

2015—16 HIGHLIGHTS

1,655 disclosures of actionable

financial intelligence

to partners

disclosures related to money laundering

disclosures related to money laundering/terrorism financing/threats to the security of Canada

disclosures related to terrorism financing/threats to the security of Canada



Collaborated with international counterparts on the Financial Action Task Force's paper on New and Emerging Terrorist Financing Risks

Hosted two Major Reporters Forums for Canada's largest financial institutions on a number of compliance and intelligence issues



Imposed an administrative monetary penalty of

\$1.15 MILLION

on a Canadian federally-regulated financial institution

Published Guidance on the Risk-Based Approach to Combatting Money Laundering and Terrorist Financing to assist reporting entities



739

compliance examinations conducted across Canada

24%

more suspicious transaction reports received

WORKING WITH INTERNATIONAL ALLIES

240

queries received

147

queries sent

384

disclosures to foreign financial intelligence units



In June 2015, the RCMP recognized FINTRAC's contribution to a two-year multi-jurisdictional and international investigation into the 'Ndrangheta criminal organization operating in the Greater Toronto Area. Project OPHOENIX resulted in the arrest of nineteen people for numerous offences related to drug importation and trafficking, firearms trafficking, extortion, possession and laundering the proceeds of crime.



23,727,393 financial transaction reports received

administrative monetary penalties issued



MESSAGE FROM THE DIRECTOR



I am proud to report on the work FINTRAC carried out in 2015–16 to help protect Canadians and the integrity of Canada's financial system.

As Canada's financial intelligence unit, FINTRAC has the unique ability to establish links between individuals and groups in Canada and abroad who engage in money laundering and support terrorism.

Over the past year, we provided 1,655 disclosures of actionable financial intelligence to our police, law enforcement and national security partners to assist their investigations of money laundering, terrorism financing and other threats to Canada's security.

Our financial intelligence has become increasingly valued by our partners as lead information to expand or define their investigations, and to obtain search warrants and production orders to gather information in pursuit of criminal charges. Last year, we received 1,618 case files from our law enforcement and national security partners, as well as from members of the public. This is an increase of nearly 50 percent over the past three years. These files contain information on alleged criminals and terrorist financiers and are often the starting point for our analysis and the financial intelligence that we disclose to our partners.

The RCMP Integrated National Security Enforcement Team in Toronto recognized the Centre's contribution to an extensive national security criminal investigation, Project SWAP, which resulted in a terrorism charge under the *Criminal Code* in March 2016. Throughout 2015–16, we generated 483 disclosures related to terrorism financing, a 43 percent increase over the previous year.

The actionable financial intelligence that we are able to generate begins with the efforts of Canadian businesses subject to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA). They are on the front lines of Canada's legitimate economy and are indispensable to our work and our ability to support our partners' money laundering and terrorism financing investigations.

Through our extensive outreach efforts, guidance and policy interpretations, assessment activities and examinations, we are committed to providing businesses with the tools they need to fulfill their obligations. Our compliance efforts are focused, in particular, on ensuring that businesses provide us with the high-quality and timely financial transaction reports that we need for our analysis and intelligence efforts – we often refer to this as 'compliance for intelligence'.

Working closely with our law enforcement and national security partners and 31,000 businesses across the country, we have achieved real results in creating a hostile environment for those who seek to abuse our financial system or threaten Canadians.

Gérald Cossette Director

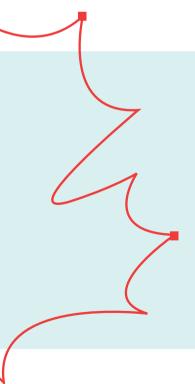
PROTECTION OF PERSONAL INFORMATION

Under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA), the Centre's first priority is to safeguard the information it receives, including financial transaction reports. 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. FINTRAC does not have any legal authority or the technical means to monitor the financial activities of individuals. It develops the financial intelligence that it discloses to its law enforcement and national security partners from the information received from reporting entities and partners as specified under the PCMLTFA.

