



Financial Transactions and  
Reports Analysis Centre  
of Canada

Centre d'analyse des  
opérations et déclarations  
financières du Canada

FINTRAC Annual Report

# Maximizing Results Through **COLLABORATION**

— 2017 —



Canada

# 2016-17 HIGHLIGHTS

**2,015**

DISCLOSURES OF  
ACTIONABLE FINANCIAL  
INTELLIGENCE

**1,366**

**462**

**187**

RELATED TO MONEY LAUNDERING

RELATED TO TERRORISM FINANCING AND THREATS  
TO THE SECURITY OF CANADA

RELATED TO MONEY LAUNDERING, TERRORISM FINANCING  
AND THREATS TO THE SECURITY OF CANADA

**24,753,663**

FINANCIAL TRANSACTION REPORTS RECEIVED



**13,824,284**

ELECTRONIC FUNDS  
TRANSFER REPORTS

**10,554,684**

LARGE CASH  
TRANSACTION REPORTS



**185,960**

CASINO DISBURSEMENT  
REPORTS

**125,948**

SUSPICIOUS  
TRANSACTION REPORTS



**62,787**

CROSS-BORDER CURRENCY  
REPORTS/CROSS-BORDER  
SEIZURE REPORTS

**10%**

INCREASE IN SUSPICIOUS  
TRANSACTION REPORTING

ISSUED

**278**



POLICY INTERPRETATIONS  
TO ASSIST WITH  
COMPLIANCE

RESPONDED  
TO

**5,719**

ENQUIRIES FROM  
BUSINESSES SUBJECT  
TO THE PCMLTFA



**PUBLISHED**

AN OPERATIONAL BRIEF ENTITLED  
*INDICATORS OF MONEY LAUNDERING  
IN FINANCIAL TRANSACTIONS  
RELATED TO REAL ESTATE*



FINTRAC'S THIRD ANNUAL MAJOR REPORTERS FORUM IN SEPTEMBER 2016 FOCUSED ON TERRORIST FINANCING ISSUES

THE REAL ESTATE SECTOR WAS THE FOCUS OF  
**MORE THAN 22%**  
OF FINTRAC'S COMPLIANCE EXAMINATIONS



ENGAGED IN THE  
**INTERNATIONAL  
SUPERVISORY  
FORUM**



AND MET WITH THREE MAJOR INTERNATIONAL MONEY SERVICES BUSINESSES IN DECEMBER 2016 TO DISCUSS THE FORUM'S ROLE AND INITIATIVES, SHARE INFORMATION AND CREATE AN ONGOING DIALOGUE ON COMPLIANCE MATTERS OF MUTUAL INTEREST

**TOP THREE**

PREDICATE OFFENCES RELATED TO FINANCIAL INTELLIGENCE DISCLOSURES



**TOP THREE**

RECIPIENTS OF FINTRAC FINANCIAL INTELLIGENCE DISCLOSURES

**1,354**

ROYAL CANADIAN MOUNTED POLICE

MUNICIPAL POLICE AGENCIES

**806**

**597**

CANADIAN SECURITY INTELLIGENCE SERVICE



**COMPLETED 661**

COMPLIANCE EXAMINATIONS AND MORE THAN 50 COMPLIANCE OUTREACH ACTIVITIES ACROSS THE COUNTRY TO ASSIST IN REPORTING SUSPICIONS OF MONEY LAUNDERING AND TERRORIST ACTIVITY FINANCING

WORKING WITH FOREIGN FINANCIAL INTELLIGENCE UNITS

**217**

QUERIES RECEIVED

**146**

QUERIES SENT

**318**

DISCLOSURES SENT





# MESSAGE FROM THE DIRECTOR



FINTRAC's mandate is two-fold. First, the Centre ensures the compliance of all entities subject to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA). These compliance obligations allow for certain economic activities to be more transparent which helps prevent and deter nefarious individuals and organizations from using Canada's legitimate economy to launder the proceeds of their crimes and finance their activities. Second, from the financial transaction reports it receives from those entities, FINTRAC produces financial intelligence that is disclosed to police, law enforcement and national security agencies to be used as part of their investigations. Maximizing the results of both functions is at the core of FINTRAC's 'compliance for intelligence and intelligence for enforcement' approach.

