



Financial Transactions and
Reports Analysis Centre
of Canada

Centre d'analyse des opérations
et déclarations financières
du Canada

COMBATTING MONEY LAUNDERING AND TERRORISM FINANCING



2000–2015

FINTRAC Annual Report 2015

WHO WE ARE

OUR MISSION

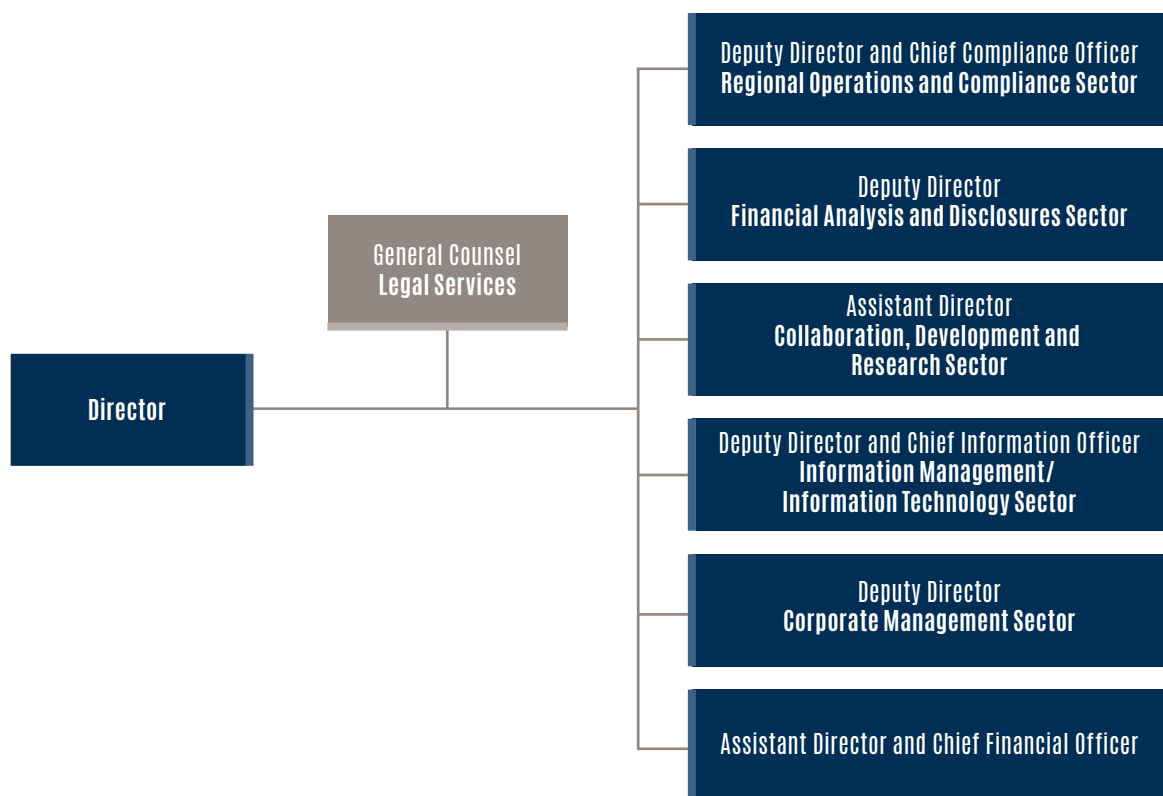
To contribute to the safety of Canadians and to help protect the integrity of Canada's financial system through the detection and deterrence of money laundering and terrorist activity financing.

OUR VISION

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

OUR ORGANIZATION

FINTRAC has offices in Ottawa, Montréal, Toronto and Vancouver. The Centre's Executive Committee ensures that the essential conditions are in place to: provide strategic direction; support the Minister; address Parliament and Government of Canada priorities; and deliver cost-effective results for Canadians.



OUR RELATIONSHIPS

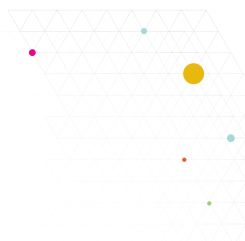
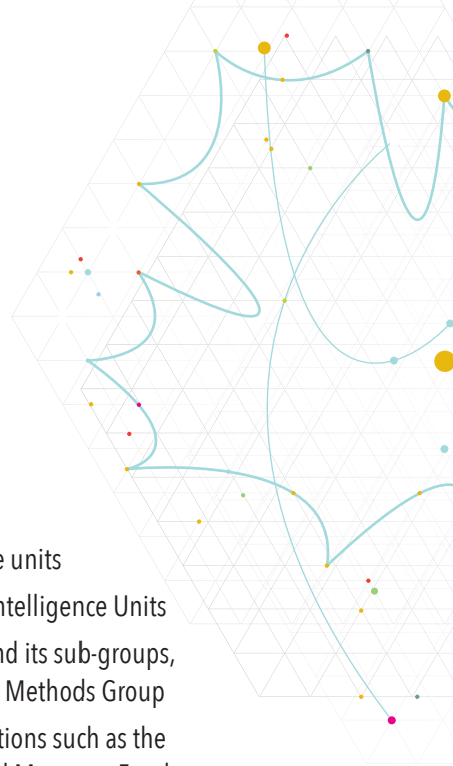
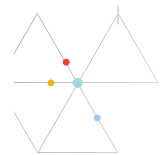
DOMESTIC

- Reporting entities and their representative associations
- National and provincial regulators
- Royal Canadian Mounted Police
- Ontario Provincial Police
- Sûreté du Québec
- Royal Newfoundland Constabulary
- Municipal police forces
- Canadian Security Intelligence Service
- Canada Border Services Agency
- Canada Revenue Agency
- Communications Security Establishment
- Integrated Terrorism Assessment Centre
- Criminal Intelligence Service Canada and its provincial bureaus
- National Coordinating Committee on Organized Crime
- Canadian Association of Chiefs of Police
- Public Prosecution Service of Canada
- Department of Finance
- Foreign Affairs, Trade and Development Canada
- Department of Justice
- Department of National Defence
- Public Safety Canada
- Privy Council Office
- Treasury Board of Canada Secretariat
- Office of the Privacy Commissioner of Canada
- Office of the Superintendent of Financial Institutions

INTERNATIONAL

- Foreign financial intelligence units
- Egmont Group of Financial Intelligence Units
- Financial Action Task Force and its sub-groups, such as the Risks, Trends and Methods Group
- Other international organizations such as the World Bank, the International Monetary Fund, the United Nations Office on Drugs and Crime, the Counter-Terrorism Committee Executive Directorate, the Caribbean Financial Action Task Force, the Asia/Pacific Group on Money Laundering and GAFILAT

In June 2014, the RCMP arrested more than thirty individuals in connection with an organized crime investigation in the Montréal area. The RCMP described these individuals as belonging to well-structured networks aimed at controlling the trafficking of drugs in specific territories. With the assistance of FINTRAC's financial intelligence, investigators were able to dismantle two alleged crime cells and identify suspects in relation to a series of violent crimes committed in the area, including arson, forcible confinement, drug trafficking, gangsterism and conspiracy.



2014-15 HIGHLIGHTS

- Contributed to hundreds of investigations of money laundering (including in relation to drug, fraud, theft and other offences), terrorism financing and threats to the security of Canada
- Strengthened deterrence across Canada's financial system through FINTRAC's risk-based compliance program
- Developed, and shared with reporting entities, indicators to facilitate the reporting of suspicious transactions related to the financing of terrorism
- Delivered information sessions to entities across the country to enhance the reporting of suspicious transactions
- Finalized and published guidance related to the risk-based approach to combatting money laundering and terrorism financing
- Hosted a Major Reporters Forum for Canada's largest financial institutions on suspicious transaction reporting and other issues of mutual interest
- Participated in multiple committees, working groups and more than 100 outreach events with law enforcement and national security partners
- Collaborated with domestic and international partners to advance strategic intelligence priorities related to terrorism financing and the money laundering threat linked to transnational organized crime
- Entered into a strategic partnership with the Canada Revenue Agency to facilitate the simultaneous reporting of international electronic funds transfers to both agencies and reduce the burden on hundreds of reporting entities

BY THE NUMBERS

21,088,735	financial transaction reports received from reporting entities across the country
7,460	telephone and email enquiries answered from reporting entities and other stakeholders
1,260	disclosures of actionable financial intelligence generated to assist money laundering, terrorism financing and national security investigations in Canada and around the world
843	money services businesses registered
629	compliance examinations conducted across Canada
388	policy interpretations provided to Canadian businesses and other stakeholders
41	outreach presentations made across reporting sectors to increase understanding of obligations and to provide feedback on reporting
16	administrative monetary penalties issued to encourage change in the non-compliant behaviour of reporting entities



Financial Transactions and
Reports Analysis Centre
of Canada

Centre d'analyse des opérations
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du Canada

September 30, 2015

The Honourable William Morneau, P.C., M.P.
Minister of Finance
90 Elgin Street
Ottawa, Ontario
K1A 0G5

Dear Minister:

Pursuant to subsection 71(1) of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, I am pleased to provide you with the fourteenth Annual Report for the Financial Transactions and Reports Analysis Centre of Canada. This report details our operations and activities for the period from April 1, 2014 to March 31, 2015.

As we work to ensure compliance with Canada's anti-money laundering and anti-terrorist activity financing legislation and provide high-quality financial intelligence to our regime partners, we are helping to protect the safety and security of Canadians and the integrity of Canada's financial system. In fulfilling our mandate, we are also focused on safeguarding the information under our control.

Yours sincerely,

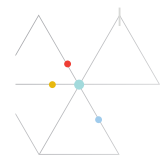
Gérald Cossette
Director

Canada 

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In September 2014, the Niagara Regional Police Service recognized FINTRAC's contribution to an alleged international drug trafficking investigation in Southern Ontario. Project Roadmaster resulted in 13 arrests, as well as the seizure of drugs, vehicles, firearms, jewellery, warehouse equipment and \$430,000 in cash proceeds of crime.



MESSAGE FROM THE DIRECTOR



As we mark FINTRAC's 15th anniversary this year, our role in helping to protect Canadians and the integrity of Canada's financial system has become increasingly recognized and valued by our law enforcement and national security partners.

Over the past year, we provided 1,260 disclosures of actionable financial intelligence to our partners to assist them in their investigations of money laundering, terrorism financing and other threats to the security of Canada. This is the largest number of disclosures FINTRAC has generated in one fiscal year.

Our financial intelligence, which often contains thousands of transaction reports from across Canada and around the world, was used by law enforcement last year in hundreds of investigations in order to confirm existing information, to expand the scope of their investigations and, ultimately, to get search warrants and production orders to gather evidence.

Following the attacks in Ottawa and Saint-Jean-sur-Richelieu in October 2014, we strengthened our focus on supporting the terrorism financing investigations of our law enforcement and national security partners. From our analysis, we know that some of the funds raised to finance terrorist attacks abroad originate in Canada or transit through our country.

In 2014–15, we generated 337 disclosures related to terrorism financing and threats to the security of Canada. The RCMP's Integrated National Security Enforcement Teams in Ontario and Quebec recognized our contribution to a terrorism financing investigation on the International Relief Fund for the Afflicted and Needy Canada (IRFAN-Canada), an organization allegedly linked to the terrorist entity Hamas.

The RCMP also acknowledged FINTRAC's contribution to Project Smooth, which led to the conviction in 2015 of two individuals for conspiring to carry out a terrorist attack against a VIA Rail passenger train travelling from New York to Toronto.

FINTRAC maintains strong working relationships with Canada's law enforcement and national security agencies to ensure that our intelligence is closely aligned with their priorities. Through our participation in the Canadian Association of Chiefs of Police and its committees dealing with organized crime and national security, we ensure that our financial intelligence is timely, actionable and focused on the priority investigations of our partners. I was pleased when RCMP Commissioner Paulson said at a parliamentary committee hearing in 2015 that "the relationship with FINTRAC and the quality of the information that we are receiving is very good."

We also support the work of our government-wide partners and international allies through our strategic financial intelligence work on money laundering and terrorism financing methods and trends. The focus of our strategic intelligence over the past year has been on the Islamic State of Iraq and the Levant's financing strategies, including the financing available to this terrorist entity through its territorial control.

The actionable financial intelligence that we are able to generate begins with the efforts of 31,000 Canadian businesses subject to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA). In fulfilling their obligations, including reporting specific types of financial transactions, these businesses are indispensable to our work and our ability to help protect Canadians and the integrity of Canada's financial system.