PROTECTING INFORMATION

The legislation 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.



A FUNDAMENTAL PRIORITY

The protection of Canadians' privacy is the key reason FINTRAC was created. We understand very clearly that in order to maintain our credibility and the confidence of Canadians, we need to continually demonstrate that we take the protection of private information and the limits of our mandate seriously.

As we look to ensure the protection of privacy, it is clear to us that what we do **not** disclose to our law enforcement and national security partners is just as important to our mandate as what we do disclose.

Gérald Cossette Director In 2015–16, FINTRAC continued to implement measures to address previous audit recommendations from the Office of the Privacy Commissioner. For example, the Centre established a robust screening system to automatically ensure that mandatory fields are completed in reports before they are submitted electronically. This system further reduces the potential of FINTRAC receiving information that should not have been sent. Since being put in place, the screening system has blocked thousands of transactions that did not meet reporting requirements from entering the Centre's database.

Over the past year, as part of extensive compliance outreach efforts, FINTRAC provided guidance to Canadian businesses across the country to inform them of what information they are required and not required to report.

DISPOSING OF RECORDS

Under the PCMLTFA, the Centre must retain for 10 years the financial transaction reports that it receives. The information contained in these reports must be disposed of prior to the 15-year anniversary of its receipt if it has not been included in a financial intelligence disclosure. To date, nearly 35 million reports have been disposed of.

In addition, as part of the normal course of its activities, FINTRAC may identify information in its holdings that has been received from reporting entities but found not to meet thresholds for reporting. When such reports are identified, they are segregated so that they cannot be used for intelligence purposes and are subsequently destroyed.

EMPLOYEE AWARENESS

In order to safeguard the reports 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, and receive mandatory training. Employees have access to sensitive information on a need-to-know basis only and are reminded regularly of their responsibilities to protect personal information. To reinforce legal obligations to protect information, all personnel must formally acknowledge having read and understood the requirements as they are outlined in FINTRAC's Code of Conduct, Values and Ethics and its Security Policy.

In 2015–16, FINTRAC conducted privacy awareness sessions for employees to remind them of their obligation to protect personal information at all times. These mandatory sessions focused on the *Privacy Act*, privacy principles and the privacy expectations of Canadians, personal information risk management, and privacy breach identification and 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 December 2015, the Mass Marketing Section of the Toronto Police Service Financial Crimes Unit recognized FINTRAC's contribution to a three-year investigation into an alleged \$93 million pyramid scheme. Two individuals were charged with defrauding the public, possession of proceeds of crime, laundering proceeds of crime and other offences.



OVERVIEW

OF FINANCIAL TRANSACTION REPORTS RECEIVED

LARGE CASH TRANSACTION REPORTS

2015-16 **9,350,026**

2014-15 **8,445,431**

2013-14 **8,313,098**

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 (each of which is less than \$10,000) 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 (each of which is less than \$10,000) 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.

2015–16 **14,027,292** 2014–15 **12,348,360**

2013-14 11,182,829

SUSPICIOUS TRANSACTION REPORTS

2015–16 **114,422** 2014–15 **92,531** 2013–14 **81,735** 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.

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.

2015-16	63,364
2014-15	47,228
2013-14	42,650

CASINO DISBURSEMENT REPORTS

2015-16 **172,289** 2014-15 **155,185** 2013-14 **130,141**

A casino disbursement report is submitted to FINTRAC when a casino makes a disbursement of \$10,000 or more in the course of a single transaction, or in the course of two or more transactions totalling \$10,000 or more (each of which is less than \$10,000) within 24 consecutive hours received by, or on behalf of, the same individual or entity. This report is not limited to cash.

COMPLIANCE

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

The Centre was created and operates under the PCMLTFA and administers its associated regulations. This legal framework also establishes obligations for approximately 31,000 Canadian businesses, including the development of a compliance regime in order to identify clients, monitor business relationships, keep records and report certain types of financial transactions.