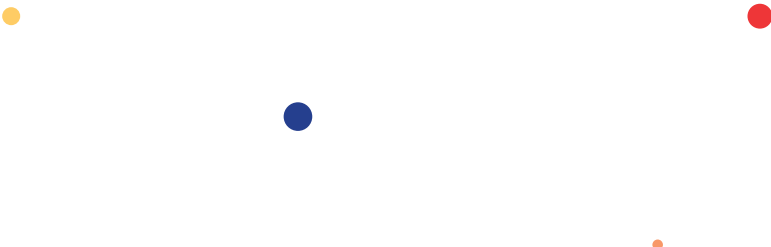
FINTRAC is not a law enforcement agency and has no investigative powers. However, the Centre is one of the few financial intelligence units in the world that manages both compliance and intelligence functions in the fight against money laundering and terrorism financing. This allows us to effectively assess and ensure the compliance of regulated businesses and produce financial intelligence for police, law enforcement and national security partners.

The Centre has compliance authorities and tools that allows it to work with reporting entities to create a culture of compliance—one that prioritizes the intelligence value of reporting and helps create an increasingly hostile environment for those who seek to abuse or threaten Canada's financial system. FINTRAC also uses the feedback received from partners—combined with our own strategic analytical work—to inform reporting entities as to the types of controls that are most effective in deterring criminals. Our intelligence capabilities would be non-existent without the cooperation of all reporting entities and a robust regulatory regime designed to effectively assess and enhance compliance.

Fighting crime and terrorism is a collective endeavour and intelligence work is only a part of it. The contribution of financial intelligence to this fight continues to increase rapidly, with FINTRAC at the core of this effort.

With every year, the demand for our financial intelligence continues to grow, which speaks to the value that Canada's police, law enforcement and national security agencies see in FINTRAC's analysis for their investigations. Last year, we provided 2,015 disclosures of actionable financial intelligence, which our Anti-Money Laundering and Anti-Terrorism Financing Regime partners used to expand or define their investigations, and to obtain search warrants and production orders to gather information in pursuit of criminal charges. Of these disclosures, 28 percent were proactively provided based on an independent analysis of the transaction reporting we received. In that same year, we also received 1,953 voluntary information records from our regime partners and members of the public, up more than 80 percent since 2012.

We are also seeing significant progress from a compliance perspective. With businesses having a better understanding of their obligations, we have seen improved compliance in typically lower compliant business sectors. In particular, we have noted that almost 80 percent of follow-up examinations showed an improvement in compliance with respect to reporting in traditionally lower reporting sectors.



The quality and timeliness of suspicious transaction reports submitted to FINTRAC has led to an increased number of proactive disclosures to police, law enforcement and national security agencies regarding individuals and networks that may not have been on their radar.

Project Protect has shown that the Canadian banking sector now sees itself as a full contributor to Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime.

Last year, we initiated a review of our administrative monetary penalties program following a decision of the Federal Court of Appeal in May 2016. By providing comprehensive information on the enhancements to our administrative monetary penalties policies and penalty calculation methodology, we will make it easier for reporting entities to increase their levels of compliance.

We also continue to work with key players in the private sector to move towards a better understanding of the implications that will flow from the introduction of new technologies in the financial sector.

These are tangible results for Canadians.

Our employees' knowledge and unique expertise is in high demand with our regime partners, Canada's broader security and intelligence community, foreign financial intelligence units and other international organizations. Over the past year, FINTRAC employees have provided briefings on money laundering associated with human trafficking at the United Nations, as well as technical assistance in relation to suspicious transaction reporting to a number of Caribbean financial intelligence units. We also worked with our domestic and international partners to enhance global capacity in combatting money laundering and the financing of terrorism through the Financial Action Task Force, the G7, the G20 and the Egmont Group.

We will continue to improve and we remain highly committed to our people. Our employees are the foundation of our success, which is why we recruit the best and the brightest. Our Strategic Plan establishes a solid foundation for our vision: To be the leader in the exploitation of financial intelligence. With our continued focus on our partnerships, our expertise, and our people, I know that the Centre will fulfill this vision.

As I look back on my five years as Director of FINTRAC, I am honoured to have worked with such a skilled and dedicated group of employees and partners who commit themselves every day to help protect Canadians and the integrity of Canada's financial system.

FINTRAC has evolved into one of the finest financial intelligence units in the world and I am proud to have been part of it.

Gérald Cossette  
Director



# INTRODUCTION

## How does FINTRAC protect personal information?

The protection of personal information is a key priority for FINTRAC. It is incorporated into its policies, practices, and all aspects of its operations.

