

Financial Transactions and Reports Analysis Centre of Canada

Report on Plans and Priorities

**For the years
2004-2005 to 2006-2007**

Minister of Finance

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Director's Message

The Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) is an organization created by statute in 2000 to provide to law enforcement and security agencies financial intelligence about suspected money laundering and terrorist financing so as to facilitate the detection and deterrence of those activities through enhanced investigation and prosecution.

The terms “money laundering” and “terrorist financing” are somewhat more antiseptic than the activities to which they refer. It is perhaps worth taking note that “money laundering” refers to the process, normally deceptive, by which criminals seek to transform the profits of their criminal activity into assets that appear to be legitimate and to place those assets beyond the reach of the police and the courts. These profits flow from such organized criminal activities as drug trafficking, smuggling of contraband, extortion, prostitution, pornography, telemarketing fraud, credit and bank card fraud, etc., and amount to billions of dollars annually in Canada. “Terrorist financing” denotes the provision of financial support, from legitimate or illegitimate sources, to persons or groups who carry out political assassinations, kidnappings, suicide bombings, chemical attacks, intimidation through threats of violence, etc., leaving in their wake large numbers of innocent victims of indiscriminate violence.

FINTRAC is one element of a constellation of organizations and functions that combat organized crime and terrorism. Others include the private sector, the police, security agencies, prosecutors and the courts. FINTRAC is situated near the beginning of a process that seeks to identify financial transactions and activities that are suspected of being related to money laundering or terrorist financing. Success in deterring these activities requires the sustained commitment and contribution of all of the elements.

The *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA) requires financial institutions and financial intermediaries to keep specific records about their clients and transactions and also requires the reporting of certain types of transactions to FINTRAC. FINTRAC's role is to receive and analyze this transaction information and, when appropriate, to disclose intelligence about suspected money laundering or terrorist financing to law enforcement and intelligence agencies for possible investigation and prosecution.

Since created, FINTRAC has become a leader in the field of financial intelligence. We were the first to receive all reporting electronically, and remain one of the few among some 80 such organizations worldwide to do so. We receive and analyze a wider range of transaction information than most other nations, and are seen by many as a leader in the application of technology to the analysis of large volumes of transaction data. With our comprehensive database of transaction reports, together with voluntary information from domestic and international law enforcement and intelligence agencies, FINTRAC is in a unique position to discern suspected money laundering or terrorist financing and to make disclosures of such information to the appropriate investigative bodies.

We have been operational for just a little more than two years, and are making a solid contribution to the wider effort to combat money laundering and terrorist financing. In 2002-03, our first full year of operations, FINTRAC made over 100 case disclosures of suspected money laundering or terrorist financing to law enforcement, involving transactions valued at almost \$500 million. Feedback received from law enforcement agencies and security agencies indicates that our products are making a valued contribution to their investigations.

Money laundering and terrorist financing are transnational in character, and Canada is committed to supporting the global campaign to combat those phenomena. FINTRAC contributes to that effort through the exchange of information with like bodies in some other countries, and through multilateral bodies, such as the Financial Action Task Force (FATF) and the Egmont Group, dedicated to strengthening the international effort in this domain.

FINTRAC's goal remains to strengthen the deterrent force of Canada's domestic and international anti-money laundering and anti-terrorist financing initiatives by continuing to contribute valuable financial intelligence to the collective effort. Our three priorities – delivering high quality financial intelligence, implementing our risk-based compliance program, and disseminating strategic information about money laundering and terrorist financing to partners and stakeholders – are mutually supportive and are designed to enable us to achieve our goal.

Management Representation

Report on Plans and Priorities 2004-2005

I submit, for tabling in Parliament, the *2004-2005 Report on Plans and Priorities* (RPP) for the

Financial Transactions and Reports Analysis Centre of Canada

This document has been prepared based on the reporting principles and disclosure requirements contained in the *Guide to the preparation of the 2004-2005 Report on Plans and Priorities*:

- It accurately portrays the agency's plans and priorities.
- The planned spending information in this document is consistent with the directions provided in the Minister of Finance's Budget and by TBS.
- Is comprehensive and accurate.
- Is based on sound underlying departmental information and management systems.

The reporting structure on which this document is based has been approved by Treasury Board Ministers and is the basis for accountability for the results achieved with the resources and authorities provided.

Name: _____

Title: _____

Date: _____

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 to combat terrorist activity financing and threats to the security of Canada. The PCMLA was subsequently renamed the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA).

