



Financial Transactions and
Reports Analysis Centre
of Canada

Centre d'analyse des opérations
et déclarations financières
du Canada

FINTRAC

Annual Report 2017–18



Canada

2017–18 HIGHLIGHTS

FINANCIAL INTELLIGENCE

2,466

DISCLOSURES OF FINANCIAL INTELLIGENCE
to police, law enforcement and national security agencies

- 1,821** disclosures related to money laundering
- 447** disclosures related to terrorism financing and threats to the security of Canada
- 198** disclosures related to money laundering, terrorism financing and threats to the security of Canada

Contributed to
262
PROJECT-LEVEL INVESTIGATIONS
across Canada



TOP THREE PREDICATE OFFENCES

related to financial intelligence disclosures

35%
DRUGS

34%
FRAUD

12%
TAX EVASION

TOP THREE RECIPIENTS

of FINTRAC financial intelligence disclosure packages

1,664
**ROYAL CANADIAN
MOUNTED POLICE**

1,198
**MUNICIPAL
POLICE**

581
**CANADIAN SECURITY
INTELLIGENCE SERVICE**

STRATEGIC INTELLIGENCE

Operational Alert:
*Democratic People's Republic
of Korea's Use of the
International Financial System
for Money Laundering/
Terrorist Financing*

PUBLISHED



Operational Alert:
*Laundering of the
Proceeds of Fentanyl
Trafficking*

Led the development of a
RESEARCH AND TYPOLOGIES REPORT
on virtual currencies at the Egmont Group



COMPLIANCE



500
COMPLIANCE EXAMINATIONS
conducted across the country

63%
OF FOLLOW-UP EXAMINATIONS
showed improvement over
the previous examination

5
NON-COMPLIANCE DISCLOSURES
provided to police

6,652
RESPONSES TO ENQUIRIES
from businesses

374
POLICY INTERPRETATIONS ISSUED
to assist with compliance

94
**OUTREACH PRESENTATIONS,
TRAINING SESSIONS
AND CONSULTATIONS**
with businesses and stakeholders

GLOBAL CONTRIBUTION



Working with international partners to combat
money laundering and terrorism financing:

- 255** **QUERIES RECEIVED**
- 211** **QUERIES SENT**
- 401** **DISCLOSURES TO FOREIGN
FINANCIAL INTELLIGENCE UNITS**

DELIVERED A COUNTER-TERRORISM FINANCING WORKSHOP
in Senegal to analysts from **13 COUNTRIES** in Northern and Western Africa

CO-LED THE FINANCIAL ACTION TASK FORCE'S PROJECT
on the **FINANCIAL FLOWS FROM HUMAN TRAFFICKING**
along with the United Kingdom and Indonesia



MESSAGE

from the Director and Chief Executive Officer



I am pleased to share the impressive results that FINTRAC achieved in 2017–18 in helping to protect the safety, security and prosperity of Canadians.

With Canadian businesses across the country, the Centre plays a critical role in protecting Canada's financial system. Compliance with the legislation brings transparency to certain financial activities, helping to deter criminals and terrorists from operating within the legitimate channels of our economy.

It also ensures that FINTRAC receives the information it needs to generate financial intelligence for Canada's police, law enforcement and national security agencies. Over the past year, the Centre provided 2,466 disclosures of actionable financial intelligence in support of money laundering and terrorist financing investigations across the country.

The effectiveness of FINTRAC and Canada's broader Anti-Money Laundering and Anti-Terrorist Financing Regime can be seen with Project Protect, a unique public-private sector initiative that mobilized Canada's banks, FINTRAC and police agencies across the country to combat human trafficking in the sex trade.

With the information that we receive from Canadian businesses and through our financial intelligence disclosures, the Centre also generated critical strategic intelligence last year for police, national security agencies, federal decision-makers and international partners, as well as operational briefs and alerts and other strategic information to support the compliance efforts of businesses across the country.

The results that FINTRAC achieves for Canadians would not be possible without the dedicated efforts of businesses across the country. We are committed to working with these businesses to ensure that they understand, and are able to comply with, their legal obligations. We are also committed to engaging them transparently and with an open mind as we look to reduce burden and further strengthen our program.

It is an interesting and critical time for FINTRAC with the ongoing parliamentary review of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, new regulatory changes, the implementation of our new analytics system and the tremendous technological change that is taking place, including in the financial sector. Under the broad leadership of Finance Canada and with our regime partners, we are setting the course for the Centre for many years to come.

As we chart this course, I feel privileged to have the opportunity to work with the high-calibre professionals at FINTRAC. They are recognized here in Canada and internationally for their knowledge, expertise and dedication and are indispensable to Canada's fight against money laundering and the financing of terrorism.

Nada Semaan
Director and Chief Executive Officer



FINTRAC's MANDATE

As Canada's financial intelligence unit and anti-money laundering and anti-terrorist financing regulator, FINTRAC plays a critical role in helping to combat money laundering, terrorism financing and threats to the security of Canada.

The Centre produces actionable financial intelligence in support of the money laundering and terrorism financing investigations of Canada's police, law enforcement and national security agencies. FINTRAC also generates valuable strategic financial intelligence, including specialized research reports and trends analysis, for regime partners and policy decision-makers, businesses and international counterparts that shines a light on the nature, scope and threat posed by money laundering and terrorism financing.

The Centre is able to fulfill its financial intelligence mandate by working with Canadian businesses to ensure compliance with the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*. Compliance with the Act helps to prevent and deter criminals from using Canada's legitimate economy to launder the proceeds of their crimes or to finance terrorist activities. It also ensures that the Centre receives the information that it needs to produce financial intelligence for Canada's police, law enforcement and national security agencies.

FINTRAC's financial intelligence is in high demand internationally, as is its specialized intelligence and supervisory knowledge and expertise. The Centre is regularly asked to lead international conferences and workshops and to contribute to global research projects, training and bilateral and multilateral capacity-building initiatives.

In fulfilling its core financial intelligence and compliance mandates, FINTRAC is committed to safeguarding the information that it receives and discloses to Canada's police, law enforcement and national security agencies. The Centre understands that the protection of privacy is critical to maintaining Canadians' confidence in FINTRAC and Canada's broader Anti-Money Laundering and Anti-Terrorist Financing Regime.

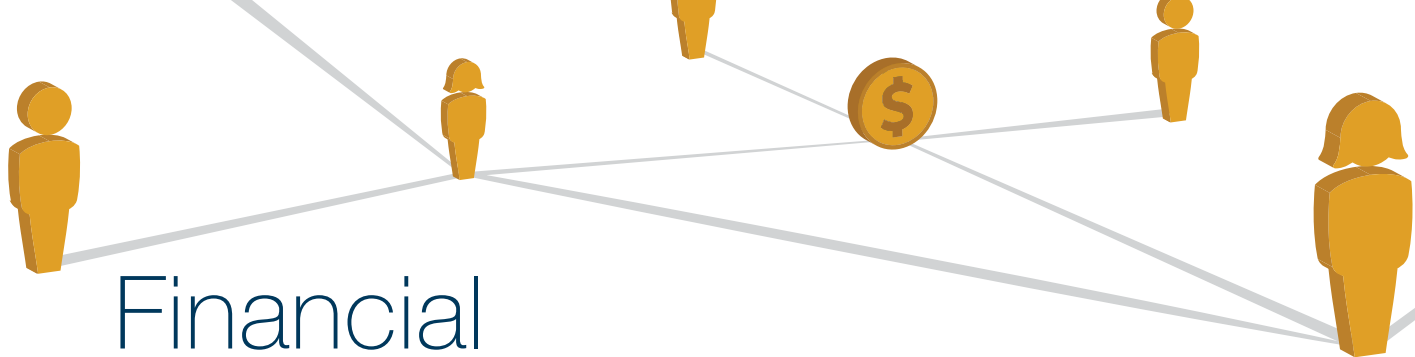


What Is Money Laundering?

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 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 into 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.



Financial INTELLIGENCE

As part of its core mandate, FINTRAC provides actionable financial intelligence to Canada's police, law enforcement and national security agencies to help them combat money laundering, terrorism financing and threats to the security of Canada.

Often based on hundreds or even thousands of financial transactions, the Centre's financial intelligence disclosures may show links between individuals and businesses that have not 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.

FINTRAC's financial intelligence is also used 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 December 2017, the Red Deer RCMP recognized the value of FINTRAC's financial intelligence to a 20-month fraud investigation into an alleged \$10.2 million Ponzi scheme in Alberta. One individual was charged with three counts of fraud, laundering the proceeds of crime, and the possession of property obtained by crime.