These obligations provide important measures for countering patterns and behaviours observed in criminals and terrorists in order to deter them from operating within the legitimate channels of Canada's economy. For example, the obligation for clients to identify themselves when doing a transaction or opening an account is a measure of deterrence as it eliminates the anonymity of the customer. Furthermore, this identity can be traced later, if necessary, for evidentiary purposes.

COMPLIANCE FOR INTELLIGENCE

FINTRAC administers a comprehensive, risk-based compliance program to ensure that reporting entities fulfill their obligations.

Centred on a 'compliance for intelligence' concept, the program focuses its efforts on those areas that most effectively facilitate the production of financial intelligence. This concept recognizes that the overall effectiveness of Canada's anti-money laundering and anti-terrorism financing regime is dependent upon businesses submitting high-quality and timely financial transaction reports.



FINANCIAL INTELLIGENCE

REPORTING COMPLIANCE INTELLIGENCE AND NATIONAL SECURITY AGENCIES

FEEDBACK AND GUIDANCE

RISK-BASED APPROACH

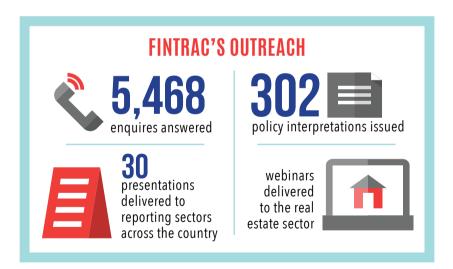
Integrated within the 'compliance for intelligence' concept is FINTRAC's risk-based approach to compliance, which sees more of the Centre's resources directed at higher-risk reporting entities. This approach is dynamic in that the risks identified in one year may change in the next as new products are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

ENABLING COMPLIANCE

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

OUTREACH TO BUSINESSES

Throughout 2015–16, FINTRAC continued to focus on suspicious transaction reporting, given its importance in the analytical process and the financial intelligence it generates for police, law enforcement and national security agencies. In the course of 30 presentations across the country, the Centre provided businesses with practical guidance in relation to detecting and reporting suspicions of money laundering and terrorist activity financing. FINTRAC also informed reporting entities about its modernized methodology for assessing compliance with suspicious transaction reporting obligations, as well as its expectations during examinations.



As a result of these efforts, and an increased commitment from reporting entities, suspicious transaction reporting increased by 24 percent in 2015–16 and by 63 percent over the past five years. The comprehensiveness of the reports submitted has also improved year over year, as observed by FINTRAC and the recipients of its disclosures.

Over the past year, the Centre also addressed 5,468 enquiries from businesses in every sector covering a broad range of issues, including reporting obligations, access to reporting systems and the registration of money services businesses.

FINTRAC responds to requests from reporting entities and other stakeholders for clarification, including the analysis of complex business models, through policy interpretations that are based on the specific situations and facts provided by the requester. In 2015–16, the Centre issued 302 policy interpretations. In order to enhance the understanding of reporting entities of their obligations under the PCMLTFA, FINTRAC has published more than 1,350 policy interpretations.

In recent years, the Centre has also worked closely with reporting entities and industry associations to provide new guidance related to the risk-based approach to combatting money laundering and terrorist activity financing. This consultation resulted

in *Guidance on the Risk-Based Approach to Combatting Money Laundering and Terrorist Financing*, which was published on FINTRAC's website in May 2015. Following this, the Centre issued several sector-specific workbooks aimed at helping smaller businesses in the implementation of their risk-based approach. Workbooks will be completed for all sectors by the end of 2016–17.

MAJOR REPORTERS

Created in 2014, FINTRAC's Major Reporters Team (MRT) delivers 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 85 percent of the reporting that the Centre receives. FINTRAC works closely with the Office of the Superintendent of Financial Institutions and together are developing a joint approach to the supervision and regulation of this sector in order to leverage and maximize the expertise in each agency. The MRT also engages major reporters on issues of mutual interest, including providing timely policy guidance to assist them in meeting their legislative and regulatory obligations while minimizing the compliance burden. In addition to engaging major reporters on a proactive and ongoing basis, FINTRAC hosted two forums on compliance and financial intelligence related issues in 2015–16 to help inform their risk assessments.