Through our compliance program, we ensure that businesses on the front lines of Canada's legitimate economy meet their legal obligations. Our robust guidance, assessment, enforcement and feedback activities are focused on ensuring that businesses provide us with the information that we need to support our partners' money laundering and terrorism financing investigations.

Given the importance of suspicious transaction reporting to our analysis and financial intelligence, we reached out to businesses last year to enhance their awareness of their obligations in this regard and, more importantly, to strengthen their understanding of what constitutes a useful suspicious transaction report. We also refined the methodology that we use to assess compliance related to suspicious transaction reporting and communicated it broadly to businesses across the country. As a result of these efforts, and an increased commitment from businesses, suspicious transaction reporting increased by 11 percent in 2014–15, and the quality of the reports that we are receiving has improved markedly. This has had a real impact on the financial intelligence that we are able to generate and disclose to our partners.

We also worked closely with businesses and their associations over the past year to provide new guidance related to the risk-based approach to combatting money laundering and terrorism financing. This guidance is meant to help businesses better understand and assess the risk of money laundering and terrorism financing in the context of their products, services and delivery channels, clients and business relationships, geography and other relevant factors. In helping businesses to take stock of these risks, we are not only protecting them but the integrity of Canada's financial system as well.

In the coming year, our collaboration with businesses will be focused on the legislative and proposed regulatory changes that were announced in Economic Action Plan 2014. Meant to strengthen Canada's anti-money laundering and anti-terrorism financing efforts, these changes will, among other things, encompass entities dealing in virtual currencies. We are also going to reach out to provincial securities regulators across the country to which we can now disclose financial intelligence, following changes made to the PCMLTFA in June 2015.

Just as our domestic and international partnerships are critical to our effectiveness going forward, so too is ensuring that we have the technical capability to receive, validate, analyze and disclose large volumes of information. With the additional funding announced in Economic Action Plan 2014, we are now in the process of modernizing our analytics system to ensure that we are better able to balance reliability, completeness and timeliness in the financial intelligence that we disclose to our partners. Given the importance of this project and the extensive effort that will be required to complete it over the coming year, we will be scaling back in other areas to ensure that we have in place an analytics system that will be able to support our compliance and intelligence efforts for many years to come.

Ultimately, our effectiveness, including the support that we are able to provide to our law enforcement and national security partners, rests with our highly skilled and dedicated workforce. With their expertise and access to a sophisticated suite of tools, our employees are working with our partners, international allies and businesses across the country to create a hostile environment for those who seek to abuse our financial system or who threaten the safety of Canadians.

Gérald Cossette
Director

WHAT WE DO

FINTRAC'S MANDATE

FINTRAC facilitates the detection, prevention and deterrence of money laundering and the financing of terrorist activities, while ensuring the protection of personal information under its control. The Centre fulfills this mandate by:

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

FINTRAC'S PRIORITIES

FINTRAC's priorities are as follows:

1. Implementation of the multi-year plan for the modernization of FINTRAC's analytics system.
2. Implementation of the legislative changes announced in *Economic Action Plan 2014 Act, No. 1* to strengthen Canada's anti-money laundering and anti-terrorism financing regime.
3. Preparation for the Financial Action Task Force mutual evaluation of Canada's anti-money laundering and anti-terrorism financing regime.
4. Engage with key partners on a future-oriented research agenda to increase the understanding and awareness of money laundering and terrorism financing issues, and to maximize the value of financial intelligence.
5. Strengthen leadership capacity across the Centre to support key modernization and people management initiatives.
6. Continue to strengthen the Centre's approach to its security posture to ensure a high level of assurance that information, assets, and services are protected against compromise.

PROTECTING THE PRIVACY OF CANADIANS

Safeguarding the information entrusted to FINTRAC is an overarching and fundamental consideration in all aspects of its operations. The Centre understands that the protection of privacy is critical to maintaining the confidence of Canadians. Clear principles for the protection of privacy are set out in its governing legislation, which respects the *Canadian Charter of Rights and Freedoms* and the *Privacy Act*, and are reinforced by FINTRAC's own operational policies and security measures.

The Centre does not have direct access to the bank accounts or any other financial information of Canadians. It does not have any legal authority or the technical means to monitor the financial activities of individuals. It develops the financial intelligence it discloses to its law enforcement and national security partners from the information received from reporting entities and its partners as specified under the PCMLTFA.

The legislation also establishes that FINTRAC can only make a financial intelligence disclosure to prescribed police, law enforcement and national security agencies. Furthermore, the PCMLTFA clearly defines what information may be disclosed and sets out specific thresholds that must be met before the Centre is able to disclose it. Any other disclosure, or improper use, of information is prohibited and can result in severe penalties, including a fine of up to \$500,000 and/or up to five years' imprisonment.

In order to protect the reports that are received from Canadian businesses, the Centre's premises and information systems are guarded by multi-layered and integrated security systems. All personnel must obtain and maintain a high-level security clearance as a condition of employment. Employees have access to sensitive information on a need-to-know basis only and are reminded regularly of their responsibilities to protect personal information. FINTRAC's Code of Conduct, Values and Ethics reinforces employees' legal obligations to protect information.

Following the Privacy Commissioner's mandated review in 2013, the Centre implemented a number of improvements to its systems and processes to strengthen the management and safeguarding of personal information. It also began destroying transaction reports that were in its database for more than 10 years and that were not used in a financial intelligence disclosure. To date, more than 17 million reports have been disposed of, including 11 million reports received prior to April 2004 and reports that were segregated for destruction when it was determined that they did not meet reporting requirements.

The protection of privacy is a clear priority and a critical result of FINTRAC's work. While helping to protect Canada and Canadians, the Centre is determined to meet all of its obligations under the *Privacy Act* and the PCMLTFA.



In June 2014, FINTRAC's assistance was acknowledged by the RCMP following the arrest of 17 individuals in relation to an alleged conspiracy to import and distribute cocaine. Project Crypto targeted a criminal organization in the Eastern Townships in Quebec that coordinated the importation and trafficking of more than 200 kilograms of cocaine from California to Canada using a trucking network.

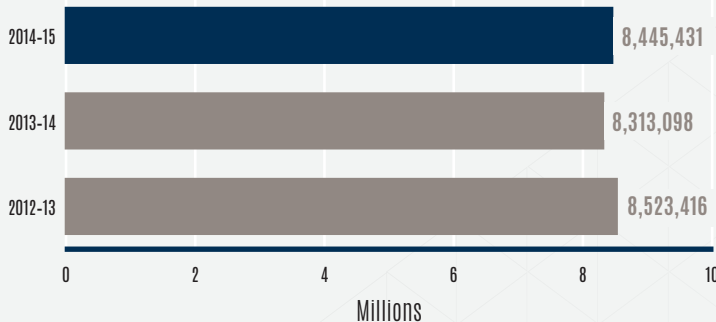
WHAT WE HAVE ACHIEVED

OVERVIEW OF FINANCIAL TRANSACTION REPORTS RECEIVED

At the heart of FINTRAC's ability to carry out its mission is the financial transaction data that it receives from reporting entities across the country. Without this information, the Centre would not be able to produce actionable financial intelligence that assists law enforcement and national security agencies in their investigations of money laundering, terrorism financing and threats to the security of Canada.

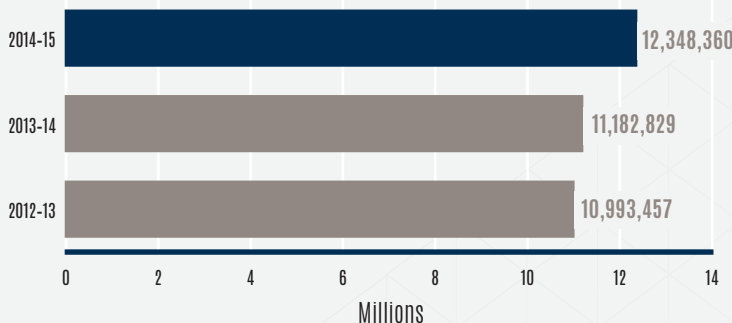
In 2014-15, FINTRAC received 21,088,735 financial transaction reports. The following charts illustrate the trends for various reports over the past three years.

Large Cash Transaction Reports



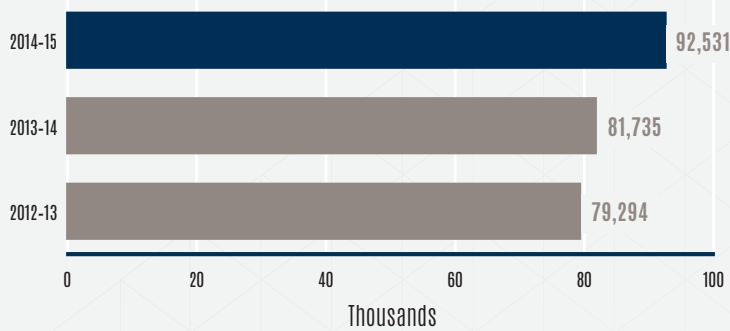
A large cash transaction report is submitted to FINTRAC when a reporting entity receives \$10,000 or more in cash in the course of a single transaction, or when it receives two or more cash amounts totalling \$10,000 or more made within 24 consecutive hours by, or on behalf of, the same individual or entity.

Electronic Funds Transfer Reports



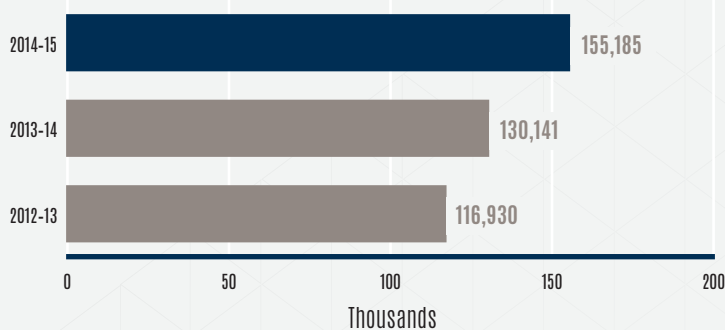
An electronic funds transfer report is submitted to FINTRAC upon the transmission of instructions for the transfer of \$10,000 or more out of or into Canada in a single transaction, or in two or more transactions totalling \$10,000 or more made within 24 consecutive hours, by or on behalf of the same individual or entity, through any electronic, magnetic or optical device, telephone instrument or computer.

Suspicious Transaction Reports



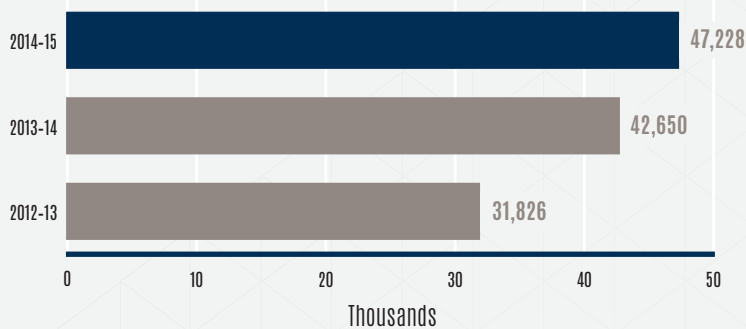
A suspicious transaction report is submitted to FINTRAC in respect of a financial transaction that occurs or is attempted, and for which there are reasonable grounds to suspect that the transaction is related to the commission or attempted commission of a money laundering or terrorist activity financing offence. Unlike all other reporting obligations, there is no monetary threshold associated with the reporting of a suspicious transaction.

Casino Disbursement Reports



A casino disbursement report must be submitted to FINTRAC by a casino when it makes a disbursement of \$10,000 or more in the course of a single transaction, or upon making two or more disbursements totalling \$10,000 or more within 24 consecutive hours received by, or on behalf of, the same individual or entity. This report is not limited to cash.