FINTRAC's mission is to provide law enforcement and intelligence agencies with financial intelligence on money laundering, terrorist activity financing and threats to the security of Canada, while ensuring the protection of the information it holds. The benefit to Canadians is the detection and deterrence of laundering of proceeds of crime, and the detection and deterrence of the financing of terrorist activities and threats to the security of Canada.

Planning Overview

As Canada's Financial Intelligence Unit (FIU), FINTRAC contributes to the National Initiative to Combat Money Laundering and to Canada's anti-terrorism efforts 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.

For 2004-2005, FINTRAC has planned spending of \$30.9 million and 200 FTEs. 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.tbs-sct.gc.ca/tb/estimate/estimE.html>

FINTRAC's Activities

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

FINTRAC's mandate as set out in the PCMLTFA 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 intelligence is also relevant to tax evasion offences, and 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;
- Provide financial intelligence to foreign financial intelligence units with which it has concluded a memorandum of understanding providing for the exchange of such information;
- Provide CSIS with financial intelligence that would be relevant to threats to the security of Canada;
- 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; and
- Enhance public awareness and understanding of matters related to money laundering and terrorist activity financing.

The need to disclose information is balanced by the protection of privacy. The PCMLTFA strikes a careful balance between the needs of law enforcement and citizens' rights to privacy as guaranteed under the Canadian *Charter of Rights and Freedoms*. 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>

For more information about FINTRAC's business process, please go to:
http://www.fintrac.gc.ca/publications/annualreport/2003/fbp_e.asp

The Planning Context

Since FINTRAC's founding in 2000, it has moved from being a start-up to delivering on its mandate. It has hired skilled staff and put organizational and management frameworks in place; it has built relationships with partners domestically and internationally; it has put in place state-of-the-art IT systems; and it has developed a risk-based compliance program.

In 2002-2003, its first complete year in production mode, a total of 103 case disclosures were made to law enforcement and intelligence agencies, including to foreign Financial Intelligence Units. In 2003-2004, the number of case disclosures continues to grow, with the promise of a higher total number by the end of this fiscal year.

FINTRAC is now receiving reports from all reporting streams, including Suspicious Transactions Reports; international Electronic Funds Transfers Reports; Large Cash Transaction Reports; Terrorist Property Reports; Customs Currency Seizure Reports and Cross Border Currency Reports. FINTRAC also receives voluntary information from law enforcement and intelligence agencies and the general public.

In total, over 9 million reports are included in the data set being analyzed, and FINTRAC is receiving on average over 25,000 new reports per day.

Now that the operational infrastructure and a full set of regulations are in place, FINTRAC is moving to a new level, where it can deepen its contribution through increasingly effective analysis and strong partnerships domestically and internationally. This new phase is marked not only by an increasing quantity and quality of case disclosures, but also by the emergence of FINTRAC as a valuable source of information and expertise on money laundering and terrorist activity financing.

Strategic Importance of Partnerships

The worlds of money laundering and terrorist activity financing are complex and constantly shifting. The ultimate prosecution of money laundering and terrorist activity financing cases depends on the cooperation and coordination of domestic and international partners: those who provide financial information; those, like FINTRAC, who analyze the financial information; and those to whom financial information is disclosed and who investigate suspicious cases. Success is tied to the performance of each of the partners, at domestic and international levels.

Reporting Entities and Compliance

There are over 100,000 entities and individuals potentially subject to the obligations as set out in the PCMLTFA. They include deposit-taking institutions, life insurance companies, real estate brokers, securities dealers, casinos, accountants, foreign exchange

dealers, money service businesses, and trust and loan companies. Ensuring that all large and small reporting entities comply with their obligations under the Act is a significant challenge.

To date, the operational focus of the compliance program has been promoting awareness and providing assistance to reporting entities in meeting their obligations under the PCMLTFA. That focus is now shifting as FINTRAC begins to invest more of its compliance resources into examinations, and implements a comprehensive risk-based compliance program.

FINTRAC believes the best compliance results flow from cooperation. Since the quality of the reports the Centre receives from reporting entities is directly linked to the quality of its analysis, FINTRAC continues to focus on working with reporting entities to maximize the quality of the information received.

For more information about reporting guidelines, please go to:
http://www.fintrac.gc.ca/publications/guide/guide_e.asp

FINTRAC's Contribution to Investigations

As a new agency, one of FINTRAC's early challenges was to promote its role and the value of its intelligence product to the domestic law enforcement community. To date, the organization has developed relationships with over 200 law enforcement and intelligence agencies and outreach to law enforcement and intelligence partners remains an important component of FINTRAC's ongoing work.

