directing the transaction, attempted transaction, importation or exportation
- Name and address of any entity on whose behalf the transaction or attempted transaction is conducted or on whose behalf the importation or exportation is carried out

## ACCOUNT/TRANSACTION INFORMATION

- Transit and account number, type of transaction or attempted transaction, date and time of transaction or attempted transaction
- Value of transaction, attempted transaction or of funds that are the subject of the transaction or attempted transaction
- Name, address and telephone number of the place of business where the transaction or attempted transaction occurred
- Type of account and transaction number
- Full name of every account holder and names of parties involved in the transaction
- Name and address of all persons authorized to act in respect of the account

## REPORTS

- Number and types of reports on which a disclosure is based
- Number and categories of persons or entities that made these reports

## IMPORTATION OR EXPORTATION

- Address of the customs office where the importation or exportation occurred
- Date the importation or exportation occurred
- Amount and type of currency or monetary instruments involved

## OTHER INFORMATION

- Relevant grounds on which a person or entity made a suspicious transaction or attempted suspicion transaction report
- Indicators of a money laundering or terrorist activity financing offence related to the transactions, attempted transactions, importation or exportation

While police forces—federal, provincial and municipal—are by far the main recipients of our disclosures, a significant number are made to other key domestic and foreign partners and law enforcement agencies. The chart below shows the disclosures made over the past three years to the RCMP and other police forces, as well as CSIS, CBSA, CRA and foreign FIUs.<sup>5</sup> That we disclose to a variety of police, law enforcement and national security agencies reflects the broad application of our tactical financial intelligence.

<sup>5</sup> It is important to note that CRA and CBSA only receive disclosures once FINTRAC has reached the threshold for disclosure to police.



In May 2012, FINTRAC was acknowledged by the Sûreté du Québec for its contribution to Operation Hammer during the past year. Operation Hammer was an investigation into corruption in the construction industry. In this photo, Gilles Martin, Director of Operations of L'Unité permanente anticorruption (UPAC), Chief Inspector François Roux, Director of Information and Criminal Investigations for the Sûreté du Québec, and Inspector Denis Morin, Investigative Unit on Financial Integrity appear at a news conference on May 17, 2012 to announce criminal charges in the investigation.

**PHOTO:** Pacophoto

## RECIPIENTS OF FINTRAC DISCLOSURES

	2009–10	2010–11	2011–12
CBSA	42	82	89
CRA	125	136	136
CSIS	78	120	107
FIU	128	149	146
Municipal Police	136	143	153
Provincial Police	119	162	167
RCMP	617	883	914

For the last three years, achieving better alignment with our disclosure recipients' needs and assisting their most important cases has been a strategic priority for FINTRAC, and over time, the demand for FINTRAC's intelligence has grown as law enforcement agencies recognize its value in their investigations. In response to that increased demand, our output has grown.

Our case disclosures have received positive feedback from domestic law enforcement agencies. Police continue to use our intelligence as a resource in their highest-priority investigations, and this allows us to assist in the cases that matter most to them.

A highlight this past year was the formal recognition by the Canadian Association of Chiefs of Police that FINTRAC's financial intelligence "should be made an integral part of all organized crime investigations." That endorsement speaks to the role that FINTRAC has played in these types of cases in recent years. It also reinforces the important role of financial intelligence in certain types of complex investigations.



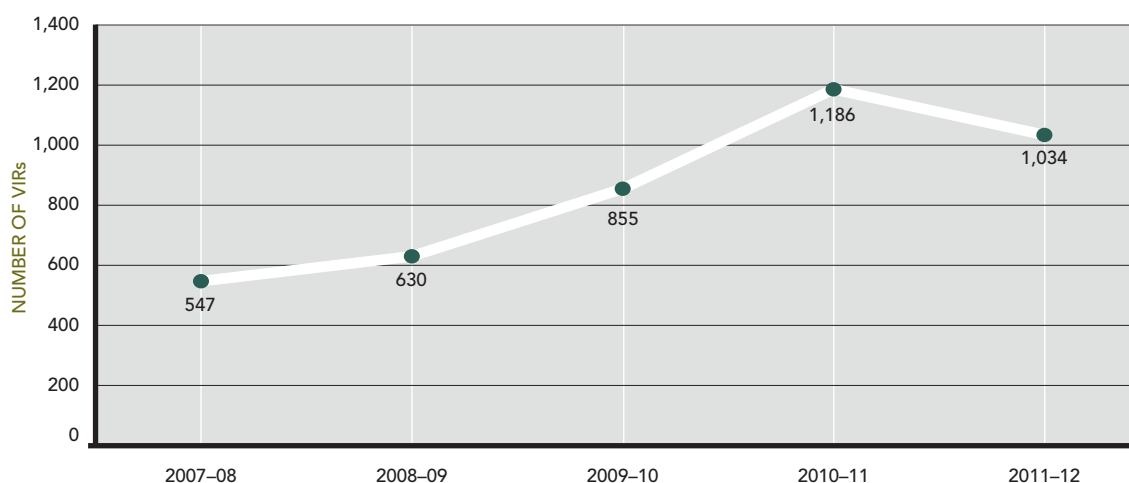
## The value of FINTRAC's disclosures:

### What our recipients are saying

- *As a result of the information provided, we were able to recommend to Citizenship and Immigration Canada that our subject be deemed inadmissible to Canada based on s. 37(1) of the Immigration and Refugee Protection Act. We have also indicated that the subjects who are permanent residents be scrutinized further should they apply for citizenship. – CBSA*
- *FINTRAC is considered a key partner and has provided valuable financial intelligence on an ongoing basis that contributed to "terrorist financing investigations." FINTRAC through their disclosures identified new linkages/nexus between entities and/or individuals through financial transactions which surfaced new avenues of investigation. FINTRAC has always responded in a timely fashion to our priority VIRs. – RCMP Anti-Terrorist Financing Team, National Security Criminal Operations, Headquarters, Ottawa.*
- *All the components are very useful. FINTRAC provided us with timely information. The information helped us identify the financial institutions and the bank accounts that were used by the subjects. This information will be used to obtain judicial authorizations. [Translation] – RCMP, "C" Division, POC*

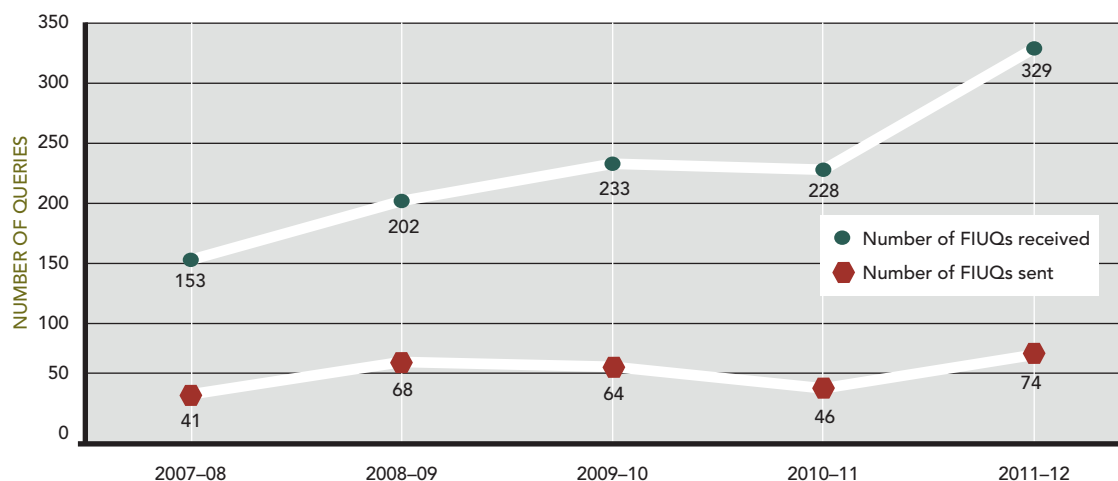
A Voluntary Information Record (VIR) is a record of information voluntarily submitted to FINTRAC by law enforcement partners, intelligence partners and members of the public. The VIR is often the starting point for FINTRAC's analysis and is significant to our work.