REAL ESTATE

Over the past few years, FINTRAC has also dedicated significant effort to improving understanding of the PCMLTFA obligations within the real estate sector. In addition to providing guidance to the industry through guidelines, policy interpretations, responses to enquiries and outreach events, the Centre has assisted the Canadian Real Estate Association with its Risk Assessment Form; provided feedback on the Association's anti-money laundering manual and on-line training; and consulted the Association on customer due diligence guidelines, risk-based approach guidance and the development of a new workbook specifically for the real estate sector. As well, in 2015–16, FINTRAC hosted dedicated webinars for the wider real estate sector in order to inform entities of their vulnerabilities to money laundering and terrorism financing.

FINTRAC increased its examinations in the real estate sector by more than 33 percent across the country over the past year. In British Columbia, in particular, the Centre nearly quadrupled its examinations of the real estate sector over the past year, with the biggest impact in the Vancouver area.

MONEY SERVICES BUSINESSES

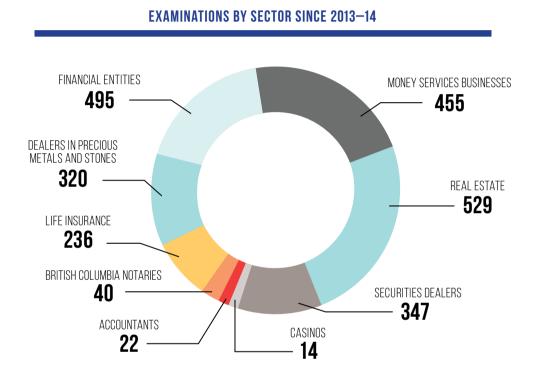
FINTRAC also administers the Money Services Business Registry, in which registration is mandatory for money services businesses. As of March 2016, 833 money services businesses were registered with the Centre. An individual or entity that has been convicted of certain offences or has a Director, CEO, President or a person that owns or controls more than 20 percent who has been convicted of certain offences is not eligible to register a money services business with FINTRAC. Should such a determination be made, the registration is either denied or revoked. A second reason why a money services business registration can be revoked or denied is the failure to respond to a clarification request issued by FINTRAC within the prescribed 30 day period. FINTRAC has denied or revoked 79 registrations since the creation of the registry in 2008.

ENFORCING COMPLIANCE

FINTRAC uses a range of compliance activities to ensure that businesses are fulfilling their PCMLTFA obligations, including observation letters, reporting entity validations, the monitoring of reports, compliance meetings, compliance assessment reports, examinations, follow-up examinations, administrative monetary penalties and non-compliance disclosures to police.

COMPLIANCE EXAMINATIONS

Compliance examinations remain the Centre's primary instrument for assessing and enforcing compliance. In 2015–16, FINTRAC conducted 739 compliance examinations across Canada. Over the past three years, the Centre has undertaken 2,458 examinations broken down by activity sector as follows:



NON-COMPLIANCE ACTIONS

When a reporting entity does not take appropriate measures to address significant non-compliance, FINTRAC may pursue additional actions, including follow-up examinations and administrative monetary penalties. In addition, the Centre can publish specific details of an administrative monetary penalty once all proceedings in respect of the case have concluded – that is, all avenues of review and appeal have been exhausted. In employing these tools, FINTRAC always undertakes a comprehensive and thorough examination of the level and nature of the violations committed, as well as the entity's history of compliance.

In 2015–16, FINTRAC issued 22 Notices of Violations. The Centre also imposed its largest penalty to date, totalling \$1,154,670, upon a federally-regulated financial institution. This was the first time that FINTRAC has penalized a bank since it was given the authority to issue administrative monetary penalties in December 2008. Over the past seven years, the Centre has issued 95 penalties and has publicly named 40 reporting entities.