- FINTRAC's premises and its database are guarded by multi-layered and integrated security systems that are constantly monitored. Employees hold a high-level security clearance and only those who meet the "need-to-know" requirement have access to FINTRAC's database.
- All employees receive ongoing mandatory training on security and privacy protection and must acknowledge that they have read and understood FINTRAC's Code of Conduct, Values and Ethics and its Security Policy.
- The *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA) specifically defines the "designated information" FINTRAC can disclose.
- Financial intelligence disclosures to appropriate police services, law enforcement and national securities agencies set out in the PCMLTFA are only made when specific thresholds are met.
- Information not included in a financial intelligence disclosure must be destroyed within 15 years of its receipt. If FINTRAC identifies reports that do not meet the monetary threshold for being submitted, these reports are segregated and destroyed. In 2016–17, FINTRAC destroyed nearly 18 million reports.
- In 2016–17, the Office of the Privacy Commissioner undertook its mandated bi-annual review of the measures taken by FINTRAC to protect the personal information it receives or collects. While the audit report had not been completed by the end of the fiscal year, FINTRAC is committed to using the audit's results to further strengthen its comprehensive approach to safeguarding the personal information it holds.

The Financial Transactions and Reports Analysis Centre (FINTRAC) is Canada's financial intelligence unit. The Centre operates within the ambit of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA) and its associated Regulations, and assists in the detection, prevention and deterrence of money laundering and the financing of terrorist activities.

The Centre houses both compliance and intelligence functions and is a key player in Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime. It assesses the compliance of regulated businesses and produces quality financial intelligence for police, law enforcement and national security agencies.

FINTRAC also generates strategic financial intelligence that informs decision-making among policy leaders, domestic and international partners and other stakeholders on matters relating to money laundering and terrorist financing. Recognizing that these illicit activities can reach across multiple jurisdictions, the Centre's intelligence role is vital to Canada's engagement in the global fight against money laundering and the financing of terrorist activities.



# COMPLIANCE PROGRAM

FINTRAC administers a comprehensive, risk-based compliance program to ensure that reporting entities fulfill their obligations, including the development of a compliance regime to identify clients, monitor business relationships, keep records and report certain types of financial transactions.

The Centre's approach to compliance sees more of FINTRAC's resources directed at higher-risk reporting entities and in those areas that most effectively facilitate the production of financial intelligence. This approach recognizes that the overall effectiveness of Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime is dependent upon businesses submitting high-quality and timely financial transaction reports.

By establishing an effective compliance regime, keeping detailed and accurate records, ascertaining the identity of clients, and submitting high-quality financial transaction reports to FINTRAC, reporting entities play a unique role in protecting the integrity of Canada's financial system. Through the implementation of these requirements, reporting entities are helping to deter and detect criminals, terrorists and associated organizations that seek to exploit financial systems for illicit purposes by making their financial activities more transparent.

## COMPLIANCE ACTIVITIES

In 2016–17, FINTRAC conducted 661 compliance examinations across all reporting entity sectors with a particular focus on real estate, financial entities and money services businesses sectors.

In a continued effort to improve the understanding of the PCMLTFA obligations within the real estate sector, the Centre focused its compliance activities in Vancouver and the Lower Mainland in British Columbia. The real estate market in these areas demonstrates a potential risk of money laundering due to high numbers of luxury properties and overwhelming concerns of foreign investment in the market.



