

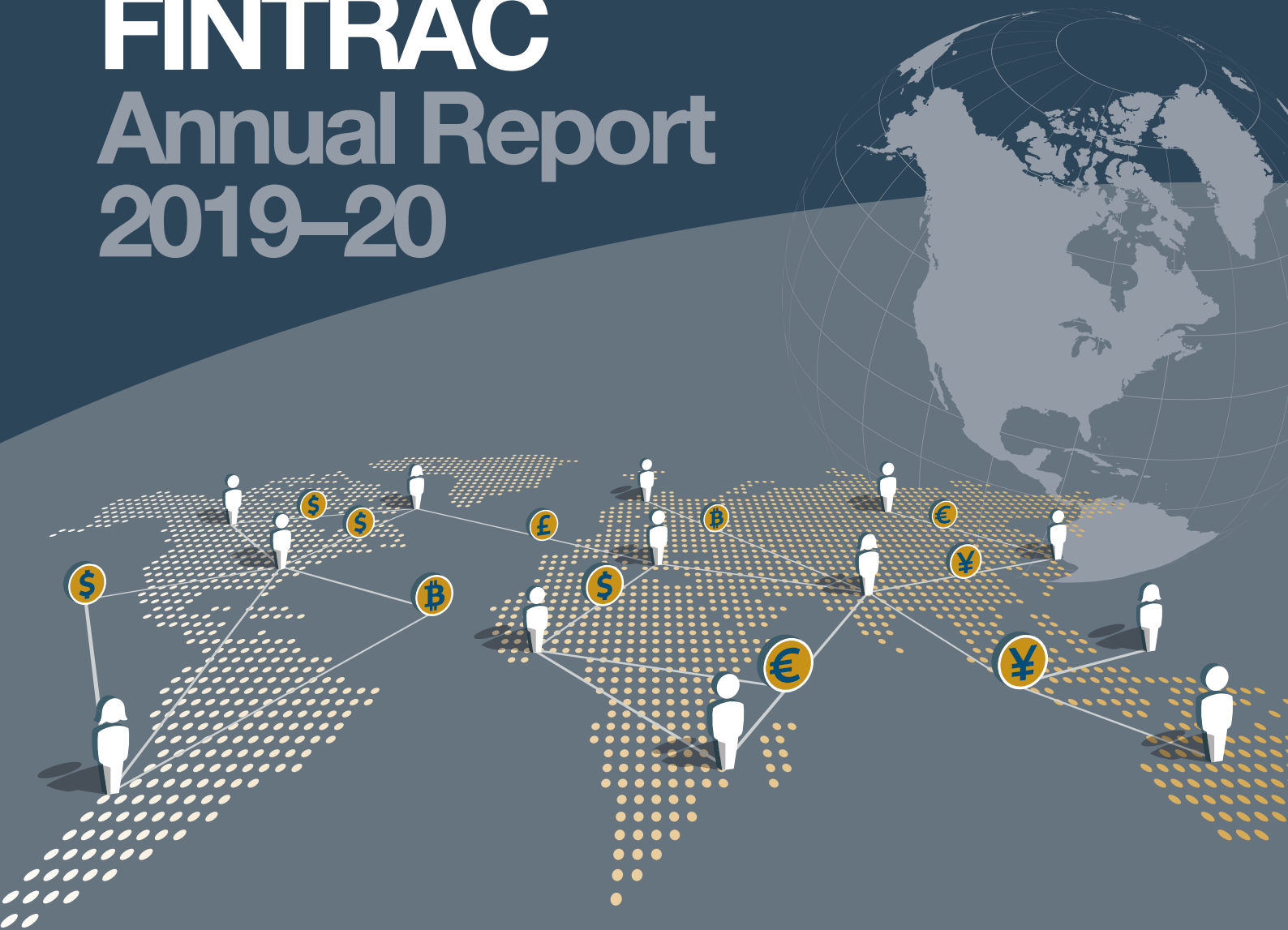


Financial Transactions and  
Reports Analysis Centre  
of Canada

Centre d'analyse des opérations  
et déclarations financières  
du Canada

# FINTRAC

## Annual Report 2019–20



SAFE CANADIANS,  
SECURE ECONOMY

Canada



SAFE CANADIANS,  
SECURE ECONOMY

CANADIENS EN SÉCURITÉ,  
ÉCONOMIE SÛRE



FINTRAC was created on July 5, 2000, with the adoption of the new *Proceeds of Crime (Money Laundering) Act*. Following the September 11<sup>th</sup> attacks in the United States, the Act was amended to include terrorist activity financing in FINTRAC's mandate.



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# 2019–20 HIGHLIGHTS

## FINANCIAL INTELLIGENCE

### 2,057 UNIQUE DISCLOSURES OF FINANCIAL INTELLIGENCE

to police, law enforcement and national security agencies, up 25% over the past five years

**1,582**  
disclosures related to money laundering

**296**  
disclosures related to terrorist activity financing and threats to the security of Canada

**179**  
disclosures related to money laundering, terrorist activity financing and threats to the security of Canada

### PREDICATE OFFENCES RELATED TO FINANCIAL INTELLIGENCE DISCLOSURES

**30%**  
Fraud

**31%**  
Drug

**14%**  
Tax Evasion

### TOP 3

#### RECIPIENTS OF FINTRAC FINANCIAL INTELLIGENCE DISCLOSURE PACKAGES

**2,405**  
Royal Canadian Mounted Police

**914**  
Municipal Police

**703**  
Provincial Police

#### PROVINCES RECEIVING DISCLOSURE PACKAGES

Ontario

British  
Columbia

Quebec



CONTINUED TO PROVIDE VALUABLE FINANCIAL INTELLIGENCE TO CANADA'S POLICE, LAW ENFORCEMENT AND NATIONAL SECURITY AGENCIES THROUGHOUT THE **COVID-19 PANDEMIC**



**CONTRIBUTED TO  
393 PROJECT-LEVEL  
INVESTIGATIONS**  
across Canada



### RECEIVED 2,519 VOLUNTARY INFORMATION RECORDS

from police, law enforcement and national security agencies, up 55% over the past 5 years

## STRATEGIC INTELLIGENCE

### PUBLISHED

**Operational Alert:** Laundering the proceeds of crime through a casino-related underground banking scheme

**Operational Brief:** Risks and indicators for dealers in precious metals and stones

### PRODUCED

**6 strategic financial intelligence** assessments and reports and contributed to numerous other regime partner projects

### PROVIDED

**Strategic financial intelligence** to the Department of Finance Canada, the lead of Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime, on a broad spectrum of money laundering and terrorist financing topics

## STRATEGIC COORDINATION AND COLLABORATION

**Supported** the development of policy and new regulations by the Department of Finance Canada

**Worked** with the British Columbia-Government of Canada Working Group on Real Estate to identify and address money laundering risks in Canada's real estate sector

**Contributed** to broader efforts to enhance transparency in national security through the National Security Transparency Advisory Group

**Supported** the work of the Anti-Money Laundering Action, Coordination and Enforcement (ACE) Team

## COMPLIANCE

- Conducted **399 compliance examinations** across the country
- Provided **7 non-compliance disclosures** to police
- Levied **2 administrative monetary penalties** against businesses
- Responded to **6,600 enquiries** from businesses
- Issued **357 policy interpretations** to assist with compliance
- Conducted **166 engagement** and outreach activities with businesses and stakeholders
- **Informed and trained** businesses on FINTRAC's Compliance Framework, the FINTRAC Assessment Manual, the Centre's revised Administrative Monetary Penalties policy and new Harm Guides, the Voluntary Self-Declaration of Non-Compliance notice and new suspicious transaction reporting guidance
- **Received an award** for Excellence in Regulatory Openness and Transparency from the Community of Federal Regulators
- **Hosted the Second National Casino Forum** in Ottawa and Sixth Major Reporters Forum in Toronto
- **Created a Follow Up** and Strategic Engagement team to oversee follow-up activities and strategic engagement with Canada's largest financial institutions

## GLOBAL LEADERSHIP

### WORKED WITH

international partners to combat money laundering and terrorist activity financing

**227** queries received from foreign financial intelligence units

**153** queries sent to foreign financial intelligence units

**234** disclosures to foreign financial intelligence units



### SUPPORTED

the United Nations Office on Drugs and Crime's workshop on Financial Investigations of Trafficking in Persons and Smuggling of Migrants

### CO-LED

the development of a pilot training program focused on combatting terrorist financing for financial intelligence units in the Caribbean region

### PRESENTED

Canada's innovative public-private sector partnerships at the 5<sup>th</sup> Counter-Terrorism Financing Summit in Manila

### HOSTED

the Five Eyes International Working Group on Terrorist Financing

## CORPORATE STRENGTH

- **BEGAN IMPLEMENTING** the Centre's new, employee-led FINTRAC Strategic Plan 2019–24
- **LAUNCHED** FINTRAC's comprehensive Public Service Employee Survey Action Plan to ensure the Centre remains an employer of choice
- In the 2019 Public Service Employee Survey, **93 PERCENT** of employees said that they were proud of the work they do for Canadians and **83 PERCENT** said that they would recommend the Centre as a great place to work
- **STRENGTHENED** the role of FINTRAC's Ombuds Office for Workplace Wellness
- **LEVERAGED** the Centre's innovative recruiting strategy to maximize national inventories for Intelligence Analysts, Compliance Officers and IM/IT staff, including holding three FINTRAC open house recruitment events and speed interviewing sessions
- **RESPONDED** early and quickly to the global pandemic, putting in place strategies and systems to ensure that FINTRAC could continue to deliver on its core financial intelligence mandate and assist and respond to the needs of businesses

# MESSAGE FROM THE DIRECTOR AND CHIEF EXECUTIVE OFFICER



As we mark FINTRAC's 20<sup>th</sup> anniversary this year, I am proud to share with you the results that we achieved in 2019–20, as well as some of the key contributions that the Centre has made throughout its history, as part of Canada's broader Anti-Money Laundering and Anti-Terrorist Financing Regime.

The global pandemic that washed over our shores at the end of the fiscal year has had a significant impact on FINTRAC's operations, just as it has had on Canadians across the country. Our thoughts are with those who have suffered health or economic difficulties as a result of this disease, and even more so with those who have lost loved ones to COVID-19. These have been tremendously challenging times but Team Canada has remained strong and we have been effective in battling this disease together.

FINTRAC's employees and our private sector partners have shown this same determination and dedication in the face of this global pandemic. We have continued to receive and analyze vital financial transaction reporting during this crisis, and to provide actionable financial intelligence in support of the investigations of Canada's police, law enforcement and national security agencies. Our financial intelligence is more important than ever as criminals and terrorists have looked to take advantage of the pandemic to enrich themselves and advance their illicit enterprises.

Throughout the 2019–20 reporting period, we provided 2,057 unique disclosures of actionable financial intelligence in support of investigations related to money laundering, terrorist activity financing and threats to the security of Canada. A disclosure can pertain to an individual or a wider criminal network. Since becoming operational in October of 2001, FINTRAC has provided approximately 19,000 financial intelligence disclosures to Canada's police, law enforcement and national security agencies, with the number of our disclosures increasing by nearly 25 percent over the past five years.

Canada's police, law enforcement and national security agencies are seeking our financial intelligence in record numbers. FINTRAC received 2,519 voluntary information records from these agencies in 2019–20, increasing in number by more than 55 percent over the past five years. These records contain information on alleged criminals and terrorist financiers and are often the starting point for our analysis and the financial intelligence that we are able to generate and disclose. Many of our disclosure recipients have told us that they will not start a major project-level investigation without seeking out our financial intelligence.

FINTRAC also works with its Government of Canada partners to support a number of project-based public-private sector partnerships, which are producing real and meaningful results for Canadians. With Projects Protect,



Guardian, Chameleon and Athena, suspicious transaction reporting has increased dramatically as have our financial intelligence disclosures in relation to money laundering linked to human trafficking in the sex trade, romance fraud, the trafficking of illicit fentanyl, and casino-related underground banking. Beyond the numbers, we know these projects are helping to protect some of the most vulnerable members of our society.