FINTRAC's use of administrative monetary penalties and of public naming has brought about significant behavioural changes in businesses of all sizes and in various sectors. The results of follow-up examinations conducted on previously

penalized reporting entities have shown that, in most instances, these entities made demonstrable improvements in their level of compliance.

Under the PCMLTFA, the Centre may also disclose cases of non-compliance to police when there is extensive non-compliance or little expectation of immediate or future compliance. In 2015–16, FINTRAC disclosed four such cases.

GLOBAL LEADERSHIP

FINTRAC is a global leader in anti-money laundering and anti-terrorism financing supervision. In 2015–16, FINTRAC served as Vice-Chair of Egmont's Technical Assistance and Training Working Group and provided training to a number of foreign financial intelligence units, including delivering an Egmont Supervisory Course to participants and observers from Jamaica, Trinidad and Tobago, and Turks and Caicos Islands.

FINTRAC is also a member of the International Supervisors Forum, which was established in late 2013 to provide a venue for sharing information and best practices between international regulators. This collaboration is aimed at improving global cooperation in the fight against money laundering and terrorist financing and other financial crimes, as well as strengthening domestic and international compliance and supervisory regimes.

COMPLIANCE PRIORITIES

Going forward, FINTRAC will continue to focus its compliance efforts on higher risk sectors, including real estate, money services businesses and dealers in precious metals and stones. The Centre will also further engage reporting entities, their associations and other stakeholders in enhancing its guidance with regard to

entities' obligations, while improving transparency in relation to FINTRAC's expectations. Finally, in collaboration with its domestic partners, the Centre will respond to the Financial Action Task Force's (FATF's) evaluation of Canada's anti-money laundering and anti-terrorist financing regime.

MONETARY PENALTIES BY YEAR 22 2015-16 16 2014-15 16 2013-14 13 2012-13 7 2011-12 7 2010-11 14 2009-10

ADMINISTRATIVE

The RCMP recognized FINTRAC's contribution to a cocaine trafficking investigation in the Acadian Peninsula. Several drug related charges were initially laid against six men in September 2013, with two men convicted and sentenced to four years in prison in September 2015. Four additional men were arrested in July 2015 in Operation J-Touchdown.

More than two kilograms of cocaine, two vehicles and cash were seized.

INTELLIGENCE

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

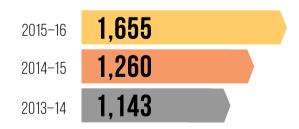
FINTRAC's disclosures contain designated information that identifies individuals and entities, as well as account and transaction information. Disclosures are made when the Centre has reasonable grounds to suspect that the information would be relevant to the investigation or prosecution of a money laundering or terrorist activity financing offence or to 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, FINTRAC's disclosures 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. The Centre's disclosures are also used by police and other law enforcement agencies to prepare affidavits to obtain search warrants and production orders in pursuit of charges.

Increasingly, the Centre's intelligence is also used by 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 2015–16, FINTRAC provided 1,655 disclosures of actionable financial intelligence to its regime partners.

FINTRAC CASE DISCLOSURES FROM 2013-14 TO 2015-16



Of FINTRAC's total disclosures, 1,501 were associated to money laundering. An additional 483 cases were relevant to terrorism financing and threats to the security of Canada, an increase of more than 43 percent from the previous year.

Throughout 2015–16, 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.

Upon meeting certain thresholds, the Centre is required to make disclosures to the Canada Border Services Agency, the Canada Revenue Agency and the Communications Security Establishment. In June 2015, FINTRAC received the authority to disclose information to provincial securities regulators to aid in combatting securities offences.

As well, when FINTRAC has reasonable grounds to suspect that the information would be relevant to threats to the security of Canada, a disclosure must be made to the Canadian Security Intelligence Service. 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.