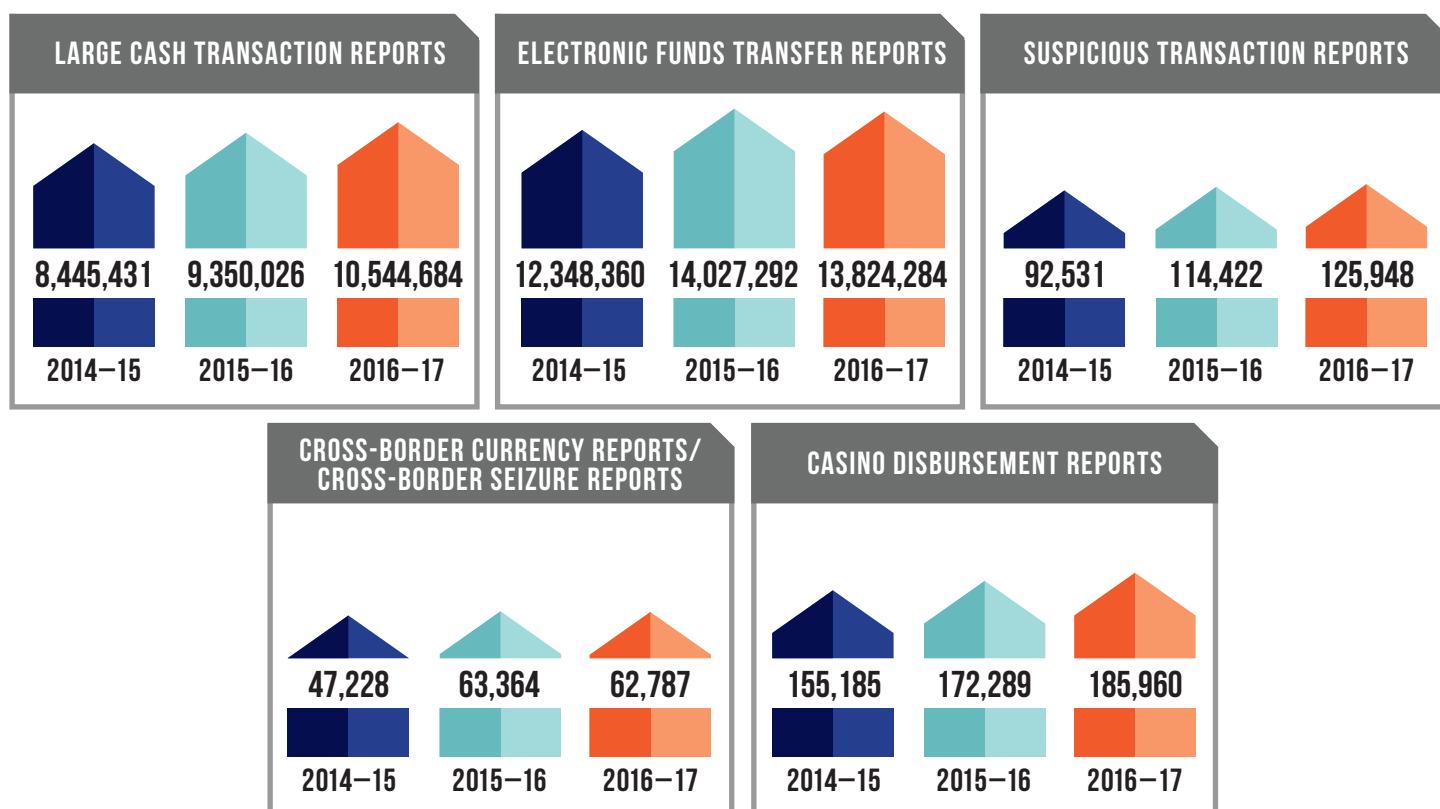
### What are reporting entities?

Reporting entities have specific obligations under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)* and associated Regulations to help combat money laundering and terrorist financing in Canada. Reporting entities are:

- Accountants
- Agents of the Crown
- British Columbia notaries
- Casinos
- Dealers in precious metals and stones
- Financial entities
- Life insurance companies, brokers and agents
- Money services businesses
- Real estate
- Securities dealers

FINTRAC conducted extensive outreach activities within the real estate and British Columbia notaries sectors, which included meetings and presentations with municipal and provincial real estate boards, and the Society of Notaries Public of British Columbia. These activities focused on providing information on money laundering and terrorism financing risks and vulnerabilities, in addition to submitting quality and timely suspicious transaction reports.

## OVERVIEW OF FINANCIAL TRANSACTION REPORTS RECEIVED



In November 2016, the Centre published its first Operational Brief entitled *Indicators of Money Laundering in Financial Transactions Related to Real Estate*. This report is intended to assist reporting entities involved in real estate transactions to meet their obligations to report suspicious transactions or attempted suspicious transactions that are related to the commission or attempted commission of a money laundering or terrorist activity financing offence.

## SUSPICIOUS TRANSACTION REPORTING

FINTRAC received an overall increase in suspicious transaction reporting by each sector subject to the PCMTLFA. Traditionally low-reporting sectors such as British Columbia notaries and real estate submitted an increased number of suspicious transaction reports compared to previous years. Most notably, the Centre has observed a 180 percent increase in suspicious transaction reporting from the real estate sector alone.

### What is a suspicious transaction report (STR)?

A reporting entity must submit an STR to FINTRAC when there are reasonable grounds to suspect that a transaction or attempted 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.