Cross-Border Currency Reports/Cross-Border Seizure Reports



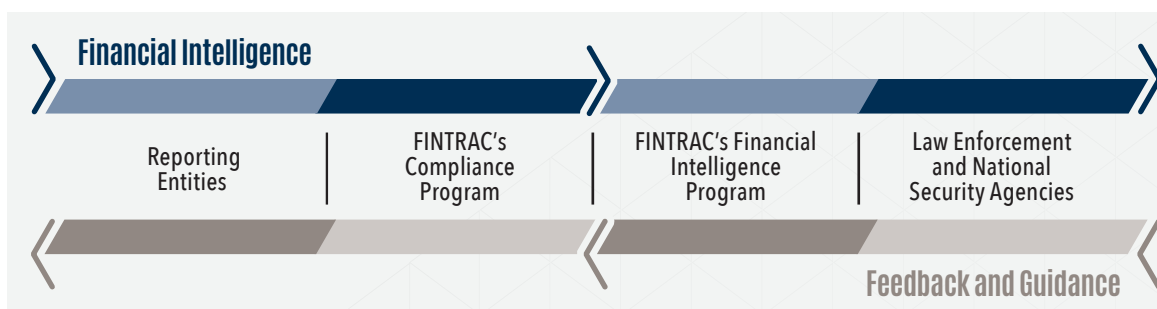
A cross-border currency report is filed with the Canada Border Services Agency by a person entering or leaving Canada carrying a sum of currency or monetary instruments of \$10,000 or more, or by a person mailing or sending such large sums into or out of Canada. The CBSA then submits the report to FINTRAC. A cross-border seizure report is submitted to FINTRAC by a CBSA officer upon the seizure of cash or monetary instruments.

COMPLIANCE FOR INTELLIGENCE

As Canada's financial intelligence unit, FINTRAC houses both supervisory and intelligence functions, allowing it to effectively assess the compliance of regulated businesses and produce financial intelligence for its law enforcement and national security regime partners.

The Centre was created and operates under the PCMLTFA and its associated regulations. This legal framework also establishes obligations for specific reporting entity sectors, including the development of a compliance regime in order to identify clients, monitor business relationships, keep records and report on certain types of financial transactions. These obligations help deter money launderers and terrorist financiers from operating within the legitimate financial system, and facilitate the detection of their criminal activities through the reporting of millions of financial transactions.

FINTRAC promotes the notion of 'compliance for intelligence' in its operational and strategic decision-making. This concept recognizes that the overall effectiveness of Canada's anti-money laundering and anti-terrorism financing regime, including the financial intelligence that is generated, is dependent upon reporting entities submitting high-quality and timely financial transaction reports. To enable the production of actionable financial intelligence, FINTRAC undertakes compliance and enforcement activities based on a sector's level of knowledge of its obligations and compliance behaviour. The intensity of FINTRAC's activities, which include tailored examinations and other compliance assessments, is based on the risks associated with non-compliance. FINTRAC also provides guidance and feedback on the reports submitted and clarity surrounding the PCMLTFA and its associated regulations.



Integrated within the 'compliance for intelligence' concept is FINTRAC's risk-based approach to compliance, which sees more resources directed at higher-risk reporting entities. This approach is dynamic in that the risks identified in one year may change in the next as new products are introduced or as new vulnerabilities emerge within the financial system.

A RISK-BASED PROGRAM

FINTRAC determines the level of risk of reporting entity sectors by assessing the likelihood and the consequence of non-compliance of reporting entities. Various risk factors such as a reporting entity's profile and the demographic characteristics of its clientele; geographic location; compliance history; reporting behaviour; and any other relevant intelligence gathered internally and externally are considered in determining the likelihood of non-compliance by reporting entities. FINTRAC is continually improving its risk model by enhancing its data collection methods.

The consequence of non-compliance refers to the overall impact on the safety of Canadians and the integrity of Canada's financial system should a reporting entity not comply with its legal obligations. This is determined by the size of the reporting entity, the volume of its reporting and the business sector's vulnerability to money laundering and terrorist financing.

ENABLING COMPLIANCE

FINTRAC ensures that reporting entities receive effective guidance and feedback through a broad range of documents and activities adapted to each reporting sector, including by participating in conferences and delivering outreach presentations; publishing sector-specific guidance, pamphlets and information sheets; responding to enquiries and requests for policy interpretations; and working closely, on a continual basis, with the largest reporting entities.

Last year, FINTRAC delivered 41 presentations to reporting entities in all sectors, informing them of their obligations, the risks associated with money laundering and terrorism financing, reporting statistics, common reporting errors, and the types of suspicious transactions that have been reported, as well as providing feedback on reports used in the Centre's financial intelligence disclosures.

Subsequent to the publication of amended regulations on customer due diligence measures, FINTRAC updated its guidelines following consultations with reporting entities from various sectors in Montréal, Toronto and Vancouver.

After consultations with associations and specific entities in all sectors, FINTRAC published the comprehensive Guidance on the Risk-Based Approach to Combatting Money Laundering and Terrorist Financing in May 2015. FINTRAC has consistently identified non-compliance in relation to this obligation since it came into force in 2008. Furthermore, reporting entities have expressed the need for further guidance on the risk-based approach to help them better understand and implement this element of their compliance regime. In the future, FINTRAC will develop sector-specific risk-based approach workbooks to further augment entities' ability to comply with this requirement.

Over the past year, FINTRAC answered 7,460 enquiries from reporting entities, their representatives, and others covering a broad range of issues, including reporting obligations, access to reporting systems and the registration of money services businesses.

FINTRAC also responds to requests from reporting entities and other stakeholders for clarification, including the analysis of complex business models and emerging technology applications, through policy interpretations that are based on the specific situations and facts provided by the requester. In 2014–15, the Centre issued and

DO YOU KNOW...

... if you are a reporting entity?

- Accountants
- British Columbia Notaries
- Casinos
- Dealers in Precious Metals and Stones
- Financial Entities
- Life Insurance
- Money Services Businesses
- Real Estate
- Securities Dealers

... the PCMLTFA obligations?

- Money Services Business Registration
- Reporting
- Record Keeping
- Client Identification
- Compliance Regime

... the reports FINTRAC needs to produce financial intelligence?

- Suspicious transaction reports related to conducted/attempted transactions
- The existence of and information regarding property in the possession or control of terrorists
- International electronic funds transfers of \$10,000 or more
- Large cash transactions of \$10,000 or more
- Disbursements of \$10,000 or more by casinos

Individuals and businesses in the accountant, British Columbia notary, dealers in precious metals and stones and real estate sectors are encouraged to familiarize themselves with the activities that trigger PCMLTFA obligations.

published 388 such policy interpretations. In the past, these clarifications were provided to the requester only. In December 2014, FINTRAC published on its website the nearly 1,200 policy interpretations provided since 2008, excluding any confidential information. The Centre will continue to publish these going forward.

FINTRAC's Major Reporters Team is dedicated to delivering a tailored and responsive approach to compliance to Canada's largest reporting entities in the federally regulated financial sector, which is the source of over 80 percent of all reports received by the Centre. This team engages major reporters, on a proactive and on-going basis, on issues of mutual interest, including providing timely policy guidance so as to assist them in meeting their legislative obligations and minimize the compliance burden.

Building on the successes of the Major Reporters Team's inaugural year, FINTRAC hosted its first Major Reporters Forum in May 2014, focusing on the Centre's enhanced approach to assessing the sector's compliance with suspicious transaction reporting obligations. FINTRAC also presented this same information at the Financial Crime Strategy Conference, and held suspicious transaction reporting workshops throughout the year for major banks, credit unions/caisses populaires, and money services businesses in Halifax, Montréal, Toronto, Edmonton and Vancouver.

Given the important role that the casino sector plays in Canada's anti-money laundering and anti-terrorism financing regime, FINTRAC hosted its first Casino Forum in Ottawa in February 2015. The one-day event engaged casino reporting entities and other key regime stakeholders, including provincial, religious and charitable gaming bodies, and provincial gaming regulators. The Forum emphasized the critical role that casinos play in the fight against money laundering and terrorism financing and provided detailed feedback on issues of specific interest to the sector, including upcoming legislative and regulatory changes affecting the sector.

In Economic Action Plan 2013, the Government of Canada announced that reporting entities that have the obligation to report international electronic funds transfers to FINTRAC would have to report the same transactions to the Canada Revenue Agency starting on January 1, 2015. To minimize the potential administrative burden imposed on Canadian businesses, FINTRAC entered into a strategic partnership with the Canada Revenue Agency to leverage existing channels for this reporting to FINTRAC. A shared component was added to allow for data to be sent to the Canada Revenue Agency through a Government of Canada Managed Secure File Transfer service. The new shared reporting process was implemented on January 1, 2015, thus enabling businesses to file their international electronic funds transfer reports exactly as they had in the past, while meeting their legal obligations to both agencies.

ENSURING AND ENFORCING COMPLIANCE

FINTRAC uses a range of compliance and enforcement activities and tools to ensure that reporting entities fulfill their anti-money laundering and anti-terrorism financing obligations. This includes examinations and follow-up examinations, the issuance of compliance assessment reports, the monitoring of financial transaction reports, observation letters and validation reviews, as well as other awareness and assistance activities. These activities are planned and undertaken based on risk, with a larger proportion of the Centre's higher intensity assessments and enforcement activities allocated to medium and higher-risk reporting entity sectors, and lower intensity awareness and assistance activities assigned to lower-risk sectors.

Compliance examinations remain FINTRAC's key instrument for assessing and enforcing compliance and ensuring that it receives quality and timely reports from reporting entities across Canada. Once the Centre identifies the level of intensity and coverage that is appropriate for each reporting entity sector, its compliance program uses a risk-based approach to determine the specific reporting entities that will be selected for an examination in any given year.

FINTRAC and the Office of the Superintendent of Financial Institutions (OSFI) continue to conduct concurrent anti-money laundering and anti-terrorism financing examinations of federally regulated financial institutions in order to assess their compliance with the PCMLTFA and the effectiveness of the controls they implement.

WHAT IS MONEY LAUNDERING?

Money laundering is the process used to disguise the source of money or assets derived from criminal activity. There are three recognized stages in the money laundering process:

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

The money laundering process is continuous, with new “dirty” money constantly being introduced into the financial system.

In 2014, the two agencies began discussions to enhance and harmonize the examination process with a view to establishing a joint FINTRAC-OSFI examination. The objectives are to further streamline the process and reduce regulatory burden on federally regulated financial institutions; improve the use of each agency's expertise; and provide integrated anti-money laundering and anti-terrorism financing supervisory oversight across Canada's key financial entities.

In 2014–15, FINTRAC conducted 629 examinations, focusing on more complex and lengthy examinations of larger reporting entities in higher-risk sectors in order to determine how effectively they were fulfilling their compliance obligations. The Centre's shift from ensuring that reporting entities have the required measures in place to evaluating the effectiveness of those measures marks an important evolution in FINTRAC's compliance program.

When reporting entities do not take appropriate measures to address significant non-compliance, FINTRAC undertakes proportionate enforcement actions, including follow-up examinations to re-assess entities' compliance behaviour, or the issuance of an administrative monetary penalty to encourage a change in non-compliant behaviour.

Administrative monetary penalties are levied when the Centre determines that doing so is the most appropriate course of action to address a reporting entity's non-compliance with the PCMLTFA. Following the issuance of a penalty, FINTRAC may return to the entity, after a reasonable amount of time has elapsed, to conduct a follow-up examination to ensure that the penalty has achieved its purpose. Since the Administrative Monetary Penalties Regulations came into force in 2008, the Centre has issued 73 notices of violation totalling \$5,117,710.

Aside from compliance examinations, the Centre also conducted 96 reporting entity validation reviews whereby entities that appear to be conducting business that could be covered under the PCMLTFA are contacted for confirmation of this activity.

In addition to examinations and validation reviews, FINTRAC also monitors the quality, timeliness and volume of the financial transaction reporting received from entities across the country. Over the past few years, the Centre has invested significant resources to enhance the systems it has in place to validate reporting data and it has improved its business processes to increase the effectiveness of its monitoring.

When a number of issues relating to data quality in the reports received are identified, FINTRAC may return the reports to the entity for corrections or the issues may be addressed through an examination or other compliance activity. In 2014–15, FINTRAC completed 170 reports monitoring cases, involving thousands of transaction reports, to address various reporting issues such as the quality or timing of reports.

FINTRAC dedicates significant effort to ensuring that reporting entities are properly informed about reporting requirements as well as the latest trends in activities occurring in the money laundering and terrorism financing environment. Over the past year, the Centre's outreach efforts included special attention to suspicious transaction reporting, given its importance to FINTRAC's analysis and the financial intelligence that it generates for its law enforcement and national security partners.