Our strategic financial intelligence, which captures the nature, methods and extent of money laundering and terrorist activity financing in Canada and throughout the world, is critical to the efforts of Canadian law enforcement and national security agencies, businesses and federal decision-makers. It is so valued by our federal partners that FINTRAC has been asked to participate in some of the most important national security, intelligence and assessment meetings in the Government of Canada.

The results that we achieve 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.

Over the past two decades, the Centre has built a comprehensive, risk-based compliance program that assists thousands of businesses and ensures that they fulfill their obligations under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and associated Regulations. This includes, in recent years, shifting from an audit to a more holistic assessment approach to ensuring compliance, where the emphasis is on the overall effectiveness of a business's compliance program, including the impact of non-compliance on our ability to carry out our financial intelligence mandate. With the evolution of our compliance program and dedicated efforts of Canadian businesses, overall transaction reporting has increased by more than 32 percent over the past five years, with suspicious transaction reporting up by 237 percent in the same period. This reporting is critical to the financial intelligence that we are able to generate for Canada's police, law enforcement and national security agencies.

FINTRAC is also leading the way when it comes to regulatory openness and transparency with our extensive outreach and consultation efforts and the publication last year of a number of seminal compliance products, including our Compliance Framework, the FINTRAC Assessment Manual and our revised Administrative Monetary Penalties policy and new Harm Guides. We also published significant new guidance to support the implementation of regulatory amendments. We were proud last November when these efforts resulted in an award for Excellence in Regulatory Openness and Transparency from the Community of Federal Regulators.

Internationally, we continue to make extensive contributions to worldwide efforts to combat money laundering and terrorist activity financing, including providing thousands of financial intelligence disclosures to our foreign counterparts over the past twenty years, contributing to international training and capacity building efforts and supporting multilateral research and the development of trends analysis and strategic financial intelligence products through the Financial Action Task Force and the Egmont Group. We also began working closely with our Five Eyes partners on the supervisory front in recent years.

Ultimately, our people are at the heart of our organization and our success over the past twenty years. FINTRAC staff—past and present—built the Centre from the ground up into an internationally recognized financial intelligence unit and anti-money laundering and anti-terrorist financing regulator, central to Canada's broader Anti-Money Laundering and Anti-Terrorist Financing Regime and critical to the safety of Canadians and security of Canada's economy.

I would like to recognize and thank our knowledgeable and dedicated employees for their hard work and the impressive results that are captured in this annual report. They truly are experts in their field and I feel proud and fortunate to work with such a talented team.

**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 helps to combat money laundering, terrorist activity financing and threats to the security of Canada.

The Centre produces actionable financial intelligence in support of investigations of Canada's police, law enforcement and national security agencies in relation to these threats. 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. This strategic financial intelligence 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* and associated Regulations. Compliance with the Act helps to prevent and deter criminals from using Canada's economy to launder the proceeds of their crimes or to finance terrorist activities. It also ensures 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 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 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.

## 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** involves placing the proceeds of crime in the financial system.
2. **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.

3. **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.



# STRATEGIC PLAN 2019–24

In 2019–20, FINTRAC began implementing its new Strategic Plan 2019–24, which is guiding the Centre in strengthening its operational effectiveness and fulfilling its vision, *Safe Canadians, Secure Economy: Contributing to the safety of Canadians and the security of the economy, as a trusted leader in the global fight against money laundering and terrorist activity financing.*

The foundation of FINTRAC's strategic plan rests on three pillars: promoting a culture of accountability; preparing the Centre for the future; and collaborating to strengthen results.

FINTRAC is an organization that values a culture of accountability to each other and to Canadians. Under the first pillar of promoting a culture of accountability, the Centre is maximizing the potential of its people by focusing on its current expertise and skills, as well as by encouraging horizontal and agile ways of working, empowering innovative ideas and equipping employees with the tools to foster success. FINTRAC has renewed its emphasis on results and performance reporting transparency by strengthening indicators and providing clearer definitions of variables reported and tracked over time. This is part of its effort to optimize its effectiveness and efficiency in the delivery of its anti-money laundering and anti-terrorist financing mandate and better align its measurement of performance to government-wide standards.

As the global financial sector is rapidly evolving, becoming increasingly transnational and technologically innovative, the perpetrators of money laundering and terrorist activity financing are also becoming more sophisticated. Under the second pillar of preparing FINTRAC for the future, the Centre is focused on modernizing its workplace to ensure that it has a solid foundation upon which it can explore and implement innovative solutions.

FINTRAC's financial intelligence supports Canada's broader policing, national security, and domestic and foreign policy priorities, including in relation to the links between money laundering and criminal activity and the resourcing of terrorist groups. Under the third pillar, FINTRAC is collaborating to strengthen its results. It is critical that the Centre continues to reach out strategically to businesses, police and law enforcement, international and domestic stakeholders and academia to cultivate these relationships and maximize the value of its contribution and efforts. FINTRAC is also constructively engaging stakeholders to find better ways of doing business both externally and across government.

The strategic plan is guiding the creation of a detailed and transparent annual operational plan and the development of key strategies and activities, including in relation to FINTRAC's strategic investments, its new Compliance Engagement Strategy, its international engagement, its communications and its recruitment and talent management.



# FINTRAC 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. A disclosure can pertain to an individual or a wider criminal network, and can also be used by police and law enforcement to put together affidavits to obtain search warrants and production orders. FINTRAC's financial intelligence disclosures help to protect the safety of Canadians and security of Canada's economy.

In November 2019, for example, the Alberta Law Enforcement Response Teams (ALERT) recognized FINTRAC's contribution to Project Coyote, a two-year international investigation that led to Canada's largest seizure of fentanyl—250,000 pills—and 81 kilograms of cocaine. In total, \$15 million in drugs, over \$4.5 million in cash and assets and 13 firearms were seized by police, helping to prevent the terrible damage that a quarter of a million fentanyl pills could do to communities across Western Canada. Seven people were charged with more than 75 offences, including laundering the proceeds of crime.

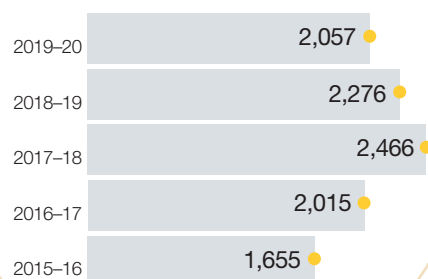
FINTRAC's financial intelligence is also used to identify assets for seizure and forfeiture, reinforce applications for the listing of terrorist entities, negotiate agreements at the time of sentencing and advance the government's knowledge of the financial dimensions of threats, including organized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

In 2019–20, FINTRAC provided 2,057 unique disclosures of actionable financial intelligence to its regime partners. The Centre adjusted its operations and continued to generate valuable financial intelligence for Canada's police, law enforcement and national security agencies after emergency measures and restrictions were enacted to stop the spread of COVID-19.

Of FINTRAC's unique disclosures, 1,582 were related to money laundering, 296 were related to terrorism financing and threats to the security of Canada, and 179 were related to money laundering, terrorism financing and threats to the security of Canada.

Throughout 2019–20, the Centre's financial intelligence contributed to 393 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.

## CASE DISCLOSURES



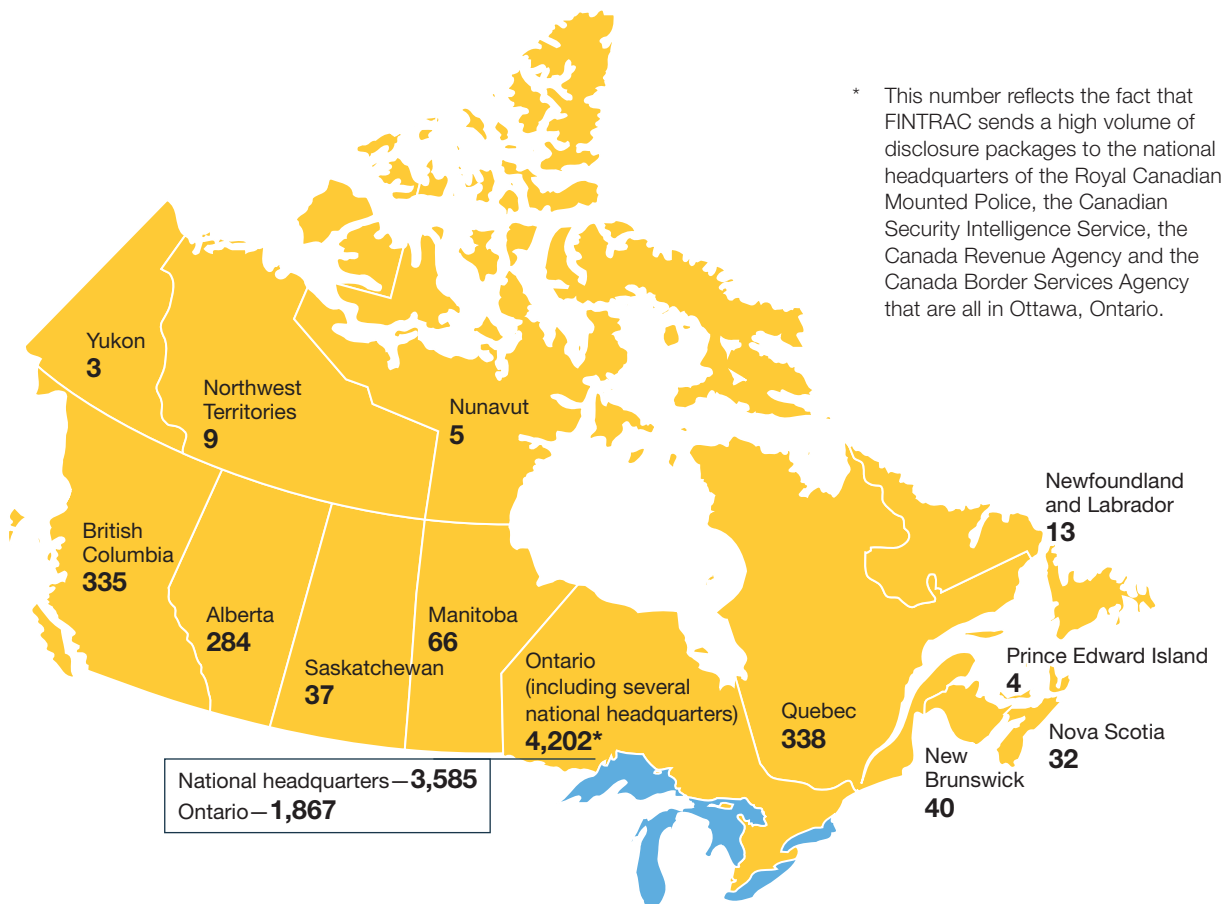
## DISCLOSURE PACKAGES BY RECIPIENT: 2019–20

Royal Canadian Mounted Police	Municipal Police	Provincial Police	Canada Border Services Agency	Canadian Security Intelligence Service
<b>2,405</b>	<b>914</b>	<b>703</b>	<b>500</b>	<b>436</b>
Canada Revenue Agency	Foreign Financial Intelligence Units	Provincial Securities Regulators	Communications Security Establishment	
<b>287</b>	<b>234</b>	<b>66</b>	<b>12</b>	

Revenu Québec and the Competition Bureau were added as new disclosure recipients of FINTRAC's financial intelligence following changes to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* in 2019. The Centre engaged both organizations throughout the year to clarify FINTRAC's mandate and financial intelligence processes.

FINTRAC's disclosures are often provided to a number of agencies simultaneously, when there is appropriate authorization to do so. The ability to provide multiple disclosure packages means that the Centre can help police, law enforcement and national security agencies connect criminal activities and operations across a number of jurisdictions by following the money.

## DISCLOSURE PACKAGES BY PROVINCE/TERRITORY: 2019–20



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. In 2019–20, FINTRAC conducted 171 outreach presentations across the country with disclosure recipients. This included providing instructors for 37 presentations on 21 different courses such as the Canadian Police College's Financial Investigators Course and Human Trafficking Investigators Course, the Privy Council Office's Intelligence Analyst Learning Program, York Regional Police Service's Financial Crimes Investigators Course, the RCMP's Proceeds of Crime Course, the RCMP's Terrorist Financing Investigators Course, the RCMP's Counter Proliferation Course, a Financial Crime Course at *École nationale de police du Québec*, and the Canadian Armed Forces National Counter Intelligence Unit's Intake Training Course.