Because STRs include a narrative component, they can potentially provide tremendous intelligence value to the Centre. FINTRAC has made STR reporting a focus of its outreach activities. As a result, reporting entities have significantly increased their reporting over the past five years, with approximately 126,000 STRs submitted in the last year alone.



## DATABASE EXAMINATION REVIEWS

FINTRAC regularly assesses the financial transaction reports that it receives from reporting entities to determine whether an entity's reporting behaviour has changed since its most recent compliance examination. These database examination reviews determine whether follow-up compliance activities are required to address ongoing reporting deficiencies and are an effective tool in improving the compliance behaviour of reporting entities.

In 2016–17, FINTRAC conducted over 100 database examination reviews and determined that almost 80 percent of these examinations revealed a positive change in reporting behaviour.

## INFORMING REPORTING ENTITIES

### GUIDANCE

FINTRAC is currently modernizing its entire guidance suite for all reporting sectors to provide a clearer and more concise direction to meeting the legal obligations under the PCMLTFA. As part of this work, the Centre is also clarifying how it assesses reporting entity obligations during examinations.

Over the past year, FINTRAC held over 25 consultation sessions with reporting entity sectors and their respective industry associations to enhance their understanding of new reporting obligations, as well as to provide an overview of upcoming guidance that the Centre will publish in 2017–18.

### EXAMINATIONS

FINTRAC's approach to examinations has undergone a gradual shift from measuring technical compliance towards a holistic evaluation of the effectiveness of a reporting entity's compliance program. This approach takes into account the individual circumstances of each reporting entity and the impact of any non-compliance on Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime.

## ADMINISTRATIVE MONETARY PENALTIES

In 2008, FINTRAC received the legislative authority to issue administrative monetary penalties to reporting entities that are in non-compliance with the PCMLTFA. Since the administrative monetary penalties program came into effect, FINTRAC has issued 95 penalties.

Last year, the Centre initiated a review of its administrative monetary penalties program following a decision of the Federal Court of Appeal in May 2016. Following this review, the Centre is making revisions to its administrative monetary penalties program, including:

- Ensuring that it considers the unique factors in each case to determine the penalty amount based on the harm caused by the violations committed;
- Ensuring that any factors that lead to penalty assessments are clearly outlined; and
- Publishing updated comprehensive and clear information on the Centre's enhanced administrative monetary penalties policies and methodology.

### FINTECH

FINTRAC continues to work with public and private stakeholders, both domestic and international, to develop and share expertise on new financial technologies and their potential impact on Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime. Over the past year, the Centre has engaged reporting entities and private sector FinTechs to support ongoing efforts to identify money laundering and terrorism financing risks. The Centre has developed a suite of products, including research reports, to increase the level of understanding with regime partners, domestic and international allies, as well as private sector stakeholders.

### BENEFICIAL OWNERSHIP

In 2016, the Government of Canada and the Financial Action Task Force prioritized the issue of beneficial ownership. The concept revolves around the use of specific types of corporate vehicles and legal frameworks of different jurisdictions to obscure the relationship between assets, related money flows, and the individuals that ultimately own or control the assets and money. Current international standards and practices around beneficial ownership create favourable conditions for money launderers, which also affect the capacity of Canadian investigators to freeze and seize proceeds of crime in Canada.

As a result, FINTRAC conducted research in support of efforts to improve Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime compliance with respect to the transparency of legal persons and arrangements. This research examined the foreign risks of beneficial ownership to the Canadian economy and supported the creation of indicators to assist reporting entities in identifying transactions potentially linked to illicit beneficial ownership activities.

## OFFICE OF THE SUPERINTENDENT OF FINANCIAL INSTITUTIONS

As Canada's national anti-money laundering and anti-terrorist financing supervisor, FINTRAC works closely with the Office

of the Superintendent of Financial Institutions, which is the prudential supervisor of federally-regulated financial institutions. Both organizations perform their compliance roles and collaborate by exchanging information and conducting concurrent on-site assessments. The Office of the Superintendent of Financial Institutions and FINTRAC continue to define the scope of work and general operating principles that would govern the joint approach between the agencies. A joint pilot assessment was scheduled to commence in May 2017.