In 2014–15, FINTRAC shared the details of its modernized suspicious transaction reporting compliance assessment methodology. The Centre communicated its expectations and guidance in relation to suspicious transactions and provided reporting entities with practical guidance to detect and report suspicions of money laundering and terrorist activity financing. This was a key topic at a number of speaking engagements, including the forums for major reporters and casinos, as well as presentations to entities in Toronto, Montréal, Vancouver and Edmonton. Over the past year, the Centre also used this enhanced methodology to assess compliance with suspicious transaction reporting obligations during its examinations. In the future, FINTRAC will continue to communicate details of this methodology to reporting entities and will further enhance guidance regarding suspicious transaction reporting.

As a result of FINTRAC's efforts, and an increased commitment from reporting entities, suspicious transaction reporting increased by 11 percent in 2014–15. As well, the comprehensiveness of the suspicious transaction reports has improved year-over-year, as observed by FINTRAC, as well as its law enforcement and national security partners.

FINTRAC also issues compliance assessment reports to enhance coverage in sectors where the risk associated with money laundering and terrorism financing has been evaluated to be relatively lower. With these reports, entities are required to answer a set of pointed questions, which helps the Centre assess their compliance and address any concerns that may arise from their responses. As with the compliance examination program, compliance assessment reports contribute to follow-up actions using a risk-based approach.

The Centre also administers the Money Services Business Registry. To register a money services business, identification and other business information must be provided to FINTRAC. Each money services business must renew its registration every two years. Individuals convicted of certain offences under the PCMLTFA, the *Controlled Drugs and Substances Act*, and the *Criminal Code*, are ineligible to register a money services business in Canada. Should such a determination be made, the registration is either denied or revoked. To date, FINTRAC has denied or revoked 78 applications. The Centre also continues to track denials and revocations to ensure that money services businesses are not being operated illegally. As of March 2015, 843 money services businesses had registered with FINTRAC.

Going forward, FINTRAC will continue to work closely with reporting entities across the country to enable and enforce compliance with the PCMLTFA and Regulations, particularly in relation to the regulatory and legislative changes that were announced in Economic Action Plan 2014.

REVIEWS OF ADMINISTRATIVE MONETARY PENALTIES AND MONEY SERVICES BUSINESS REGISTRATION DENIALS OR REVOCATIONS

The *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* provides a mechanism for reporting entities to seek administrative review of the proposed penalties imposed during examinations as well as the denial or revocation of a Money Services Business Registration. Housed within FINTRAC but independent of other parts of the organization, the Review and Appeals Unit assesses representations made by reporting entities and makes recommendations to the Director of FINTRAC. The Director's decision to impose, reduce or cancel the proposed penalty is based on a balance of probabilities whether the violations have been committed. Decisions pertaining to certain violations may be further appealed in Federal Court.

Over the last year, five requests for review relating to administrative monetary penalties were initiated by reporting entities and six notices of decision were issued by the Director.

FINANCIAL INTELLIGENCE - TACTICAL

With the financial transaction reports that FINTRAC receives every year from reporting entities across the country, the Centre is able to provide actionable financial intelligence that assists Canada's law enforcement and national security agencies in combatting money laundering, terrorism financing and threats to the security of Canada.

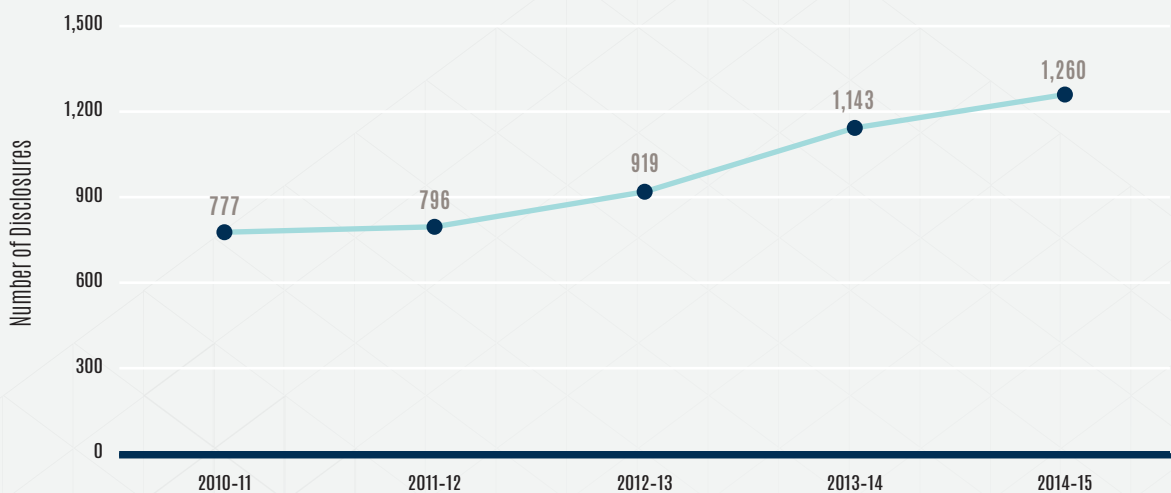
FINTRAC's disclosures contain designated information that identifies individuals and entities, as well as account and transaction information, where the Centre has reasonable grounds to suspect that the information would be relevant to the investigation and prosecution of money laundering or terrorist activity financing offences or the investigation of threats to the security of Canada. This intelligence allows FINTRAC to establish critical links between transactions, individuals and groups in Canada and abroad that support criminal and terrorist activities.

Often based on hundreds or even thousands of financial transactions, the Centre's disclosures may show links between individuals and businesses that have not otherwise been identified in an investigation, and may help investigators refine the scope of their cases or shift their sights to different targets. They are also used by law enforcement to put together affidavits to obtain search warrants and production orders.

Increasingly, FINTRAC's intelligence is also used by its regime partners to identify assets for seizure and forfeiture, reinforce applications for the listing of terrorist entities, negotiate agreements at the time of sentencing and advance the government's knowledge of the financial dimensions of threats, including organized crime and terrorism.

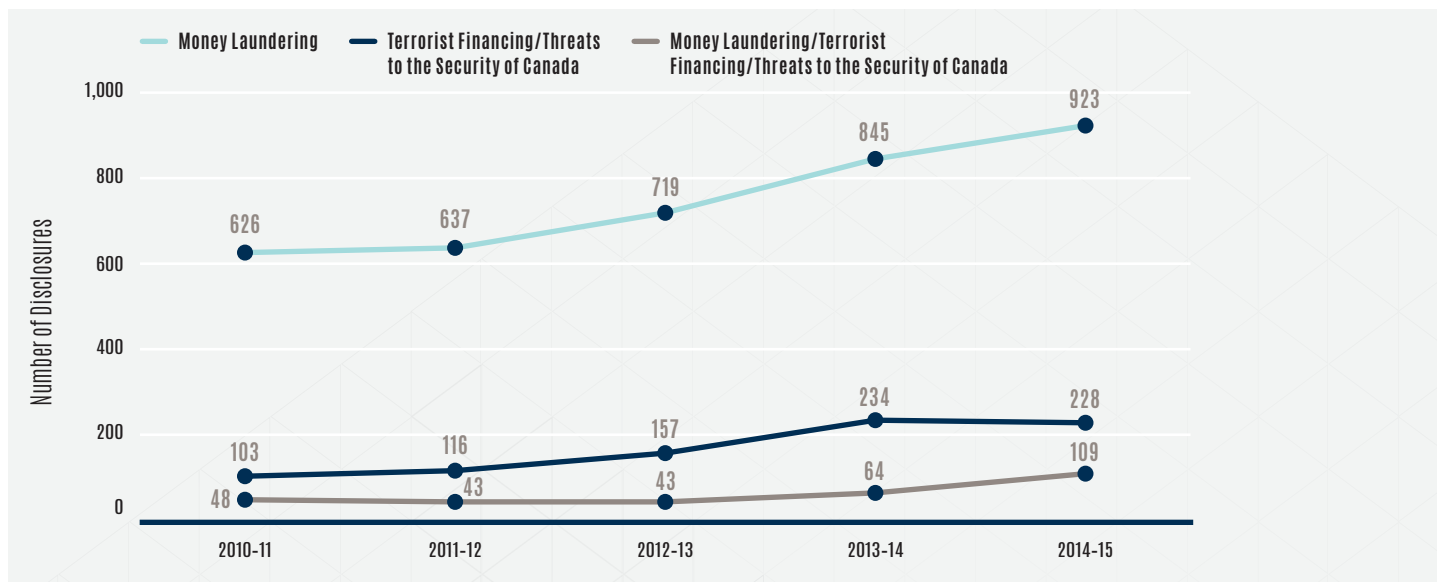
In 2014-15, FINTRAC provided 1,260 disclosures of actionable financial intelligence to its regime partners.

FINTRAC Case Disclosures from 2010-11 to 2014-15



Of FINTRAC's total disclosures, 1,032 were associated to money laundering. An additional 337 cases in 2014-15 were relevant to terrorism financing.

Disclosures by Type from 2010-11 to 2014-15

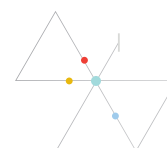


Given the increasing threat posed by the Islamic State of Iraq and the Levant and other terrorist groups worldwide, FINTRAC intensified its intelligence efforts in 2014-15 to support the terrorist activity financing investigations of its law enforcement and national security partners.

Immediately after the October 2014 attacks in Canada, FINTRAC reminded reporting entities of their role in providing suspicious transaction reports with the goal of providing whatever assistance the Centre could, within its mandate, to its police and national security partners in preventing another attack in Canada or abroad. Following this request, the reporting of suspicious transactions increased by 22 percent in October 2014 and the information the Centre received from businesses across the country was useful to its intelligence efforts.

In early 2015, FINTRAC also worked with its law enforcement and national security partners to provide reporting entities with updated indicators of terrorist activity financing to assist them in better understanding emerging threats and what should trigger suspicion in relation to the financing of domestic violent extremism and high-risk travellers.

In February 2015, the Alberta Law Enforcement Response Teams (ALERT) recognized FINTRAC's contribution in a year-long investigation into a Calgary organized crime group, which allegedly supplied drugs throughout the province. The drug seizures, worth \$5 million, are the largest of their kind by the ALERT. Weapons, high-end luxury cars and \$600,000 in cash proceeds of crime were also seized. Twelve individuals are facing 66 charges.



NUMBER OF DISCLOSURE PACKAGES BY RECIPIENT (2014-15)*

Royal Canadian Mounted Police	779
Municipal police	331
Canadian Security Intelligence Service	312
Foreign financial intelligence units	259
Provincial police	214
Canada Revenue Agency	173
Canada Border Services Agency	169
Communications Security Establishment	23

* Totals include disclosures that may have been sent to multiple organizations, but do not include disclosures that may have been sent to multiple units within the same organization.

FINTRAC maintains very strong and productive working relationships with its law enforcement and national security partners in order to ensure that its financial intelligence is relevant, valuable and closely aligned to their priorities. The Centre continually seeks feedback on its disclosures from its partners at the municipal, provincial and federal levels. Through the Canadian Association of Chiefs of Police, FINTRAC also has access to the Counter-Terrorism and National Security Committee and the Committee on Organized Crime. In addition, the Centre is the only non-enforcement organization to sit, as an observer, on the Canadian Integrated Response to Organized Crime Committee.

In 2014-15, FINTRAC also made more than 100 outreach visits and presentations to partner organizations, including a number of them at the Canadian Police College, to demonstrate how its financial intelligence can contribute to their investigations. As well, the Centre exchanges personnel with its regime partners in order to develop capacity, expertise and a mutual understanding of legislation and operations.

This close collaboration continues to bear fruit. Throughout 2014-15, the Centre's financial intelligence contributed to a significant number of investigations at the federal, provincial and municipal levels across the country. Canadian police forces – particularly the Royal Canadian Mounted Police – continue to be the main recipients of FINTRAC's financial intelligence.

When separate thresholds are also met, the Centre is required to make disclosures to the Canada Border Services Agency, the Canada Revenue Agency and the Communications Security Establishment. As well, when FINTRAC has reasonable grounds to suspect that its information would be relevant to the work of the Canadian Security Intelligence Service regarding threats to the security of Canada, the Centre is required to disclose it to that organization. In 2014, FINTRAC received the authority to disclose information relevant to threats to the security of Canada to police services and the Canada Border Services Agency when separate thresholds are also met.

Over the past year, FINTRAC's financial intelligence was used to assist money laundering investigations in the context of a wide variety of criminal investigations, where the origins of the suspected criminal proceeds were linked to fraud, drug trafficking, tax evasion, corruption, theft and other criminal offences.