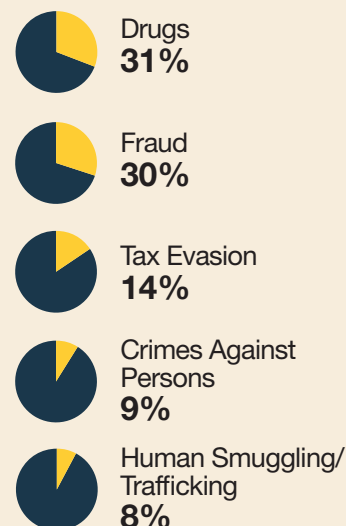
FINTRAC always seeks feedback on its financial intelligence from disclosure recipients at the municipal, provincial and federal levels. Over the past year, the Centre received 254 completed disclosure feedback forms, 95 percent of which indicated that FINTRAC's financial intelligence was actionable. This is a clear and significant measure of the effectiveness of, and results achieved by, FINTRAC under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*. Examples of the feedback that the Centre received last year can be found in Annex A.

In 2019–20, 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.

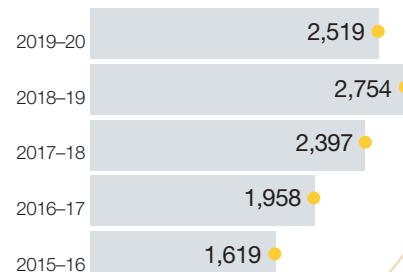
Throughout the year, FINTRAC received 2,519 voluntary information records from Canada's police, law enforcement and national security agencies, as well as from members of the public. The number of records that the Centre receives annually has increased by more than 55 percent over the past five years. Voluntary information records provide critical information on alleged criminals and terrorists and are often the starting point for the Centre's analysis. These records are used by FINTRAC to establish connections between individuals and entities and to develop actionable financial intelligence for disclosure recipients.

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.

## TOP FIVE PREDICATE OFFENCES RELATED TO CASE DISCLOSURES: 2019–20



## VOLUNTARY INFORMATION RECORDS



In April 2019, the RCMP and its Toronto Integrated Market Enforcement Team recognized FINTRAC's assistance in the investigation of a principal at a Greater Toronto Area mutual fund company, which resulted in a *Criminal Code* charge for fraud over \$5,000 in relation to the significant misappropriation of funds of victim-investors.



## RESULTS THROUGH PUBLIC-PRIVATE PARTNERSHIPS

As FINTRAC operationalizes its vision, *Safe Canadians, Secure Economy*, it will continue to play a role in advancing and supporting innovative project-based public-private sector partnerships. These partnerships are currently aimed at more effectively combatting money laundering in British Columbia and across Canada, 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 following the money to identify potential subjects, uncovering broader financial connections and providing intelligence to advance national project-level investigations.



### PROJECT ATHENA:

#### Combatting Money Laundering in British Columbia and Across Canada

With additional funding announced in Budget 2019, FINTRAC was able to enhance its participation in Project Athena, an RCMP-led public-private sector partnership created to improve the collective understanding of the money laundering threat, strengthen financial systems and controls, and disrupt money laundering activity in British Columbia and across Canada.

As part of the national launch of Project Athena in December 2019 at FINTRAC's second Casino Forum, the Centre published an Operational Alert, *Laundering the proceeds of crime through a casino-related underground banking scheme*, to assist businesses in identifying and reporting suspicious transactions that may be related to the activities of professional money launderers and money laundering organizations. These individuals and groups specialize in transforming the proceeds of crime into 'clean money' on behalf of criminals and organized crime groups, and regularly use the underground banking system to avoid detection.

FINTRAC's alert and its indicators were developed from an analysis of the Centre's financial intelligence, in collaboration with the Combined Forces Special Enforcement Unit in British Columbia. With enhanced suspicious transaction reporting facilitated by the Alert, FINTRAC was able to provide 52 disclosures of actionable financial intelligence by the end of the fiscal year in support of the money laundering investigations of Canada's police and law enforcement agencies.

A sanitized casino-related underground banking scheme can be found in Annex B.

### PROJECT PROTECT:

#### Battling Human Trafficking in the Sex Trade

Launched in 2016, Project Protect was the first public-private sector partnership created by Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime. Inspired by Timea Nagy, a survivor of human trafficking and leading activist for victims, this innovative project targets the money laundering associated with human trafficking in the sex trade.



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Since it became operational in 2001, FINTRAC has provided approximately 19,000 disclosures of actionable financial intelligence to Canada's police, law enforcement and national security agencies.

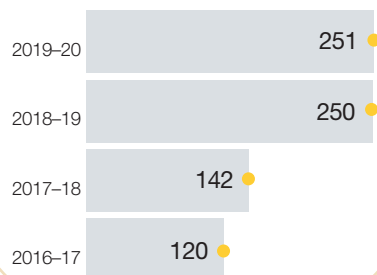


Project Protect is an important element of the Government of Canada's National Strategy to Combat Human Trafficking: 2019–2024 and, since its inception, it has played a key role in helping to protect and rescue some of Canada's most vulnerable citizens.

Through Project Protect, FINTRAC worked closely with Canada's financial institutions to develop an Operational Alert, *The laundering of illicit proceeds from human trafficking for sexual exploitation*, to increase awareness and understanding of money laundering in relation to human trafficking in the sex trade. As a result of these efforts and the ongoing commitment of Canadian businesses, FINTRAC has received thousands of suspicious transaction reports in relation to Project Protect.

With this information, FINTRAC was able to provide 251 disclosures of actionable financial intelligence in 2019–20, including thousands of transaction reports, to Canada's municipal, provincial and federal police forces in support of their human trafficking investigations.

#### DISCLOSURES PROVIDED IN RELATION TO PROJECT PROTECT



## PROJECT CHAMELEON:

### Tackling Romance Fraud

Launched in 2017, Project Chameleon is a public-private sector partnership that focuses on financial transactions and the laundering of criminal proceeds stemming from romance fraud, an illicit activity that has cost many seniors and other vulnerable Canadians their life savings. Romance fraud involves perpetrators expressing false romantic intentions toward victims to gain and then take advantage of their trust and affection in order to access their cash, bank accounts and credit cards. Project Chameleon has mobilized businesses, FINTRAC and law enforcement with the goal of identifying the perpetrators and helping to protect victims and their money.

In 2018–19, in consultation with the Canadian Anti-Fraud Centre, FINTRAC published an Operational Alert, *Laundering of the proceeds of romance fraud*. This alert included indicators of money laundering associated with romance fraud and was aimed at assisting Canadian businesses in identifying this illicit activity and reporting suspicious transactions.

Throughout 2019–20, FINTRAC received thousands of suspicious transaction reports related to romance fraud, a considerable increase since the launch of Project Chameleon. With the information that it received from Canadian businesses, the Centre was able to provide 74 financial intelligence disclosures, including thousands of transaction reports, to municipal, provincial and federal police agencies last year.

In many instances, 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 are operating in Canada and abroad.

In October 2019, the Toronto Police Service recognized FINTRAC's assistance in an investigation of a romance fraud scam that targeted Canadian seniors across the country. Victims' losses totalled at least \$250,000 and the investigation led to the execution of four search warrants and five arrests on charges including laundering the proceeds of crime.





## PROJECT GUARDIAN:

### Countering the Trafficking of Fentanyl

As part of the Federal Action on Opioids, a nationwide collaborative approach led by Health Canada, FINTRAC contributed to the launch of Project Guardian in February 2018 as a public-private sector partnership to combat money laundering associated with the trafficking of illicit fentanyl.

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 launder the proceeds of this illicit activity. These indicators were then published in FINTRAC's Operational Alert, *Laundering of the proceeds of fentanyl trafficking*, to help businesses identify financial transactions that may indicate the trafficking of fentanyl and related money laundering, thus triggering the requirement to send a suspicious transaction report to the Centre.

As a result of Project Guardian and the committed efforts of Canadian businesses, FINTRAC received thousands of suspicious transaction reports relating to the trafficking of illicit fentanyl in 2019–20. With this information, the Centre was able to generate 134 disclosures of actionable financial intelligence last year, including thousands of transaction reports, in support of the money laundering and fentanyl/drug trafficking investigations of Canada's municipal, provincial and federal police agencies.

“ Across Canada, more than 14,700 apparent opioid-related deaths occurred between January 2016 and September 2019, along with 19,490 opioid-related poisoning hospitalizations and more than 17,000 suspected opioid-related overdoses.

*Opioid-related harms in Canada, Public Health Agency of Canada (March 2020)* ”

## STRATEGIC INTELLIGENCE

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



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SECURE ECONOMY  
CANADIENS EN SÉCURITÉ,  
ÉCONOMIE SÛRE

In FINTRAC's first five months of operation, the Centre received a total of 3,747 suspicious transaction reports. Last year, FINTRAC received 386,102 suspicious transaction reports from businesses across Canada. These reports are critical to the Centre's ability to generate actionable financial intelligence for Canada's police, law enforcement and national security agencies.

In 2019–20, FINTRAC produced six strategic financial intelligence assessments and reports and contributed its financial intelligence insight and expertise to numerous other regime partner projects. The majority of the Centre's strategic intelligence was focused on specific money laundering and terrorism financing typologies and mechanisms, including assessments of the financial flows involving jurisdictions that are at a high risk of money laundering. FINTRAC also provided ongoing strategic financial intelligence to the Department of Finance Canada, the lead of Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime, on a broad spectrum of money laundering and terrorist financing topics, including the National Assessment of Inherent Risks of Money Laundering and Terrorist Financing in Canada.

Over the past year, FINTRAC provided 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*. This included publishing an Operational Alert related to the *Laundering the proceeds of crime through a casino-related underground banking scheme*, as well as an Operational Brief regarding the *Risks and indicators for dealers in precious metals and stones*. The Centre also developed money laundering indicators to assist money services businesses and foreign money services businesses dealing in virtual currency to report on virtual currency transactions beginning in June 2020.

In 2019–20, FINTRAC's strategic intelligence team delivered a number of presentations to domestic partners and international audiences, including the United Kingdom's Financial Intelligence Unit, Global Affairs Canada, Public Safety Canada and the Canadian Network for Research on Terrorism, Security and Society's Summer Academy. FINTRAC also worked with the RCMP and the Canada Border Services Agency on a collective submission in relation to trade-based money laundering to the Commission of Inquiry into Money Laundering in British Columbia.

In order to support international efforts to combat money laundering and terrorist financing, the Centre also contributed to a number of key initiatives, including the work of the Egmont Group of Financial Intelligence Units, and represented the Canadian delegation at the Risks and Trends Monitoring Group of the Financial Action Task Force.

## 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 terrorist activity 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.

In 2019–20, FINTRAC worked closely with the Department of Finance Canada and the Department of Justice Canada in the development and implementation of numerous amendments to the regulations under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*. The regulatory amendments are meant to strengthen Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime, including in relation to the verification of client identification, the timelines associated with suspicious transaction reporting and the regulation of businesses dealing in virtual currency and foreign money services businesses.



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CANADIENS EN SÉCURITÉ,  
ÉCONOMIE SÛRE

**In 2014, FINTRAC worked with its international counterparts to help identify Islamic State of Iraq and the Levant's (ISIL) funding sources and mechanisms, and provided methodological and tradecraft input to international initiatives targeting ISIL's financing.**

FINTRAC's financial intelligence and anti-money laundering and anti-terrorism financing expertise helped inform broader Government of Canada policy discussions and decisions. Through the National Inherent Risk Assessment Working Group, the Centre provided support to the Department of Finance Canada in determining which business sectors or industries need to be assessed for money laundering and terrorism financing risk, and then conducting an assessment of those risks. FINTRAC also engaged regime partners and stakeholders through the Advisory Committee on Money Laundering and Terrorist Financing and its working groups, such as the Guidance and Policy Interpretation Working Group, on the implementation of regulatory amendments. In addition, the Centre contributed to broader efforts to enhance transparency in national security through the National Security Transparency Advisory Group, which includes national security experts from the federal government, academia and civil society organizations.