In 2017–18, FINTRAC provided 2,466 disclosures of actionable financial intelligence to its regime partners, an increase of 22 percent from the previous year and 49 percent over the past three years.

Of FINTRAC's disclosures, 1,821 were related to money laundering, 447 cases were relevant to terrorism financing and threats to the security of Canada, and 198 were related to money laundering, terrorism financing and threats to the security of Canada.



DISCLOSURE PACKAGES BY RECIPIENT: 2017–18

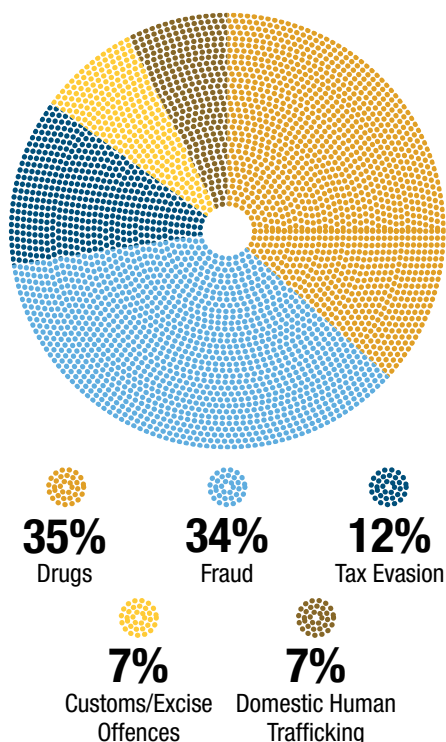


Throughout 2017–18, the Centre's financial intelligence contributed to 262 project-level investigations at the municipal, provincial and federal levels across the country. Canadian police forces — particularly the Royal Canadian Mounted Police — continue to be the main recipients of FINTRAC's financial intelligence. The fact that FINTRAC's disclosures can be provided to a number of agencies simultaneously, with appropriate authorization, means that the Centre can help police, law enforcement and national security agencies connect criminal activities and operations across multiple jurisdictions by following the money.

FINTRAC maintains productive working relationships with Canada's police, law enforcement and national security agencies to ensure that its financial intelligence is relevant, timely and valuable. The Centre continually seeks feedback on its financial intelligence from disclosure recipients at the municipal, provincial and federal levels. Over the past year, FINTRAC received 662 disclosure feedback forms, 92 percent of which indicated

that the Centre's financial intelligence was actionable. This is a clear and significant measure of the effectiveness and results that FINTRAC achieves under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*. Examples of the feedback that the Centre received in 2017–18 can be found in Annex A.

TOP FIVE PREDICATE OFFENCES RELATED TO CASE DISCLOSURES: 2017–18



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

In 2017–18, FINTRAC received 2,397 voluntary information records from Canada's police, law enforcement and national security agencies, as well as from members of the public. This is an increase of 22 percent from the previous year and 48 percent over the past three years. These records provide key intelligence on alleged criminals and terrorists and are often the starting point for the Centre's analysis. They are used by FINTRAC to establish connections between individuals and entities and to build financial intelligence that, in turn, provides disclosure recipients with valuable leads in their investigations. The significant increase in the number of voluntary information records received in recent years, particularly from police at all levels, is a clear indication of the value that is placed on the Centre's financial intelligence.

Results through Public-Private Partnerships

As a recognized leader in the exploitation of financial intelligence, FINTRAC has played a leading role in establishing and advancing several innovative public-private sector partnerships aimed at more effectively combatting money laundering associated with human trafficking in the sex trade, romance fraud and the trafficking of illicit fentanyl. By partnering with Canadian businesses, police and law enforcement agencies across Canada, FINTRAC has been effective in identifying and following the money to identify potential subjects, uncovering broader financial connections, and providing intelligence to advance national, project-level investigations.

Project Protect: Combatting Human Trafficking in the Sex Trade

Launched in 2016, Project Protect is a unique public-private sector partnership that targets human trafficking in the sex trade by focusing on the money laundering aspect of the crime. This innovative initiative, inspired by Timea Nagy, a survivor of human trafficking and victims advocate, has helped to protect some of Canada's most vulnerable citizens and to make the fight against human trafficking in the sex trade a collective priority.

Through Project Protect, FINTRAC has worked closely with Canada's financial institutions to increase awareness and understanding of money laundering in relation to human trafficking in the sex trade. In collaboration with Canada's major banks and law enforcement, FINTRAC developed an Operational Alert, *Indicators: The laundering of illicit proceeds from human trafficking for sexual exploitation*. The publication has helped to significantly increase awareness of financial transaction patterns that may be linked to money laundering related to human trafficking in the sex trade so that businesses recognize when to submit a suspicious transaction report to the Centre.

As a result of these efforts, FINTRAC saw a significant increase in suspicious transaction reporting from businesses relating to Project Protect in 2017–18. Since the initiative was established in 2016, suspicious transaction reporting connected to the project has increased, in total, by 782 percent.

With the increased suspicious transaction reporting from Canadian businesses in 2017–18, FINTRAC was able to provide 142 disclosures of actionable financial intelligence to Canada's municipal, provincial and federal police forces in support of their human trafficking investigations. This is an increase of 19 percent from the previous year and an overall increase of 450 percent since the project was established. A sanitized case from Project Protect can be found in Annex B.

Project Protect is the first of its kind in the world and it has received tremendous international interest in understanding and replicating it. Given its success, it has also led to the creation of similar initiatives such as Project Chameleon, a public-private initiative that focuses on romance fraud, and Project Guardian, a public-private partnership that targets the trafficking of illicit fentanyl.

DISCLOSURES PROVIDED IN RELATION TO PROJECT PROTECT

2017–18 **142**

2016–17 **120**

2015–16 **26**

Project Chameleon: Tackling Romance Fraud

Launched in June 2017, Project Chameleon is a public-private initiative that focuses on financial transactions that may be linked to romance fraud. The initiative has mobilized businesses, FINTRAC and law enforcement, with the goal of identifying the perpetrators and helping to protect victims' money.



The Cost of Romance Fraud

Some romance frauds can last years, costing victims anywhere from a few hundred dollars to hundreds of thousands. In one case, a Toronto woman lost more than \$450,000 over the course of seven years. The case is being investigated by the Toronto Police Service.

RCMP: *Just the Facts*, October 3, 2017

Romance fraud is one of the fastest growing types of fraud in Canada. This illicit activity involves an individual with false romantic intentions gaining a victim's trust in order to take their money and/or gain access to their bank accounts or credit cards. In some cases, the suspect even attempts to get the victim to commit fraud on their behalf as a money mule by accepting, then transferring money or goods, often unknowingly.

The Royal Canadian Mounted Police reported that, in 2016, there were more than 700 reported victims of romance fraud scams in Canada. This type of fraud represents a loss of 17 million dollars for the victims.

Since the launch of Project Chameleon, FINTRAC has seen a considerable increase in suspicious transaction reporting relating to romance fraud. As a result, the Centre was able to provide 107 financial intelligence disclosures to municipal, provincial and federal police agencies relating to 257 subjects in 2017–18. These disclosures include financial transactions from over 1,100 suspicious transaction reports, 476 international electronic funds transfer reports and 358 large cash transaction reports. In many cases, FINTRAC was able to link perpetrators who were transacting with numerous victims from reports received from different financial institutions. The suspicious transaction reports that the Centre received from businesses also helped to build a clearer view of romance fraud networks that have been formed in Canada and abroad.

Through Project Chameleon, FINTRAC has helped police to instigate investigations against the perpetrators and to contact victims directly to stop the fraud.



From January to September 2017, there were at least 2,923 apparent opioid-related deaths in Canada – 92% were accidental.

72% of accidental apparent opioid-related deaths involved fentanyl or fentanyl analogues, compared to 55% in 2016.

National Report: Apparent Opioid-Related Deaths in Canada, Public Health Agency of Canada (March 2018)

Project Guardian: Countering the Trafficking of Fentanyl

Building on the success of Projects Protect and Chameleon, Project Guardian was launched in February 2018 as a new public-private sector initiative to combat the trafficking of illicit fentanyl, an opioid that is devastating many Canadian communities.

Through a strategic analysis of its financial intelligence, and in collaboration with Canada's financial institutions and the RCMP, FINTRAC developed a comprehensive list of money laundering indicators showing how drug traffickers exploit the financial system to acquire fentanyl and to launder the proceeds of this illicit activity.