The Montréal RCMP Immigration and Passport Section announced in April that Project Confidence, a year-long investigation conducted in partnership with a number of Canadian police services and other partners, including FINTRAC, resulted in the disruption of a major human smuggling and sexual exploitation ring. Seven individuals were arrested and charged with gangsterism and other *Criminal Code* offences.

Based on information provided to FINTRAC, the following predicate offences generated suspected criminal proceeds that were identified in its disclosures related to money laundering and/or terrorism financing.

TYPES OF PREDICATE OFFENCES RELATED TO CASE DISCLOSURES*

Fraud	30%
Drugs	27%
Tax Evasion	11%
Corruption	5%
Theft	5%
Crimes Against Persons	4%
Human Smuggling/Trafficking	4%
Customs/Excise	3%
Child Exploitation	1%
Prostitution/Bawdy Houses	1%
Weapons/Arms Trafficking	1%
Cyber Crimes	0.3%
Illegal Gambling	0.3%

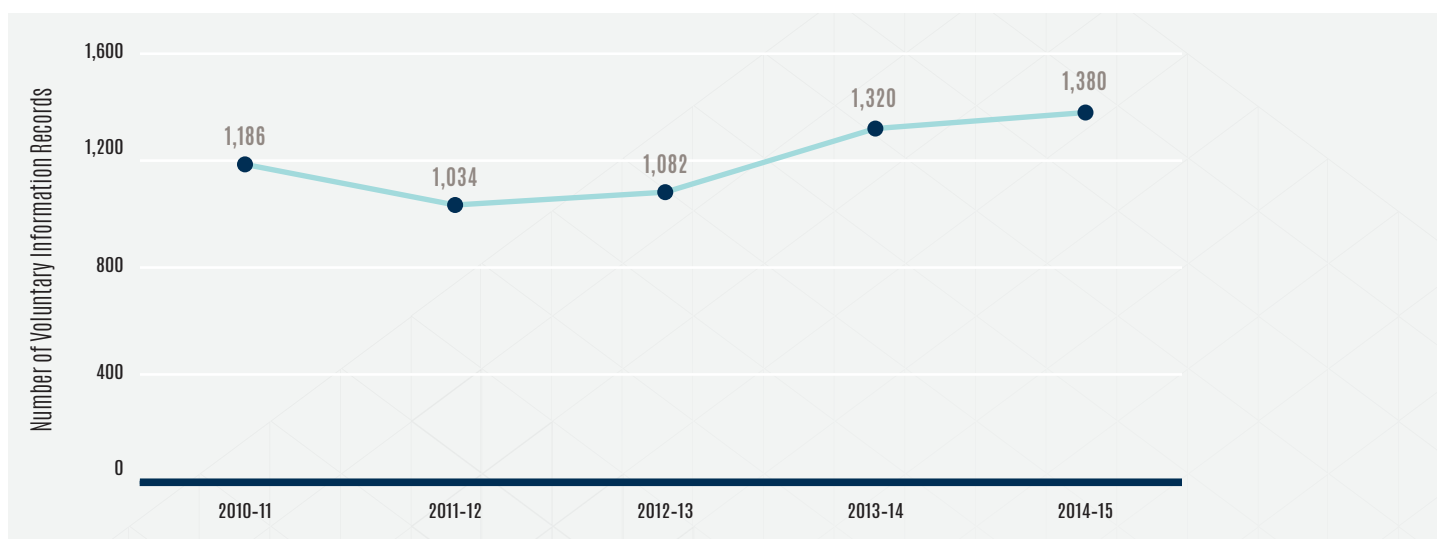
* A FINTRAC disclosure may relate to multiple predicate offences. For example, tax evasion is a secondary threshold and therefore a number of disclosures related to other crimes (drugs, fraud, etc.) were disclosed primarily because FINTRAC suspected it would have been relevant to a money laundering or terrorism financing investigation. That same disclosure may have also been disclosed for tax evasion purposes and hence counted as well. Therefore, the percentages in this table may not add up to 100 percent since not all disclosures relate to a predicate offence and some may relate solely to money laundering, terrorism financing or threats to the security of Canada.

In 2014-15, FINTRAC received 1,380 voluntary information records from its law enforcement and national security partners, as well as from members of the public. Voluntary information records are often the starting point for the Centre's analysis. They are used to establish connections between individuals and entities, providing law enforcement with valuable leads in their investigations.

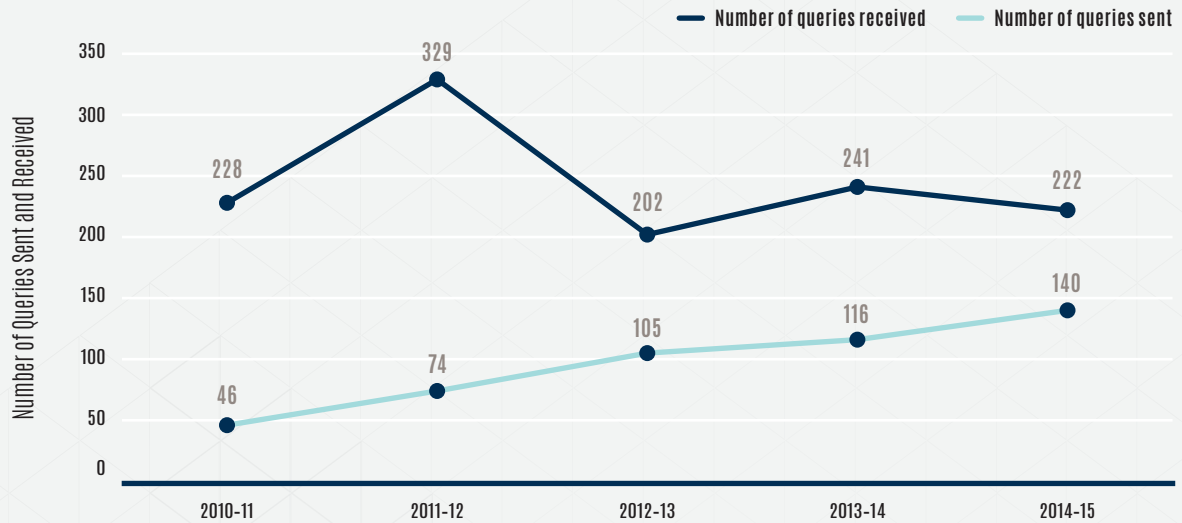
The increasing number of voluntary information records received over the years, particularly from police at all levels, is a clear indication of the close collaboration that exists between FINTRAC and its partners and the value they place on the Centre's financial intelligence.

In October 2014, the Unité permanente anticorruption (UPAC) recognized FINTRAC's contribution to Project Lauréat, an investigation of corruption in connection with a contract to build the McGill University Health Centre. The investigation has led to the arrest of seven individuals. One co-accused was extradited to Canada in October and another pled guilty to money laundering charges in December. FINTRAC's assistance to this investigation was first recognized by the Sûreté du Québec in April 2013, when five people were named in arrest warrants citing charges of fraud, bribery and money laundering.

Number of Voluntary Information Records Received from 2010-11 to 2014-15



International Queries Sent and Received from 2010-11 to 2014-15



In June 2014, the RCMP's Greater Toronto Area Financial Crime unit recognized the contribution FINTRAC made to its investigation of an investment scheme where eleven individuals allegedly defrauded 150 international investors of \$4.4 million.

Recognizing the transnational nature of money laundering and terrorist activity financing, FINTRAC also works with foreign financial intelligence units to protect Canadians and the integrity of Canada's financial system. In 2014-15, the Centre received 222 queries for information from foreign financial intelligence units and provided 178 disclosures internationally. For its part, FINTRAC sent 140 requests to foreign financial intelligence units to broaden its own analysis.

Going forward, FINTRAC will continue to focus on strengthening the relationships that it has with law enforcement, national security and international partners to ensure that it continues to deliver high-quality, timely and actionable financial intelligence.

WHAT IS TERRORIST ACTIVITY FINANCING?

Terrorist activity financing is the use of funds, property or other services to encourage, plan, assist or engage in acts of terrorism, where the primary motivation is not financial gain.

Two main differences distinguish terrorist activity financing from money laundering:

- Funds can be from legitimate sources, not just criminal acts; and
- Money is the means, not the end – the goal is to use funds to facilitate or implement terrorist activities.



THE VALUE OF FINTRAC DISCLOSURES: WHAT OUR PARTNERS SAID IN 2014-15

The FINTRAC disclosure identified accounts with a certain bank. The target's association to this bank was not known until the disclosure was received. As a result of this information, production orders were obtained and search warrants were prepared. In total, \$2 million in Canadian currency was seized and the accused was charged with possession of proceeds of crime. Those seizures would have never occurred had it not been for the information provided in the FINTRAC disclosure.

— Toronto Police Service

The information received from FINTRAC provided new insight into where suspected fraudulent funds went, which will lead to further investigations and will assist in obtaining judicial authorizations.

— Ontario Provincial Police

This is one of many disclosures received during this investigation. As a collective, all of the disclosures have been of significant importance to a money laundering investigation. The initial voluntary information record was sent in support of an ongoing major Joint Forces Operation. This most recent disclosure provided insight into the financial transactions being conducted by companies controlled by the primary subject of the investigation. Several shell companies were identified that appeared to be funneling money into the companies owned by the primary subject. This information has been used in several judicial authorizations including a production order, search warrant, and restraint and management order.

— Royal Canadian Mounted Police - Toronto North Detachment

Excellent service, quick and efficient. These disclosures were relevant and confirmed the direction that we should take in this investigation. We are currently implementing several banking production orders that are based on the information provided by your organization. [Translation]

— Sûreté du Québec

The quality of the information was outstanding and easy to understand. It was extremely valuable in corroborating information previously known. It has also connected the dots on some other areas of the investigation. The information received will aid in re-evaluating our priorities and targets of interest. Piecing together financial information located throughout the world is difficult and this product is extremely helpful in making that task easier. The assistance provided is greatly appreciated and extremely valuable.

— United States Department of Treasury

It was the first time that I used a FINTRAC disclosure and the results surpassed expectations. The disclosure was clear and comprehensive. The results allowed us to go remarkably further in the investigation and focus on new targets. Thank you for the excellent work. [Translation]

— Royal Canadian Mounted Police - Financial Integrity (Quebec)

This information will assist with obtaining judicial authorizations for entities and businesses associated to persons of interest in this probe. This information supplied investigators with some important information on all the subjects identified in the voluntary information record.

– Royal Canadian Mounted Police – Federal Serious and Organized Crime Unit (Nova Scotia)

This disclosure helped me to identify several more witnesses... the scope of the operation and the money being earned by the accused. I identified a witness that is associated to the main suspect and may be part of the operation due to the fact that she has signing authority on one of the bank accounts held by the accused's business. I also found another witness who is working for another unlicensed immigration consultant.

– Canada Border Services Agency – Criminal Investigations Unit (Alberta)

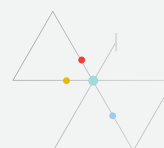
The information provided a base for further analysis of the subject's financial activity in Trinidad and Tobago, as additional account information was obtained based on the response received. Recommendations were made for further law enforcement investigations as a result of the information provided by FINTRAC. The response was very comprehensive, timely and relevant to our priorities. The additional financial information was also extremely useful in expanding our analysis on the subject and provided new information, such as associates, which were not initially identified in preliminary analysis.

– Trinidad and Tobago Financial Intelligence Unit

The subject was previously unknown to the Service. Based on information received from FINTRAC and the open Internet queries conducted by the financial institution, the Service prioritized follow-ups in relation to the individual specified in this disclosure.

– Canadian Security Intelligence Service

In January 2015, the Saskatoon Police Service and the RCMP recognized FINTRAC's contribution to an organized crime investigation in Saskatchewan, which resulted in 14 arrests and the seizure of narcotics, approximately \$100,000 in cash proceeds of crime, roughly 200 firearms (including prohibited and restricted firearms), tens of thousands of rounds of ammunition, and other material and property.





FINANCIAL INTELLIGENCE - STRATEGIC

FINTRAC's strategic financial intelligence provides a wide analytic perspective on the nature, scope and threat posed by money laundering and terrorism financing. Produced for the Canadian security and intelligence community, federal policy and decision-makers, reporting entities across the country, international partners and other stakeholders, the Centre's strategic financial intelligence is invaluable in strengthening Canada's ability to prevent, detect, deter and disrupt the methods and techniques used by criminals to launder money or fund terrorist activities.