### NUMBER OF VOLUNTARY INFORMATION RECORDS RECEIVED FROM 2007-08 TO 2011-12



FINTRAC regularly receives queries for information from foreign financial intelligence units (FIUs). Since 2007, FINTRAC has seen an overall progression in the number of queries received from foreign FIUs. Similarly, the number of queries we make internally has also increased overall.

## WORKING RELATIONSHIPS INTERNATIONALLY FROM 2007-08 TO 2011-12



## A Snapshot of a Case

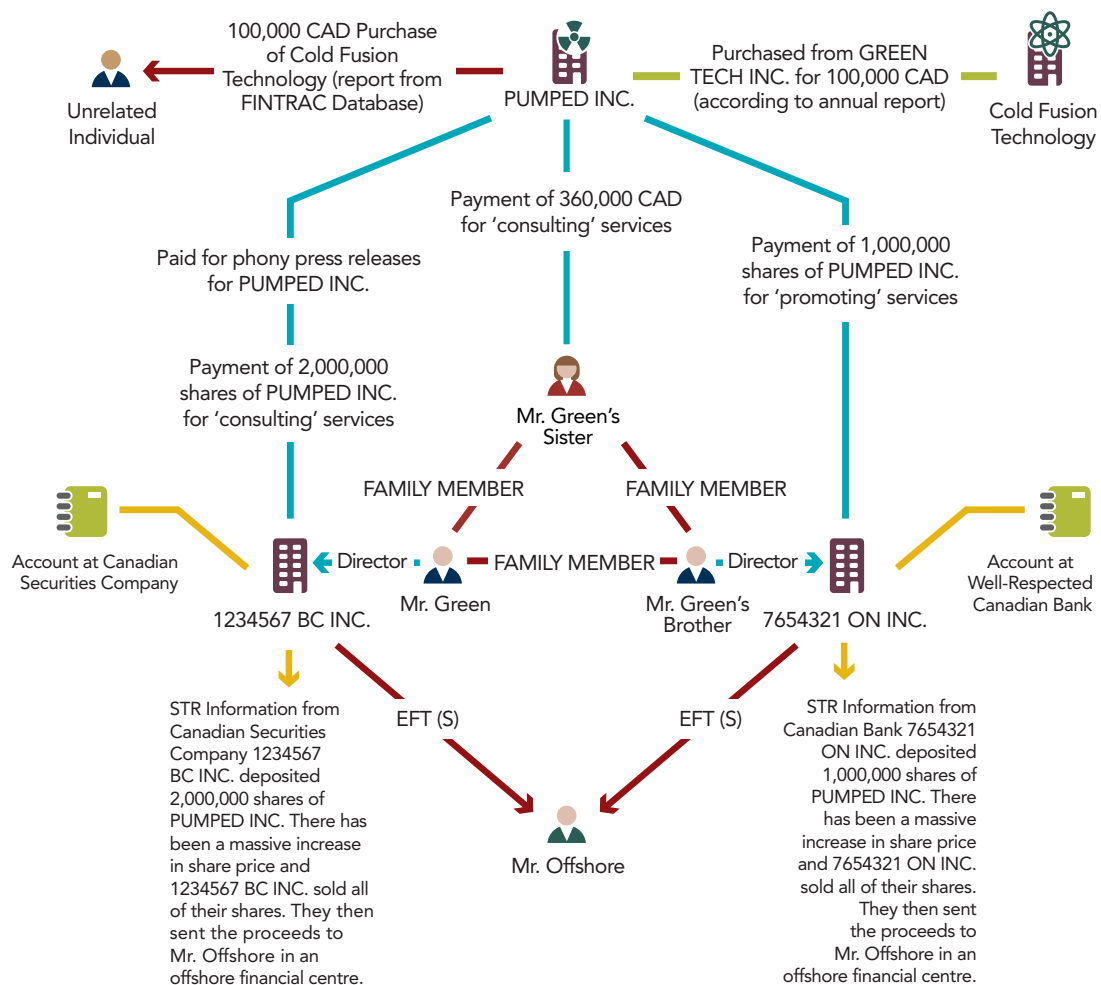
### PUMPED UP – A FAMILY AFFAIR

The following sample case illustrates the complex and far-reaching networks of individuals and transactions that are characteristic of many money laundering operations.

*A Canadian police service sent voluntary information to FINTRAC with a view to augmenting its understanding of a criminal network led by Mr. Green, who was suspected of conducting a “pump and dump” scam and of laundering the proceeds of that crime.*

*“Pump and dump” is a form of stock fraud. This involves artificially inflating the price of an owned stock by making false and misleading statements, and then selling the cheaply purchased stock at a higher price. Once the operators of the scheme have “dumped” their overvalued shares, the price falls and investors lose their money. In the past, the fraudsters had to make “cold calls” to reach their targets, but now the Internet offers a cheaper and easier way for them to reach large numbers of potential investors. They frequently use this ploy with small, thinly traded companies known as “penny stocks,” which are generally traded through the over-the-counter OTC Bulletin Board or the Pink Sheets, rather than on markets such as the TSX, New York Stock Exchange or NASDAQ. This is because it is easier to manipulate a stock when there is little or no independent information available about the company.*

*Mr. Green had allegedly inflated the price of PUMPED INC., a green technology company of which he was thought to own a significant portion. It was claimed that PUMPED INC.’s flagship technology, Cold Fusion Technology, would revolutionize the energy industry. The public annual report indicated that they purchased this technology from GREEN TECH INC. for \$100,000.*



Upon receipt of this information, FINTRAC was able to establish from its own database that Cold Fusion Technology had never actually been bought from GREEN TECH INC., but that the \$100,000 had been sent to an unrelated individual. FINTRAC's searches on the Internet then revealed numerous press releases, trumpeting PUMPED INC. as the next billion-dollar energy giant about to transform the entire energy industry and promising that any monies invested would provide a huge return. These press releases were indications of a possible "pump and dump" scam, and public disclosures accompanying them showed that two numbered companies, 1234567 BC INC. and 7654321 ON INC., were responsible for their publication.