The RCMP's Greater Toronto Area Combined Forces Special Enforcement Unit recognized the value of FINTRAC's financial intelligence to Project OTremens, an investigation into the alleged trafficking of drugs and firearms. Nine individuals were charged with 75 criminal offences, including the trafficking of fentanyl and carfentanil, heroin, cocaine, methamphetamine and weapons.

The publication of FINTRAC's Operational Alert, *Laundering of the Proceeds of Fentanyl Trafficking*, has helped businesses to identify the financial transactions that may indicate the purchase of fentanyl and the laundering of their proceeds of crime, and to trigger the requirement to send a suspicious transaction report to the Centre.



As a result of these efforts, FINTRAC received a significant number of suspicious transaction reports from businesses relating to the trafficking of illicit fentanyl in 2017–18. With this reporting, FINTRAC was able to generate 189 disclosures of actionable financial intelligence last year in support of the money laundering and fentanyl/drug trafficking investigations of Canada's municipal, provincial and federal police agencies.

Strategic Intelligence

With the information that it receives from its regime partners and businesses across the country, FINTRAC is also able to produce valuable strategic intelligence in the fight against money laundering and terrorist activity financing. Through the use of analytical techniques, the Centre is able to identify emerging characteristics, trends and tactics used by criminals to launder money or fund terrorist activities. The goal of FINTRAC's strategic intelligence is to inform regime partners and policy decision-makers, businesses, Canadians and international counterparts about the nature and extent of money laundering and terrorist activity financing in Canada and throughout the world.

In 2017–18, the Centre produced 18 strategic financial intelligence assessments and reports and contributed financial intelligence insight and expertise to numerous regime partner projects. The majority of FINTRAC's strategic intelligence was focused on specific money laundering and terrorism financing issues, including a number of terrorism financing jurisdictions of concern. This intelligence was generated to support the Centre's own intelligence work as well as that of the Canadian security and intelligence community. FINTRAC also provided strategic financial intelligence to the Department of Finance Canada, as the lead of Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime, including on the involvement of lawyers in money laundering and risks related to foreign beneficial ownership issues.



The Toronto Police Service recognized the value of FINTRAC's financial intelligence to Project Royal, an investigation that dismantled an organized fraud ring involving credit card account takeovers and trafficking in stolen identities. Several fraud and identity theft related charges were laid against two individuals. Notebooks containing the stolen identity information of approximately 5,000 Greater Toronto Area residents were seized and the financial losses exceeded \$10 million.

Over the past year, FINTRAC also produced strategic intelligence to assist Canadian businesses in understanding the potential risks and vulnerabilities in their sectors and in complying with their obligations under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*. In addition to providing businesses with indicators of money laundering in relation to fentanyl and the Democratic People's Republic of Korea's (North Korea) use of the international financial system, the Centre also produced information on mass marketing fraud to assist businesses in strengthening their compliance programs.

FINTRAC's strategic financial intelligence also supports the long-term legislative and regulatory goals of Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime by assisting federal policymakers in understanding emerging issues, trends and patterns in the broader money laundering and terrorism financing environment. In 2017–18, the Centre focused its strategic efforts on identifying trends arising from the rapid growth of financial technology (FinTech), including how the technology could be used to launder money or to finance terrorism. FINTRAC produced and presented strategic analysis on various FinTech related topics, including the emergence of virtual currencies, Blockchain, the Internet of Things and big data.



In February 2018, the Canada Revenue Agency recognized the value of FINTRAC's financial intelligence to an offshore criminal tax evasion investigation related to the Panama Papers. The execution of three search warrants in Calgary, West Vancouver, and the Greater Toronto Area led to the identification of a series of financial transactions to offshore bank accounts used to evade taxes.

As part of a global effort to understand and identify how virtual currencies are impacting the work of financial intelligence units worldwide, FINTRAC led the development of a research and typologies report on virtual currencies at the Egmont Group, a united body of 155 international financial intelligence units. The report was a collaborative effort among twelve international financial intelligence units, an international banking organization (The Wolfsberg Group) and a foreign financial regulator. The report examined new trends involving the use of virtual currencies and some of the products and services associated with virtual currencies. It also provided law enforcement with examples of cases in an effort to help identify how virtual currencies are used in predicate offences.

Under Project Capstone, FINTRAC also engaged academia in 2017–18 on a number of timely issues such as ransomware and digital forms of identification. This type of collaboration with academia provides important insights that FINTRAC can leverage and share with its regime partners. It also provides an opportunity for students and universities to contribute to Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime and to develop analytical capabilities that organizations like FINTRAC employ.

Strategic Coordination and Collaboration

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

Throughout 2017–18, FINTRAC played an active role in support of the five-year parliamentary review of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* by the House of Commons Standing Committee on Finance. The Centre worked with the Department of Finance Canada and other regime partners to identify issues and proposals for consideration as part of a consultation paper, *Reviewing Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime*, which was published in February 2018 to help inform the broader review. FINTRAC also appeared at committee hearings on three separate occasions to describe its supervisory and financial intelligence functions and results, and to answer questions on a variety of money laundering and terrorism financing related issues.



The Ontario Provincial Police recognized the value of FINTRAC's financial intelligence to Project HOPE, an intercontinental investigation that netted the largest single drug seizure in OPP history. 1,062 kilograms of pure cocaine, with the street value of approximately \$250 million, was seized. Three individuals were charged with the importation of cocaine and possession of cocaine for the purpose of trafficking.



Over the past year, FINTRAC also supported the development of new regulations by the Department of Finance Canada following a number of legislative changes in 2014, including the coverage of virtual currencies under the Act. In addition to providing its strategic and operational financial intelligence insight during the crafting of the regulations, the Centre generated a series of concept notes on the proposed changes to assist businesses in understanding their new obligations, including dealing in virtual currency, foreign money services businesses, electronic funds transfers, client identification and prepaid payment products. FINTRAC also worked closely with the Department of Finance Canada to prepare broad consultations on the proposed regulatory changes with businesses and their industry associations. As well, the Centre began the process of identifying and addressing the impact that the changes will have on its own operations and systems.

In 2017–18, FINTRAC's financial intelligence and anti-money laundering and anti-terrorism financing expertise helped to inform broader, Government of Canada policy discussions and decisions through various interdepartmental working groups dealing with issues such as human trafficking, contraband tobacco, the legalization of cannabis, corporate transparency, sanctions and counter-proliferation. As well, through the National Inherent Risk Assessment Working Group, the Centre has supported the Department of Finance Canada in determining which new business sectors or industries may need to be assessed for money laundering and terrorism financing risk. It has also taken the lead on updating several existing money laundering and terrorism financing vulnerability profiles in relation to real estate, casinos, open and closed loop prepaid access and virtual currencies.



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.



COMPLIANCE

As part of its core mandate, FINTRAC also administers a comprehensive, risk-based compliance program to assist and ensure that thousands of Canadian businesses fulfill their obligations under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*.

These obligations allow for certain economic activities to be more transparent, which helps deter criminals and terrorists from using Canada's financial system to launder the proceeds of their crimes or to finance terrorist activities.

Compliance with the legislation also ensures that FINTRAC receives the information that it needs to generate critical financial intelligence for Canada's police, law enforcement and national security agencies. Financial transaction reporting statistics can be found in Annex C.



Canadian Businesses Covered Under the Act

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

Assistance

FINTRAC is committed to working with businesses across the country to assist them in understanding and complying with their obligations.

Outreach and Engagement

Throughout 2017–18, FINTRAC engaged in 94 outreach and engagement activities, including providing presentations, undertaking consultations with business sectors and engaging in meetings with industry associations and other regulators. The Centre's outreach efforts continued to focus on suspicious transaction reporting, given its importance in the analytical process and the financial intelligence that it generates for police, law enforcement and national security agencies.

In June 2017, the Centre held its Fourth Annual Major Reporters Forum, bringing together a number of regime partners and Canada's largest financial institutions that provide more than 90 percent of the reports that FINTRAC receives every year. The Forum focused on the compliance examination process and the money laundering and terrorism financing risks in a digitized world. It also included information on the Canada Revenue Agency's compliance priorities, as well as on its Criminal Investigations Program and its Offshore and Aggressive Tax Planning Programs, particularly in relation to the nexus between money laundering and tax evasion.

In November 2017, a meeting of the Suspicious Transaction Reporting Working Group was held with representatives of major reporters to look at initiatives that could be undertaken to enhance the quality, timeliness and volume of suspicious transaction reporting. The Working Group also discussed longer-term, strategic measures to influence the future of suspicious transaction reporting.