In 2014–15, FINTRAC focused its strategic financial intelligence efforts, in close collaboration with a variety of domestic and international partners, on terrorism financing and money laundering related to organized crime. Within this context, the Centre contributed to the federal government's intelligence priority setting exercises; prepared intelligence assessments with partner agencies; supported the Government of Canada's terrorist listing process under the *Criminal Code*; provided numerous intelligence briefings to domestic and international audiences; and assisted in the development of anti-money laundering and anti-terrorism financing policy and regulatory changes.

Over the past year, FINTRAC worked closely with its domestic and international partners on the threat of terrorism financing in the broader national security context, including the threat posed by the Islamic State of Iraq and the Levant (ISIL) and foreign fighters. In September 2014, the Centre led an interdepartmental expert group meeting to bring Canadian intelligence and law enforcement partners together in order to share perspectives and enhance Canada's ability to disrupt the financing of this terrorist threat.

Throughout the year, FINTRAC also briefed domestic partners on the terrorism financing risks associated with ISIL. Some of the Centre's strategic intelligence focused on ISIL's financing strategies and included an assessment of the financing available to the terrorist group through its territorial control. FINTRAC also developed indicators specific to high-risk travellers to help reporting entities assess whether or not reasonable grounds existed to suspect that a transaction was related to a terrorist activity financing offence.

Internationally, FINTRAC worked with its counterparts to help identify ISIL's funding sources and mechanisms and provided methodological and tradecraft input to international initiatives targeting ISIL's financing, including the Financial Action Task Force's typology report, *Financing of the Terrorist Organisation Islamic State of Iraq and the Levant*.

At a January 2015 meeting of the Egmont Group, FINTRAC also chaired a meeting of international financial intelligence units on the growing threat posed by ISIL and foreign fighters, particularly in the context of the attacks in Paris. This resulted in a valuable discussion on the role and practices of financial intelligence units in these circumstances. FINTRAC is also part of the Egmont Operational Working Group project team that launched the multilateral information sharing initiative on ISIL.

In terms of the broader threat of terrorism financing, FINTRAC leveraged geospatial analysis techniques to assess high-risk financial flows related to a number of jurisdictions of terrorism financing concern, including Syria and Iraq. These and other similar studies shed light on the financial dimension of larger geo-political issues and had implications related to the possible listing of terrorist entities, compliance and enforcement risk models, and providing feedback to reporting entities.

FINTRAC's strategic financial intelligence also supported regime-wide efforts to better understand and respond to emerging technologies, particularly virtual and cryptocurrencies. The Centre's strategic intelligence was focused on understanding the way in which these instruments work and in identifying how they can be abused to launder money and finance terrorist activity.



FINTRAC Typologies and Trends Report – January 2015

Throughout 2014–15, FINTRAC also engaged its domestic partners to help better understand and address a number of cross-cutting issues, including third-party money laundering, trade-based money laundering, and the money laundering and terrorism financing vulnerabilities of Canadian institutions operating in foreign jurisdictions. In addition, the Centre produced a typologies and trends report aimed at identifying the techniques and methods that are used to launder the proceeds of mass marketing fraud, a crime that results in substantial losses to Canadians. The report was generated to support anti-money laundering initiatives by law enforcement and reporting entities, and contribute to informing Canadians on the nature and extent of money laundering in Canada.

THE VALUE OF STRATEGIC FINANCIAL INTELLIGENCE: WHAT OUR PARTNERS SAID IN 2014–15

FINTRAC's report, Mass Marketing Fraud: Money Laundering Methods and Techniques, is helpful to Canadian law enforcement and government agencies in understanding the complexity and international scope of mass marketing fraud impacting Canada. The CAFC has been able to leverage this report to provide insight into the prominent money laundering techniques used by criminal organizations engaged in mass marketing fraud.

— **Canadian Anti-Fraud Centre**

Your input was invaluable and I would like to express my appreciation to you for sharing your time and expertise with CISC.

— **Criminal Intelligence Service Canada**

Your products are relevant, timely and useful.

— **Royal Canadian Mounted Police**

FINTRAC's report (on terrorism financing risks related to a particular group) is well written, presents the facts in a logical way and makes well-reasoned judgements. Its findings have contributed to AUSTRAC's understanding of the topic. It has also provided a point of comparison for similar AUSTRAC analysis conducted on Australia's terrorism financing environment. FINTRAC and AUSTRAC have been able to collaborate on analytical products, supporting a multilateral approach to information sharing.

— **Australian Transaction Reports and Analysis Centre**

FINTRAC's strategic reporting provided key insight into the existence and activities of third-party money launderers' use of Canadian financial institutions, which assisted in a better understanding of the methodologies used by these entities. FINTRAC information was also used to supplement or validate other material that provided insight into money laundering networks.

— **Government of Canada regime partner**

Public Safety Canada benefits from strategic financial intelligence reports on money laundering and terrorism financing provided by FINTRAC to inform the overall analysis of national security and organized crime issues. Strategic financial intelligence helps Public Safety to identify the nature and extent of money laundering and terrorism financing and its potential links to Canada, international conflicts, crimes, sectors or organizations, and the growing links between transnational organized crime and terrorism.

– Public Safety Canada

This report was possibly the most helpful report on what is a very important analytical policy exercise for the Government. I hope we are able to work closely with your team on future policy projects.

– Government of Canada regime partner

FINTRAC's report on electronic funds transfers between Canada and (a specific country's) border regions provided a model for AUSTRAC's own analysis on the topic. The report is of a high quality and presents funds flow trends in an accessible way. As Canada and Australia are some of the limited number of foreign financial intelligence units that collect reports of international funds transfers, there are unique opportunities to directly compare funds flows to the region that would not be possible with other jurisdictions.

– Australian Transaction Reports and Analysis Centre

POLICY COORDINATION AND COLLABORATION

FINTRAC's strategic work also encompasses policy coordination and collaboration. The Centre works closely with the Department of Finance and its other regime partners, sharing operational and strategic expertise and knowledge of Canada's law enforcement and national security priorities, to identify potential enhancements to legislation and regulations with a view to strengthening Canada's overall anti-money laundering and anti-terrorism financing regime.

In 2014–15, FINTRAC operationalized changes flowing from *Economic Action Plan 2014 Act, No. 1*, including the authority to disclose financial intelligence to the appropriate police service and the Canada Border Services Agency in respect to threats to the security of Canada. The Centre also collaborated with the Department of Finance in the development of draft regulations, which will clarify the application of the PCMLTFA to persons and entities dealing in virtual currencies. They will also confirm the application of the legislation to foreign money services businesses that do not have a place of business in Canada. As well, proposed regulations would modernize the methods to ascertain the identity of clients, recognizing, in particular, the shift of Canadians' financial transactions to electronic delivery mechanisms.

Over the past year, FINTRAC also worked with the Department of Finance to amend the PCMLTFA to allow the Centre to disclose financial intelligence to provincial securities regulators across the country, once legislative thresholds have been met. This change came into effect when *Economic Action Plan 2015 Act, No. 1* received Royal Assent in June 2015.

Throughout 2014–15, FINTRAC also made a number of significant contributions to broader regime-wide and government-wide initiatives, including the National Anti-Drug Strategy and Canada's Counter-Terrorism Strategy.

In December 2014, the RCMP Integrated Market Enforcement Team recognized the contribution FINTRAC made to their investigation of a Ponzi scheme in Calgary. Seven victims were defrauded of more than \$1.3 million after investing in a mother-and-son's entertainment event ticket reselling business. Both accused in the case pled guilty to seven counts of fraud.



OUR GLOBAL CONTRIBUTION

Given the transnational scope of money laundering and terrorism financing, FINTRAC participates alongside its allies and partners in global efforts to combat these threats.

BILATERAL ENGAGEMENT

Through bilateral agreements, the Centre is able to disclose financial intelligence to 90 financial intelligence units worldwide when the appropriate thresholds are met. At the same time, foreign financial intelligence units are able to share their information with FINTRAC, broadening its analyses of international financial transactions. In 2014–15, the Centre signed new agreements with the financial intelligence units of Jersey, Taiwan and Switzerland, and renewed its agreement with the United Kingdom, following the integration of its financial intelligence unit into the new National Crime Agency.

FINTRAC also provides technical assistance and shares expertise with foreign financial intelligence units. For example, over the past year, the Centre led a successful regime-wide capacity building initiative for Jamaica and Trinidad and Tobago with funding from the Government of Canada's Anti-Crime Capacity Building Program. The initiative began in April 2014 with FINTRAC hosting an anti-money laundering and anti-terrorist financing workshop to determine the priorities for technical assistance for each country. Following this workshop, the Centre worked with the Royal Canadian Mounted Police and the Department of Public Works and Government Services Canada's Seized Assets Management Directorate to develop an effective regime-wide program. The program, which will extend into the next fiscal year, includes mentorship assistance in:

- the use of financial intelligence in both money laundering and terrorism financing investigations and prosecutions, and on improving domestic cooperation in both countries;
- maximizing the efficiency of Jamaica's seized assets management;
- information management and information technology consultations for the financial intelligence unit of Trinidad and Tobago; and
- the delivery of a regional Egmont Supervisory Course by FINTRAC, in partnership with Jamaica and Trinidad and Tobago.

Over the past year, FINTRAC also participated in a number of bilateral initiatives with its counterparts in Australia and the United States on the issue of terrorism financing.

WHAT ARE THREATS TO THE SECURITY OF CANADA?

FINTRAC provides financial intelligence relevant to the investigation of threats to the security of Canada (as defined by the *Canadian Security Intelligence Service Act*), including:

- 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;
- 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;
- 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
- 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.

MULTILATERAL ENGAGEMENT

The Centre works with the Department of Finance, other regime partners and international organizations to conduct research, develop common policies and standards and share best practices. The primary focus of FINTRAC's engagement within international fora over the past year has been on countering terrorism financing.

FINTRAC participates as a subject matter expert in Canada's delegation to the Financial Action Task Force. In 2014-15, the Centre continued to play a leadership role within the international body's working groups, including as Co-Chair of the Risk, Trends and Methods Group. FINTRAC also participated in a number of regime-wide initiatives in preparation for the Financial Action Task Force 4th Round Mutual Evaluation of Canada's regime scheduled to take place later in 2015.

The Centre has also been actively involved in a number of initiatives led by the Egmont Group of Financial Intelligence Units. For example, it made a significant contribution to a number of terrorism financing related projects from an operational and a capacity building perspective as a member of Egmont's Training and Operational Working Groups.

GLOBAL LEADERSHIP

FINTRAC continues to share best practices with international partners. In December 2014, FINTRAC and its Australian counterpart delivered a presentation to more than 15 jurisdictions regarding the use and importance of international electronic funds transfers in geospatial analysis. The presentation highlighted examples of flows between Canada and regions at risk for terrorism financing activities.

OUR CORPORATE STRENGTH

FINTRAC's responsibilities and operations continue to grow in scope and complexity. The Centre's ability to deliver on its mandate is tied directly to its adaptability, the skills and dedication of its employees, and the tools and resources that it is able to provide them to perform their work. As an organization committed to excellence, FINTRAC is focused on the effective management of its human, technological, security and financial resources.

WORKFORCE EXPERTISE AND EXCELLENCE

Learning and development is a key component of a corporate culture that emphasizes expertise and excellence at FINTRAC. Learning curricula are based on operational objectives, which in turn guide the development of individual learning plans tied to performance management for all employees.

In order to remain on the leading edge of innovation and best practices, ahead of the criminal and terrorist networks it seeks to expose, FINTRAC invests strategically in the competencies of its compliance officers and financial analysts. As training for these highly specialized disciplines is not readily available on the open market, the Centre has established comprehensive curricula for its employees over the past 15 years.

FINTRAC's compliance officers complete certifications as anti-money laundering specialists and receive extensive training on conducting examinations and risk-based assessments. They also regularly participate in specialized local and international training, conferences and events on topics such as banking supervision, regulatory environments, program management and combatting money laundering and terrorism financing. In 2014, the Centre's most senior compliance officers underwent extensive training on client due diligence regulations, evaluating risk assessments, enhanced ongoing monitoring, transaction testing and the detection of unreported suspicious transactions. Strengthening the knowledge and competencies of its officers is another important way FINTRAC supports the 'compliance for intelligence' concept.