Corporate registry searches showed that Mr. Green was the director of 1234567 BC INC. and that Mr. Green's brother was the director of 7654321 ON INC. The regulatory filings for PUMPED INC. provided the information, first, that 1234567 BC INC. was paid 2,000,000 shares of PUMPED INC. for providing the company with consulting services and, second, that 7654321 ON INC. was paid 1,000,000 shares of PUMPED INC. for promotional services. These shares represent the proceeds derived from using the numbered companies as vehicles to commit fraud. The regulatory filings also showed that the company paid Mr. Green's sister \$20,000 a month for 18 months for unspecified consulting services, and this was paid into her offshore bank account.

*From its own database, FINTRAC found that Mr. Green's 1234567 BC INC. had an account with a Canadian securities company, while Mr. Green's brother's 7654321 ON INC. had an account with a Canadian bank. The shares that these companies received for their services were placed into these respective accounts.*

*Both the Canadian securities company and the Canadian bank had submitted suspicious transaction reports to FINTRAC about the activity being conducted within these accounts. In both cases, these cited the large quantities of shares that had been deposited. As well, they noted that, for no discernible reason, the share values had rapidly increased. The shares had then been sold off and the proceeds sent to an offshore financial centre. EFT reports in the FINTRAC database showed that they were sent to a Mr. Offshore, after which the share price of PUMPED INC. declined significantly.*

*FINTRAC made a disclosure of this significant information to the police service conducting the investigation but, although the information provided a number of investigational leads, the money trail went cold once it reached the offshore financial centre. FINTRAC then asked permission from the police service to query the FIU in the country where the offshore financial centre was located.*

*Upon obtaining that permission, FINTRAC submitted a query to the foreign FIU, and a few weeks later received a reply detailing the activities of Mr. Offshore. Once Mr. Offshore had received the money he wired it to Offshore Company, which was a customer of the same bank as Mr. Offshore. The Offshore Company then wired the money back to Canada to 9999999 NB INC., whose director proved to be none other than Mr. Green. This process is an example of the layering stage of money laundering, where the perpetrators endeavour to conceal the illegal origin of the funds.*

*In its database, FINTRAC found suspicious transaction reports noting that, upon receiving the funds from the offshore company, the director of 9999999 NB INC. (Mr. Green) would go to a Canadian bank and withdraw the funds via bank draft. He was then able to deposit the bank draft wherever he pleased and fully integrate the funds into the Canadian financial system.*

*FINTRAC summarized this key additional information and made a second disclosure to the investigating police service.*



## Strategic Financial Intelligence

FINTRAC's strategic intelligence identifies emerging patterns and trends in money laundering and terrorist financing, providing our domestic and global partners with valuable information to fight these crimes.

FINTRAC's strategic analysis products continue to be a valuable resource in the development of government policy and the refinement of AML/ATF strategies. We comb through our vast data holdings and other information at our disposal to find current and emerging characteristics, trends and patterns in money laundering and terrorist activity financing. We then distribute this information to our domestic and international partners in the form of assessments, briefs, and other products.

Our strategic intelligence products in 2011–12 took a number of forms and reached a variety of audiences. The *Money Laundering and Terrorist Financing Watch*, our quarterly review of media coverage related to money laundering and terrorist financing, was distributed to partners in the Canadian government, as well as to certain individuals and businesses who report to FINTRAC. We also published a number of classified financial intelligence products, each offering an extensive assessment of cases and reports associated with countries of concern and criminal or terrorist groups of interest to the Canadian security and intelligence (S&I) community. We contributed to a series of S&I community papers for senior government officials and to the development of the Government's Counter-terrorism Strategy, which was released in February 2012. These products provide our partners with vital information on the current state of money laundering and terrorist financing in Canada and around the world, better equipping them to combat and prevent it.

FINTRAC's Trends and Typologies reports offer useful insights into the latest patterns characterizing money laundering and terrorist financing. In 2011–12, FINTRAC produced three such reports. Our reports on trends in suspicious transaction reporting (released in May and October of 2011) used sophisticated text mining techniques to analyze the content of suspicious transaction reports (STRs), allowing us to detect the latest trends in suspicious transactions. These reports are expected to help those who report to FINTRAC both with their training and with their risk assessments. They also offer the general public information on how suspicious transactions are observed and reported.

Our most recent Trends and Typologies report examines trends in FINTRAC's case disclosures from 2007 to 2011. The report examines 2,122 case disclosures and identifies existing and emerging methods used in money laundering and terrorist financing, information of value to law enforcement and the larger security and intelligence community.

Internationally, FINTRAC continues to be a leading contributor to other AML/ATF financing regimes and policies. In the past year, we actively participated in international projects in collaboration with the Financial Action Task Force (FATF), the Asia-Pacific Group (APG) and the Egmont Group on money laundering and terrorist financing typologies. As part of the joint FATF/APG Expert Typology meeting held in South Korea in December 2011, for example, FINTRAC gave a presentation on money laundering activities associated with the illicit tobacco trade. By sharing our intelligence expertise with international bodies, FINTRAC is helping fight money laundering and terrorist financing far beyond Canada's borders.

## The value of FINTRAC's strategic intelligence: What our recipients are saying

- *I always look forward to receiving your reports, which are concise and well-documented. The [report] is very well articulated and useful in my research and strategic policy work.*  
[Translation] – Sûreté du Québec
- *The report is an extremely impressive piece of work.* – CSIS
- *The report was very thorough, enlightening and relevant to [one of our bureaus]. This type of criminal intelligence is not only sought by the members of [the bureau], but necessary in understanding the bigger picture dimension of terrorism and how it impacts groups, cells or individual actors in Canada, or our Canadian interests abroad.* – RCMP

## Policy Coordination and Cross-Government Collaboration

Our strategic work extends beyond the intelligence we produce into the realm of strategic policy and public affairs. We share our expertise with our government partners, offering our experience and perspective to shape policy and find solutions.

FINTRAC participates in inter-departmental and cross-government forums relating to public safety and national security, and we develop strong relationships with our partners to ensure that our voice is heard on legislative and other initiatives.

In December 2011, the Department of Finance released a consultation paper entitled “Strengthening Canada’s Anti-Money Laundering and Anti-Terrorist Financing Regime.” We collaborated with the Department of Finance and other partners prior to the paper’s publication and provided FINTRAC’s unique perspective on ensuring compliance and producing financial intelligence. At FINTRAC, we will maintain these valuable partnerships as the Parliamentary review process continues, consulting with stakeholders and sharing our expertise on money laundering and terrorist financing.

During the year, we worked with Finance Canada to identify potential enhancements to the legislation. As well, we have participated in the legislative review of the PCMLTFA, testifying twice before the Senate Banking, Trade and Commerce Committee.

Over the past year, we have also made improvements to how we measure our performance and results. We developed a more robust Performance Measurement Framework and Strategic Outcome and Program Activity Architecture (PAA), tools which will enhance our ability to communicate FINTRAC’s results to government, stakeholders and the public.

FINTRAC continued to contribute to federal initiatives such as the creation of a National Action Plan to Combat Human Trafficking, the development of Canada’s Counter-terrorism Strategy and the furthering of commitments made in response to the recommendations of the Air India Inquiry.

Finally, we engaged our stakeholders through a variety of communications channels. These included not only face-to-face workshops and meetings, but also information we provided publicly via the Internet and print, including our guidelines to the legislation, our fact sheets on legal obligations, and our publications directed towards specific sectors and the general public.