Comprehensive Guidance

FINTRAC provides businesses with comprehensive, clear and direct guidance to help them better understand and comply with their obligations under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*. In 2017–18, the Centre consulted with businesses across the country on new and revised guidance, including in relation to suspicious transaction reporting, beneficial ownership, politically exposed persons, client identification methods, and others. Following consultation, the Centre published comprehensive new guidance and undertook a major restructuring of its website to make it easier for businesses to navigate compliance-related information.



Reference number: 17/18-SIDEL-003A
January 31, 2018

Laundering of the proceeds of fentanyl trafficking

The prescription opioid fentanyl is used to treat severe pain caused by cancer and invasive surgeries. Carfentanyl is a synthetic analogue of this drug, created for veterinary purposes to be more potent and cheaper. Traffickers are producing and distributing deadly black-market versions of fentanyl and its analogues to meet the demand for illicit prescription painkillers. The growing number of deaths from taking fentanyl is a public health crisis in Canada.

Financial intelligence suggests that traffickers procure fentanyl, and its analogues and precursors, from overseas sources, mainly in China. Traffickers most often pay for these materials with wire transfers and money orders processed by money services businesses, but use virtual currency in some instances. Fentanyl and its analogues are typically smuggled into Canada through the postal system, prior to being distributed through networks in a small area surrounding the arrival point. The laundering of the proceeds of fentanyl trafficking in Canada generally takes place through Canadian banks, caisses populaires and credit unions. It largely resembles the financial transactions associated with low-level drug trafficking but has some unique characteristics, as set out in the indicators, below.

Entities required to report to FINTRAC should consider the following indicators relevant to their sector in tandem with the low-level drug trafficking indicators that follow to effectively identify potential money laundering activities associated with the trafficking of fentanyl.

Indicators of procurement of fentanyl via money services businesses

- Client purchases wire transfers or money orders for amounts below the \$10,000 reporting threshold at multiple money services businesses over a short time period, normally with cash or prepaid credit cards. Typically, the wire transfers and money orders are sent by numerous, seemingly unconnected individuals in Canada to the identical recipients in China (in Wuhan, Zhuhai, Guangzhou, Xianju and Shanghai, in particular), Ukraine and India.
- Client pays for wire transfers in Canadian funds, which are then received in even dollar amounts.
- Client sometimes uses a post office box as a mailing address.
- Client receives multiple direct deposits from global payment processing and/or virtual currency exchange platforms, typically in amounts below the reporting threshold.
- Client requests wire transfers to companies advertising the sale of fentanyl and/or its known chemical precursors: NPP (1-Phenethyl-4-piperidone); ANPP (4-azido-2-nitrophenyl Phosphate) and Norfentanyl (N-phenyl-N-pieteridin-4ylpropanamide).

Indicators of money laundering through banks, caisses populaires and credit unions

- Client deposits cash into an account and then immediately moves it via email money transfers, transfers between accounts, drafts or cheques, or withdraws it, often at multiple financial institutions.
- Client conducts significantly more email money transfers—generally for small amounts—than would be typical for a customer with his or her profile.

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In order to facilitate the compliance of businesses subject to the Act, FINTRAC develops strategic financial intelligence, including operational alerts and briefs and key indicators of money laundering and terrorist activity financing. Last year, the Centre worked with businesses and law enforcement, as part of Project Guardian, to develop indicators of money laundering in relation to the trafficking of fentanyl, a drug that is devastating communities across the country. These indicators have assisted businesses in identifying and reporting hundreds of suspicious transactions to FINTRAC.

In 2017–18, the Centre also published an operational alert to inform Canadian businesses of the money laundering and terrorist activity financing patterns, indicators and risk areas related to the Democratic People's Republic of Korea's (North Korea) suspected use of the international financial system for money laundering and terrorist activity financing. This alert was published in December 2017, along with new guidance on a ministerial directive advising businesses to treat all transactions with North Korea as posing a high risk.

Policy Interpretations

Over the past year, FINTRAC provided 374 policy interpretations to clarify its approach to the application of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, a 35 percent increase over the previous year. The largest number of interpretations were prepared for the money services businesses sector (57 percent), followed by the financial entity sector (16 percent). The most common interpretations were about

POLICY INTERPRETATIONS PROVIDED

2017–18 **374**

2016–17 **278**

2015–16 **302**

ascertaining identity, reporting international electronic funds transfers and determining if a business was considered a reporting entity under the Act.

FINTRAC's policy interpretations, many of which involve complex business models, are posted on its website, without identifying information, to assist other businesses that may have similar questions.

Responses to Enquiries

In 2017–18, the Centre responded to 6,652 enquiries from businesses in every reporting sector on a broad range of issues, including reporting obligations, access to reporting systems and the registration of money services businesses. This is a 16 percent increase over the previous year. The largest number of enquiries came from the money services businesses sector (37 percent), followed by the real estate sector (31 percent) and the financial entities sector (16 percent).

NUMBER OF QUERIES ANSWERED

2017–18 **6,652**

2016–17 **5,719**

2015–16 **5,468**

Money Services Business Registry

Businesses that offer the exchange of foreign currencies, the transfer of money, or that cash/sell money orders or traveller's cheques must register with FINTRAC before offering these services to the public. Moreover, they must renew their registration every two years. Individuals convicted of certain offences under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, the *Controlled Drugs and Substances Act*, or 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. Last year, 295 new money services businesses registered with FINTRAC and 191 businesses were renewed. As of March 31, 2018, 961 money services businesses were registered with the Centre.



In July 2017, the Peel Regional Police recognized FINTRAC's contribution to Project Cartella, a year-long investigation that resulted in the arrest of 16 individuals and the seizure of nearly three million dollars worth of drugs from various residential and commercial properties in the Greater Toronto Area.



Assessment

In addition to assisting businesses in understanding their obligations, FINTRAC has a number of different assessment tools in place to verify the compliance of thousands of businesses across the country.

Compliance Assessment Reports

The Centre issues compliance assessment reports to enhance its coverage in business sectors and to complement other compliance activities. Businesses are required to answer a set of specific questions, which helps FINTRAC assess their compliance and address any concerns that may arise from their responses. In 2017–18, 250 businesses in the real estate sector received a compliance assessment report.

Data Integrity and Database Examination Reviews

FINTRAC monitors the quality, timeliness and volume of the financial transaction reporting that it receives from businesses across the country. Over the past few years, the Centre has invested heavily in validating and monitoring reporting data, including improving its business processes to increase the effectiveness of its monitoring.

When a number of issues related to reporting data quality, timing and volume are identified, FINTRAC addresses them through engagement, an examination or another compliance activity.

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

In 2017–18, FINTRAC conducted 75 database examination reviews, almost 80 percent of which revealed a positive change in reporting behaviour.

COMPLIANCE EXAMINATIONS UNDERTAKEN

2017–18 **500**

2016–17 **661**

2015–16 **739**

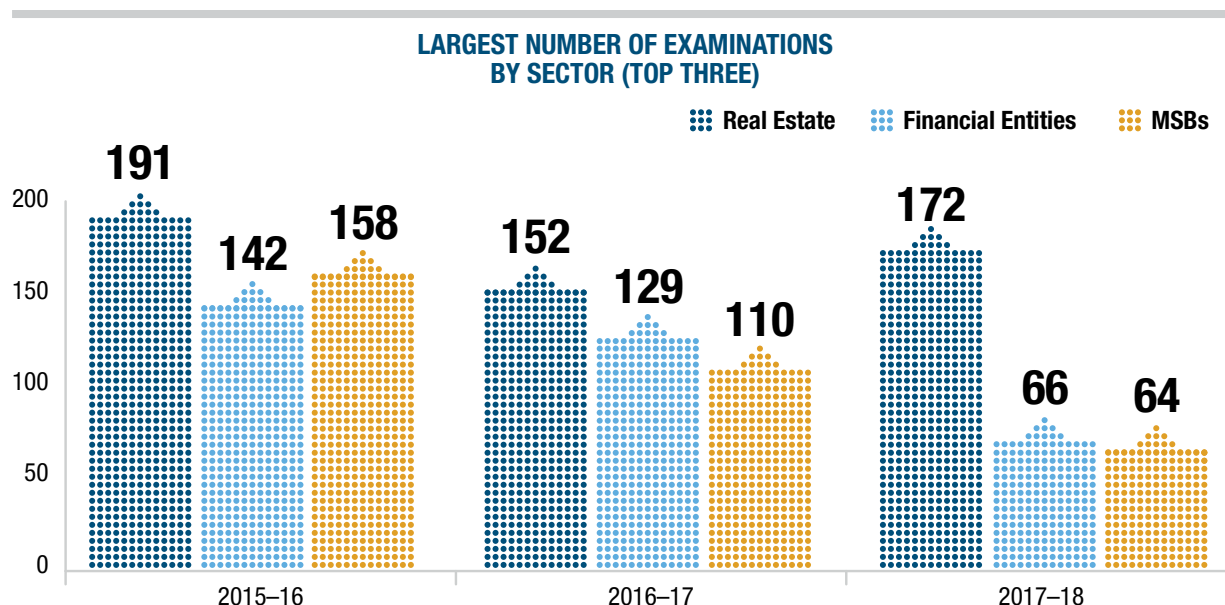
Compliance Examinations

Examinations are the Centre's primary instrument for assessing the compliance of businesses subject to the Act. FINTRAC uses a risk-based approach to select the businesses that will be examined every year, focusing a significant portion of its examination resources on the businesses that report large numbers of transactions or are at a higher risk of being deficient or exploited by money launderers or terrorist financiers.