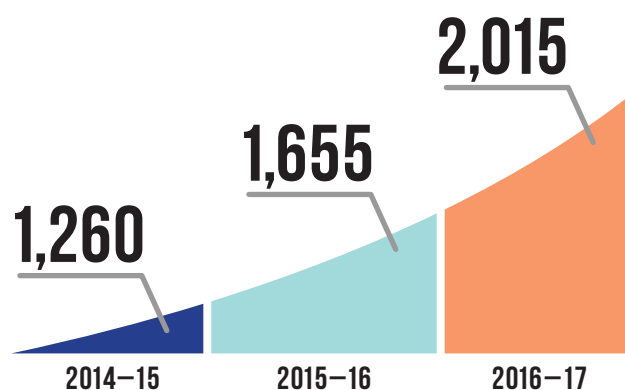
# FINANCIAL INTELLIGENCE PROGRAM

Last year, the Centre received approximately 25 million financial transaction reports from businesses across the country. To fulfill its intelligence mandate, FINTRAC is required to make a disclosure to Canada's police, law enforcement and national security agencies when it has reasonable grounds to suspect that the information it has analyzed would be relevant to the investigation or prosecution of a money laundering or terrorist activity financing offence.

FINTRAC describes its intelligence as "actionable" since it can show links between individuals and businesses that may have been previously unknown to investigators. Financial intelligence enables police, law enforcement and national security agencies to refine the scope of their investigations, to shift their sights to different targets and to identify assets for seizure and forfeiture.

Throughout 2016–17, FINTRAC continued to make significant investments in its Financial Intelligence Program, including the ongoing development of a sophisticated analytical system. By leveraging this system and utilizing the specialized expertise that has been developed over time, the Centre will have an

## FINTRAC DISCLOSURES: 2014–15 TO 2016–17



enhanced capacity to determine the intelligence value of financial transaction reports and continue to generate results that will have an important impact on the safety and security of Canadians.

## Who receives FINTRAC's disclosures?

When the Centre has reasonable grounds to suspect that the information it has analyzed would be relevant to an investigation or prosecution of a money laundering or terrorist activity financing offence, FINTRAC is required to make a disclosure to the appropriate police service.

When a separate threshold with respect to each agency is also met, FINTRAC must disclose the same information to the Canada Border Services Agency, the Canada Revenue Agency, the Communications Security Establishment and provincial securities regulators.

When the Centre has reasonable grounds to suspect that the information it has analyzed would be relevant to threats to the security of Canada, FINTRAC is required to make a disclosure to the Canadian Security Intelligence Service. When a separate threshold with respect to each agency is met, FINTRAC must disclose the same information to the appropriate police force, the Canada Border Services Agency and the Department of National Defence.

## INNOVATION IN PARTNERSHIPS: PROJECT PROTECT

*"Project Protect, [which includes] the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC), is an innovative model to identify traffickers and follow the money gained through exploitation of victims, thus contributing to the criminal investigation into human trafficking.*

*There is a wealth of commendable initiatives being undertaken across the country to address trafficking in persons, in particular for the purpose of sexual exploitation."*

*—Madina Jarbussynova, Organization for Security and Cooperation in Europe (OSCE) Special Representative and Co-ordinator for Combating Trafficking in Human Beings, following a five-day visit to discuss Canada's progress in implementing the OSCE anti-trafficking commitments.*

Established in 2016, Project Protect is a reporting entity-led initiative that mobilized partners across the country to combat human trafficking in the sex trade. Financial institutions committed to making the tracking of money laundering associated with this activity a priority of their compliance regimes.

The initiative was inspired by the story of Timea Nagy, a survivor of human trafficking and victims advocate, as well as RCMP information detailing the impact of the crime and the importance of looking at money flows to detect and investigate human traffickers. Canada's major banks, led by the Bank of

Montreal, invited FINTRAC and police to work together to target this heinous and often hidden crime by focusing on the money laundering component of the crime.

FINTRAC and Canada's major banks joined forces to develop a comprehensive list of indicators to assist businesses in identifying financial transactions and patterns of activities relating to human trafficking for sexual exploitation that may give rise to suspicions of money laundering.

This collaboration resulted in the December 2016 publication of FINTRAC's Operational Alert, *Indicators: The Laundering of Illicit Proceeds from Human Trafficking for Sexual Exploitation*. The Alert focused on the types of financial transactions, financial patterns and account activity that may raise suspicions of money laundering and trigger the requirement to send a suspicious transaction report to the Centre.

As a result of these efforts, FINTRAC received approximately 2,000 suspicious transaction reports from businesses across Canada relating to Project Protect during the 2016 calendar year. This is an increase of 400 percent from the previous year. The reports came from all the major banks and a number of money services businesses.