The recipients of FINTRAC financial intelligence may include the Royal Canadian Mounted Police (RCMP), provincial and municipal police agencies, the Canadian Security Intelligence Service (CSIS), Canada Revenue Agency (CRA), and Citizenship & Immigration Canada (CIC).

Money laundering and terrorist activity financing cases can be extremely complex, often involving many players implicated in illicit transnational activity. The investigations by FINTRAC's partners in law enforcement and intelligence are often time and resource intensive. For this reason, the time between FINTRAC's initial case disclosure and the conclusion of an investigation can be quite lengthy.

FINTRAC is constantly working on improving its financial intelligence products. At the same time, the Centre is working with partners to help them put tracking mechanisms in place to determine how the intelligence being provided by FINTRAC is contributing to investigations. Anecdotal feedback suggests that FINTRAC's case disclosures are proving useful to law enforcement in ongoing investigations.

Organized crime is adaptable, and will shift its behaviour in response to enforcement efforts. As financial institutions and intermediaries close down opportunities to conduct

undetected money laundering and terrorist activity financing, it will be an ongoing challenge to stay ahead of shifting patterns. Continuing dialogue among partners will be critical.

International Partners

Although FINTRAC is a relatively young organization, it is emerging as an active international player and is making a strong contribution to bilateral and multilateral international efforts to combat money laundering and terrorist activity financing. FINTRAC is a member of the Egmont Group of Financial Intelligence Units (FIUs), an international association of FIUs from 84 countries that work together to promote information exchange and to enhance the capacities of financial intelligence units from around the world.

FINTRAC is one of two Co-Americas Representatives on the Egmont Committee, which acts as a steering body for the Egmont Group.

FINTRAC has information exchange agreements with its counterparts in the United States, the United Kingdom, Belgium, Australia, Mexico, Italy and Barbados, increasing its access to key money laundering and terrorist activity financing intelligence from around the globe. Building strategic partnerships is ongoing and negotiations are underway for additional agreements with other countries.

Technology is Critical

In all of FINTRAC's work, technology has been front and centre. Today, FINTRAC receives over 99 percent of its reports electronically. Whether it has been in building state-of-the-art computer security to ensure the protection of personal and sensitive information, or establishing FINTRAC as one of the few FIUs in the world that has the ability to receive all reports electronically, the Centre's commitment to and investment in information technology has enabled it to become innovative and effective in fulfilling its mandate.

With the volume of reports continuing to increase, it is a strategic imperative to continue to invest in leading edge technology in order to access and analyze data, therefore staying ahead of the ever-shifting strategies of money laundering and terrorist activity financing networks. Leading edge technology is also critical to maintaining the protection of privacy and the security and integrity of the information in FINTRAC's care.

Increasing Demand

As FINTRAC's relationships with reporting entities, and with domestic and international law enforcement and intelligence agencies continue to grow, it anticipates increased demand for strategic intelligence products, advice and technical assistance. While it will be a sign of the organization's maturity that its expertise is in demand, it will also be a

challenge to manage expectations realistically. Strategic choices will have to be made, with a goal of strengthening the total knowledge base for FINTRAC and for others.

Changes in Legislation

FINTRAC will need to be aware of and responsive to developments in the broader policy environment. The revised anti-money laundering standards of the Financial Action Task Force (FATF), together with legislative initiatives already in progress, will significantly affect its operations. FINTRAC contributes to discussions, in support of government legislative and regulatory initiatives. As it gains more expertise, the Centre will be in a position to contribute information about how financial and other instruments may be used in money laundering and terrorist activity financing in Canada. This information will be important in shaping the government's anti-money laundering and anti-terrorist financing policy.

Proposed legislation, the Public Safety Act, would allow an exchange of information with regulators to facilitate compliance efforts, and provide FINTRAC with access to national security databases to improve the base of information available for analysis.

Audits, Reviews, Evaluations

FINTRAC and its partners are entering a period of audits and reviews, ranging from government evaluations of the results of the money laundering and terrorist activity financing strategies, to the upcoming parliamentary reviews of the PCMLTFA and Anti-terrorism Act. The Office of the Auditor General will be conducting a value for money audit of the government's money laundering and terrorist financing strategy and the report will likely be tabled in Parliament during the 2004-2005 fiscal year.

Reviews are important opportunities for FINTRAC and its partners to assess progress to date, and to further strengthen individual and collective efforts. FINTRAC will be devoting considerable energy to further developing its performance management indicators and positioning itself to respond effectively to these reviews.