In 2017–18, FINTRAC focused its efforts on more complex, lengthy and in-depth examinations of larger businesses in higher-risk sectors in order to determine how effectively they were fulfilling their compliance obligations. Of its 500 compliance examinations, the largest number was focused on the real estate sector (172), followed by financial entities (66) and money services businesses (64).

Over the past year, FINTRAC and the Office of the Superintendent of Financial Institutions piloted a joint assessment approach to conducting compliance examinations of Federally Regulated Financial Institutions. The objective of the pilot is to develop a supervisory model that reduces business interruptions and administrative burden by conducting on-site assessments together and issuing joint letters when feasible.

Over the past year, FINTRAC's approach to examinations continued to advance. When the Centre's compliance program was established more than a decade ago, examinations were undertaken in a more technical fashion, where, among other things, minor and repeated deficiencies were identified and captured to evaluate the overall compliance level of a business. FINTRAC is now moving to a broader assessment approach, where the emphasis is on the overall effectiveness of a business' compliance program, as well as on the impact of non-compliance on the Centre's ability to carry out its mandate, including generating financial intelligence. With this new approach, the Centre considers the measures that are in place to mitigate money laundering and terrorism financing risks, and the circumstances that impede businesses from fully complying with the legislated requirements.



Enforcement

While FINTRAC is committed to working with businesses to assist them in understanding and complying with their obligations, the Centre is also prepared to take firm action when it is required to ensure that businesses take their responsibilities seriously. This includes undertaking follow-up examinations, imposing administrative monetary penalties when it is warranted or providing non-compliance disclosures to police. Businesses must never lose sight of the fact that Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime is about protecting Canadians and the integrity of Canada's financial system.

Follow-up Examinations

Last year, FINTRAC conducted 40 follow-up examinations of businesses that had significant deficiencies in their initial examinations. In these follow-up examinations, FINTRAC identified improvement in 63 percent of cases over the previous examination.

Administrative Monetary Penalties

In December 2008, FINTRAC received the legislative authority to issue administrative monetary penalties to businesses that are in non-compliance with the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*. Under the legislation, penalties are intended to be non-punitive and are focused on changing the non-compliant behaviour of businesses.

Following two Federal Court decisions in 2016, FINTRAC initiated a review of its administrative monetary penalties program to ensure that it is one of the most open, transparent and effective anti-money laundering and anti-terrorist financing penalty programs in the world. The Centre has conducted extensive research and consultations with legal experts and stakeholders.

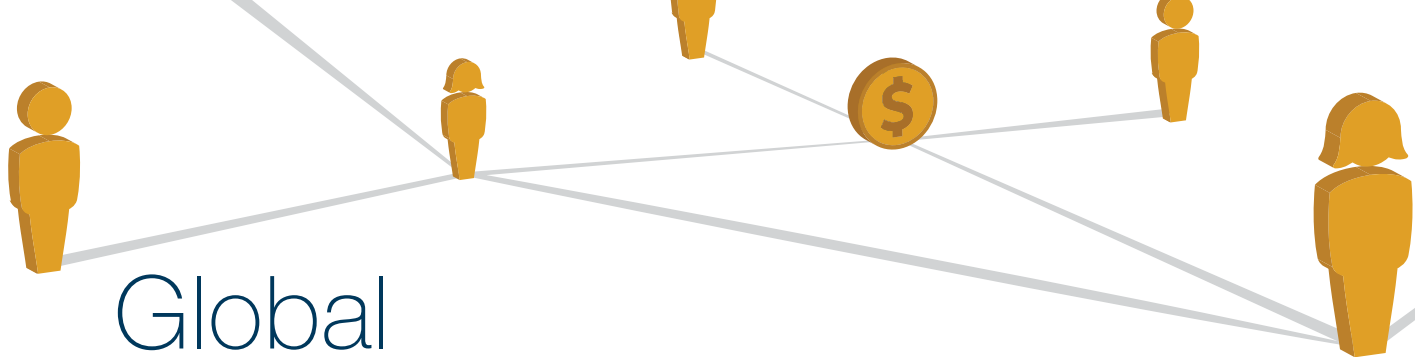
The Centre's review will be completed in 2018–19 and the revised administrative monetary penalties policies will be published on FINTRAC's website. By providing comprehensive information on the enhancements to the Centre's administrative monetary penalties policies and penalty calculation methodology, businesses will better understand how to improve their compliance with the Act.

NON-COMPLIANCE DISCLOSURES TO POLICE

2017–18	5
2016–17	1
2015–16	1

Non-Compliance Disclosures to Police

Under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, FINTRAC may disclose cases of non-compliance to the police when it is extensive or if there is little expectation of immediate or future compliance. In 2017–18, the Centre disclosed five such cases.



Global **LEADERSHIP**

FINTRAC actively participates alongside its allies and partners in a global effort to combat international money laundering and terrorism financing. As a Centre that is recognized for its global contribution, FINTRAC is regularly asked to lead conferences and workshops and contribute to international research projects, training and bilateral and multilateral capacity-building initiatives.

Recognizing the transnational nature of money laundering and terrorist activity financing, FINTRAC works with foreign financial intelligence units to protect Canadians and the integrity of Canada's financial system. Through over 100 bilateral agreements, the Centre is able to disclose financial intelligence to 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 2017–18, the Centre received 255 queries for information from foreign financial intelligence units in relation to money laundering and terrorism financing, and provided 401 disclosures. For its part, FINTRAC sent 211 requests to foreign financial intelligence units seeking further financial intelligence to broaden its own analysis. These requests were met with a 93 percent response rate. Over the past year, the Centre signed new information sharing agreements with Côte D'Ivoire, Iceland, Lithuania, and Seychelles.

The Centre also provides technical assistance and shares expertise with foreign financial intelligence units, helping to enhance global knowledge of money laundering and terrorism financing issues and to strengthen international compliance and financial intelligence operations. In May 2017, FINTRAC delivered a Counter-Terrorism Financing Workshop in Senegal with Tracfin, its French counterpart, to 29 analysts from 13 French-speaking countries in Northern and Western Africa. Funded by Global Affairs Canada's Counter-Terrorism Capacity Building Program, and with considerable logistical assistance from the Institute for Security Studies (ISS), the workshop strengthened participants' analytical capabilities with respect to suspicions of terrorist financing and enhanced understanding of the importance of effective domestic and international cooperation in the fight against terrorism.

FINTRAC also delivered a presentation last year on the importance of financial intelligence and public-private sector partnerships in combatting human trafficking at a workshop on Illicit Financial Flows from Trafficking in Human Beings in Barbados to more than 30 participants from seven Caribbean countries, including representatives from financial intelligence units, investigators, immigration officers and financial experts.



For more than a year, FINTRAC has provided outstanding analysis of financial data within the thousands of pages of reports produced for this major international consumer fraud and money laundering investigation. FINTRAC's superior analysis make it second to none in the FIU community.

—US Postal Inspection Service via FinCEN

In September 2017, the Centre participated in a Combatting Human Trafficking Along Migration Routes Simulation in Italy that involved 66 participants from 50 different countries. The simulation focused on how to effectively investigate and prosecute human trafficking using a multi-agency and human rights-based approach. The simulated financial intelligence unit, led by a FINTRAC employee, detected and disrupted three human trafficking networks and successfully identified and seized all assets belonging to multiple transnational organized crime groups involved in the criminal activity.

FINTRAC also works with the Department of Finance Canada, other regime partners and international organizations to conduct research, develop common policies and standards and share best practices. In collaboration with the Egmont Group, the Centre led or was a key contributor to a number of priority projects over the past year related to virtual currencies, Daesh and Al Qaeda, professional money laundering, human trafficking, combatting corruption, and trends in financial innovation.