## Ensuring Compliance

Without strict compliance with the law, Canada's AML/ATF regime would be severely compromised. Our compliance program helps ensure the integrity of Canada's financial system.

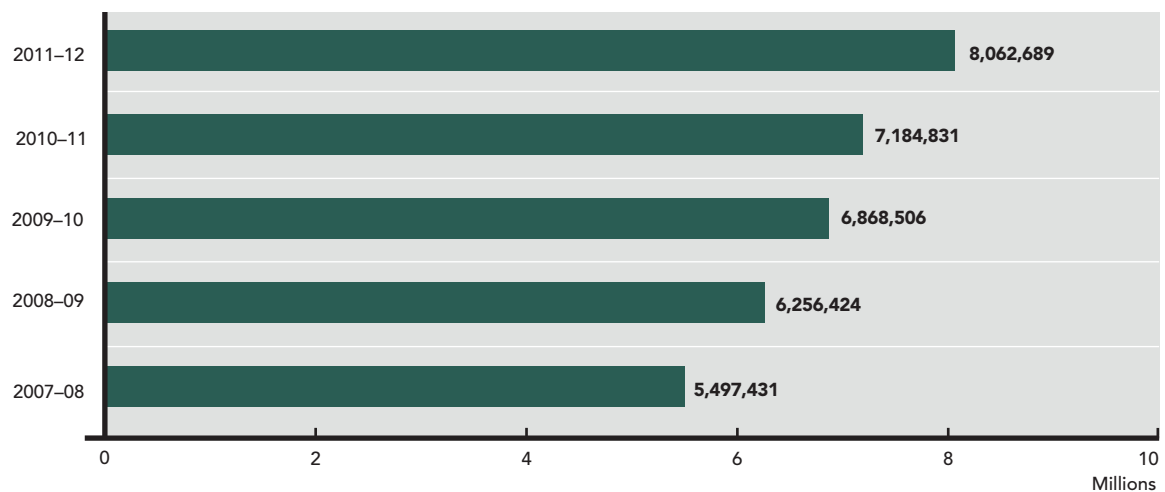
Without high-quality financial transaction reports, we would be unable to carry out our analytical work and produce the tactical and strategic intelligence that we disclose to our partners. It is therefore essential that the reports we receive from individuals and entities are complete, timely and of the highest quality so that prescribed information related to individuals and their financial transactions is available to support investigations by law enforcement and security and intelligence agencies.

Those that are charged with reporting, record keeping, client identification and other obligations are the first line of defence in domestic and international efforts to combat money laundering and terrorist financing. From our offices in the National Capital Region, Montreal, Toronto and Vancouver, FINTRAC works with key stakeholders and those who report to us to ensure that all obligations are met to the highest possible standard.

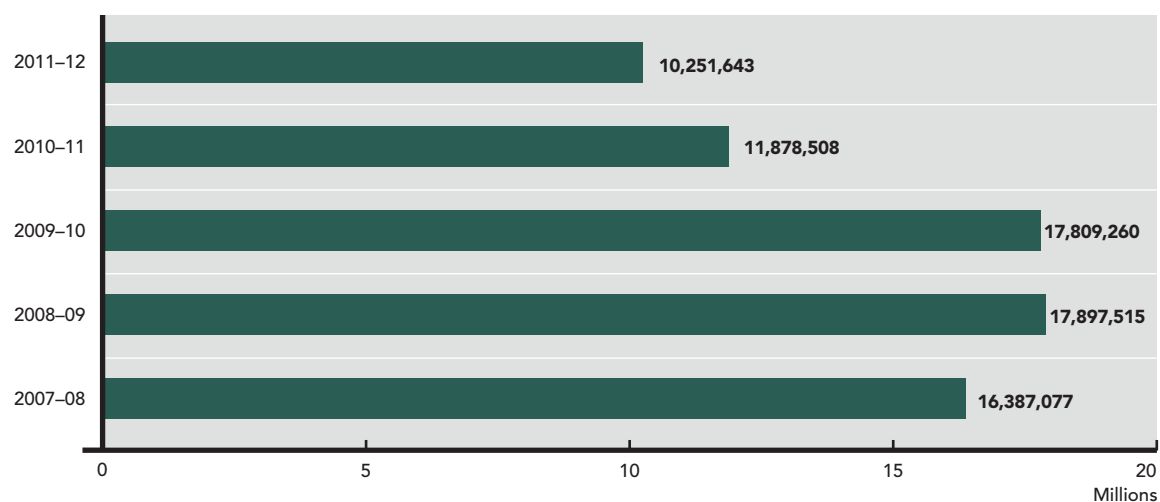
Improving compliance with these obligations also has a strong deterrent effect on those intending to launder money or raise funds for terrorist activities, since it becomes more difficult for them to carry out their illicit activities unnoticed.

This year, FINTRAC received 18,528,922 financial transaction reports. The following charts depict the volume of reporting for each report type.

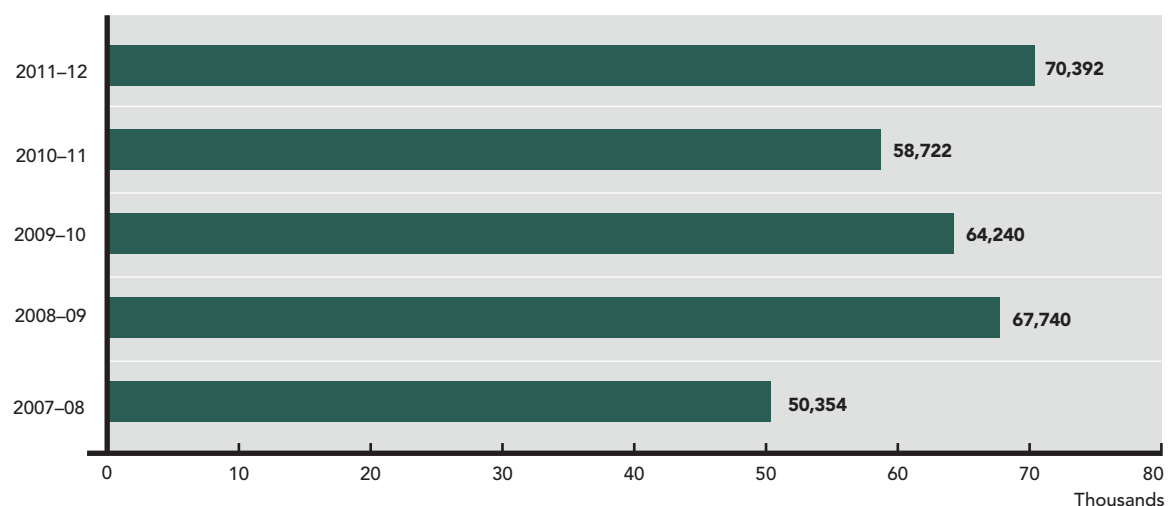
### LARGE CASH TRANSACTION REPORTS (PAST FIVE YEARS)