The financial transaction reports, particularly suspicious transaction reports, are the basis of the Centre's analysis and make it possible for it to deliver on its intelligence mandate. FINTRAC's financial intelligence provides insight into the operation of a human trafficking scheme. By following the money trail outlined in the Centre's disclosures, police can identify assets purchased with the proceeds of crime, uncover other perpetrators and victims through their financial

relationships, and corroborate a victim's story, which could help to secure convictions.

FINTRAC has worked closely with Canada's major banks to increase awareness and understanding of money laundering in relation to human trafficking for sexual exploitation through Project Protect. In addition, last year the Centre engaged the Canadian Police College to include information on the role that financial intelligence can play in supporting investigations of money laundering relating to human trafficking in the College's Human Trafficking Investigator's Course. In March 2017, FINTRAC provided a briefing at a United Nations workshop on the ways in which financial intelligence related to



## 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:

1. **Placement** which involves placing the proceeds of crime in the financial system;
2. **Layering** which involves converting the proceeds of crime into another form and creating complex layers of financial transactions to disguise the audit trail, the source and ownership of funds. This stage may involve transactions such as the buying and selling of stocks, commodities or property; and
3. **Integration** which 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.

money laundering can assist in disrupting human trafficking operations. The Centre also participated in numerous outreach activities with banks, credit unions and money services businesses across the country.

## COUNTERING TERRORISM FINANCING: AN ONGOING BATTLE

*“Countering terrorism and violent extremism, acts of which have struck G7 Members, as well as all regions of the world, regardless of country, nationality or belief, remains a major priority for the G7. [ . . . ]*

*We will refocus our efforts and take action to cut off sources and channels of terrorist financing and the financing of violent extremism.”*

*—G7 Taormina Statement on the Fight against Terrorism and Violent Extremism Taormina, Italy, May 26, 2017*

In support of this commitment, FINTRAC has continued to focus on suspicious transaction reporting. These reports are critical to the Centre's analytical process and the financial intelligence it generates for police, law enforcement and national security agencies. In collaboration with its Anti-Money Laundering and Anti-Terrorist Financing Regime partners, the Centre provided businesses with updated indicators related to terrorism financing to assist them in better understanding emerging threats in addition to suspicion triggers in relation to the financing of domestic violent extremism and high-risk travellers.

FINTRAC's analysis of financial transaction reports in 2016–17 led to 462 disclosures of actionable financial intelligence relevant to terrorism financing and threats to the security of Canada to police and the Canadian Security Intelligence Service. This is an increase of more than 40 percent from the previous year, and 300 percent from 2012.

Last year, the Centre's analysis was recognized by the RCMP's Integrated National Security Enforcement Team at the conclusion of Project SWAP. Following the RCMP investigation, a terrorism charge was laid against Kevin Omar Mohamed for participating in the activity of a terrorist group. He subsequently pleaded guilty to “participating in or contributing to, directly or indirectly, any activity of a terrorist group for the purpose of enhancing the ability of any terrorist group to facilitate or carry out a terrorist activity.”



## 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.

There are two main differences that 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.

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 financial intelligence units worldwide when it has reasonable grounds to suspect that its intelligence would be relevant to the investigation or prosecution of an offence that is substantially similar to a money laundering or a terrorist activity financing offence.

In 2016–17, FINTRAC signed agreements with foreign financial intelligence units in Austria, Bangladesh, Ghana, Gibraltar, the Holy See, Jordan, and Macao allowing it to disclose financial intelligence to these units, which brings the total number of agreements in place to 101. With these agreements, foreign financial intelligence units are also able to share their information with the Centre.

Following various terrorist attacks that have occurred around the world over the years, FINTRAC undertook proactive research on targets and offered assistance to the financial intelligence units of those jurisdictions.

In 2016–17, the Centre received 217 queries for information from foreign financial intelligence units in relation to terrorism financing and money laundering, and provided 318 disclosures. For its part, FINTRAC sent 146 requests to foreign financial intelligence units seeking further financial intelligence to broaden its own analysis. These requests were met with a 94 percent response rate.

# RESEARCH, COLLABORATION AND POLICY DEVELOPMENT

FINTRAC produces strategic financial intelligence for federal policy and decision-makers, businesses subject to the PCMLTFA, international partners and other stakeholders. The Centre's strategic intelligence is invaluable in strengthening Canada's

Anti-Money Laundering and Anti-Terrorist Financing Regime in its ability to prevent, detect, deter and disrupt the methods and techniques used by criminals to launder money or fund terrorist activities.