Budgetary Realities

FINTRAC will be placing considerable emphasis on a careful review of its expenditures and the development of affordable and sustainable approaches to delivering its ambitious mandate. With the organization now in full operational mode, and in view of the many challenges and opportunities set out above - from the need for technology investments to impacts of legislative changes - a sustained focus on value for money and investing strategically will be required. FINTRAC will also need to manage its contribution to the government-wide reallocation exercise.

Plans and Priorities by Strategic Outcome

Strategic Outcome

The detection and deterrence of money laundering and terrorist activity financing

Priorities

FINTRAC seeks to provide leadership, on the domestic and international fronts, in the detection and deterrence of money laundering and terrorist activity financing through the achievement of the following three priorities:

Priority	Anticipated Result	Associated Resources* (millions)	Type of Priority
Deliver timely and high quality financial intelligence to law enforcement and intelligence agencies, and foreign financial intelligence units	Increasingly effective technology-driven financial intelligence analysis, and case disclosures that are widely accepted and used by law enforcement and intelligence agencies	04/05 - \$18.9 05/06 - \$18.9 06/07 - \$18.7	Ongoing
Implement the comprehensive risk-based compliance program	A cooperative program that fosters compliance by reporting entities, resulting in higher quality and quantity of reporting and appropriate record keeping and client identification practices	04/05 - \$9.0 05/06 - \$9.0 06/07 - \$9.0	<i>New</i>
Disseminate strategic information on money laundering and terrorist activity financing to partners, stakeholders, and the general public	Strategic intelligence, advice and analysis that enhance awareness and understanding of money laundering and terrorist activity financing and inform the development of effective Canadian and multilateral counter-strategies	04/05 - \$3.0 05/06 - \$3.0 06/07 - \$3.0	<i>New</i>

*Breakdown represents costs directly attributed to each priority as well as a pro-rated portion of other indirect costs, such as corporate support.

Evolving Priorities

In the three years since it was established, FINTRAC has focused on establishing its organization - be it hiring people, developing processes, putting in place safeguards to protect privacy, or building technological tools - and becoming operational. FINTRAC is now poised to play a more strategic role among the broader constellation of partners protecting the safety and security of Canadians, and its priorities reflect the Centre's growing maturity as a fully operational agency.

Its priorities in the building phase, as reflected in previous planning reports, were:

- delivering timely and high quality financial intelligence;
- leadership in e-government; and,
- for FINTRAC to be an exemplary employer.

Delivering timely and high quality financial intelligence represents FINTRAC's primary operational focus and remains a critical and ongoing priority.

FINTRAC has been successful in building an organization that is *a leader in e-government*, and *an exemplary employer*. These two critically important goals remain as founding principles that define FINTRAC. Sustaining the achievements in these areas - whether it is an almost 100 percent rate of electronic reporting, or the recruitment, retention and training of a highly skilled workforce - will be critical to supporting FINTRAC in the successful achievement of its current substantive priorities in the areas of *financial intelligence, compliance, and strategic information*.

More information on FINTRAC's achievements in e-government and as an exemplary employer can be found in its 2003 Annual Report and its most recent Departmental Performance Report, both accessible through the FINTRAC website (www.fintrac.gc.ca).

Plans

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

Anticipated Result:

Increasingly effective technology-driven financial intelligence analysis, and case disclosures that are widely accepted and used by law enforcement and intelligence agencies

Resources (millions): 2004/05 - \$18.9 2005/06 - \$18.9 2006/07 - \$18.7

Summary

The production of financial intelligence is FINTRAC's core business, and delivering a quality product that assists in the detection and deterrence of money laundering, terrorist activity financing or threats to the security of Canada will always be a key focus of its energy and resources.

Delivering timely and high quality financial intelligence involves activities related to the *receipt* of prescribed reports as well as the *collection* of other relevant information; the *analysis* of all the information and the resources and tools in place to support that analysis; and the *disclosure* of the resulting financial intelligence, where it is determined that there are reasonable grounds to suspect that the intelligence would be relevant to the investigation or prosecution of a money laundering or terrorist activity financing offence, or a threat to the security of Canada.

Supporting this priority are activities related to *maintaining strong relationships* with all recipients of case disclosures, to ensure that the disclosures are responsive to the needs of law enforcement and intelligence agencies in their investigative efforts.