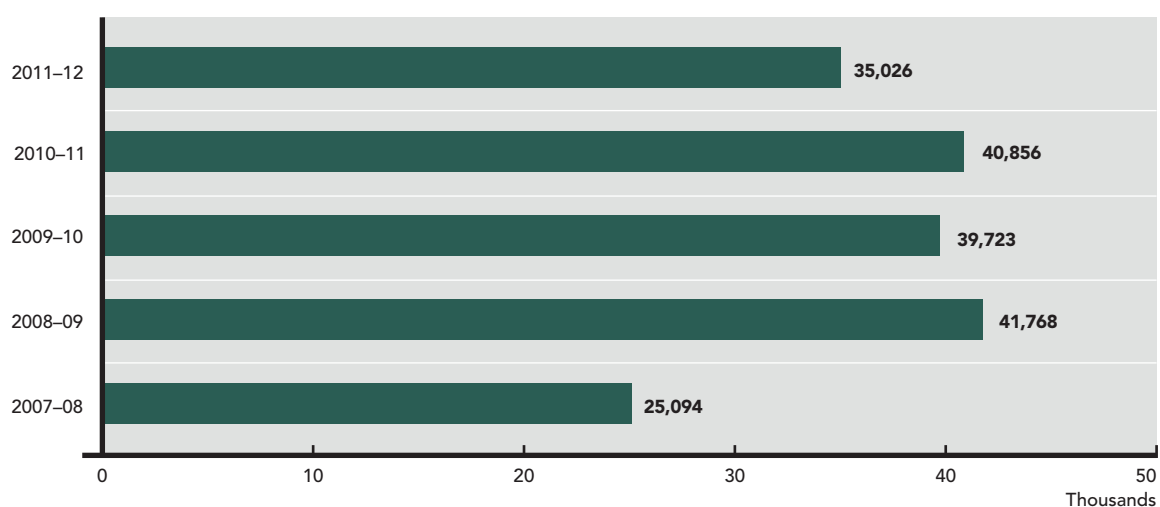
### ELECTRONIC FUNDS TRANSFER REPORTS (PAST FIVE YEARS)



### SUSPICIOUS TRANSACTION REPORTS (PAST FIVE YEARS)

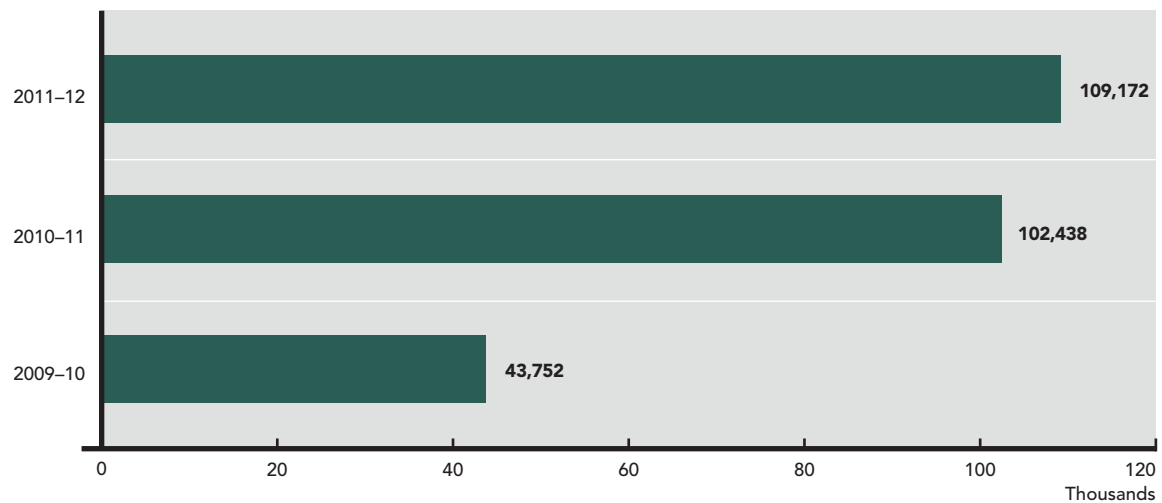


### CROSS-BORDER CURRENCY REPORTS/CROSS-BORDER SEIZURE REPORTS (PAST FIVE YEARS)





## CASINO DISBURSEMENT REPORTS (PAST THREE YEARS)



As the preceding graphs show, FINTRAC's reporting volumes can vary from year to year. This variation can be due to many factors, which, among others, include economic trends, awareness among reporting sectors of their obligations, customer preference in financial instruments and market share of various reporting entities.

## Main Features of our Compliance Program

Prominent among FINTRAC's compliance program activities are:

- Ensuring that individuals and businesses covered under the PCMLTFA understand their legal obligations;
- Providing technical support to facilitate reporting;
- Building relations with regulators and key stakeholders;
- Monitoring the quality of report data;
- Carrying out compliance assessments, which include various types of examinations;
- Maintaining a money services business (MSB) registry; and
- Taking appropriate remedial action when non-compliance is detected, which may ultimately result in administrative penalties or disclosure of non-compliance to law enforcement.

## **SECTORS COVERED UNDER THE PCMLTFA**

- Accountants
- British Columbia notaries
- Casinos
- Dealers in precious metals and stones
- Financial entities
- Lawyers
- Life insurance
- Money services businesses
- Real estate
- Securities dealers

## **OBLIGATIONS FOR SECTORS**

- Client identification
- Record keeping
- Reporting
- Third party determination
- Compliance regime
- Registration of a money service business with FINTRAC

Together, these six sets of obligations represent over 180 individual obligations for persons and entities covered by the PCMLTFA.

## **WHAT IS REPORTED**

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

## A Risk-Based Approach

Individuals and businesses covered under the PCMLTFA do not all operate in the same way. At FINTRAC, we use a risk-based approach to tailor our compliance activities and strategically manage our compliance program.

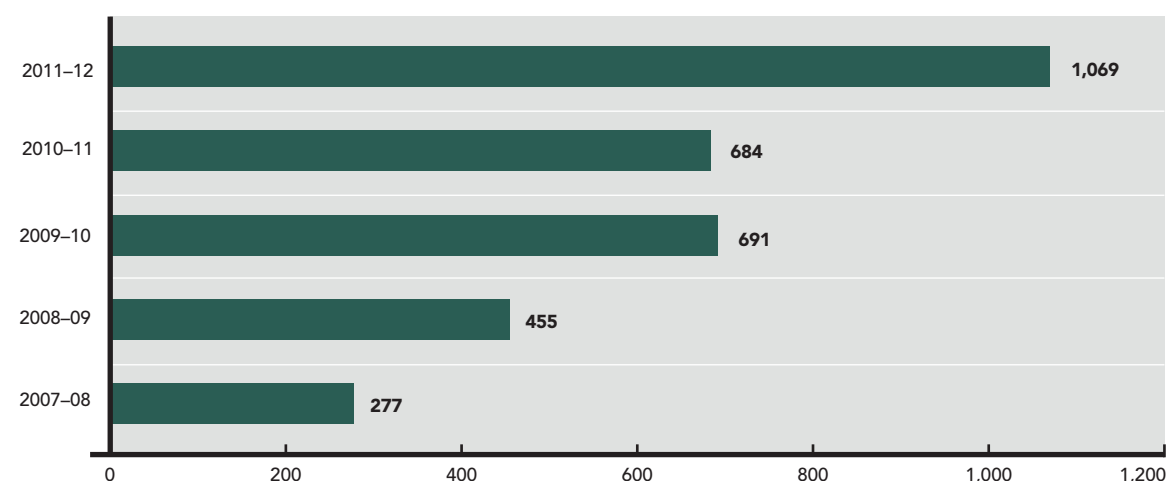
A risk-based approach means that our compliance program adjusts its activities in accordance with the assessed risk of individuals and businesses failing to comply. Key to this approach's success is the development of risk assessment models. These first integrate tactical and strategic information to identify high-risk individuals, businesses and sectors, and then tailor compliance assessments to respond to specific risk considerations. This approach increases the understanding of what drives compliance behaviour and helps to determine the most appropriate actions to mitigate specific types of non-compliance. It also helps us to refine our compliance program continually, thereby enhancing our ability to ensure compliance with the PCMLTFA and further strengthening Canada's AML/ATF regime.