FINTRAC was also actively engaged with the National Security and Intelligence Committee of Parliamentarians in 2019–20. The Centre participated in the first wave of reviews conducted by the committee and worked with other members of the security and intelligence community to ensure that it was transparent and responsive to the committee's requests for information. In addition, FINTRAC responded to requests from the National Security and Intelligence Review Agency, including in relation to information that was shared through the *Security of Canada Information Disclosure Act*.

Over the past fiscal year, FINTRAC supported the work of the new Anti-Money Laundering Action, Coordination and Enforcement (ACE) Team, which was announced in Budget 2019 and is currently developing its operational model. The ACE Team is bringing together dedicated experts from across intelligence and law enforcement agencies to strengthen inter-agency coordination and cooperation and to identify and address significant money laundering and financial crime threats. In addition, FINTRAC contributed its expertise and insight to the new Canada Border Services Agency led multi-disciplinary Trade Fraud and Trade-Based Money Laundering Centre of Expertise.

Throughout the year, FINTRAC also worked to address money laundering risks in Canada's real estate sector, as part of the British Columbia-Government of Canada Working Group on Real Estate. The Centre contributed to the group's efforts by identifying compliance challenges affecting this sector and helping to define the key issues that need to be addressed.

In June 2019, the Canada Revenue Agency recognized FINTRAC's assistance in the investigation of an international tax evasion scheme, which allegedly resulted in \$8.3 million in taxes being evaded. The investigation culminated in the execution of 15 simultaneous search warrants in Ottawa, the Greater Toronto Area, London and Windsor, Ontario, and in Gatineau, Laval, and Montréal, Quebec.





# COMPLIANCE

As part of its core mandate, FINTRAC 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* and associated Regulations.

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 actionable financial intelligence for Canada's police, law enforcement and national security agencies. Financial transaction reporting statistics from 2019–20 can be found in Annex C.

In recent years, FINTRAC has shifted to a more holistic assessment approach to ensuring compliance, where the emphasis is on the overall effectiveness of a business's compliance program, including the impact of non-compliance on the Centre's ability to generate actionable financial intelligence for Canada's police, law enforcement and national security agencies. When FINTRAC's Compliance Program was first established, its examinations were more technical in nature or audit-like. As the program has matured, the Centre continues to evaluate the essential requirements and obligations during its examinations; however, FINTRAC also considers the business's efforts in applying mitigation measures to its identified money laundering and terrorism financing risks, and any aggravating factors or circumstances that impede its efforts or affect its obligations. With this more comprehensive assessment model, the Centre aims to encourage businesses to take greater pride of ownership in their overall compliance programs and in their role in the fight against money laundering and terrorist activity financing. With the evolution of FINTRAC's compliance program and dedicated efforts of Canadian businesses, overall transaction reporting has increased by more than 32 percent over the past five years, with suspicious transaction reporting up by 237 percent.

FINTRAC's compliance program is focused on three pillars: assistance, assessment and enforcement.

## 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 TO BUSINESSES

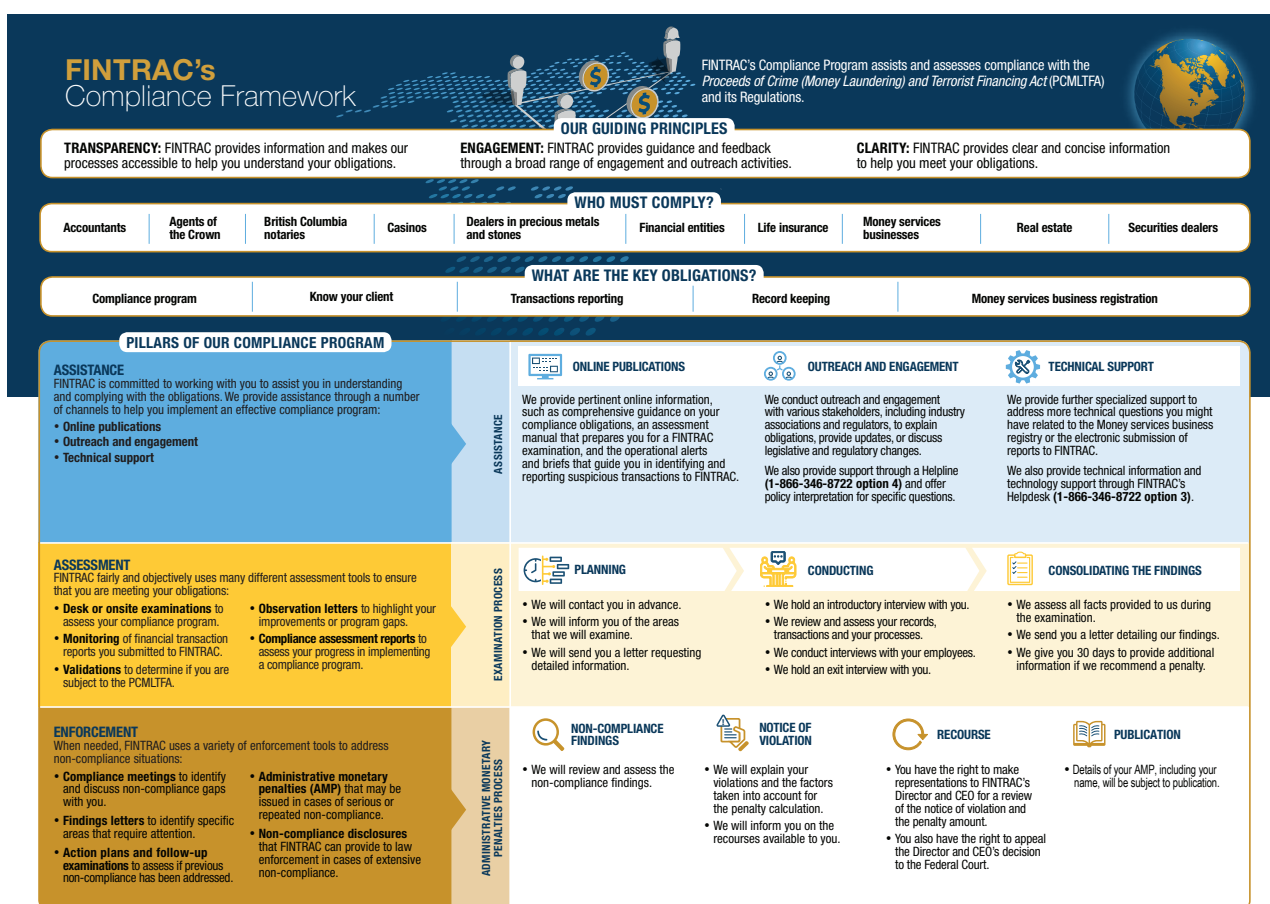
FINTRAC is committed to working with businesses across the country to assist them in understanding and complying with their obligations under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and associated Regulations.

## Comprehensive Guidance

Over the past year, FINTRAC engaged businesses extensively on a number of seminal publications that were included as part of a broader transparency initiative launched in early 2019. This initiative included the publication of the Centre's Compliance Framework, a new FINTRAC Assessment Manual, a revised Administrative Monetary Penalties policy and a Voluntary Self-Declaration of Non-Compliance notice.

In August 2019, following the publication of FINTRAC's revised Administrative Monetary Penalties policy, the Centre launched seven user guides that describe its approach to assessing the harm done by the 200 violations prescribed in the *Proceeds of Crime (Money Laundering) and Terrorist Financing Administrative Monetary Penalties Regulations*, as well as FINTRAC's rationale in determining the corresponding penalty amounts. With these new harm guides, businesses will be able to understand how a penalty is calculated and what they can expect when the Centre undertakes enforcement action.

On November 27, 2019, FINTRAC received an award for Excellence in Regulatory Openness and Transparency from the Community of Federal Regulators. This award will continue to fuel a spirit of innovation and transparency within the Centre for years to come.



Cat. No. FD-4-17(2019E-PDF) | ISBN 978-0-660-31639-0



In November 2019, following extensive consultations with businesses, FINTRAC published updated guidance in relation to methods to verify the identity of an individual and confirm the existence of a corporation or an entity other than a corporation. The updated guidance reflects amendments to the regulations that came into force in June 2019, and the feedback received from Canadian businesses. The change allows for the use of new technologies to verify identity and authenticate documents, which provides more flexibility for business activities to take place online.

Following amendments to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and associated Regulations in June 2019, foreign money services businesses and businesses dealing in virtual currency were required to register with FINTRAC by June 1, 2020. The Centre facilitated this by holding a pre-registration period for businesses dealing in virtual currency beginning in August 2019. Guidance in relation to the registration of these businesses was published shortly thereafter. FINTRAC also held a pre-registration period for foreign money services businesses beginning in March 2020. At the same time, the Centre provided guidance to these businesses on the documentation required for registration, and on the representative for service in Canada requirement. FINTRAC clarified, through its published guidance, the criteria to be considered a foreign money services business and the criteria to be considered a money services business dealing in virtual currency.

In March 2020, as the severity of the COVID-19 pandemic intensified in Canada, FINTRAC published guidance for businesses that were facing challenges in meeting their obligations as a result of provincial emergency measures and staffing issues. The Centre emphasized that it was committed to working constructively with businesses and provided information in relation to the verification of identity, its intentions regarding assessment and enforcement and its expectations in relation to transaction reporting. In particular, FINTRAC stressed the importance of prioritizing and submitting suspicious transaction reports given their importance to the production of financial intelligence, and provided alternate means of doing so if businesses could not access their regular systems. In addition, the Centre provided temporary flexibility to accommodate businesses that were facing challenges in meeting their obligations as a result of the global pandemic.

As the global pandemic escalated in March 2020, FINTRAC also took over responsibility for its external call centre telephone line, which is usually managed by Service Canada. The Centre responded to 272 enquiries from March 16 to March 31, 2020 alone.

## Outreach and Engagement

In 2019–20, FINTRAC finalized a new five-year Compliance Engagement Strategy, setting the priorities for the Centre's engagement activities. Based on this strategy, FINTRAC undertook 166 outreach and engagement activities throughout the year, such as working groups, conferences and teleconferences, presentations, training sessions and meetings with businesses and stakeholders. The Centre also conducted consultations on a number of topics, including new and revised guidance, reporting forms and the implementation of regulatory amendments.

FINTRAC's outreach efforts over the past year were focused on increasing awareness and understanding of, and getting feedback on, new and revised guidance in relation to the regulatory amendments that were published in

In June 2019, the Toronto Police Service recognized FINTRAC's assistance in a multi-jurisdictional illicit guns and gangs investigation, called Project Kraken, which led to the execution of 99 arrest and search warrants throughout the Greater Toronto Area and the seizure of cocaine, fentanyl and other narcotics, 23 firearms, tasers and body armour.





the summer of 2019. Through the Guidance and Policy Interpretation Working Group, which is a sub-committee of the Advisory Committee on Money Laundering and Terrorist Financing, and sector specific consultations, FINTRAC shared its approach and rationale for its draft guidance and gained valuable insight on the needs and expectations of businesses. In addition, the FINTRAC Reporting Working Group was used extensively to seek feedback from businesses on the implementation of changes to the Centre's reporting systems and forms related to the regulatory amendments.

FINTRAC also engaged extensively with real estate regulatory bodies, associations and businesses across the country to strengthen compliance in that sector. In 2019–20, the Centre implemented a new Memorandum of Understanding (MOU) with the Real Estate Council of British Columbia. The first of its kind for real estate regulators in Canada, the MOU establishes a framework within which FINTRAC and the Real Estate Council of British Columbia can share compliance-related information in order to strengthen compliance in the real estate sector in British Columbia. The MOU is also helping to enhance the knowledge and expertise of each organization regarding new and evolving trends in the real estate sector. It has also assisted FINTRAC in better capturing and streamlining the real estate population in British Columbia. In addition, through this MOU, FINTRAC contributed to the development of anti-money laundering and anti-terrorist financing training modules for licensed professionals, which were launched by the Real Estate Council of British Columbia in January 2020.

FINTRAC also assisted the Real Estate Council of Ontario in 2019 in the development of similar anti-money laundering and anti-terrorist financing training for new registrants and ongoing learning for real estate agents in Ontario. This training was launched in December 2019.