Over the past year, the Centre's strategic intelligence focused on Daesh's financing strategies and included an assessment of the financing available to the terrorist group through its territorial control. In December 2016, FINTRAC published an Operational Alert entitled *Identification of Higher-risk Currency Exchange Houses in Daesh-accessible Territory in Iraq*. The Alert provided additional guidance to Canadian businesses dealing with financial transactions emanating from, or destined to, jurisdictions under Daesh's control and surrounding areas.

Further pursuing its tactical and strategic financial intelligence work, FINTRAC assumed a leadership role in the international efforts taking place at the Financial Action Task Force, within the Egmont Group of international financial intelligence units, and in other organizations to help combat terrorism financing worldwide.

The Centre, through Egmont's Information Exchange on Money Laundering and Terrorist Financing Working Group, continues to work with member countries to further its multilateral information-sharing initiative. Member countries conduct studies on an ongoing basis on emerging money laundering and terrorism financing risks and develop appropriate strategies to mitigate them.

Working with Canada's police, law enforcement, national security agencies and thousands of businesses across the country, FINTRAC continues to identify and disclose on the funds that are supporting violent extremists and terrorists.



## GOING FORWARD

Over the coming months, FINTRAC will continue to work closely with the Department of Finance Canada, the policy lead for the Canadian Anti-Money Laundering and Anti-Terrorist Financing Regime, to develop legislative proposals in preparation for the upcoming five-year Parliamentary Review of the PCMLTFA. During this process, consultations will be held with reporting entity sectors to discuss these proposed amendments in order to ensure a smooth and successful implementation of the legislative and regulatory provisions.

The Centre will begin to implement its analytics system modernization project in order to gradually replace its entire suite of analytics tools, which will renew and enhance FINTRAC's analytics capabilities regarding the financial intelligence that it provides to its police, law enforcement and national security partners under the PCMLTFA.

FINTRAC will also build upon the success of Project Protect to develop a list of indicators of mass marketing fraud activities—a category of fraud committed through various forms of mass media communications including the Internet, telephone, text, mail, or fax—to assist reporting entities in identifying transactions potentially linked to money laundering and reporting suspicious transactions.

These initiatives will help strengthen FINTRAC's ability to ensure compliance with the PCMLTFA and provide actionable financial intelligence to Canada's police, law enforcement and national security agencies.



# THE VALUE OF FINTRAC DISCLOSURES

FINTRAC's disclosure helped identify the scope of financial resources of the prime suspect and associated businesses. Combining FINTRAC's information with ours will likely lead to new avenues of investigation involving the prime suspect and associated companies. [Translation]

**–Sûreté du Québec – Regional County Municipality of Vallée-de-l'Or**

FINTRAC's reporting product is among the finest produced by any financial intelligence unit. The Centre's response entailed significant research and coincided with coordinated operations occurring by law enforcement in the United States and Canada.

**–FinCEN (with the United States Postal Inspection Service)**

This is one of the best and most useful FINTRAC disclosures we have received. The report links numerous files together involving entities located in another country and known to the Agency. The information may be pivotal in identifying key players in a large criminal scheme.

**–Canada Border Services Agency**

The package provided by FINTRAC was one of the most extensive and accurate ones seen to date. This is greatly appreciated as it makes our jobs easier and, with other information, helps us to provide the best possible evidence to courts.

**–RCMP 'E' Division – Kelowna Drug Section**

This FINTRAC disclosure is the most well-presented, informative and, above all else, useful response we have ever received. It has provided us with much greater insight into the target group, specifically linking entities that were previously known to the investigation, but were unable to be linked. The report was of a very high standard and the chart was a very helpful addition.

**–Australian Transaction Reports and Analysis Centre**

As usual, FINTRAC has provided invaluable information in pursuit of ongoing investigative matters. The clarity of the final report as well as the insights it provides are very useful to our organization.

**–RCMP – National Intelligence Coordination Centre Ottawa**

The information provided by FINTRAC is a vital part of many of our investigations. The work completed by FINTRAC is outstanding and has been used, with other information, in support of our requests for judicial authorization for production orders and search warrants.

**–Toronto Police Service**

## **FINANCIAL TRANSACTIONS AND REPORTS ANALYSIS CENTRE OF CANADA**

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