## Compliance Enforcement

Tailored compliance activities informed by the risk assessment are conducted in all sectors to ensure general compliance and to maximize sector coverage. While FINTRAC uses a suite of compliance assessment and enforcement activities, examinations still remain the primary method by which we ensure those who are covered under the PCMLTFA are complying with their obligations. These examinations either take place onsite at places of business, or are carried out in the form of a "desk review," wherein individuals and businesses send us their records and we conduct the examination in our offices. Where non-compliance is detected, appropriate and measured enforcement action is undertaken.

In 2011–12, we conducted 56% more compliance examinations than in the previous year. This significant increase is in large part due both to additional resources to meet Budget 2010 commitments and to the implementation of a new risk-based compliance strategy.

### EXAMINATIONS (PAST FIVE YEARS)



In addition, 6,026 compliance assessment reports (CARs) were issued in 2011–12 across several sectors in order to help assess compliance regime obligations. These reports, which individuals and businesses complete and return to FINTRAC, are used to inquire further into their business and to examine records related to their compliance obligations.

FINTRAC also maintains strong partnerships with national, provincial and international regulators. We have signed a total of 19 memoranda of understanding (MOUs) with these regulators. The MOU with the Office of the Superintendent of Financial Institutions (OSFI), for example, enables OSFI to share information with FINTRAC related to the compliance of federally regulated financial institutions (FRFIs) with their AML/ATF obligations. These arrangements have substantially increased efficiency and reduced the regulatory burden on those individuals and businesses with reporting obligations.

This year, in accordance with their legal obligations, 214 new money services businesses (MSBs) registered with FINTRAC, and 182 renewed their registration as required. As of March 31, 2012, the total number of registered money services businesses was 890. MSB registration is the first step in ensuring that this sector complies with the PCMLTFA.

More than three years after its implementation, the administrative monetary penalties (AMP) program continues to encourage change in non-compliant behaviour. In the 2011–12 fiscal year, three individuals or businesses who received a penalty were publicly named on FINTRAC's Web site, bringing the total number of those named since the program's inception to 19. In addition, four non-compliance disclosures were submitted to law enforcement in the 2011–12 fiscal year, bringing the total to 39.

## Compliance Promotion

As part of our mandate, we continue to raise awareness among individuals and businesses covered by the PCMLTFA of their legislative obligations. We also continue to promote their critical role in the process of detecting and deterring money laundering and terrorist financing.

This year in Vancouver, FINTRAC hosted a roundtable for individuals and businesses called "Establishing the Links." FINTRAC and our law enforcement colleagues emphasized the value and usefulness of financial reports and, in particular, highlighted the importance of suspicious transaction reporting in supporting investigations and prosecutions. We also hosted a national workshop in Toronto which brought together over 100 representatives from all sectors covered under the PCMLTFA. The RCMP, OSFI and FINTRAC shared knowledge and learning with these regulated communities, helping strengthen Canada's AML/ATF regime by ensuring that all sectors are aware of their obligations.

Those with obligations under the PCMLTFA continue to seek support to understand those obligations. In the past year, we responded to 450 policy interpretation requests and to 7,540 phone calls and e-mails, which represents an increase of 54.9% over the previous year. We also continue to promote self-service tools available on our Web site to offer guidance to individuals and businesses on their obligations. These tools include guidelines, reports on current and emerging trends and typologies in money laundering and terrorist financing, and responses to frequently asked questions. FINTRAC interpretation notices are also issued to provide technical interpretations and positions regarding certain provisions contained in the PCMLTFA and associated regulations.

FINTRAC continues to be a key player in fighting money laundering and terrorist financing and promoting compliance. During the last year, FINTRAC delivered compliance presentations to law enforcement agencies and to key reporting stakeholders. It also provided compliance training to the international AML/ATF community. Our emphasis on training, combined with our rigorous compliance enforcement measures, reflects our commitment to ensuring compliance with the PCMLTFA and to strengthening Canada's AML/ATF regime.



## Our Global Contribution

Money laundering and terrorist financing don't end at Canada's borders. FINTRAC's international partnerships help fight these activities both here and abroad.

FINTRAC is an active participant in the global effort to combat money laundering and terrorist activity financing. Financial intelligence is the key to tracking transnational movements of illicit funds and, through bilateral memoranda of understanding (MOUs), we are able to disclose our tactical intelligence products to 80 FIUs with which we have an MOU. We also distribute our strategic intelligence products internationally. Conversely, foreign FIUs are also able to disclose their intelligence to FINTRAC, thereby broadening our analyses of international financial transactions. Multilaterally, as a member of the Department of Finance portfolio, we work with Finance and international organizations to conduct research, develop common policies and standards and share best practices. These organizations include:

- the Egmont Group of Financial Intelligence Units;
- the Financial Action Task Force (FATF);
- FATF-style regional bodies (FSRBs);
- the World Bank (WB);
- the International Monetary Fund (IMF); and
- the United Nations Office on Drugs and Crime (UNODC).

## Bilateral Initiatives

Our bilateral MOUs create vital relationships with FIUs around the world. Every new relationship creates opportunities to share intelligence and to uncover illicit money trails between jurisdictions. FINTRAC signed new MOUs in 2011–12 with FIUs from Fiji, Montenegro, Norway, South Africa, Sri Lanka, Turkey, and Turks and Caicos. As well, following the dissolution of the Netherlands Antilles in October 2010, FINTRAC negotiated a replacement MOU with the new jurisdiction of Curaçao.

FINTRAC's expertise in tactical and strategic analysis continues to be much in demand among our foreign partners. As part of our bilateral outreach program in 2011–12, we exchanged knowledge and perspectives with eight partner FIUs in Colombia, Malaysia, South Korea, British Virgin Islands, Aruba, Panama, Cyprus, and Croatia.

We are also recognized globally for our expertise in financial intelligence and compliance training. The Egmont Group drew extensively from FINTRAC's International Compliance Program, which was most recently delivered in October 2011 to participants from British Virgin Islands, Cayman Islands, Curaçao, Mexico and Thailand, to create its Anti-Money Laundering/Counter-Terrorist Financing Supervisory Course. This course provides tools, guidelines and policies to help foreign partners implement their own AML/ATF compliance regimes. In helping to strengthen the AML/ATF resources of our foreign partners, FINTRAC is reinforcing the integrity of financial systems around the world – a strategy that benefits both Canada and the international community.