FINTRAC's focus in the coming three years will be on continuing to strengthen the organization's analytical capacity and effectiveness through the use of technology; access to enhanced information sources as currently specified in the Act; and development of its knowledge and expertise, thereby increasing the breadth and depth of its case disclosures. It will also work with law enforcement and intelligence partners to develop effective feedback mechanisms that will assist in measuring the impact of FINTRAC's case disclosures on investigations.

Key Planned Initiatives, Timeframes and Performance Indicators

Products

1. *Enhanced tactical analysis*

New and more in-depth approaches to uncovering suspect money trails will be pursued, using information technology capability to mine the database and the latest typologies in money laundering and terrorist activity financing in Canada.

Anticipated timeframe: Ongoing

2. *Disclosures*

Emphasis will be placed on providing timely and quality case disclosures that demonstrate an increasing breadth and depth of analysis, and are seen as being valuable by disclosure recipients in supporting their investigations.

Anticipated timeframe: Ongoing

Performance Indicators:

- Case disclosures to relevant domestic agencies and foreign financial intelligence units
- Feedback received from recipients of case disclosures

Technology

1. *Implementation of a new case management system for disclosures*

A new state-of-the-art system will strengthen comprehensive and efficient management of case information and support the integration of increasingly sophisticated analytical tools.

Anticipated timeframe: March 2005

2. *Selection and implementation of a new suite of analytical tools for detection*

More powerful data mining and data matching capabilities will allow for the enhanced and speedier detection of patterns of suspect financial transactions among the millions of data elements in the analytical database, and support an increased breadth and depth of analysis. This work will proceed in phases, and will entail the implementation of a “lab” environment for user exploration in the initial phase, to support the selection and prioritizing of components for rollout.

Anticipated timeframe: March 2005 for selection and implementation of core components; full implementation of new tools by March 2006.

Performance indicators:

- New system in place which meets all legislative and operational requirements
- Administrative time efficiencies associated with case disclosure preparation
- Potential case identification improved through enhanced automated selection and matching techniques
- Working prototype developed to explore and select innovative data mining techniques

Partners and Stakeholders

1. Maintenance of a continuous outreach program with all large and medium sized law enforcement agencies, CSIS, CIC and CRA

Outreach efforts with key partners and case disclosure recipients will strengthen awareness of the product FINTRAC delivers, facilitate feedback on case disclosures, and also allow for FINTRAC to communicate the importance of receiving voluntary information from them, and the type of information that is most useful to support its analytical processes.

Anticipated timeframe: Ongoing

2. Tracking of disclosures

Understanding the actions taken in respect of FINTRAC disclosures by its principal disclosure recipients can be an important indication of the extent to which the Centre's disclosures can and are contributing to investigations. FINTRAC will work with recipients to encourage and assist them in putting tracking mechanisms in place, and to assess with them the resulting information.

Anticipated timeframe: Tracking in place and feedback provided by federal partners, 2004; key provincial and municipal police forces, 2005

3. Access to law enforcement databases

FINTRAC will continue to work with other federal partners and law enforcement agencies to identify databases that are maintained for law enforcement purposes, and negotiate access to them, to enhance its information sources and thereby its analysis.

Anticipated timeframe: Ongoing, with a number of new agreements in place by March 2005

4. Enhanced information sharing with foreign FIUs

To strengthen the exchange of information with international partner agencies, a significant number of new agreements will be negotiated.

Anticipated timeframe: Ongoing

Performance indicators:

- Outreach to law enforcement and other federal partners, and security intelligence agencies
- Amount of voluntary information received from domestic law enforcement and security intelligence agencies, and its utility in FINTRAC's analysis
- Tracking mechanisms in place, and feedback provided to FINTRAC
- Memoranda of Understanding (MOUs) concluded to obtain access to databases maintained for law enforcement purposes
- MOUs concluded with key foreign intelligence units
- Value of the information that is accessible to FINTRAC for analysis purposes

2. Implement the comprehensive risk-based compliance program

Anticipated Result:

A cooperative program that fosters compliance by reporting entities, resulting in higher quality and quantity of reporting and appropriate record keeping and client identification practices.

Resources (millions): 2004/05 - \$9.0 2005/06 - \$9.0 2006/07 - \$9.0

Summary

A strong compliance program is essential to quality reporting that will form the basis of analysis. It also has a strong deterrence effect, as it makes it more difficult for those who would launder money or seek to raise funds for terrorist activity to carry out their activities unnoticed and in anonymity. Ensuring compliance also means that records relating to clients and transactions will be available to support investigations by law enforcement. FINTRAC's goal is to achieve a high level of compliance by reporting entities across Canada.