NUMBER OF DISCLOSURE PACKAGES BY RECIPIENT (2015-16)*

976
ROYAL CANADIAN
MOUNTED POLICE

582MUNICIPAL POLICE

429
CANADIAN SECURITY INTELLIGENCE SERVICE

384
FOREIGN FINANCIAL
INTELLIGENCE UNITS
(41 COUNTRIES)

303
PROVINCIAL POLICE

225
CANADA BORDER SERVICES AGENCY

205
CANADA REVENUE
AGENCY

69PROVINCIAL SECURITIES REGULATORS

47
COMMUNICATIONS
SECURITY
ESTABLISHMENT

In October 2015, the Ontario Provincial Police Temiskaming Crime Unit recognized FINTRAC's contribution to a three-year investigation into an alleged fraud surrounding the restoration and sale of a vacant commercial property. Five individuals were charged with a total of 60 *Criminal Code* offences and the financial loss was approximately \$7.5 million.



FINTRAC maintains very strong and productive working relationships with its police, law enforcement and national security partners to ensure that its financial intelligence is relevant, valuable and closely aligned to their priorities. The Centre continually seeks feedback on its disclosures from partners at the municipal, provincial and federal levels. In total, over the past year, FINTRAC received 1,367 disclosure feedback forms.

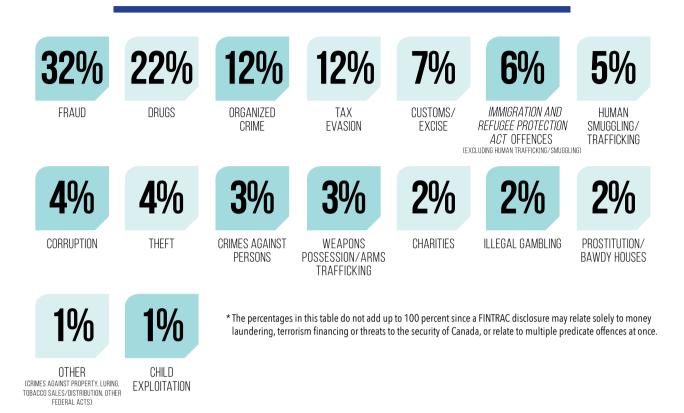
FINTRAC's Deputy Director of Operations is a member of the Canadian Association of Chiefs of Police and FINTRAC is the only non-law enforcement organization to serve on the Canadian Integrated Response to Organized Crime Committee (CIROC).

In 2015–16, FINTRAC undertook more than 140 outreach visits and presentations to partner organizations, both domestically and internationally, including at the Canadian Police College and as part of the Intelligence Analyst Learning Program run by the Privy Council Office. These presentations were meant to demonstrate to partners how financial intelligence can contribute to their investigations.

^{*}Totals include case 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.

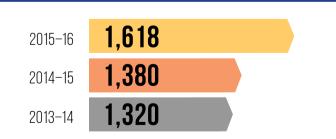
Over the past year, FINTRAC's financial intelligence was used to assist money laundering investigations in the context of a wide variety of criminal investigations, where the origins of the suspected criminal proceeds were linked to fraud, drug trafficking, tax evasion, corruption, theft and other criminal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

TYPES OF PREDICATE OFFENCES RELATED TO CASE DISCLOSURES (2015-16)*



In 2015–16, FINTRAC received 1,618 case files¹ from police, law enforcement and national security partners, as well as from members of the public. This is an increase of nearly 20 percent from the previous year. These files provide key intelligence on alleged criminals and terrorists and are often the starting point for the Centre's analysis. They are used by the Centre to establish connections between individuals and entities and to build financial intelligence that, in turn, provides partners with valuable leads in their investigations.

NUMBER OF CASE FILES RECEIVED FROM 2013-14 TO 2015-16



The demand for FINTRAC's financial intelligence has grown steadily over the past five years. This speaks to the strong partnerships the Centre has established with Canada's police, law enforcement and national security agencies, and the

¹A case file, also referred to as a voluntary information record, is information on alleged criminals and terrorist financiers that is voluntarily submitted to FINTRAC by police, law enforcement and intelligence partners, as well as members of the public, and often serves as the starting point for FINTRAC's analysis.

valuable contribution FINTRAC has made to their priority investigations. It also speaks to the extensive efforts undertaken by the Centre and reporting entities across the country to increase the quantity and quality of the transaction reporting that FINTRAC receives under the PCMLTFA. The 20 million financial transaction reports the Centre receives from Canadian businesses every year are the lifeblood of its analysis and make it possible for FINTRAC to support its partners' money laundering and terrorist financing investigations.