In 2017–18, FINTRAC also contributed significantly to the design, development and implementation of a training and leadership program within the Egmont Group. Formally launched in March 2018, the Egmont Centre of FIU Excellence and Leadership will support the development and strengthening of financial intelligence units worldwide, enhancing their ability to combat money laundering and terrorism financing nationally and internationally.

As a member of Canada's delegation to the Financial Action Task Force, an international body that sets standards and promotes the effective implementation of legal, regulatory and operational measures for combating money laundering and terrorism financing, FINTRAC engaged in three plenary and working group meetings last year and contributed to typologies studies as part of the Risk, Trends and Methods Group. The Centre also co-led the Financial Action Task Force's project on the Financial Flows from Human Trafficking along with the United Kingdom and Indonesia, and contributed to the international body's work on professional money laundering, beneficial ownership, terrorism financing disruption, Daesh and Al Qaeda financing, and virtual currencies.

FINTRAC also works closely with its counterpart organizations within the Five Eyes community, comprised of Australia, Canada, New Zealand, the United Kingdom and the United States. Over the past year, the Centre collaborated with its allies on a number of projects, including countering the trafficking of fentanyl, human trafficking, professional money laundering and trade-based money laundering. Leveraging insight and best practices among innovative financial intelligence units, these types of projects help to ensure that FINTRAC remains a global leader in the fight against money laundering and terrorism financing.



In November 2017, the Alberta Law Enforcement Response Teams recognized the value of FINTRAC's financial intelligence to Project Offshore, a year-long investigation into a Calgary-based drug trafficking network. Eleven individuals were charged with more than 125 criminal offences related to drugs, firearms, proceeds of crime and organized crime. More than 15,000 fentanyl pills were also kept out of the hands of vulnerable Canadians across the country.



Protecting Personal **INFORMATION**

In fulfilling its core financial intelligence and compliance mandates, FINTRAC is committed to safeguarding the information that it receives and discloses to Canada's police, law enforcement and national security agencies.

The *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* strikes a careful balance between FINTRAC's receipt and disclosure of personal information to support essential criminal and national security investigations and the right of Canadians to be protected from unnecessary invasions of their privacy.

The safeguarding of personal information is critical to FINTRAC and clear principles for the protection of privacy are set out in its governing legislation, including strict limitations on the information that can be received, clear requirements for maintaining and disposing of records, strict limitations on the disclosure of information and a biennial audit on FINTRAC's protection of information by the Office of the Privacy Commissioner. These principles are reinforced by the Centre's own operational policies and security measures.

Protecting Privacy

FINTRAC does not have direct access to the bank accounts or any other financial information of Canadians. The Centre receives information from businesses only as specified under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*. The legislation also establishes that FINTRAC can only make a financial intelligence disclosure to appropriate police and prescribed law enforcement and national security agencies. Furthermore, the Act 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 it receives from Canadian businesses, FINTRAC's premises and information systems are guarded by multi-layered and integrated security systems. All personnel must maintain a high-level security clearance as a condition of employment. As well, employees have access to sensitive information on a need-to-know basis only and are reminded regularly of their responsibilities to protect personal information. The Centre's Code of Conduct, Values and Ethics reinforces employees' legal obligations in relation to safeguarding information.

In 2017–18, FINTRAC provided training and awareness sessions to more than 120 employees — about one-third of its workforce — on privacy protection, information management, the importance of security and the consequences of unauthorized disclosure or inappropriate use of information. This complemented the mandatory privacy protection training that all employees received in 2016.

The *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* also sets out retention and disposition rules for the personal information that FINTRAC receives. The Centre is diligent in disposing of reports 10 years after their receipt if they are not used in a financial intelligence disclosure. Over the past three years, the Centre has disposed of nearly 64 million such reports.

FINTRAC has also put in place a process for segregating and disposing of reports that are sent by businesses, but do not meet reporting thresholds. Over the past year, the Centre identified, segregated and disposed of 5,146 reports that should not have been sent by businesses.

Office of the Privacy Commissioner Audit

FINTRAC is the only federal agency whose governing legislation requires a biennial audit by the Office of the Privacy Commissioner on the measures it takes to safeguard the personal information that it receives under its Act. In September 2017, the Office of the Privacy Commissioner completed and published its third review of the Centre's privacy protection measures.

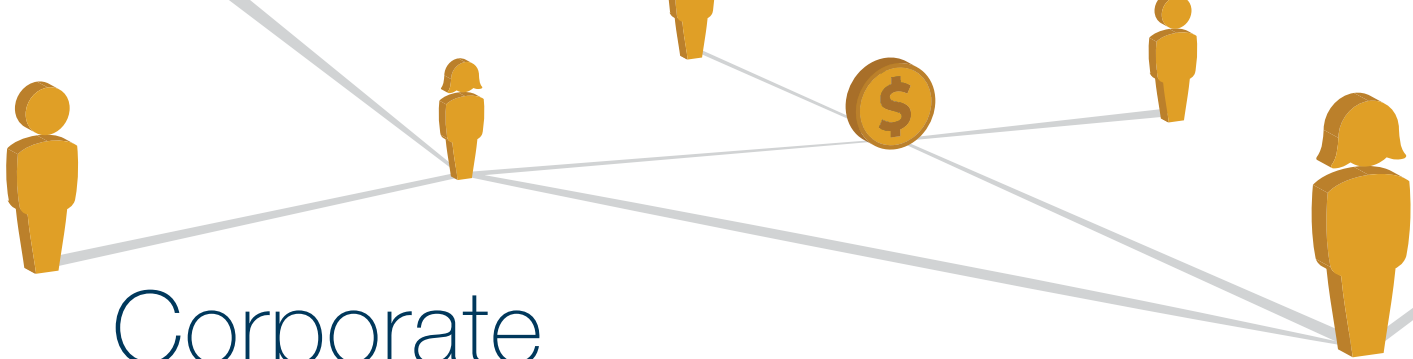
In its audit report, the Office of the Privacy Commissioner concluded that “the Centre has made significant efforts to enhance its personal information handling practices, resulting in improvements in privacy protections.” The report highlighted FINTRAC's implementation of the automated front-end screening process, the work it has undertaken to segregate and dispose of information that did not meet the established thresholds under the Act, and its significant outreach activity with businesses across the country. At the same time, the audit identified a limited number of instances of reports received by FINTRAC that did not meet reporting thresholds.

The Office of the Privacy Commissioner audit also focused on the shared responsibility that FINTRAC and Shared Services Canada have for the protection of personal information, given that ownership of the infrastructure supporting the Centre's core systems and electronic data holdings was transferred to Shared Services Canada in 2012. As a result of this change, the audit recommended that FINTRAC and Shared Services Canada work together to clearly define the roles and responsibilities of the two organizations to ensure security and privacy in relation to FINTRAC's data holdings, and that the Centre initiate a formal request for the certification and accreditation of Shared Services Canada's information technology infrastructure.

FINTRAC welcomed the seven recommendations in the Privacy Commissioner's audit report, and committed to implementing measures to address them in order to further strengthen its comprehensive approach to safeguarding the personal information of Canadians.



The Service de police de la Ville de Montréal recognized the value of FINTRAC's financial intelligence to an investigation that resulted in the extradition of a suspect to Canadian soil in connection with several fraud cases targeting primarily seniors. The individual is alleged to be the ringleader of a criminal organization that defrauded approximately 500 victims in Quebec from 2014 to 2016.



Corporate **STRENGTH**

As FINTRAC's responsibilities and operations continue to grow in scope and complexity, its 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 provides them to do their work. As an organization committed to excellence, the Centre is focused on the effective management of its human, technological and financial resources.

Workforce Expertise, Engagement and Excellence

Through tailored engagement activities and people management initiatives, FINTRAC continues to attract, develop, retain and maximize the contributions of one of the most dedicated and talented workforces in the federal government.

In 2017–18, the Centre launched an innovative recruitment strategy to better promote the role it plays and the results it achieves for Canadians, as well as the benefits of working at FINTRAC. As part of this strategy, the Centre overhauled its external career website with new branding and leveraged its Twitter accounts to appeal to potential new recruits. FINTRAC also introduced a recruitment inventory for intelligence analyst and compliance officer positions to increase the efficiency of its hiring process. With one single application, candidates across the country can now be considered for a variety of positions in Ottawa, Toronto, Montréal and Vancouver. These initiatives coincided with the Centre's participation in the Federal Safety, Security and Intelligence Career Fair in November. This major recruiting event allowed FINTRAC, the Canada Border Services Agency, the Canadian Armed Forces, the Canadian Security Intelligence Service, the Communications Security Establishment, the Royal Canadian Mounted Police and others to interact with potential candidates considering a career within Canada's security portfolio.