In order to comply with PCMLTFA, individuals and entities who have obligations under Part I of the Act are responsible for reporting certain financial transactions to FINTRAC, and for meeting requirements with respect to record keeping, client identification and the implementation of an internal compliance regime.

In 2003-2004, FINTRAC put considerable emphasis on the development of a comprehensive risk-based compliance program. FINTRAC's approach to ensuring compliance is to work closely with reporting entities, their associations and federal and provincial regulators. The program includes: promoting awareness of legislative requirements and assisting reporting entities in meeting their obligations; monitoring compliance through appropriate mechanisms; detecting and reducing reporting errors by developing quality assurance procedures; assessing the risk of non-compliance by tracking the reporting behaviour of all sectors; and supporting a range of verification approaches through a variety of procedures and tools, from self-assessment questionnaires to on-site examinations. A full suite of policies and procedures, as well as a risk-management framework, has been put in place to support the program. An intensive training program for FINTRAC compliance officers has also been instituted to support the compliance function.

The focus for this reporting period will be on implementation. This will include awareness campaigns targeted to high risk sectors; the continuation of sectoral and reporting entity risk assessments; and the carrying out of examinations. Relationships with key federal and provincial regulators will be formalized to strengthen compliance efforts by fostering information sharing and by avoiding duplication of efforts.

Enhancing technological support to the compliance program will also be pursued to increase effectiveness.

Key Planned Initiatives, Timeframes and Performance Indicators

1. Undertaking of reporting entity assistance and policy interpretation

Assistance to reporting entities will include updating FINTRAC's Guidelines, and developing tools such as a video to increase awareness, and a pamphlet to assist reporting entities in preparing for examinations. Targeted outreach will be conducted to promote awareness among high-risk reporting entities. FINTRAC Interpretation Notices will be developed to ensure a consistent understanding among reporting entities regarding complex policy issues.

Anticipated timeframe: Ongoing; pamphlet and video in 2004

2. Monitoring of quality of reporting and undertaking risk assessment

Reports will be monitored for quality with a view to detecting and reducing reporting errors. A robust risk assessment process will identify high-risk sectors and reporting entities, and tailor appropriate compliance responses. The use of self-assessment questionnaires will be implemented to broaden FINTRAC's reach in assessing compliance and targeting further compliance activities.

Anticipated timeframe: Ongoing

3. Conducting of examinations

The approach to examinations will involve both risk-based selection and random-based selection of reporting entities for compliance examinations. Using a variety of examination techniques, FINTRAC will conduct examinations in all reporting entity sectors. These techniques include: self-assessment questionnaires, desk audits, and on-site examinations and examinations through partnerships with key federal and provincial regulators. Legislative amendments (previously introduced in Bill C-17) will be needed for FINTRAC to be able to enter into these kinds of relationships with regulators.

Anticipated timeframe: Ongoing

4. Implementation of enhanced technological support

Core functionality and data requirements to support the compliance program will be identified, and an implementation roadmap will be developed that addresses priority areas and allows for improved risk management and greater administrative efficiencies to be achieved.

Anticipated timeframe: Implementation plan and initial delivery of core components of priority applications by March 2005; full implementation by March 2006

Performance indicators

- Extent of non-compliance
- Extent to which examinations were conducted in all reporting entity sectors
- Extent to which transaction reports meet quality standards

- Extent to which quality issues in reports can be detected by compliance officers
- Better automated risk management and selection capabilities for compliance program targets
- Extent to which IT tools contribute to a reduction in administrative time required to manage and execute the compliance program

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

Anticipated Result:

Strategic intelligence, advice and analysis that enhance awareness and understanding of money laundering and terrorist activity financing in Canada, and inform the development of effective Canadian and multilateral counter-strategies

Resources (millions): 2004/05 - \$3.0 2005/06 - \$3.0 2006/07 - \$3.0

Summary

In addition to providing case specific financial intelligence products to law enforcement, CSIS and other legally authorized recipients, FINTRAC is well positioned to provide strategic financial intelligence advice and analysis to the law enforcement and intelligence communities domestically and internationally, as well as to government policy-makers, reporting entities and partners in its compliance efforts, and finally, to the public.

FINTRAC has a rich database of financial transactions and other information, which, if mined and analyzed, can provide unique insights into potential patterns and trends related to money laundering and terrorist activity financing. The Centre is the only agency in Canada with this type and breadth of information. Combined with input and expertise from its key partners, stakeholders and other external sources of information, FINTRAC is well situated to anticipate emerging financial and technological methods that might be used in money laundering and terrorist activity financing. With this knowledge, FINTRAC can work with its partners to develop and implement strategies to counter these methods.