## Multilateral Initiatives

In our relationships with multilateral bodies such as the FATF and the Egmont Group, we are instrumental in developing policy and training that strengthen the world's AML/ATF regimes.

### FATF

In 2011–12 the Department of Finance led the Canadian delegation to the FATF, and FINTRAC participated as a subject-matter expert. Our input ensured that Canadian interests were well represented in the drafting of the FATF's forty new recommendations for strengthening global AML/ATF regimes and in the development of the compliance methodology for FATF's AML/ATF standards.

### EGMONT GROUP

The Egmont Group, an association of FIUs that encourages international collaboration, continued to deliver a variety of multilateral technical assistance projects, and FINTRAC, as in previous years, figured importantly in these initiatives. We have been closely involved in the global introduction of the World Bank/Egmont Tactical Analysis Course (TAC), which so far has provided training to 878 participants from 140 jurisdictions around the world, giving them the knowledge and skills required to perform an FIU's core functions. The Government of Canada, through the Counter-Terrorism Capacity Building program, made a \$1 million contribution that helped ensure the successful delivery of the TAC to FIUs around the world. This funding comes to an end in October 2012, and additional targeted courses in Asia and Africa are scheduled prior to its cessation.

Recently, four TAC sessions were delivered to members of FATF-style regional bodies: the Eurasian Group, the Caribbean Financial Action Task Force, the Eastern and Southern Africa Anti-Money Laundering Group, and the Middle East and North Africa Financial Action Task Force. In addition, 153 participants have taken the TAC's "train the trainer" component, which develops the capacity of other financial intelligence units to carry out training programs.

Also through the Egmont Group, to help address new FATF standards, FINTRAC led and contributed substantially to the development and delivery of a Strategic Analysis Course (SAC) that was piloted in Qatar and that has more recently been delivered in Washington, DC. This new course is expected to be in great demand in the near future and additional training events will be planned in the coming years.

Our international relationships are key to our success as a financial intelligence unit. Through our MOUs, our global advocacy for strong AML/ATF regimes, and our dedication to training, FINTRAC is bolstering defences against money laundering and terrorist financing both in Canada and around the world.

## Our Corporate Strength

Our skilled and dedicated corporate team manages FINTRAC's resources effectively and securely, allowing us to fulfill our mandate to the highest standard.

Every day, FINTRAC's work in producing intelligence and ensuring compliance is underpinned by a dedicated, highly-skilled team that ensures that our resources—human, technical, and financial—are employed to the greatest advantage. FINTRAC's human resources, information and resource management and security functions all serve the larger operation.

### Human Resources

At FINTRAC, we pride ourselves on the professionalism and commitment of our workforce. We recognize that a sound human resources framework is fundamental to creating and maintaining a working environment that fosters excellence.

With this in mind, a major emphasis in 2011–12 was on strengthening our personnel management policies and tools. Our initiatives included:

- The establishment of a People Management Framework, including at its heart an approved set of Leadership Competencies used throughout FINTRAC for staffing, learning and development, performance management and recognition purposes;
- The development and implementation of FINTRAC's first formalized staffing policy, outlining staffing values, expectations and practices; and
- The implementation of a portfolio-based service delivery model, providing FINTRAC's managers with Portfolio Advisors who provide advice and assistance across a range of human resources matters, including staffing, employee relations, organization development and classification.

To assist both managers and employees, we undertook a number of training initiatives this year across the human resources spectrum. These included sessions on Staffing, Classification, Values and Ethics, Performance Management and Occupational Health and Safety. In addition, the onsite language training we offer to our employees continues to encourage bilingualism at FINTRAC.

On an operational front, we made good use of student employment programs again this year. With year-round student appointments and the bridging of students into regular positions, we continued to demonstrate the value we place on this staffing investment.

A particularly demanding compensation change this year was the elimination of severance pay accumulation at FINTRAC. We worked diligently to verify the impact of this change for our employees, provide them with advice and process their decisions accordingly.

With the creation of Shared Services Canada (SSC), we encountered challenges in identifying our share of government resources to be reallocated to this new department. We collaborated internally and with our external partners at SSC and the Treasury Board Secretariat in order to lead staff through the identification and transition processes.

Our Champions for Employment Equity and Multiculturalism, Official Languages, and Values and Ethics led a "Respect in the Workplace" Day in November, focusing on events and activities to increase employee awareness across these domains. As well, employees were encouraged to take part in a Linguistic Duality Day and in the Rendez-vous de la Francophonie.

The triennial Public Service Employee Survey was conducted from August to October 2011 with participation from nearly 93% of FINTRAC employees. Our results exceeded public service scores on most questions and reflected progress in all areas of focus since the last survey in 2008.

## FINTRAC DEMOGRAPHICS (AS OF MARCH 31, 2012)

Number of employees (includes terms; does not include students)		352	
DESIGNATED GROUPS REPRESENTATION	FINTRAC EMPLOYEES	WORKFORCE AVAILABILITY*	FEDERAL PUBLIC SERVICE**
Women	55.7%	47.9%	55.3%
Visible minorities	19.0%	12.5%	12.6%
Persons with disabilities	5.1%	4.9%	5.6%
Aboriginal persons	0.9%	3.3%	4.3%
OFFICIAL LANGUAGES	FINTRAC EMPLOYEES	CANADIAN POPULATION***	FEDERAL PUBLIC SERVICE**
First official language—English	62.2%	74.8%	70.8%
First official language—French	37.8%	23.6%	29.2%
Bilingual—based on self-identification	67.0%		

\* Source: Canadian Citizen Workforce Population; 2006 Employment Equity Data Report, Table 13, HRSDC

\*\* Source: Office of the Chief Human Resources Officer, Treasury Board Secretariat, March 31, 2011; "Federal Public Service" includes the core public administration and separate agencies.

\*\*\* Source: Office of the Commissioner of Official Languages, based on 2006 Census data.

## Information Management and Information Technology

FINTRAC's technology is fundamental to our success as a producer of financial intelligence. Our technology underpins all facets of our operations, from financial data receipt and analysis to personnel and resource management and planning. It provides the secure tools that can sift through FINTRAC's information holdings and detect patterns indicating possible money laundering or terrorist financing activity. Highly trained analysts then zero in on those cases where there are likely to be sufficient grounds to make a disclosure.

In the past year, we have focused on strengthening our information technology infrastructure both to maximize productivity and to ensure that legislative obligations are fully met. A desktop modernization project was completed that provided employees with an upgraded desktop operating system, desktop productivity tools, and records management software. We also made infrastructure and service upgrades to support enhancements to our ability to handle top-secret information, and completed a project whose object is to remove transaction reports older than 10 years from our databases (required by the PCMLTFA as part of FINTRAC's privacy commitments). As well, records disposition and disposition plans were completed for Library and Archives Canada.

In August 2011, the Government of Canada announced the creation of SSC, which has a mandate to assume responsibility for e-mail, telecommunications and data centres for 43 departments and agencies (including FINTRAC). As a result, we are adjusting responsibilities in these areas and creating agreements to deal with architectural and operational planning and with information technology service management processes.