As an organization committed to expertise and excellence, learning and development for FINTRAC's employees remained a priority for the Centre over the past year. In addition to providing extensive occupation-specific training, FINTRAC held 15 internal learning sessions for all staff covering a range of topics, including money laundering in relation to fentanyl trafficking, virtual currencies, human trafficking in the sex trade and defending against insider threats. The Centre also provided 53 'Take Me With You' opportunities to employees. This pilot program allows interested employees to observe governance committee and other meetings. As well, seven exchange assignments were undertaken in 2017–18 through the FINTRAC Exchange Program, promoting collaboration, capacity building, leadership development and the retention of a highly engaged workforce.

Throughout the year, the Centre also continued to promote and support bilingualism. FINTRAC's part-time maintenance and introductory Second Language Training was attended by nearly 20 percent of its employees. There were also 29 pairings under the Language Buddy System, which allows employees to practice and improve their second language skills with the help of a volunteer coach.



The Toronto Police Service recognized the value of FINTRAC's financial intelligence to Project Briscola, a two-year investigation with the RCMP Integrated Market Enforcement Team into an alleged fraud operation surrounding lease agreements and loans. Ninety-six fraud related charges were laid against 12 individuals and the financial loss was approximately \$11 million.

Nurturing a culture of inclusiveness and respect continued to be a key priority for the Centre in 2017–18. FINTRAC provided training sessions for its employees, Cultivating our Respectful and Values-Based Culture, focusing on the Centre's Code of Conduct, Values and Ethics, as well as its Policy on the Prevention and Resolution of Conflict and Harassment. The Centre also established a partnership with Health Canada last year to offer Informal Conflict Management Services to employees and managers across the country. As well, FINTRAC responded to an audit from the Canadian Human Rights Commission of its compliance with the *Employment Equity Act*. All of the Commission's requests were addressed and its audit findings confirmed that the Centre was fulfilling the statutory requirements.

In 2017–18, FINTRAC also launched a new Mental Health Plan to support the health and well-being of its employees. Under the leadership of a Workplace Wellness Champion, the plan included a number of significant initiatives such as the Not Myself Today Campaign, the Bell Let's Talk Day and promoting the Employee Assistance Program's LifeSpeak Portal. The Centre also featured Mr. Jean-François Claude, Co-Founder of the Public Service Speaker's Bureau on Mental Health, at its annual town hall to raise awareness and diminish the stigma often associated with mental health issues.

Over the past year, FINTRAC also promoted the 2017 Public Service Employee Survey (PSES), achieving a participation rate of 91 percent, the highest amongst small, medium, and large departments and agencies in the public service. The Centre's results were received at the end of March and showed that employees are proud of the work they do (90 percent), their job is a good fit with their skills (91 percent) and they know how their work contributes to the achievement of the organization's goals (90 percent). A majority of employees also reported having the support at work to balance their work and personal life (90 percent) and would recommend FINTRAC as a great place to work (81 percent). Going forward, FINTRAC's internal PSES Working Group will analyze the full results to identify areas of improvement and to ensure that the Centre remains an employer of choice for top Canadian talent.



In June 2017, the RCMP recognized the value of FINTRAC's financial intelligence to a 16-month investigation that dismantled an alleged international drug smuggling operation. Seven individuals from the Greater Toronto Area were charged with various offences related to conspiracy, proceeds of crime, and the importation and trafficking of cocaine. 130 kilograms of cocaine, with the street value of approximately \$6 million, was seized.

FINTRAC Demographics (March 31, 2018)

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.

NUMBER OF EMPLOYEES¹: 365

DESIGNATED GROUP REPRESENTATION	FINTRAC EMPLOYEES	WORKFORCE AVAILABILITY ²	FEDERAL PUBLIC SERVICE ³
Women	55.9%	47.4%	54.4%
Visible minorities	20.5%	20.6%	14.5%
Persons with disabilities	4.1%	4.2%	5.6%
Aboriginal peoples	2.7%	1.9%	5.2%
OFFICIAL LANGUAGES REPRESENTATION	FINTRAC EMPLOYEES	CANADIAN POPULATION ⁴	FEDERAL PUBLIC SERVICE ³
First official language – English	59.5%	74.8%	70.8%
First official language – French	40.5%	22.2%	29.2%

1 Indeterminate and term employees (including those on leave or Interchange); does not include students

2 FINTRAC's workforce availability is based on the occupational groups at FINTRAC on March 31, 2018, and the Canadian Citizen Workforce Population based on 2011 Census statistics and 2012 Canadian Survey on Disability

3 Source: Treasury Board Secretariat, March 31, 2017: "Federal Public Service" includes the core public administration and separate agencies

4 Source: Office of the Commissioner of Official Languages, based on 2016 Census data

Investing in Technology

FINTRAC depends on a sophisticated information technology infrastructure to receive, store and secure approximately 25 million new financial transaction reports every year. At the same time, this infrastructure allows intelligence analysts to filter the information, analyze it and generate actionable financial intelligence for Canada's police, law enforcement and national security agencies. This is only possible with a modern system that can manage the high volume of information, make the connections and produce the needed results, all in real-time or close to it.

In 2017–18, the Centre established a three-year Information Management/Information Technology Strategy focussing on the people, partnerships and services that are required to support FINTRAC's transformation agenda while continuing to meet today's operational demands. Over the past year, the Centre concentrated its efforts on implementing a new, state-of-the-art analytics system, which will bring tremendous efficiency through the automation of manual work. Expected to be in production in 2019, the new system will also significantly strengthen FINTRAC's analytics capabilities, allowing for the full and timely use of its data and knowledge.

With its three-year strategy, the Centre is also working closely with Shared Services Canada to upgrade its legacy infrastructure and to implement a number of Government of Canada modernization initiatives.



In June 2017, the Hamilton-Niagara Regional Detachment of the RCMP recognized the value of FINTRAC's financial intelligence to an investigation of an alleged synthetic identity fraud operation. One individual was arrested and charged with fraud and money laundering. The alleged fraud is valued at over \$3 million.

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 2017–18, the Office of the Comptroller General completed a Core Control Audit of FINTRAC's financial management. Following the six-month audit, the Centre was found to be compliant with key requirements contained in federal financial legislation, as well as the Treasury Board of Canada Secretariat's financial management policies and directives.

FINTRAC's Budgets by Fiscal Year

(in millions)	2015–16	2016–17	2017–18
Salaries¹	\$32.8	\$33.3	\$36.2
Employee Benefit Plans	\$5.1	\$5.0	\$5.1
Operations and Maintenance	\$18.5	\$20.4	\$15.3
Total approved budget*	\$56.3	\$58.6	\$56.6
Total actual expenditures	\$55.0	\$55.4	\$55.2

* Totals may not add due to rounding.

¹ The salary budget increased in 2017–18 due to retroactive payments for economic increases. This increase is consistent with the federal government's collective agreement with its largest union, and is for one year only.



ANNEX A:

The Value of FINTRAC Disclosures

What our Partners Say

The disclosures on this file have been instrumental in the drafting and granting of Production Orders on various MSBs. The details provided in FINTRAC disclosures related to this file have been associated to a US investigation for similar matters with similar participants. Of note, the details from the transactions obtained from the MSBs, namely identification papers used for EFTs, have been extremely beneficial in connecting persons' activities between various countries.

—**Royal Canadian Mounted Police**

Outstanding support that is much appreciated by the FBI, particularly the creation of a link chart to show the relationships between the actors and bank accounts in multiple countries.

—**FBI via FinCEN**

Thanks very much for providing this disclosure – it certainly helps in substantiating charges of fraud over \$5,000. It was relevant and it was received in a timely manner. Very clear and concise reports.

—**Ontario Provincial Police**

The disclosure provided new information on targets the Financial Investigations Division (FID) was aware were involved in the lottery scam. Additionally, it revealed an international slant that was previously unknown. It therefore means that the focus and scope of the current investigation/analysis will have to be widened. The FID appreciates the receipt of this new information.

—**FIU Jamaica**

FINTRAC provided timely and relevant information that greatly assisted with the investigation and prosecution of several individuals associated with Project CARTELLA.

—**Peel Regional Police**

This disclosure was received subsequent to an urgent VIR related to a live market manipulation scheme. The information contained in the disclosure was extremely well researched, analyzed and presented. It provided details on the involvement of subjects that we were not aware of, while also corroborating information that we previously had from unreliable sources.

—**Alberta Securities Commission**

Excellent disclosure, offshore information very helpful, new banking information very relevant.