Ultimately, it is through the combination of tactical case disclosures and the sharing of insights and expertise, derived from FINTRAC's unique mandate and perspective, that FINTRAC will be seen at home and abroad as making a significant contribution to the international fight against money laundering and terrorist activity financing.

Key Planned Initiatives, Timeframes, and Performance Indicators

1. *Enhanced strategic analysis*

Resources will be dedicated to strategic research and analysis of both external and internal data and information sources in order to identify, anticipate and respond to emerging financial and technological methods that might be used in terrorist activity financing or money laundering. FINTRAC will dedicate a significant portion of these resources to identify and implement IT systems and other methods to mine the data within its holdings to inform this research and analysis.

Anticipated timeframe: Ongoing

2. *Production of strategic analysis reports*

Based on FINTRAC's research and analysis, and on consultations with its partners and stakeholders, strategic analysis reports will be produced that provide a unique and informed perspective on the nature of money laundering and terrorist activity financing occurring in Canada, including typologies and trends.

Anticipated timeframe: Beginning in 2004 and ongoing

3. *Provision of international technical assistance*

Identification of priorities for assistance, based on FINTRAC's capacity and a strategic assessment of where its contribution can bring maximum benefits, will be the first step. Providing support to Egmont outreach and training initiatives and holding an IT workshop for other FIUs are two ways in which FINTRAC can provide information and advice to a number of FIUs in an effective manner, and will be pursued.

Anticipated timeframe: Ongoing

4. *External communications*

A communications plan will be implemented to support the dissemination of strategic information targeted to specific audiences.

Anticipated timeframe: Ongoing

Performance indicators

- Information and advice provided to government and others (domestic and international stakeholders and partners)
- Improved understanding of trends, typologies and other emerging issues by FINTRAC and others
- Response of government and others to FINTRAC's strategic information
- FINTRAC's participation and contribution to national and international policy meetings and other key fora
- Impact of international assistance work provided by FINTRAC
- Level of public awareness and understanding of money laundering and terrorist activity financing

Other Significant Initiatives

A number of ongoing management initiatives to strengthen organizational effectiveness, consistent with the principles of Modern Comptrollership and the Treasury Board's Management Accountability Framework, support the achievement of all of FINTRAC's priorities. These include:

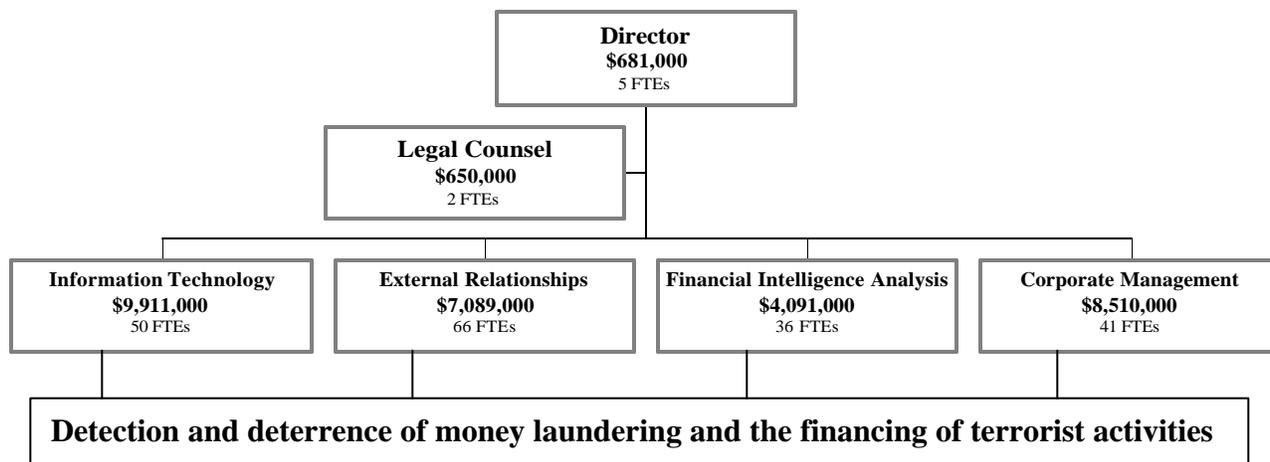
- The development and implementation of an integrated planning, budgeting, and performance management framework that will focus and guide performance, strengthen financial accountability mechanisms, and support transparency and meaningful reporting of results. Implementation is planned in 2004-2005.
- The development and implementation of a comprehensive and rigorous approach to support effective comptrollership, including the establishment and implementation of ongoing policies and procedures; related training to employees; and improved reporting and transparency. This work will continue into 2004-2005.
- The development of a business continuity plan that will support FINTRAC's ability to maintain or resume business after a disruption of operations. Anticipated completion is in 2004, with implementation to follow.