The Centre's increasing contribution to the investigations of its police, law enforcement and national security partners has been enabled by the commitment and investment that FINTRAC has made in recruiting high-quality employees who have access to the sophisticated training, technology and support required to fulfill their specialized roles. Over the past year, the Centre has also focused on better integrating and aligning its structure and business processes to further strengthen its operational effectiveness. FINTRAC's operating paradigm – compliance for intelligence and intelligence for enforcement – ensures that its focus is always on its core mandate: helping to protect Canadians and the integrity of Canada's financial system.

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. Through bilateral agreements, the Centre is able to disclose financial intelligence to 92 financial intelligence units worldwide when the appropriate threshold is met. At the same time, foreign intelligence units are able to share their information with FINTRAC, which broadens its analyses of international financial transactions.

In 2015–16, the Centre received 240 queries for information from foreign financial intelligence units and provided 384 disclosures to 41 different countries. For its part, FINTRAC sent 147 requests to foreign financial intelligence units to broaden its own analysis.

INTERNATIONAL QUERIES SENT AND RECEIVED FROM 2013-14 TO 2015-16



In 2015–16, FINTRAC signed new tactical information sharing agreements with the financial intelligence units of Bahrain and Jamaica. The Centre also completed 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.

A NEW PARTNERSHIP TO COUNTER HUMAN TRAFFICKING

In 2015–16, FINTRAC joined police and national security partners in a unique public-private partnership with the major banks in order to help combat human trafficking and the laundering of the proceeds derived from this activity. In the three months since Project Protect was launched, the Centre's disclosures to police regarding money laundering related to human trafficking increased significantly.

FINTRAC also produces strategic financial intelligence for federal policy and decision-makers, reporting entities across the country, international partners and other stakeholders. Providing a wide analytic perspective on the nature, scope and threat posed by money laundering and terrorism financing, the Centre's strategic 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 2015–16, FINTRAC completed 15 strategic intelligence projects in three primary areas: priority threat actors, including domestic organized crime groups, foreign terrorist fighters and Daesh (and their affiliates); the threat posed by professional money laundering networks; and the risks associated with new and emerging financial services and technologies.

> In January 2016, FINTRAC's contribution was recognized in a joint forces police operation involving the Ontario Provincial Police, the Ottawa Police Service and the RCMP's "O" Division Ottawa Detachment Financial Crime unit dubbed Project ATTAR. Two properties, with a combined worth of \$1.4 million were restrained in this proceeds of crime investigation.



Over the past year, the Centre continued to contribute to international efforts to degrade Daesh's financing capabilities. FINTRAC also focused on Daesh's affiliates, particularly in relation to how these groups may be attempting to exploit Canada's financial system. More broadly, through the Financial Action Task Force's Risk, Trends and Methods Group, the Centre worked with the United States Department of the Treasury to publish typologies on terrorist financing, including a typology on Daesh. FINTRAC also drafted the financial management chapter of FATF's report, New and Emerging Terrorist Financing Risks.

Working with domestic partners in 2015–16, the Centre also increased its analysis of the methods and techniques used by professional money laundering networks to operate within the legitimate financial system. FINTRAC's strategic financial intelligence has been critical to understanding how these international networks, working in concert with organized crime, seek to profit from vast sums of illicit proceeds that they normalize through laundering activities.

FINTRAC's strategic financial intelligence also supported regime-wide efforts to better understand and respond to emerging financial services and technologies, particularly mobile payments, alternative banking platforms, peer-to-peer lending, blockchain technologies and cryptocurrencies. The Centre's strategic intelligence 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.