—**Canada Revenue Agency**

The information you provided is highly relevant to our investigation in that it supports anecdotal information we received from other third party witnesses strengthening grounds for search warrants we are currently seeking to get authorized.

—**Canada Border Services Agency**

In numerous instances, FINTRAC's analysis enabled investigators to identify new persons of interest and suspects, identify complicit businesses and establish links between principal suspects as well as suspects and persons of interest. This information significantly aided the course of the criminal investigation and inestimably augmented investigators' understanding of the social and financial component of the organized criminality under investigation. The role of FINTRAC in the Project Royal investigation and in others, is indispensable in guaranteeing a successful, comprehensive conclusion, including criminal prosecution.

—**Toronto Police Service Financial Crimes Unit – Strategic Partnership Operational Liaison**



ANNEX B:

Project Protect – A Sanitized Case¹

Through Project Protect, FINTRAC's financial intelligence has supported dozens of police investigations related to money laundering and human trafficking in the sex trade over the past two years. The following diagram shows a sanitized case that is drawn from a suspicious transaction report, which was analyzed and used to develop financial intelligence for police. It should be noted that names, dates, and some facts have been altered or omitted as required under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*.

This case includes financial transactions that are typical of those that are undertaken by individuals participating in human trafficking in the sex trade. The suspicious pattern of financial transactions and account activity is indicative of potential money laundering related to human trafficking.

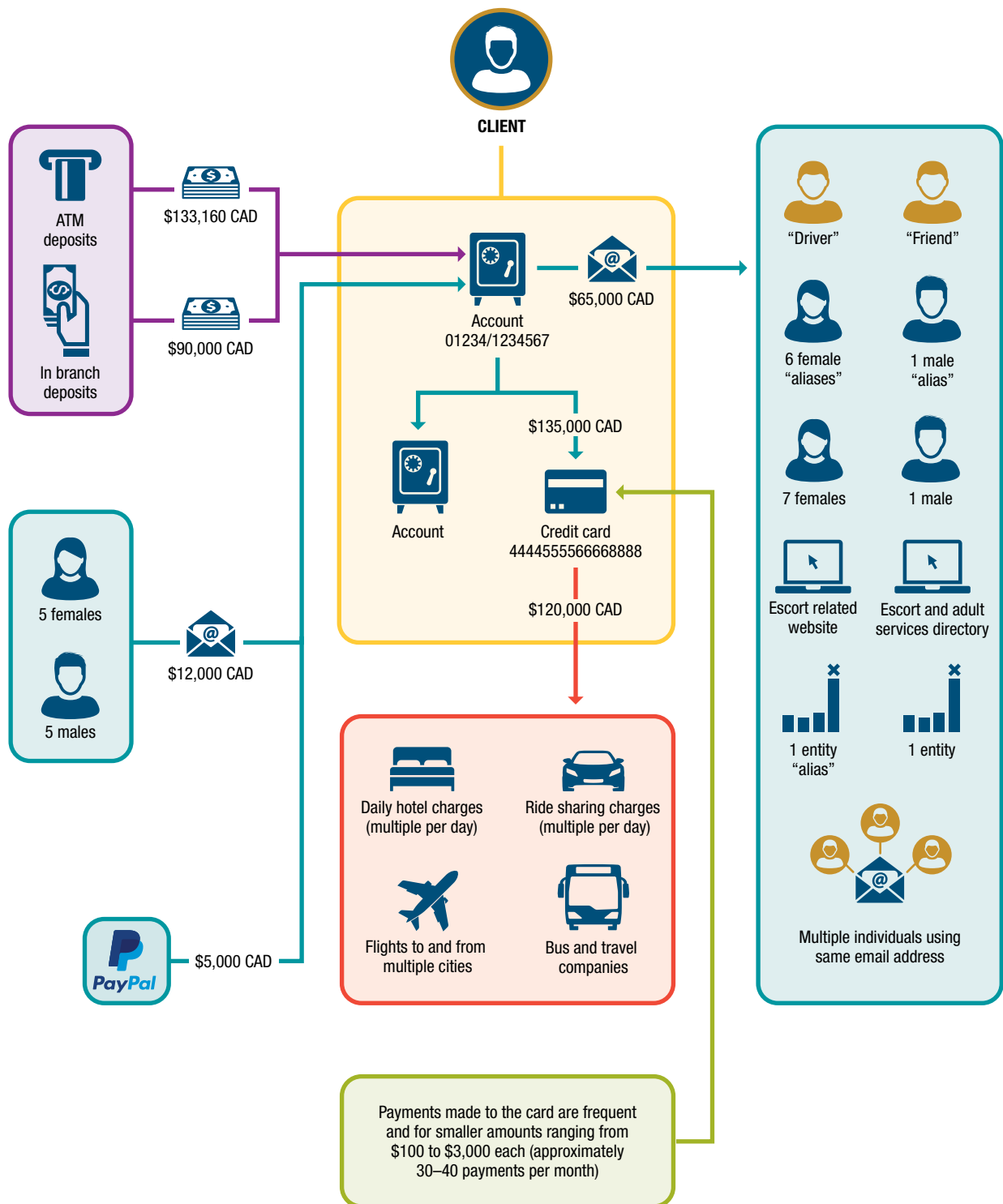
In this case, a bank submitted a suspicious transaction report related to possible human trafficking, basing its suspicion on the nature of the client's financial transactions and on its knowledge of the client. In its suspicious transaction report, the bank indicated that, over a four-week period, the client had credit card transactions totalling \$40,000 while, in the past, he had carried an average balance on the card of \$400.

A more detailed review of the client's account over an eight-month timeframe revealed a pattern of suspicious financial transactions potentially related to human trafficking in the sex trade. Credits included a high volume of cash deposits totalling over \$200,000, most of which were made at automated teller machines between the hours of 12 a.m. and 6:30 a.m. The client also received large amounts of funds through PayPal and electronic transfers. Debits consisted of electronic transfers sent to various females with alternate names provided in brackets, as well as excessive hotel and ride-sharing charges. Using his credit card, the client also purchased frequent bus and airline tickets, totalling about \$120,000.

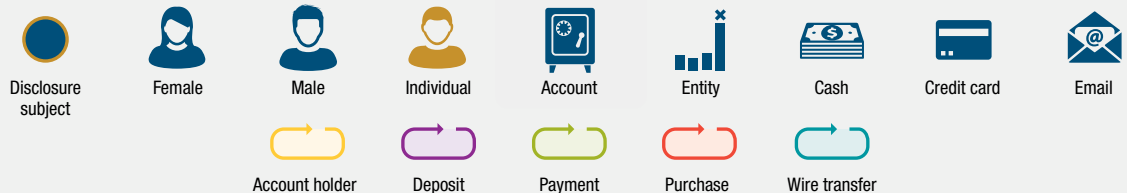
An open source search of the beneficiaries of the client's electronic transfers revealed funds transferred to an escort services business, to an escort and adult services directory and to a website listing several escorts, the names of whom matched those that the client had sent transfers to.

Using the money laundering indicators developed as part of Project Protect, the bank was able to recognize the types of financial transactions and patterns that are indicative of human trafficking in the sex trade, and submitted a suspicious transaction report to FINTRAC. This report made it possible for the Centre to develop and disclose actionable financial intelligence to a law enforcement agency, leading to the investigation and prosecution of a human trafficking case. It also led directly to a number of young Canadian women being rescued from deplorable conditions.

¹ Certain facts have been altered or withheld so as not to identify the actual case.



LEGEND





ANNEX C:

Financial Transaction Reports

LARGE CASH TRANSACTION REPORTS

2017–18	10,263,308	A large cash transaction report is submitted to FINTRAC when a business 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.
2016–17	10,554,684	
2015–16	9,350,026	

ELECTRONIC FUNDS TRANSFER REPORTS

2017–18	14,677,328	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.
2016–17	13,824,284	
2015–16	14,027,292	

SUSPICIOUS TRANSACTION REPORTS

2017–18	179,172	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 other reporting obligations, there is no monetary threshold associated with the reporting of a suspicious transaction.
2016–17	125,948	
2015–16	114,422	

CROSS-BORDER CURRENCY REPORTS/CROSS-BORDER SEIZURE REPORTS

2017–18	66,281	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.
2016–17	62,787	
2015–16	63,364	

CASINO DISBURSEMENT REPORTS

2017–18	199,817	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 disbursements.
2016–17	185,960	
2015–16	172,289	



FINANCIAL TRANSACTIONS AND REPORTS ANALYSIS CENTRE OF CANADA

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ISSN: 1910-9415 | Cat. No. FD1E-PDF