In May 2019, FINTRAC reinforced its partnership with the Investment Industry Regulatory Organization of Canada through the strengthening of its existing Memorandum of Understanding. Under this enhanced MOU, FINTRAC and the Investment Industry Regulatory Organization of Canada are able to share compliance-related information, including results of compliance examinations, as well as knowledge and expertise on money laundering and terrorist activity financing risks in the investment sector and the broader Canadian financial system.

FINTRAC created a Follow Up and Strategic Engagement (FUSE) team in the Toronto region on June 1, 2019 to oversee the follow-up activities and strategic engagement conducted by its three regional offices with Canada's largest financial institutions.

In December 2019, FINTRAC held its second national Casino Forum, which included representatives from the casino sector and casino regulators from across Canada as well as members of law enforcement, the Department of Finance Canada and several of Canada's largest financial institutions. Discussions focussed on the results of recent compliance examinations, emerging trends and vulnerabilities in the casino sector, common approaches and challenges, and upcoming legislative and regulatory changes.

FINTRAC hosted its sixth annual Major Reporters Forum in February 2020, bringing together a number of regime partners and Canada's largest financial institutions that provide more than 90 percent of the reports that the Centre receives every year. The forum included a brainstorming session on ways to further improve the effectiveness of Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime, including piloting new technologies,



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**FINTRAC conducted its first compliance examination on January 30, 2004, in Vancouver, British Columbia. Since then, the Centre has undertaken more than 5,000 examinations of businesses from all reporting sectors across Canada.**

investing in skills development and reducing compliance burden. The forum also included a discussion of FINTRAC's assessment approach to compliance, reporting statistics, compliance examination trends and expectations going forward. In addition, updates were provided on the Regime's current public-private sector partnerships, the implementation of upcoming legislative and regulatory amendments and the transition of anti-money laundering and anti-terrorist financing assessment responsibilities from the Office of the Superintendent of Financial Institutions to FINTRAC.

Throughout 2019–20, the Centre provided numerous presentations across the country, including at the Canadian Institute Anti-Money Laundering and Financial Crime Conference in May 2019, which was attended by over 100 participants from all business sectors, regulators, law enforcement and other government organizations; seminars organized by the Canadian Money Services Businesses Association in May and November 2019; the Corporation des bijoutiers du Québec's Expo Prestige in August 2019; the Ontario Risk Seminar 2019 in November, which was attended by 80 credit union executives, risk managers and personnel; and the Canadian Institute's Regulatory Compliance Conference in November 2019.

## Policy Interpretations

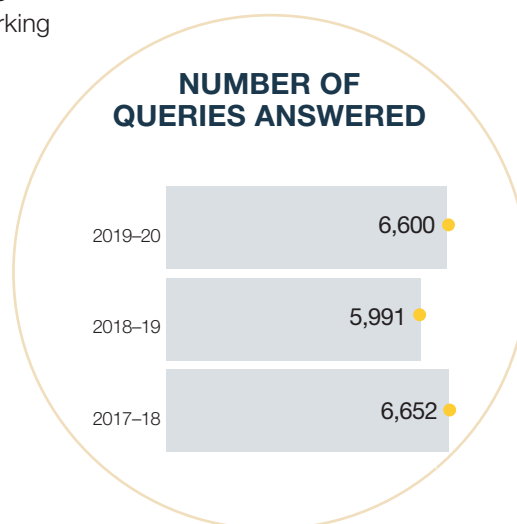
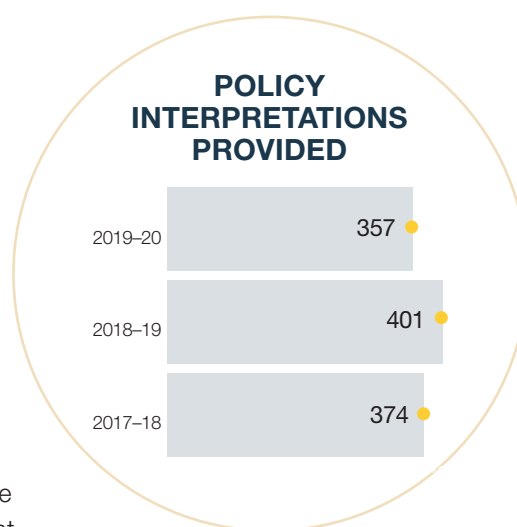
Over the past year, FINTRAC provided 357 policy interpretations to clarify its approach to the application of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*. The most common interpretations were related to ascertaining identity, reporting international electronic funds transfers 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 generally posted on its website without identifying information, to assist other businesses that may have similar questions.

Policy interpretations in relation to the regulatory amendments that are coming into force in June 2020 and June 2021 were also discussed at the Advisory Committee on Money Laundering and Terrorist Financing, FINTRAC Reporting Working Group, the Virtual Currency Dealers Working Group and the Guidance and Policy Interpretations Working Group.

## Responses to Enquiries

In 2019–20, FINTRAC responded to 6,600 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.



## Money Services Business Registry

Businesses that exchange foreign currencies, transfer money or 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. There were eight revocations in 2019–20. Last year, 557 new money services businesses registered with FINTRAC and 236 businesses were renewed. In addition, 109 businesses ceased their registrations and 116 registrations expired. As of March 31, 2020, 1,449 money services businesses were registered with the Centre.

## 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. Over the past year, FINTRAC continued with the evolution to an assessment approach to examinations. With this approach, the focus is less on technical compliance and more on the overall effectiveness of a business's compliance program, including the impact of non-compliance on achieving the objectives of the Act and the Centre's ability to carry out its mandate.

## 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.

In 2019–20, FINTRAC received a total of 31,364,164 financial transaction reports from businesses. The Centre rejected 131,747 reports for not meeting quality requirements. It accepted an additional 347,351 financial transaction reports for which it subsequently issued a warning to businesses about the quality of those reports.

When issues relating to reporting data quality, timing or volume are identified, FINTRAC addresses them through engagement, an examination or another compliance activity. Through this type of monitoring of data, the Centre is also able to identify over-reporting, and delete from its database those reports that should not have been received.

In July 2019, York Regional Police's Organized Crime and Intelligence Bureau recognized FINTRAC's contribution to Project Sindacato, an illegal international gaming investigation that resulted in charges against nine people and the seizure of more than \$35 million in proceeds of crime. The Canada Revenue Agency also recognized FINTRAC's assistance to their component of Project Sindacato, which resulted in tax evasion charges under the *Income Tax Act* and fraud charges under the *Criminal Code*.



FINTRAC also regularly assesses the financial transaction reports that it receives from businesses by conducting database examinations to determine whether a business's 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.

Over the past year, the Data Integrity team conducted 21 reviews of previous compliance examinations, focusing on the data quality deficiencies identified during those examinations to assess whether there had been any changes in behaviour. Sixteen businesses (76%) demonstrated a positive change in behaviour, partially or fully addressing their previously-cited data quality deficiencies. Those businesses that did not exhibit a positive change in reporting behaviour were referred for a follow-up compliance examination.

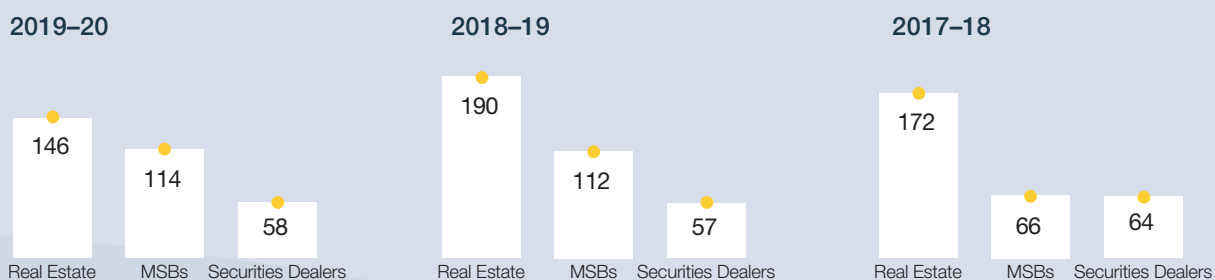
## Compliance Examinations

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 businesses that report large numbers of transactions or are at a higher risk of being deficient or exploited by money launderers or terrorist financiers. Consistent with its transition from an audit to an assessment approach over the past few years, the Centre has undertaken more complex, lengthy and in-depth examinations of larger businesses in higher-risk sectors in order to determine how effectively they are fulfilling their compliance obligations.

In 2019–20, FINTRAC conducted 399 compliance examinations, the largest number of which was focused on the real estate sector (146), followed by money services businesses (114) and securities dealers (58).

This past year marked the first of a new approach between FINTRAC and the Office of the Superintendent of Financial Institutions for anti-money laundering and anti-terrorist financing assessments of federally-regulated financial institutions. Following a transition period, FINTRAC will assume primary responsibility for conducting independent assessments of Canada's federally-regulated financial institutions to ensure compliance with the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and associated Regulations. This new approach will help deliver a strong and effective Anti-Money Laundering and Anti-Terrorist Financing Regime, while reducing duplication through better alignment with the two organizations' respective mandates and authorities. As part of the transition period, FINTRAC developed a communications plan to announce the new approach to the federally-regulated financial institutions and industry stakeholders. As part of its implementation plan, the Centre organized national training sessions for its staff, and job shadowing to ensure a smooth transfer of knowledge from the Office of the Superintendent of Financial Institutions to FINTRAC. FINTRAC also moved to decentralize its assessment expertise across the Centre's three regional offices and assigned a dedicated 'portfolio' compliance officer to each of the major reporters. The transition to the new approach has been relatively seamless and well-received by industry and the agencies involved.

### LARGEST NUMBER OF EXAMINATIONS BY SECTOR (TOP THREE)



FINTRAC's Voluntary Self-Declaration of Non-Compliance notice issued last year provides Canadian businesses with information on how to contact the Centre when they come across instances of non-compliance. Promoting open dialogue and transparency without the threat of a penalty, the notice allows FINTRAC to work collaboratively with businesses to address non-compliance which they have identified. In particular, it helps to ensure that the Centre receives reporting that it otherwise might not have, information that is critical to the production of actionable financial intelligence for Canada's police, law enforcement and national security agencies.

In 2019–20, FINTRAC received 134 Voluntary Self-Declaration of Non-Compliance notices, a 97 percent increase over the previous year. The majority of these declarations, which came from financial institutions, involved reports that had not been provided mainly due to systems errors. The Centre worked closely with these financial institutions to ensure that the financial transaction reporting was submitted accurately to FINTRAC.

## ENFORCEMENT

FINTRAC is committed to working with businesses to assist them in understanding and complying with their obligations. However, 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 and, through the Follow Up and Strategic Engagement team, the monitoring of follow-up activities and action plan progress by businesses. It also includes imposing administrative monetary penalties when warranted and providing non-compliance disclosures to police and law enforcement. 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

Follow-up examinations are an assessment tool that FINTRAC can use, when appropriate, to determine if a business has addressed previous instances of non-compliance. In 2019–20, the Centre conducted 44 follow-up examinations and identified improvement in compliance behaviour in more than 88 percent of cases over the previous examination. In instances where there was no improvement or a negative change in behaviour was observed, additional compliance and/or enforcement activities were undertaken.

### Administrative Monetary Penalties

In 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. The administrative monetary penalties program supports FINTRAC's mandate by providing a measured and proportionate response to particular instances of non-compliance.

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-terrorism financing penalty programs in the world. As part of this review, the Centre conducted extensive research and consultations with legal experts and stakeholders, as well as a thorough analysis of the Centre's broader assessment methodology in relation to examinations.

FINTRAC completed this review in 2018–19 and published the revised Administrative Monetary Penalties policy on its website in February 2019. The revised policy outlines clearly and transparently the penalty process and the new method of calculating penalties for non-compliance with the Act and associated Regulations. The Centre also developed and published a number of specific guides that describe its approach to assessing the harm done by the 200 violations prescribed in the *Proceeds of Crime (Money Laundering) and Terrorist Financing Administrative Monetary Penalties Regulations*, as well as FINTRAC's rationale in determining the corresponding penalty amounts.