In order to cement the competencies of its intelligence analysts, FINTRAC created a formal training working group, which developed a comprehensive Financial Intelligence Operations Training Program. Designed for new analysts, the program combines a unique and structured end-to-end approach to building a case. New and experienced analysts also benefit from training provided by the Royal Canadian Mounted Police through the Canadian Police College, as well as the Intelligence Analyst Training Program administered by the Privy Council Office. These venues are also career development opportunities for the Centre's analysts where they provide FINTRAC presentations, allowing them to hone skills outside of financial intelligence analysis. In addition to external training and conferences, the Centre offers an annual two-day training event with internal and external speakers on a wide range of topics to ensure the competencies of all analysts remain sharp.

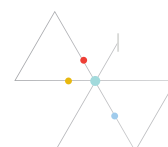
In the spirit of the Government of Canada's Blueprint 2020 vision, FINTRAC is also committed to the success of enterprise-wide learning across the Public Service. The Canada School of Public Service has long been an important learning partner and FINTRAC is now maximizing the value of its new service delivery model, particularly for training related to effective people, program and financial management. In the spring, the Centre also provided mandatory training to employees with delegated human resources and financial management authorities to ensure that accountabilities are clear and appropriate controls are in place.

In addition, the FINTRAC 101 learning series offers all FINTRAC employees an opportunity to deepen their understanding of the Centre's operations and innovative approaches, with recent topics including ISIL's financing strategies, FINTRAC's strategic intelligence and the mechanics and risks associated with emerging technologies, including virtual currencies.

As strengthening leadership capacity remains a priority for FINTRAC, the Centre held its second annual leadership forum for its senior leaders in 2014-15, and hosted a new three-part leadership series to foster collaboration and engage new and near managers in discussions about leadership. The sessions focused on collaboration, transformation, and other topics generated by participants.

With its strategic investments in learning, FINTRAC is supporting its operational needs and fostering employee development in a manner that promotes excellence, innovation, knowledge sharing and value for money.

In May 2014, the Kitchener RCMP Serious and Organized Crime team recognized the contribution FINTRAC made to their investigation of an investment scheme that allegedly defrauded at least 160 people of more than \$21 million.



EMPLOYEE ENGAGEMENT AND PEOPLE MANAGEMENT

Through tailored engagement activities and people management initiatives, FINTRAC continues to attract, develop, retain and maximize the contributions of a dedicated and talented workforce.

Over the past few years, the Centre adopted a deliberate and strategic approach to engaging its employees, particularly with respect to feedback on people management. Through town halls, roundtable discussions, face-to-face meetings and a robust intranet site, employees are able to influence FINTRAC's broader people management agenda.

The Centre also leverages the Public Service Employee Survey to engage its employees and enhance its people management policies, practices and programs. FINTRAC employees responded positively to a comprehensive awareness campaign surrounding the latest survey, resulting in a 96 percent participation rate in 2014. The results of this survey will form the basis of the Centre's future engagement activities, with a horizontal working group leading its response and all employees invited to contribute to the discussion.

In addition to its own engagement initiatives, FINTRAC participated in the Blueprint 2020 visioning exercise, focusing on horizontal and public service-wide issues and commitments. As well, the Centre contributed to the government-wide initiatives outlined in Destination 2020 across the five priority areas: innovative practices and networking; processes and empowerment; people management; fundamentals of public service; and modern technology.

FINTRAC remains engaged and committed to fostering a high level of bilingualism in its workforce. With its Official Languages Action Plan, second language training program, informal peer coaching sessions and a strong commitment from its employees, the Centre is meeting its operational needs in both a national and international context, and developing employees to meet current and emerging business challenges.

Promoting employment equity and multiculturalism also remained a key priority for FINTRAC over the past year, particularly with the ongoing implementation of its Employment Equity and Multiculturalism Action Plan, which was launched in 2014. As highlighted in the table below, the Centre is proud to be an inclusive employer that attracts and retains a talented workforce that is reflective of Canada's rich diversity.

FINTRAC Demographics (March 31, 2015)

Number of Employees¹: 355

DESIGNATED EMPLOYMENT EQUITY GROUP	WORKFORCE AVAILABILITY ²	FINTRAC EMPLOYEES	FEDERAL PUBLIC SERVICE ³
Women	46.7%	56.9%	54.9%
Visible minorities	20.3%	19.2%	14.6%
Persons with disabilities	4.1%	4.5%	5.8%
Aboriginal peoples	2.0%	1.7%	4.6%

OFFICIAL LANGUAGES	CANADIAN POPULATION ⁴	FINTRAC EMPLOYEES	FEDERAL PUBLIC SERVICE ³
First official language – English	75.0%	61.7%	71.1%
First official language – French	23.2%	38.3%	28.9%

1. Indeterminate and term employees including those on leave or secondment/interchange; does not include students
2. For occupational groups used at FINTRAC using "Canadian Citizen Workforce Population Showing Representation by Employment Equity Occupational Groups and Unit Groups (2011 NOC)" data tables produced by the Labour Program, Employment and Social Development Canada as well as the 2012 Canadian Survey on Disability
3. Office of the Chief Human Resources Officer, Treasury Board of Canada Secretariat March 31, 2014; Federal Public Service includes the core public administration and separate agencies
4. Statistics Canada, based on 2011 Census data (1.8% of Canadians could not conduct a conversation in either English or French)

INVESTING IN TECHNOLOGY

FINTRAC has significantly strengthened its information management and information technology program over the past few years, including restructuring its governance, reducing costs and adopting a leaner and more effective "run-enhance-transform" model.

ANALYTICS MODERNIZATION

FINTRAC depends on a sophisticated information technology infrastructure to receive, store and secure nearly 20 million financial transaction reports every year. At the same time, this infrastructure allows intelligence analysts to sift through the information, analyze it and generate actionable financial intelligence for the Centre's law enforcement and national security partners. FINTRAC's business requires the analysis of large sets of data.

This is only possible with a modern system that can manage the volume, make the connections and produce the needed results – all in real-time or close to it.

With additional funding announced in Economic Action Plan 2014, FINTRAC is in the process of modernizing its analytics system to ensure that it is better able to balance reliability, completeness and timeliness in the financial intelligence that it provides to its partners. As FINTRAC replaces its entire suite of analytics tools over the next two years, the impact of this investment will be sweeping and long lasting: it will bring tremendous efficiency through the automation of manual work and it will allow for the full use of the Centre's data and knowledge.

INFORMATION MANAGEMENT STRATEGY

In 2014–15, FINTRAC implemented an information management strategy to strengthen its information governance and ensure compliancy with the Treasury Board Recordkeeping Directive. As part of this strategy, it identified all information records of business value and finalized disposition schedules for its information holdings. Under the PCMLTFA, the Centre must retain the information contained in the financial transaction reports it receives for 10 years, and it must dispose of this information prior to the 15-year anniversary of its receipt if it is not used in an intelligence disclosure. With a new disposition system in place, FINTRAC has disposed of over 17 million reports, including 11 million reports received prior to April 2004.

GREENING STRATEGY

Over the past year, FINTRAC participated in a number of government-wide IM/IT initiatives, including the Government of Canada Deficit Reduction Action Plan and Federal Sustainable Development Strategy. In order to align with these initiatives, the Centre launched a number of projects as part of the broader Greening Strategy, including printing rationalization, secure document sharing, e-form pilot, and the acquisition of tablets. These projects will significantly reduce dependency on paper, lower costs and support environmental sustainability.

PROVIDING A SECURE WORKPLACE

Security is central to FINTRAC's activities and operations and the Centre is committed to ensuring that its personnel, information, systems, and services are protected against compromise.

Over the past year, FINTRAC continued to enhance its security program in line with its Corporate Risk Profile and its broader organizational priorities. A new security portal was introduced on the Centre's intranet to facilitate employee access to key security-related information, and FINTRAC's Director and Departmental Security Officer jointly delivered a mandatory security training program focused on the protection of employees and information. The Centre's Policy on Security was updated, and FINTRAC also produced key guiding documents in support of enhancing information technology security. As well, a new Departmental Security Plan outlining organizational security priorities for the next three years was approved.

RESOURCE MANAGEMENT

FINTRAC's resources are managed on the basis of effective policies and planning, reliable financial and non-financial information, and sound analysis.

In 2013–14, the Treasury Board of Canada Secretariat's Office of the Comptroller General completed a Core Control Audit of FINTRAC's financial management to ensure compliance with key requirements contained in financial legislation, policies and directives.

In January 2014, FINTRAC accepted the audit's recommendations and addressed them as a priority through an action plan which was fully implemented in 2014–15.

BUDGET HIGHLIGHTS: 2014-15

The resources available for spending in 2013–14 and 2014–15 were \$53,288,233 and \$52,558,499 respectively. Actual spending for 2013–14 was \$51,704,183 and \$51,404,430 for 2014–15. Within these resources, FINTRAC received \$1,000,000 in support of its analytics modernization project. FINTRAC also received \$860,544 in support of legislative amendments in *Economic Action Plan 2014 Act, No. 1*.

FINTRAC's Budgets by Fiscal Year (in \$ millions)

	2011-12	2012-13	2013-14	2014-15	2015-16
Salaries	36.7	33.4	32.5	32.5	32.7
Employee benefit plans	6.1	5.1	5.5	5.0	5.5
Operations and maintenance	19.2	17.7	15.2	15.0	12.3
Total approved budget*	61.9	56.2	53.3	52.6	50.5
Total actual	59.2	54.0	51.7	51.4	-

* Totals may not add due to rounding.

ANNEX A: OVERVIEW OF A CASE

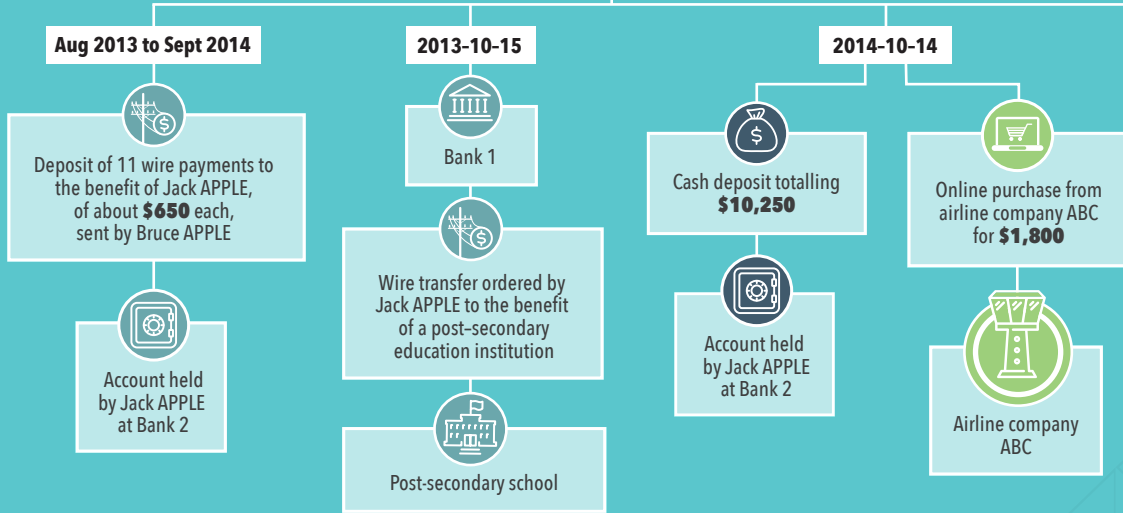
As a result of the attacks in Ottawa and Saint-Jean-sur-Richelieu in October, and elsewhere throughout the world in 2014–15, FINTRAC’s financial intelligence was increasingly focused on supporting the terrorism financing investigations of its law enforcement and national security partners. The following diagram includes a real case involving high-risk travellers. It should be noted that names, dates and some facts have been altered or omitted in order to conform to the PCMLTFA.

This sanitized case has been drawn from a number of cases, and it includes typical financial transactions undertaken by individuals who have allegedly travelled to foreign countries to join terrorist organizations. These transactions were conducted before or after their departure from Canada and include purchases from airlines, a passport agency, as well as funds transfers, multiple cash deposits and withdrawals. Multiple reporting entities identified these transactions as suspicious as they provided the means for the individuals to travel to their destinations to join terrorist organizations. The majority of transactions are well below the \$10,000 reporting threshold to FINTRAC in the case of large cash deposits and international electronic funds transfers. Due to the nature and value of these transactions, FINTRAC relied on suspicious transaction reports from reporting entities to identify these alleged high-risk travellers.