## Security

In view of the highly sensitive nature of the information that is handled by FINTRAC, we conducted cyclical and targeted physical security assessments, as well as ongoing security evaluations of our information technology systems. Additionally, we strengthened organizational security through mandatory security interviews and briefings for all FINTRAC employees, to ensure that employees were aware of their obligations and the consequences of failing to meet them. In 2012–13, we introduce additional training to heighten employee security awareness and to address broader risks identified in our Corporate Risk Profile.

## Resource Management

FINTRAC manages its budgets and physical and financial resources on the basis of sound policies, effective planning, reliable financial information and sound analysis. Operational plans are closely linked to performance goals, which in turn are aligned with our overall strategic priorities.

In 2011–12 we carried out an agency-wide investment planning process, ensuring that appropriate resources are allocated to investments that yield the greatest value to the organization. We also completed reviews of our costing processes and internal controls. Finally, we made improvements to corporate financial reporting by implementing quarterly financial reports and future-oriented financial statements.

## 2011–12 Budget Highlights

In 2011–12, in accordance with the Government's commitments made in Budget 2010, FINTRAC received an additional \$8.0 million to enhance key business functions essential to ensure compliance with the PCMLTFA, and additional capacity to meet responsibilities related to tax evasion becoming a predicate offence to money laundering. Furthermore, FINTRAC received additional authorities of \$4.2 million for expenditures related to the immediate settlement of severance pay and termination benefits. Finally, FINTRAC transferred \$2.7 million in authorities to SSC. These are the three main factors contributing to the net increase in the total approved budget and actual expenditures in 2011–12.

### HISTORY OF FINTRAC'S BUDGETS BY FISCAL YEAR (DOLLARS IN MILLIONS)

	2008–09	2009–10	2010–11	2011–12	2012–13
Salaries	25.2	26.8	28.2	36.7	32.4
Employee Benefit Plans	4.5	4.5	4.6	6.1	5.7
Operations and Maintenance	24	19.7	22.6	19.2	17.7
Grants and Contributions	1.2	1.4	0.8	–	–
<b>Total Approved Budget</b>	<b>54.9</b>	<b>52.4</b>	<b>56.2</b>	<b>61.9</b>	<b>55.8</b>
<b>Total Actual</b>	<b>50.6</b>	<b>49.9</b>	<b>50.9</b>	<b>59.2</b>	<b>–</b>





# Conclusion

In 2011–12, FINTRAC continued to make progress in its core operational areas, namely, intelligence and compliance. Our tactical financial intelligence has become increasingly relevant and valuable to investigators for their top-priority investigations. Strategically, our intelligence has also helped inform domestic and international partners about current and future trends in money laundering and terrorist financing. This knowledge aids the fight against illicit financial activity not only in Canada, but around the world.

Our compliance program continues to mature, and there have been significant improvements made in both the number and quality of reports received. The compliance examination process strives to ensure that those with obligations under the PCMLTFA are fulfilling them.

Through our work in analysis, compliance, partnerships and corporate teamwork, we remain dedicated to our goal of connecting the money to the crime. This year's results reflect our continued efforts to build upon an already-rigorous program of detection and deterrence of money laundering and terrorist financing and to improve the quality of the intelligence we are able to offer.



# Glossary

## **CANADA BORDER SERVICES AGENCY (CBSA)**

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

## **CANADA REVENUE AGENCY (CRA)**

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

## **CANADIAN SECURITY INTELLIGENCE SERVICE (CSIS)**

Canada's national security agency, which has the mandate to investigate and report on threats to the security of Canada. [www.csis-scrs.gc.ca](http://www.csis-scrs.gc.ca)

## **CASINO DISBURSEMENT REPORT (CDR)**

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

## **COMMUNICATIONS SECURITY ESTABLISHMENT CANADA (CSEC)**

Canada's national cryptologic agency, which provides the Government of Canada with foreign signals intelligence and the protection of electronic information and communication. CSEC also provides technical and operational assistance to federal law enforcement and security agencies. [www.cse-cst.gc.ca](http://www.cse-cst.gc.ca)

**CROSS-BORDER CURRENCY REPORT (CBCR)**

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

**CROSS-BORDER SEIZURE REPORT (CBSR)**

Information received by FINTRAC from a CBSA officer who seizes cash or monetary instruments for which reporting obligations were not met.

**EGMONT GROUP OF FINANCIAL INTELLIGENCE UNITS**

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

**ELECTRONIC FUNDS TRANSFER REPORT (EFTR)**

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

**FINANCIAL ACTION TASK FORCE (FATF)**

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

**FINANCIAL INTELLIGENCE ASSESSMENT**

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

**FINANCIAL INTELLIGENCE BRIEF**

A FINTRAC publication that presents an overview of current intelligence in relation to a particular group, country or issue related to money laundering and/or terrorist activity financing. Publicly available and classified information, relevant FINTRAC case disclosures and financial transaction reports are used as the basis of analysis.

## **FINANCIAL INTELLIGENCE UNIT (FIU)**

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

## **LARGE CASH TRANSACTION REPORT (LCTR)**

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

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

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

## **REPORTING ENTITY**

The businesses and individuals with legal obligations under Canada's *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA) and its accompanying regulations are known collectively as reporting entities. Reporting entities fall into one of ten sectors: accountants, British Columbia notaries, casinos, dealers in precious metals and stones, financial entities, lawyers, life insurance, money services businesses, real estate, securities dealers.

## **ROYAL CANADIAN MOUNTED POLICE (RCMP)**

Canada's national police force. [www.rcmp-grc.gc.ca](http://www.rcmp-grc.gc.ca)

## **SUSPICIOUS TRANSACTION REPORT (STR)**

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

## **THREATS TO THE SECURITY OF CANADA**

Threats to the security of Canada are defined in the *Canadian Security Intelligence Service Act* as:

- a. espionage or sabotage that is against Canada or is detrimental to the interests of Canada, or activities directed toward or in support of such espionage or sabotage,
- b. foreign-influenced activities within or relating to Canada that are detrimental to the interests of Canada and are clandestine or deceptive, or involve a threat to any person,
- c. activities within or relating to Canada directed toward or in support of the threat or use of acts of serious violence against persons or property for the purpose of achieving a political, religious or ideological objective within Canada or a foreign state, and
- d. activities directed toward undermining by covert unlawful acts, or directed toward or intended ultimately to lead to the destruction or overthrow by violence of the constitutionally established system of government in Canada,

but does not include lawful advocacy, protest or dissent, unless carried out in conjunction with any of the activities referred to in paragraphs (a) to (d).

## **VOLUNTARY INFORMATION RECORD (VIR)**

A record of information voluntarily submitted to by law enforcement partners, intelligence partners and members of the public.





**CONTACT INFORMATION:**

**Financial Transactions and Reports Analysis Centre of Canada**

24<sup>th</sup> Floor, 234 Laurier Avenue West  
Ottawa, Ontario K1P 1H7  
Canada

Telephone: 1-866-346-8722 (toll free)  
Facsimile: 613-943-7931

Email: [guidelines-lignesdirectrices@fintrac-canafe.gc.ca](mailto:guidelines-lignesdirectrices@fintrac-canafe.gc.ca)  
[www.fintrac-canafe.gc.ca](http://www.fintrac-canafe.gc.ca)

ISSN: 1910-9415  
Cat. No. FD1-2012E-PDF