By providing comprehensive information on the enhancements to its Administrative Monetary Penalties policy and penalty calculation methodology, FINTRAC wants to ensure that businesses will have a better understanding of its program and approach.

In 2019–20, FINTRAC issued two administrative monetary penalties for non-compliance, one in the real estate sector and the other in the money services business sector.

With the changes to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* in 2019, the Centre is now required to publicly name all persons and entities that receive an administrative monetary penalty. This applies to all administrative monetary penalties imposed as of June 21, 2019.

## Non-Compliance Disclosures to Law Enforcement Agencies

Under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, FINTRAC may disclose cases of non-compliance to the police and law enforcement when it is extensive or if there is little expectation of immediate or future compliance. In 2019–20, the Centre disclosed seven such cases. In recent years, law enforcement agencies have increasingly looked to utilize the Non-Compliance Disclosure tool to pursue criminal charges under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*.



In December 2019, the Ontario Provincial Police recognized FINTRAC's contribution to Project Hobart, a complex multi-jurisdictional investigation into a major illegal gaming enterprise that began in January 2018 following an escalation of violence across Ontario and Quebec that included attempted murders, arsons, extortion threats, shootings and assaults. Project Hobart led to 28 people being charged with 228 offences, including laundering the proceeds of crime, as well as the seizure of seven residences and two vacation properties valued at \$8.1 million, 18 vehicles, \$1.7 million in cash, \$1.2 million in financial accounts and 21 firearms among other items.





# GLOBAL LEADERSHIP

FINTRAC works with its allies and partners in a global effort to combat international money laundering and terrorist activity financing. As a Centre that is recognized for its expertise and 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 cooperates 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 appropriate thresholds are 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 2019–20, the Centre received 227 queries for information from foreign financial intelligence units in relation to money laundering and terrorist activity financing, and provided 234 disclosure packages. For its part, FINTRAC sent 153 requests to foreign financial intelligence units seeking further financial intelligence to broaden its own analysis.

FINTRAC 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. 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 2019–20, FINTRAC co-led the development of a pilot training program focused on combatting terrorist financing for financial intelligence units in the Caribbean region. The program was delivered as part of an advanced strategic analyst course in May 2019 to 18 officials representing 16 financial intelligence units in the region.

The Centre also delivered a presentation on Project Protect, Canada's innovative public-private sector partnership focused on combatting human trafficking in the sex trade, at a Lawyers Without Borders human trafficking seminar in El Salvador. The seminar was attended by judicial authorities, law enforcement and financial intelligence units from Guatemala, Honduras and El Salvador.

In November 2019, FINTRAC presented Canada's public-private sector partnerships at the 5<sup>th</sup> Counter-Terrorism Financing Summit in Manila, which was hosted by the Philippines' Anti-Money Laundering Council, in partnership with the Australian Transaction Reports and Analysis Centre and the Indonesian Financial Transaction Reports and Analysis Centre. The summit was attended by over 350 representatives from 29 countries consisting of officials and experts from financial intelligence units, senior representatives from the policy, regulatory, law enforcement and national security agencies, the financial industry, multilateral bodies, think tanks and academia from across the region and the globe.



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**FINTRAC joined the Egmont Group of Financial Intelligence Units in 2002, which was the first step in negotiating agreements to exchange information with foreign financial intelligence units. Today, the Centre has more than 100 such agreements in place with jurisdictions around the globe.**

FINTRAC also participated in the 'No Money for Terror' Ministerial Conference on Counter-Terrorism Financing, which was hosted in Australia in November 2019. The conference was attended by more than 65 delegations, including 23 Ministers, representatives from 15 international bodies, and representatives from 28 private sector and not-for-profit organizations. During the conference, FINTRAC provided a presentation on Canada's policy approach on regulating virtual assets and engaging with virtual asset service providers.

Over the past year, FINTRAC supported the United Nations Office on Drugs and Crime's workshop on Financial Investigations of Trafficking in Persons and Smuggling of Migrants, which was held in Cairo, Egypt, to help train Egyptian law enforcement agencies on methods of conducting financial investigation and financial analysis in relation to trafficking in persons and smuggling migrants. The Centre provided a presentation on Project Protect to the Egyptian financial intelligence unit, law enforcement officials and prosecutors.

As part of the Egmont Group, which is comprised of 164 international financial intelligence units, FINTRAC led and supported a number of key projects related to typologies, technical assistance and training, including project support in combatting human trafficking and assistance in the creation of an eLearning platform for the Egmont Centre of Financial Intelligence Unit Excellence and Leadership.

In April 2019, FINTRAC's Director and Chief Executive Officer provided an in-depth presentation of Canada's successful public-private sector partnerships at a meeting of representatives of financial intelligence units of the Americas Region in Miami, Florida, which was co-chaired by FINTRAC and Argentina's Financial Information Unit. The broader meeting focused on financial intelligence unit operational independence and autonomy and the role and value of public-private sector partnerships.

FINTRAC is also a member of Canada's delegation to the Financial Action Task Force (FATF), an international body that sets standards and promotes the effective implementation of legal, regulatory and operational measures for combatting money laundering and terrorism financing. In 2019–20, the Centre participated in the review of several mutual evaluations and follow-ups, including the follow-up assessment of Norway. FINTRAC also contributed to the improvement of FATF standards and processes, as well as to several policy and research documents on virtual assets, proliferation financing and money laundering and the illegal wildlife trade. In addition, the Centre led the development of terms of reference for the new Heads of Financial Intelligence Units Symposium, which provides the heads of FATF financial intelligence units with an opportunity for strategic level discussions and the exchange of best practices with strategic relevance in order to strengthen anti-money laundering and anti-terrorist financing efforts worldwide.

FINTRAC also works closely with its counterpart organizations within the Five Eyes community, consisting of Australia, Canada, New Zealand, the United Kingdom and the United States. In 2019, FINTRAC hosted the Five Eyes International Working Group on Terrorist Financing. The Centre also works with its Five Eyes partners through the International Supervisors Forum, which was established in 2013 to provide members with a platform for sharing information and operational practices; consulting on common supervisory priorities and issues; and developing collaborative products and initiatives. FINTRAC engaged in numerous bilateral exchanges with Five Eyes partners throughout the year, including sharing approaches to regulating virtual currencies and the coming into force of various new regulations.

Going forward, the Centre will continue to collaborate with its national and international partners on a number of priority projects, including countering the trafficking of fentanyl and combatting human trafficking. Leveraging insight and best practices among innovative financial intelligence units helps to ensure that FINTRAC remains a global leader in the fight against money laundering and terrorism financing.

In May 2019, the Toronto Police Service acknowledged FINTRAC's contribution to Project Dos, an illegal drug distribution investigation, which led to eight arrests, the seizure of \$17 million in cocaine, marijuana, ephedrine and phenacetin, and 29 search warrants executed in Toronto, Vaughan, Kitchener and Stoney Creek.





# 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 rights 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 and disclosed, clear requirements for maintaining and disposing of records, and a biennial audit of 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 can 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 2019–20, FINTRAC updated its three-year Departmental Security Plan. The new plan details the Centre's comprehensive approach to managing security risks, including in relation to privacy and information protection. It also outlines known vulnerabilities, threats and recommended mitigation measures. In addition, the plan provides objectives and timelines for improving FINTRAC's current state of security, and demonstrates how the Centre will continue to contribute to, and align with, broader Government of Canada security priorities.

Given that information protection is integral to FINTRAC's mandate, the Centre requires its personnel to have a heightened awareness of security, privacy, information management and access to information as well as to participate in mandatory access to information and privacy training. FINTRAC's Access to Information and Privacy

Office provides regular advice and guidance to all FINTRAC employees to further ensure that the Centre manages its personal information holdings effectively and in accordance with the *Privacy Act*. The Centre also publishes monthly information notices regarding access to information and privacy protection on its intranet site. In addition, all new employees receive mandatory security briefings and training in relation to information and privacy protection.

The *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* establishes 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. In 2019–20, the Centre disposed of 24.7 million such reports.

FINTRAC also has in place a robust process for segregating and disposing of reports that are sent by businesses, but do not meet reporting thresholds. Through the proactive monitoring of reporting statistics, compliance examinations, the Voluntary Self-Declaration of Non-Compliance, and other compliance activities, the Centre identified a number of instances of over-reporting. This resulted in the segregation and deletion of more than 10.4 million reports that should not have been sent by businesses over the past year.

## 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 and collects under the Act.

In September 2017, the Office of the Privacy Commissioner completed and published its third review of the Centre's privacy protection measures, examining FINTRAC's collection of personal information and progress made in response to previous audits. In its audit report, the Office of the Privacy Commissioner concluded that the Centre had made "significant efforts to enhance its personal information handling practices, resulting in improvements in privacy protections." The report also provided several recommendations for improvement, which the Centre moved to address in previous years, further strengthening its comprehensive approach to safeguarding the personal information of Canadians.

In 2019–20, the Office of the Privacy Commissioner launched its fourth review of FINTRAC's privacy protection measures, focusing on the security controls that the Centre has in place to protect its information holdings. The planning activities and examination fieldwork in relation to this review will continue into 2020–21.

The protection of privacy is a clear priority and a critical result of FINTRAC's work. While helping to protect the safety of Canadians and security of Canada's economy, the Centre is determined to meet all of its obligations under the *Privacy Act* and the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*.

In July 2019, Peel Regional Police recognized FINTRAC's assistance in a complex multi-jurisdictional investigation that led to multiple arrests and the seizure of 28 stolen high-end vehicles worth more than \$2 million.



# 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

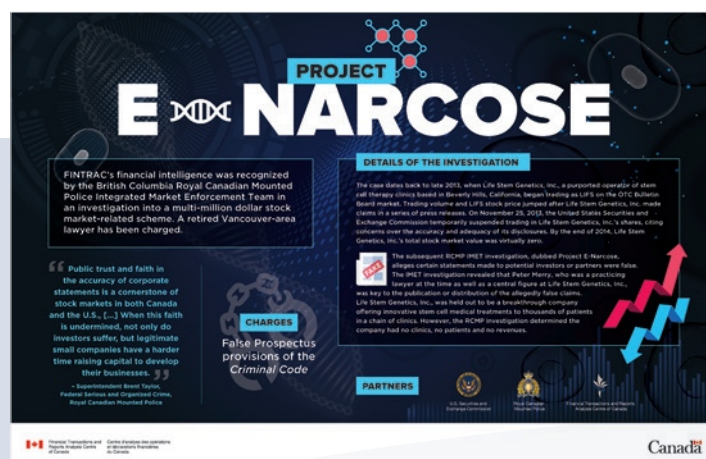
Through tailored engagement activities and robust people management initiatives, FINTRAC continues to attract, develop, retain and maximize the contributions of one of the most dedicated and talented workforces in the federal government.

In 2019–20, the Centre launched a new five-year People and Culture Strategy, called *Our Talent, Our Future*, which is based on the vision and priorities laid out in FINTRAC's Strategic Plan. *Our Talent, Our Future* is focused on promoting a culture of accountability through empowerment and change; preparing FINTRAC for the future through continuous growth and modernization; and collaborating to strengthen results. This new strategy will ensure that the Centre remains an employer of choice that empowers its employees through dynamic and challenging work, complemented with flexible work-life balance and an overriding commitment to mental health and well-being.

In parallel with FINTRAC's new People and Culture Strategy, the Centre also launched a People Management Policy Suite and Framework renewal exercise to ensure that FINTRAC has the right policies, tools and procedures in place for the effective and efficient management of its human resources.

As a priority over the past year, FINTRAC focused on modernizing its Flexwork, Leave and Overtime Directive, with an emphasis on increasing the mobility of the Centre's workforce through the use of tools, technology and flexible work arrangements. Following extensive engagement with staff and comprehensive research, including assessing technical feasibility and the practices of other organizations in the security and intelligence community, a new telework guide, processes and tools were approved and shared Centre-wide at the end of February 2020.

In March 2020, FINTRAC's financial intelligence was recognized by the RCMP Integrated Market Enforcement Team in British Columbia in an investigation into a multi-million dollar stock market-related scheme. A retired Vancouver-area lawyer has been charged.