Throughout the year, FINTRAC also conducted 14 strategic financial intelligence presentations to external partners and the private sector, including major reporters from the Canadian financial sector. The Centre also led a session on terrorist financial management for Financial Action Task Force member countries at the Joint Experts Meeting in Mexico in September 2015.

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

ANNEX A: THE VALUE OF FINTRAC DISCLOSURES

WHAT OUR PARTNERS SAY

I'm impressed with what FINTRAC has been providing us. Investigators from all of our sections have been relying upon FINTRAC information to obtain warrants and production orders. In a period where legal decisions and policy changes are limiting our ability to obtain information and intelligence, FINTRAC is one of the few bright spots.

-Toronto Police Service Organized Crime Enforcement - Financial Crimes

The information regarding Subject X has been applied to a new investigation. The FINTRAC disclosure was and will continue to be instrumental in this investigation.

-RCMP 'O' Division Integrated National Security Enforcement Team

The information provided by FINTRAC was sourced in the granting of numerous tracking and transmission data recorder warrants. It was again used in the final project takedown search warrants, in which over a million dollars' worth of drugs was seized. The information was again used in bail hearing proceedings, and assisted in portraying the accused as a flight risk due to his numerous international financial transactions.

-Peel Regional Police - Major Drugs and Vice

The disclosure and the final work product, most especially the comprehensive record of wire transfers and I2 charts, are exceptional. They contribute greatly towards the investigation and help complete a full picture of the financial activity of subjects of the investigation. FINTRAC's response and work product are superior to disclosures received from other nations.

-United States Postal Inspection Services via FinCEN

This disclosure was well put together and easy to follow. The identification of a previously unknown bank account located in Hong Kong is an extremely useful new lead that we have followed up on. The disclosure also identified a previously unknown investor. The extracts from the suspicious transaction reports were well chosen to give a clear idea of the relevant financial institutions' concerns about the transactions reported on. We really value receiving the documents in various formats.

-British Columbia Securities Commission

The information in this disclosure will be useful for strengthening some aspects of the allegations in this case. Most significantly, this disclosure will negate a likely defense strategy that I anticipated from the subject of this investigation. It will serve as simple, clear information that ties together evidence from a number of sources.

-Canada Border Services Agency - Inland Enforcement and Case Management

The information provided by FINTRAC was timely, accurate, and was used to obtain judicial authorizations, and as key material at bail hearings and court proceedings.

-Ontario Provincial Police - Anti-Rackets Section

The format of the report is very good. It is easy to navigate. The quality of the intelligence is also very good. The tables and charts help to navigate. Your disclosure will be a solid foundation upon which to obtain different warrants to pursue the investigation. [Translation]

-Sûreté du Québec

The Service had very little information on the subject of concern and so the financials provided by FINTRAC are valuable. The financials on one particular subject are especially interesting to the investigator and many have given insight into how funds are moved. The investigator was very pleased to receive this disclosure and plans to share it with [another agency].

-Canadian Security Intelligence Service

ANNEX B:

FINTRAC'S BUSINESS PROCESS

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

seizure reports Canada Border Services Agency

Cross-border currency reports

Cross-border currency

Law enforcement agencies

General public

Voluntary information

Foreign financial intelligence units

Queries and disclosures

CONDUCTING ANALYSIS

DISCLOSING INTELLIGENCE

FINTRAC produces actionable financial intelligence by:

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

FINTRAC's database

External databases
Publicly available information

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.

Royal Canadian Mounted Police Municipal and provincial police forces

Canada Revenue Agency

Canada Border Services Agency

Canadian Security Intelligence Service

Communications Security Establishment

Foreign financial intelligence

Canadian securities regulators

OUTCOMES:

- Investigative leads
- Search warrants
- Production orders
- Charges
- Arrests

- Seizures
- Forfeitures
- Sentences
- Listings of terrorist entities
- Sanctions

- Increased disruption of money laundering and terrorist financing activities
- Increased understanding of financial dimensions of threats, organized crime and terrorism