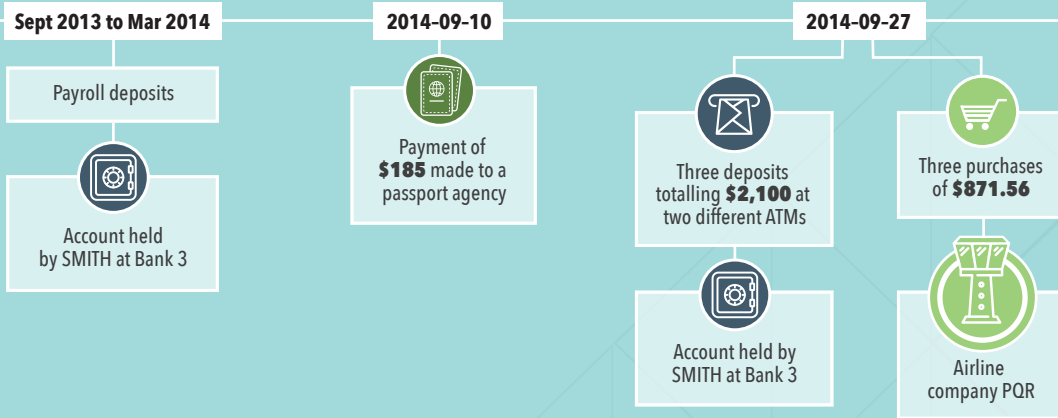
This transaction information allowed Canada’s anti-money laundering and anti-terrorism financing regime to better understand the financing aspect of this terrorist activity and helped FINTRAC develop a number of terrorism financing indicators for reporting entities across Canada, including:

1. Client identified by media or law enforcement as having travelled, or attempted/intended to travel to high-risk jurisdictions (including cities or districts of concern), specifically countries (and adjacent countries) under conflict and/or political instability or known to support terrorist activities and organizations.
2. Client accesses accounts, and/or uses debit or credit cards in high-risk jurisdictions (including cities or districts of concern), specifically countries (and adjacent countries) under conflict and/or political instability or known to support terrorist activities and organizations.
3. Client conducted travel-related purchases (e.g., purchase of airline tickets, travel visa, passport, etc.) linked to high-risk jurisdictions (including cities or districts of concern), specifically countries (and adjacent countries) under conflict and/or political instability or known to support terrorist activities and organizations.
4. Client mentions that they will be travelling to, are currently in, or have returned from, a high-risk jurisdiction (including cities or districts of concern), specifically countries (and adjacent countries) under conflict and/or political instability or known to support terrorist activities and organizations.

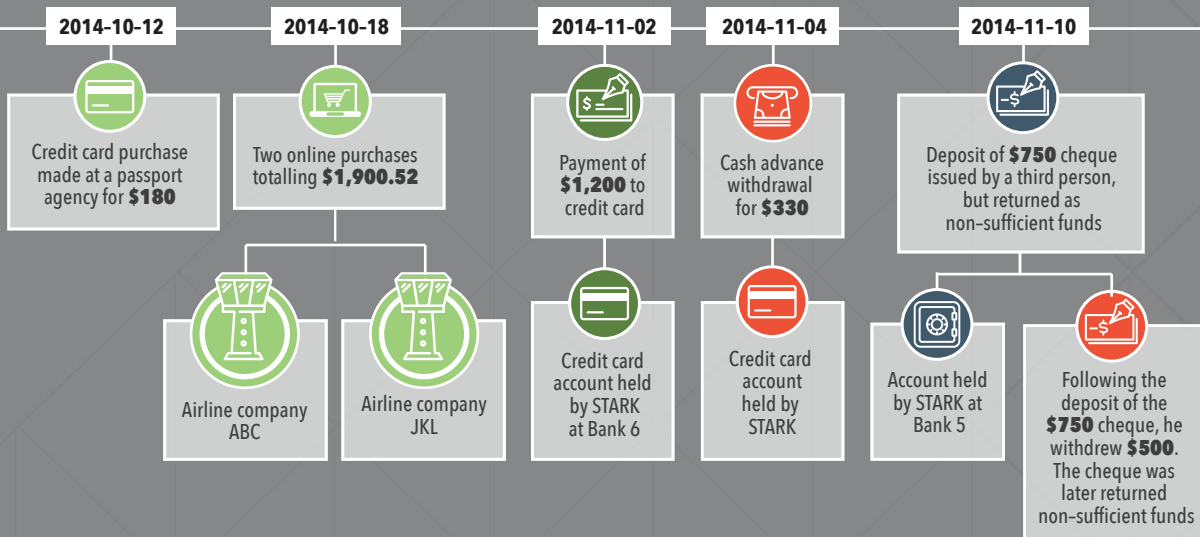
Jack APPLE



Jon SMITH

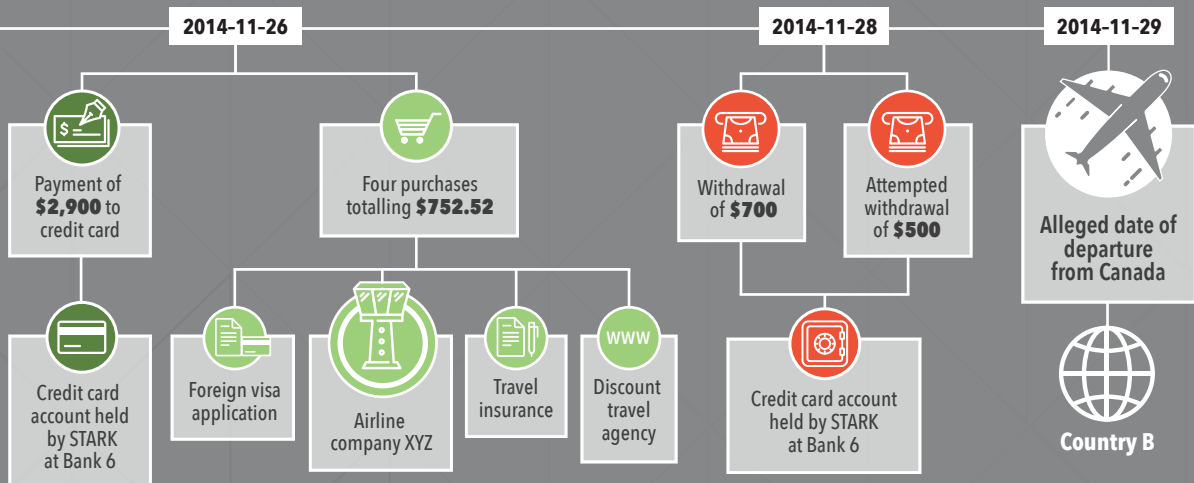
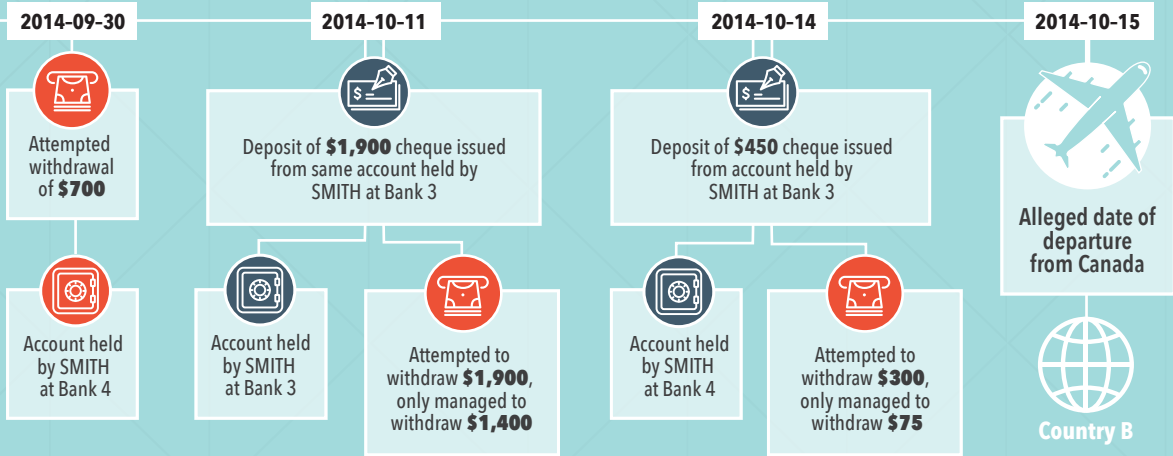
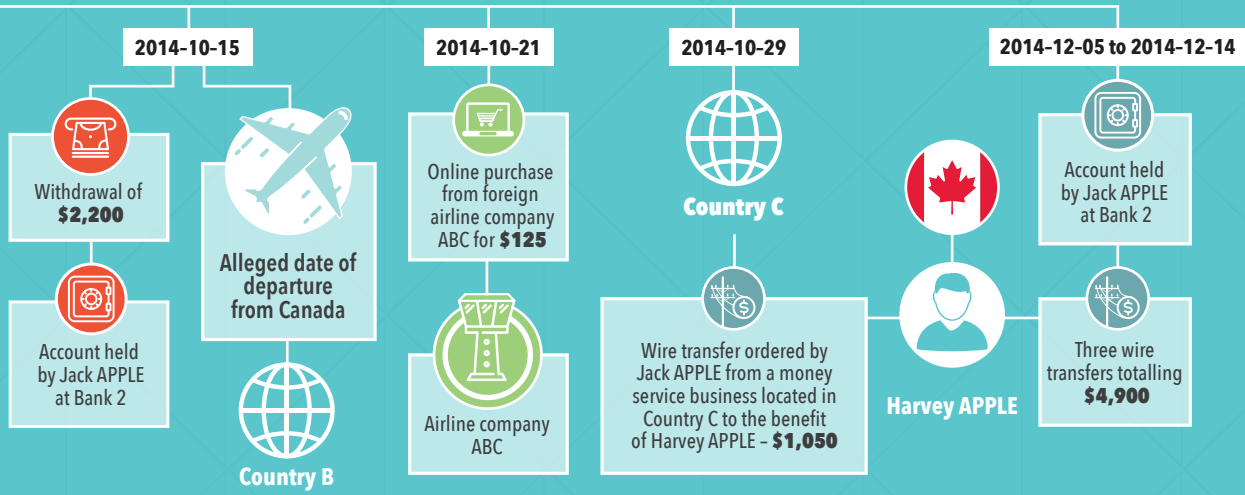


Richard STARK



LEGEND

- Deposit
- Withdrawal
- Purchase
- Payment
- Wire transfer



*Please note that the scale of the timelines is representative only and may not correspond to the order or actual length of time lapsed between events; event dates are provided in the chart.

THE FLOW OF INFORMATION

Receiving Information

PEOPLE COMMITTING CRIMES INTERACT WITH LEGITIMATE BUSINESSES TO

- Exchange currency
- Make deposits
- Purchase or sell jewellery
- Make international funds transfers
- Purchase real estate

FINTRAC monitors the quality, quantity and timeliness of reports submitted by reporting entities.

Reporting Entities

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

- Casino disbursement reports
- Electronic funds transfer reports
- Large cash transaction reports
- Suspicious transaction reports
- Terrorist property reports

Canada Border Services Agency

- Cross-border currency seizure reports
- Cross-border currency reports

Law enforcement agencies
General public

Voluntary information

Foreign financial intelligence units

Queries and disclosures

Conducting Analysis

FINTRAC produces actionable financial intelligence by:

- establishing identification;
- grouping related transactions; and
- querying databases.

FINTRAC's database

External databases
Publicly available information

Disclosing Intelligence

When legislated thresholds are met, FINTRAC discloses designated information pertaining to suspected cases of money laundering, terrorist activity financing and threats to the security of Canada.

Municipal and provincial police forces
Royal Canadian Mounted Police
Canada Revenue Agency
Canada Border Services Agency
Canadian Security Intelligence Service
Communications Security Establishment
Foreign financial intelligence units
Canadian securities regulators

OUTCOMES

Investigative leads

Search warrants

Production orders

Charges

Arrests

Seizures

Forfeitures

Sentences

Listing of terrorist entities

Sanctions

Increased disruption
of money laundering and
terrorist financing activities

Increased understanding
of financial dimensions
of threats, organized crime
and terrorism



Financial Transactions and Reports Analysis Centre of Canada
234 Laurier Avenue West
Ottawa, Ontario K1P 1H7
Canada

Telephone: 1-866-346-8722
Facsimile: 613-943-7931

www.fintrac-canafe.gc.ca

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