This work formed the centrepiece of FINTRAC's early response to the global pandemic, allowing it to continue to deliver on its core mandate within Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime.

FINTRAC's participation in, and response to, the Public Service Employee Survey is another key component of the Centre's ongoing commitment to being an employer of choice for Canadians. The results of the 2017 survey showed that FINTRAC was ranked sixth overall for the best place to work in the federal public service. This was a significant achievement and FINTRAC remains committed to ongoing improvement and excellence. In April 2019, following extensive engagement with staff, the Centre published its Public Service Employee Survey Action Plan, which contains a number of comprehensive initiatives grouped under four key themes: mindful leadership; transparency and communication; healthy, respectful and inclusive workplace; and career development and talent management.

In addition to measures undertaken in previous years, FINTRAC launched a number of initiatives in 2019–20 to advance its Public Service Employee Survey Action Plan, including developing a learning curriculum for leaders, creating a talent management program, reviewing and updating the Centre's staffing policy, identifying a Wellness Champion and establishing and staffing a new Ombuds Office to provide a safe, respectful and judgement-free resource to support staff. FINTRAC also implemented new corporate commitments in its assessment of performance to better focus on "how" results are achieved in addition to measuring the results themselves.

In January 2020, the results of the 2019 Public Service Employee Survey were consolidated, analyzed, compared by sector and across different demographics, and shared with all employees. FINTRAC's results were once again impressive. For example, 93 percent of employees said that they were proud of the work they do for Canadians and 83 percent said that they would recommend the Centre as a great place to work, both results well above the public service average. These numbers are backed up by FINTRAC's strong participation rate, which was the second highest across government among small, medium and large departments and agencies. In 2020–21, the Centre will assess how its Public Service Employee Survey Action Plan can be further strengthened based on this latest survey.

As part of its existing Public Service Employee Survey Action Plan, FINTRAC launched a Staffing Reboot initiative in the fall of 2019 with the goal of modernizing the Centre's staffing policies, practices and assessment methods. The first phase of the initiative saw FINTRAC streamlining its staffing processes and reducing administrative burden, allowing for a greater focus on the quality of the candidate. A new Staffing Policy and Staffing Directive was also drafted and will come into effect in 2020–21, facilitating the Centre's move from a rules-based system to one that balances compliance with agility while maintaining the principles of fairness and transparency.

Over the past year, FINTRAC also launched a new recruitment strategy and created a Recruitment Task Force to oversee the Centre's staffing surge and ensure the effective coordination of its recruitment activities. As part of this effort, FINTRAC conducted three Open Houses in 2019–20 to fill a number of vacancies, reduce the hiring period and increase its inventory of potential intelligence analysts, compliance officers and IM/IT experts. The Centre also introduced speed interviewing processes and piloted a self-assessment reflecting a candidate's achievement portrait. As well, FINTRAC participated in the Federal Safety, Security and Intelligence Career Fair in November 2019. 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 Correctional Service of Canada, Public Safety Canada and the Royal Canadian Mounted Police to meet with potential candidates considering a career within Canada's security portfolio. As a result of these and other efforts, the Centre hired 73 new employees last year. It also provided 90 meaningful work term opportunities to students.



As an organization committed to expertise and excellence, learning and development opportunities for FINTRAC's employees remained a priority for the Centre over the past year. In addition to providing extensive sector-specific training, FINTRAC held monthly internal learning sessions in both official languages, giving subject-matter experts the opportunity to share their knowledge and expertise with their colleagues. In 2019–20, nine FINTRAC 101 sessions were delivered on topics such as FINTRAC's role in Project Chameleon, the Centre's Assessment Approach to Ensuring Compliance, the Evolution of FINTRAC's Administrative Monetary Penalties Program, Canada's 5<sup>th</sup> Year Follow-up with the Financial Action Task Force and Advanced Analytics.

The Centre also continued to promote and support bilingualism through a variety of activities and initiatives, such as group training, awareness events and language programs. A new Official Languages Champion was appointed in the fall of 2019 to provide leadership in the development of official languages action plans. Throughout the year, 41 employees across the Ottawa, Montréal, Toronto and Vancouver offices attended FINTRAC's part-time maintenance and introductory Second Language Training. As well, 28 employees participated in the Language Buddy System, up from 16 the previous year. This program allows staff to practice and improve their second language skills with the help of a volunteer coach in a more informal setting. In addition, extensive information was posted on FINTRAC's intranet to promote the 50<sup>th</sup> anniversary of the *Official Languages Act*, the 10<sup>th</sup> anniversary of Linguistic Duality Day, the Rendez-vous de la Francophonie and the Language Portal of Canada.

In December 2019, the Winnipeg Police Service recognized FINTRAC's assistance in Project Highland, an investigation that led to the dismantling of an interprovincial organized crime network that was transporting multiple kilograms of cocaine, opioids, and significant amounts of illegal cannabis and tobacco from Southern Ontario into the city of Winnipeg. The investigation led to 34 charges against ten individuals and the seizure of 13 kilograms of cocaine and other narcotics, five vehicles and hundreds of rounds of ammunition.



In addition to providing regular communications and tools that support employee well-being and a respectful workplace, the Centre provided mandatory civility training to its staff over the past year. This training included information on civility, harassment and discrimination, and encouraged discussion of these issues using hypothetical scenarios in small groups. FINTRAC also provided training to its supervisors, managers and leaders to assist them in having difficult conversations with staff.

As part of the Centre's commitment to a respectful workplace, FINTRAC also houses an Ombuds Office. This office, stood up in May 2019, is the result of FINTRAC's Public Service Employee Survey engagement sessions, and it builds on the Treasury Board of Canada Secretariat's Federal Public Service Workplace Mental Health Strategy as well as the federal government's initiative, Safe Workspaces: Starting a Dialogue and Taking Action on Harassment in the Public Service. Reporting to the Director and Chief Executive Officer of FINTRAC, the Ombuds Office provides a safe, respectful and judgement-free resource to support staff and, when needed, guide parties to resolve problems as quickly and as informally as possible. FINTRAC's Ombuds Office has provided direct and critical support to staff, and valuable advice to the Director, in relation to the significant challenges brought about by the global pandemic.

Under the leadership of its new Workplace Well-Being and Mental Health Champion, FINTRAC undertook a number of mental health initiatives in 2019–20, including in relation to the Bell Let's Talk Day, the World Mental Health Day and the Employee Assistance Program's LifeSpeak Portal. The Centre's Champion also ensured that staff were well informed of the comprehensive mental health supports that are in place within FINTRAC and across the federal government, ramping up her efforts in response to the COVID-19 global pandemic.

In order to promote diversity, employment equity and multiculturalism, FINTRAC's Employment Equity and Multiculturalism Committee, under the leadership of its Champion, organized a number of activities throughout the year, including its annual multiculturalism potluck with all proceeds going to the Government of Canada's Workplace Charitable Campaign. The Centre also promotes key multicultural events on its internal and external communications channels, including Black History month, the International Day for the Elimination of Racial Discrimination and Asian Heritage Month. In addition, in 2019–20, FINTRAC introduced an electronic self-identification form and human resources questionnaire to modernize how the Centre captures its demographic data and make it easier and more convenient for employees to participate. FINTRAC also promotes diversity and employment equity through its job posters, selection processes, job fairs and open houses.

FINTRAC is committed to implementing a Government of Canada initiative focused on using Gender-Based Analysis Plus (GBA+) to develop policies and programs. As part of its renewed governance, the Centre appointed a GBA+ Champion in 2018–19. Furthermore, an ADM-level Champion on Gender-Inclusive Services represents FINTRAC inter-departmentally and is focused on building awareness about the policy direction and the issue, mobilizing various lines of business, and supporting consistency across the Government of Canada.

## FINTRAC Demographics

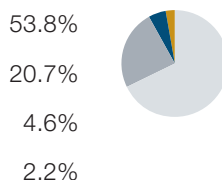
FINTRAC is proud to be an inclusive employer that attracts and retains a talented workforce that is reflective of Canada's rich diversity.

### Number of Employees<sup>1</sup>: 355

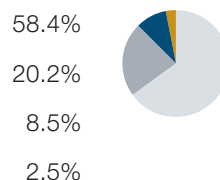
#### Designated Group Representation

- Women
- Visible minorities
- Persons with disabilities
- Aboriginal peoples

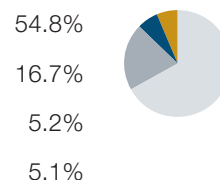
#### FINTRAC Employees



#### Workforce Availability<sup>2</sup>



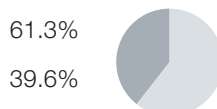
#### Federal Public Service<sup>3</sup>



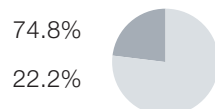
#### Official Languages Representation

- First official language – English
- First official language – French

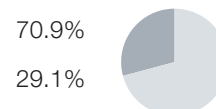
#### FINTRAC Employees



#### Canadian Population<sup>4</sup>



#### Federal Public Service<sup>5</sup>



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, 2019, and the Canadian Citizen Workforce Population based on 2016 Census statistics and 2017 Canadian Survey on Disability
3. Source: Employment Equity in the Public Service of Canada for Fiscal Year 2018 to 2019
4. Source: Office of the Commissioner of Official Languages, based on 2016 Census data
5. Source: Treasury Board Secretariat, March 31, 2018: "Federal Public Service" includes the core public administration and separate agencies

In December 2019, the RCMP in Manitoba recognized FINTRAC's assistance as part of Project Declass, a 16-month domestic and international investigation that began with the arrest of two Winnipeg residents who were attempting to import 40 kilograms of cocaine into the province. Project Declass uncovered an integrated network of individuals belonging to different organized crime groups that were working together to import and distribute illicit drugs in Winnipeg and throughout Manitoba. Following the investigation, 11 people were charged with 66 offences, including the trafficking of narcotics and laundering the proceeds of crime. Police seized 43 kilograms of cocaine, 22 kilograms of methamphetamine and five vehicles.



## LEVERAGING TECHNOLOGY

FINTRAC depends on a sophisticated information technology infrastructure to receive, store and secure over 30 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 modern systems that can manage the high volume of information, make the connections and produce the needed results, all in real-time or close to it.

FINTRAC has been working to upgrade its analytics systems over the past several years, including capturing and refining its complex intelligence requirements, identifying key business processes to streamline and implementing a number of foundational components. FINTRAC remains focused on the modernization of its information technology systems in order to keep pace with the rapid technological innovation that is taking place in the financial sector and all sectors around the world.

Throughout the year, the Centre continued to implement the initiatives highlighted in FINTRAC's Information Management/Information Technology Strategy 2017–20, which focuses on the people, partnerships and services that are required to support FINTRAC's transformation agenda while continuing to meet operational demands. In August 2019, the Centre delivered a significant update to its Web reporting system. The interface was refreshed, an ID-recovery function was added, help text that was previously in a separate guide was integrated into the system, workflows were simplified, and support for different devices such as tablets and phones was added. The changes make the system more user-friendly and even easier for businesses to send reports to FINTRAC.

In 2019–20, in support of its new Flexwork, Leave and Overtime Directive, FINTRAC procured and integrated a significant number of new mobile devices for its staff and increased significantly the number of secure connections available to the Centre. In addition, as the global pandemic took hold in Canada, FINTRAC researched and adopted a number of collaboration and information sharing tools. These efforts provided the secure foundation upon which the Centre was able to continue to deliver on its core mandate for Canadians as country-wide restrictions and closures were implemented in mid-March to combat the spread of COVID-19.

In December 2019, the RCMP's Federal Serious and Organized Crime Unit acknowledged the assistance of FINTRAC after concluding an investigation into Moxipay Corporation, an Edmonton-based company that allegedly facilitated payments for unlicensed illegal online cannabis dispensaries. The investigation determined that Moxipay was operating as an unregistered money service business, an offence under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, and identified that unlicensed cannabis dispensaries used Moxipay to transfer and receive nearly \$15 million from the illegal online sale of cannabis. Five people were charged with 11 offences, including the laundering of proceeds of crime, failure to identify a person and failure to report suspicious activity.