In addition, FINTRAC's commitment to being an exemplary employer and sustaining an effective, high performing and healthy work climate, is being pursued through leading investments in learning, human resource planning and support, and organizational wellness initiatives. A FINTRAC Code of Conduct, and related awareness training in values and ethics, will continue to be a cornerstone of the Centre's operations.

Another very important foundation for FINTRAC as an organization is its commitment to the protection of personal information. A robust and effective security program, and a full suite of policies and procedures to protect privacy, and prevent unauthorized disclosures of information, are in place and will be vigorously upheld.

A comprehensive integrated information management framework and plan are in development to integrate all legislative, operational and administrative requirements with respect to managing FINTRAC information holdings. The framework is planned for early 2005, with complete implementation of all the integrated information management processes and procedures by 2006.

Organization



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 money laundering and terrorist activity financing are grouped under the **Financial Intelligence Analysis Sector**. An Operations Support Secretariat provides support to the analytical functions and to the Disclosure Committee headed by the Director.

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 and Executive Services group is responsible for external communications and public awareness.

The **Corporate Management Sector** is made up of four groups: Finance and Administration; Human Resources; Planning and Coordination; and Security. It plays a key role in supporting organizational effectiveness. It also has the lead role in two areas critical to the integrity of FINTRAC operations: privacy of information and security.

The **Information Technology (IT) Sector** is responsible for developing and applying information management and information technology methodologies that will support and advance all of FINTRAC's objectives. It designs, maintains, implements and supports database management systems and 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 provides two FTEs towards the administration of this office.

Agency Planned Spending

(\$ millions)	Forecast Spending 2003-2004	Planned Spending 2004-2005	Planned Spending 2005-2006	Planned Spending 2006-2007
Detection and deterrence of money laundering and the financing of terrorist activities	31.7	31.9	31.9	10.4
Budgetary Main Estimates (gross)	31.7	31.9	31.9	10.4
Less: Respendable revenue				
Total Main Estimates	<u>31.7</u>	<u>31.9</u>	31.9	10.4
Adjustments (Planned Spending not in Main Estimates):				
National Initiative to Combat Money Laundering *				15.0
Regional Offices and Compliance and Liaison functions *				6.3
Operating Budget Carry Forward	1.7			
Contribution towards the \$1 Billion Reallocation Exercise	(0.1)	(1.0)	(1.0)	(1.0)
Total Adjustments	<u>1.6</u>	<u>(1.0)</u>	<u>(1.0)</u>	<u>20.3</u>
Net Planned Spending	<u>33.3</u>	<u>30.9</u>	<u>30.9</u>	<u>30.7</u>
Plus: Cost of services received without charge	1.1	1.1	1.1	1.1
Net Cost of Program	<u>34.4</u>	<u>32.0</u>	<u>32.0</u>	<u>31.8</u>
Full Time Equivalents	189	200	200	200

* The reinstatement of resources for these funding items, which represent resources for FINTRAC's anti-money laundering initiative, is contingent upon approval of final evaluation.

Over this planning period, the planned expenditures for ongoing program activities will remain constant at \$31 million per year.

Annexes

Table 1: Summary of Capital Spending by Program and Business Line

(\$ millions)	Forecast Spending 2003-2004	Planned Spending 2004-2005	Planned Spending 2005-2006	Planned Spending 2006-2007
Financial Transactions and Reports Analysis Centre of Canada				
Detection and deterrence of money laundering and the financing of terrorist activities	1.3	1.3	1.3	1.3
Total	1.3	1.3	1.3	1.3

Table 2: Net Cost of Program for the Estimates Year

(\$ millions)	TOTAL
Net Planned Spending (Total Main Estimates plus Adjustments as per the Planned Spending table)	30.9
<i>Plus: Services Received without Charge</i>	
Accommodation provided by Public Works and Government Services Canada (PWGSC)	-
Contributions covering employer's share of employees' insurance premiums and expenditures paid by TBS (excluding revolving funds)	1.1
Worker's compensation coverage provided by Human Resource Canada	-
Salary and associated expenditures of legal services provided by Justice Canada	-
2004-2005 Net cost of Program	32.0

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