# RESOURCE MANAGEMENT

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

## FINTRAC's Budgets by Fiscal Year

	2017-18 (in millions)	2018-19 (in millions)	2019-20 (in millions)
Salaries	\$36.2	\$35.5	\$41.1
Employee Benefit Plans	\$5.1	\$4.9	\$4.8
Operations and Maintenance	\$15.3	\$14.2	\$14.2
Total Approved Budget <sup>1</sup>	\$56.6	\$54.6	\$60.2
Total Actual Expenditures	\$55.2	\$51.4	\$55.3

1. Totals may not add due to rounding.

Between 2018-19 and 2019-20, FINTRAC's total approved budget increased by \$5.6M (10.3%). The voted budget, including salary and operations and maintenance, increased by \$5.7M, while the statutory budget for the employee benefits plan decreased by \$0.1M. The increase in the voted budget is primarily attributable to an increase in funding announced in Budget 2019 to strengthen Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime, and to contribute to the National Strategy to Combat Human Trafficking. FINTRAC's personnel budget also increased following the approval of an annual cost of living wage increase effective from 2018 to 2021.

Compared to last fiscal year, FINTRAC's total actual expenditures increased by \$3.9M (7.6%). Increased personnel costs are the largest factor in increasing expenses. Salary costs were higher in 2019-20 due to retroactive salary payments made to employees for the approved annual cost of living increase. Costs for professional and special services also increased across various expense categories, including but not limited to, legal, informatics, management consulting, security protection, and other professional services. Lastly, repair and maintenance costs increased for machinery and equipment, as well as office buildings.

In February 2020, the RCMP Greater Toronto Area Financial Crime Section recognized FINTRAC's contribution to Project Octavia, which led to the arrest of two people for alleged fraud and money laundering in connection to various transnational telephone scams, including the Canada Revenue Agency (CRA) tax scam, the bank investigator scam and the tech support scam. Cumulatively between 2014 and 2019, the CRA tax scam has resulted in victim losses totaling over \$16.8 million. Including the bank investigator and tech support scams, total reported victim losses are over \$30 million. As part of Project Octavia, the RCMP uncovered "money mules/money mule managers" operating in Canada who assist with the laundering of funds obtained through these scams.



## THE VALUE OF FINTRAC DISCLOSURES

### WHAT OUR PARTNERS SAY

In an effort to confirm uncorroborated but extremely sensitive information on an urgent matter, the Alberta Securities Commission sent a VIR (voluntary information record) to FINTRAC, whose team went above and beyond to provide a disclosure package in very timely manner. The ASC holds in high regard its partnership with FINTRAC, an agency that is always ready to respond to our ever-changing priorities.

— *Alberta Securities Commission*

FINTRAC's disclosure package was very comprehensive. The information we received identified institutions that we needed to follow up with. It also identified witnesses and other possible persons of interest. FINTRAC also provided information and a lead toward tracing an individual sanctioned by the BCSC that we had previously been unable to locate.

— *British Columbia Securities Commission*

FINTRAC's disclosure package was very timely. The CBSA National Targeting Centre appreciates how quickly and thoroughly FINTRAC reviews and responds to the VIRs we submit. Thank you, as always, for the excellent work.

— *Canada Border Services Agency*

Excellent information that led to new leads in the investigation and provided evidence to strengthen the assessment.

— *Canada Border Services Agency*

The disclosure package we received from FINTRAC was incredibly useful. In short order, we've been able to connect more dots, with our investigation turning up valuable new information. Some of the subjects FINTRAC identified proved to be very valuable in mapping out the larger network. Thank you for pointing them out.

— *Royal Canadian Mounted Police*

The first disclosure package we received from FINTRAC shed light on some additional bank accounts and transactions that were unknown to us until then.

The information we received led us to uncover further evidence of international money laundering with a likely link to organized crime. After submitting an updated VIR, we were delighted with FINTRAC's response time and the quality of what we received.

— *Royal Canadian Mounted Police*

The quality of the nine disclosure packages FINTRAC provided was exceptional and extremely useful, both from an investigation standpoint and to allow us to discover well over 70 persons who were unaware they were the victims of romance fraud. If not for FINTRAC's work, these individuals would likely be facing financial ruin. Please express our thanks to your staff, especially since we know how much time and effort is required to complete disclosures. Their work is the reason Project Konclave exists. Since it was launched, Konclave has grown into a circa \$5 million international money laundering investigation.

— *Royal Canadian Mounted Police*

We are an investigative team dealing with complex long-term cases. On the sole basis of the information provided by your unit, we were able to launch an investigation and obtain several judicial authorizations as soon as the case opened. This is a first for our investigative unit and definitely a very valuable partnership. Communication with your team was very efficient, straightforward and cordial. They do impeccable analytical work.

— *Royal Canadian Mounted Police*



# PROJECT ATHENA: A SANITIZED CASE



Through Project Athena, an RCMP-led public-private partnership launched in December 2019, FINTRAC is working to help improve the collective understanding of certain money laundering threats, strengthen financial systems and controls, and disrupt money laundering activity in British Columbia and across Canada, particularly relating to schemes that have their roots in underground banking.

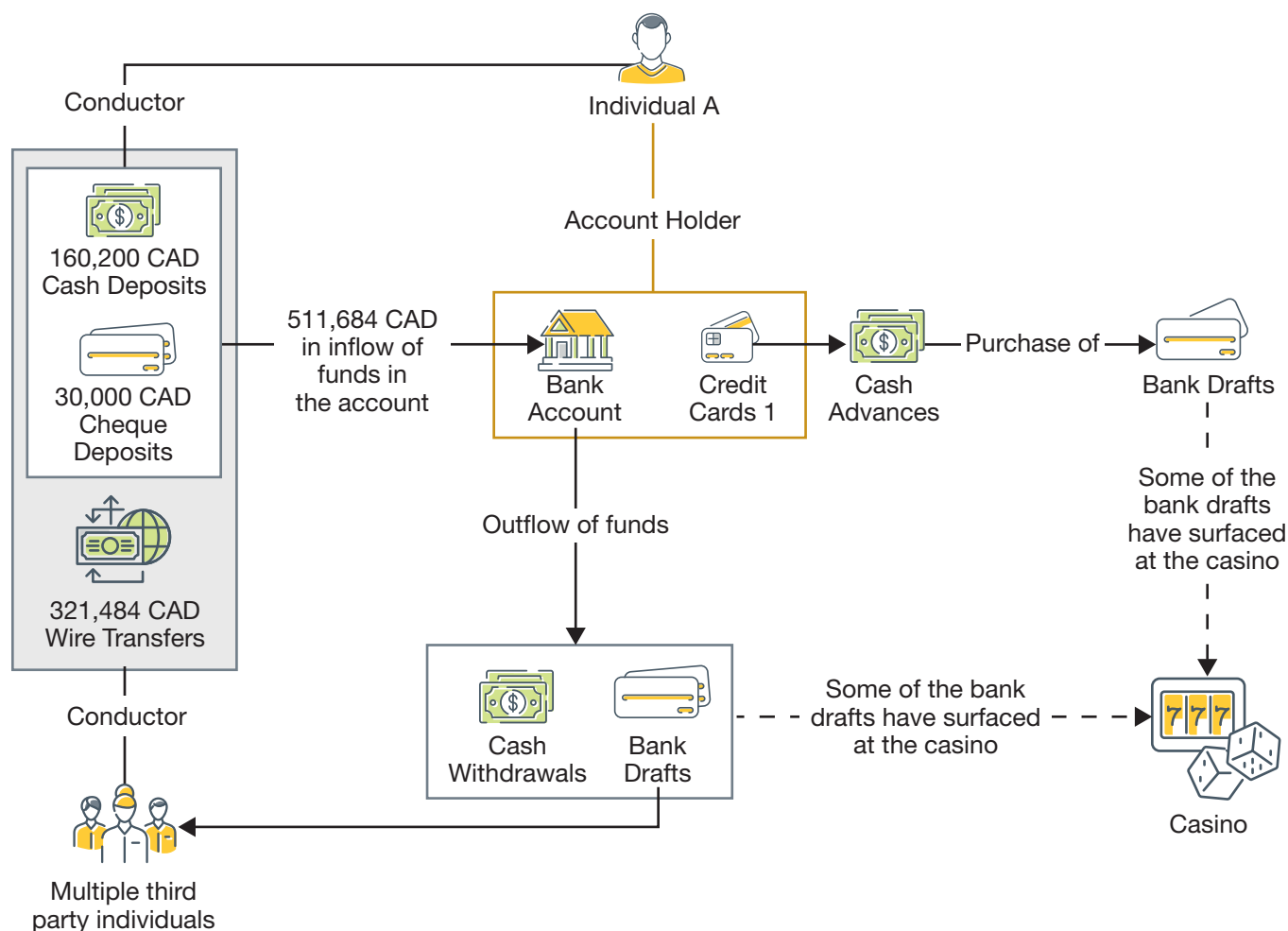
Underground banking refers to banking activities that take place outside of the formal financial system. Typically, underground banking activity runs parallel to, and operates independently of, the formal banking system. Several economic sectors have been identified as being vulnerable to these activities, including casinos, real estate, luxury vehicles and high-value goods.

Using the money laundering indicators developed as part of Project Athena, including those published in FINTRAC's Operational Alert *Laundering the proceeds of crime through a casino-related underground banking scheme*, businesses across Canada can better identify and report suspicious transactions that may be related to the activities of professional money launderers and money laundering organizations. These individuals and groups specialize in transforming the proceeds of crime into 'clean money' on behalf of criminals and organized crime groups, and regularly use the underground banking system to avoid detection.

The following sanitized case illustrates, on a smaller scale, how the bank account of an individual can serve to move funds as part of one of these money laundering schemes. The case is drawn from suspicious transaction reports and other information, which was analyzed and used by FINTRAC to develop financial intelligence for Canadian law enforcement agencies. 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*.

In this case, a business submitted a suspicious transaction report, which led to the broader analysis of the financial transactions of Individual A, who's listed occupation was homemaker. The analysis found an inflow of funds from the following sources: \$160,200 in cash deposits from an unknown source; \$30,000 in cheque deposits; and \$321,484 in wire transfers from unrelated third parties. The account was depleted through cash withdrawals, bank drafts made to Individual A and unrelated third parties as well as credit card payments. Individual A also used credit cards to obtain cash advances in order to purchase bank drafts for unrelated third parties. Various bank drafts were traced back to casinos where they were used for gaming.

The following chart outlines the high level flow-through activities found in Individual A's account.



In its analysis of the transactions, the business that submitted the suspicious transaction report related to this case stated that: *"We are filing this STR because we have reasonable grounds to suspect that incoming funds into Individual A account is excessive [...] Although the client appears to be gambling, given the pattern of transactional activity, we find the movement of funds to be unusual and excessive given that Individual A is listed as a homemaker."*

Several money laundering indicators can be identified in this case:

- The client refuses to identify the source of funds or provides information that is false, misleading, or substantially incorrect;
- The transactional activity (level or volume) is inconsistent with the client's apparent financial standing, their usual pattern of activities or occupational information (e.g., homemaker, student, unemployed, social assistance, etc.);
- Large and/or rapid movement of funds not commensurate with the client's financial profile;
- Frequent credit card overpayments by the client, followed by a request for cash advances; and
- Atypical transfers on an in-and-out basis, or other methods of moving funds quickly, such as cash deposits followed immediately by a wire transfer of the funds.

Through the transaction reporting received by FINTRAC as a result of Project Athena, the Centre has been able to generate and disclose actionable financial intelligence to Canadian police and law enforcement agencies. This has led to the identification, investigation and prosecution of more money laundering schemes, including those using underground banking for criminal purposes.

## FINANCIAL TRANSACTION REPORTS

### Large Cash Transaction Reports

2019–20 **9,738,058**

2018–19 **10,055,099**

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.

### Electronic Funds Transfer Reports

2019–20 **21,031,401**

2018–19 **17,627,947**

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.

### Suspicious Transaction Reports

2019–20 **386,102**

2018–19 **235,661**

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.

### Cross-Border Currency Reports/Cross-Border Seizure Reports

2019–20 **53,265**

2018–19 **61,583**

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.

### Casino Disbursement Reports

2019–20 **208,603**

2018–19 **201,145**

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.

**Financial Transactions and  
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