

FINTRAC

Safe Canadians, Secure Economy

ANNUAL REPORT 2020–21





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Our people are at the heart of our organization and are the cornerstone of our success. I would like to recognize and thank our talented and dedicated employees for their hard work, resilience and the impressive results that are captured in this annual report. Under some of the most challenging circumstances that Canada has faced in nearly a century, their commitment to serving and protecting Canadians has been truly inspiring.

- SARAH PAQUET, DIRECTOR AND CHIEF EXECUTIVE OFFICER

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2020-21 HIGHLIGHTS

FINANCIAL INTELLIGENCE

2,046

UNIQUE DISCLOSURES OF FINANCIAL INTELLIGENCE

to police, law enforcement and national security agencies

1,812 DISCLOSURES

related to money laundering

146 DISCLOSURES

related to terrorist activity financing and threats to the security of Canada

88 DISCLOSURES

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

MORE THAN 320 DISCLOSURES

related to the laundering of proceeds stemming from fraud, corruption and other financial crimes associated with the pandemic



PUBLISHED OPERATIONAL ALERT:

Laundering of proceeds from online child sexual exploitation



PROVIDED VALUABLE FINANCIAL

INTELLIGENCE to Canada's police, law enforcement and national security agencies throughout the COVID-19 pandemic



TOP RECIPIENTS of FINTRAC's financial intelligence disclosure packages:

- 2,569 Federal law enforcement organizations
- 925 Municipal police
- 915 Federal government organizations
- 639 Provincial law enforcement organizations



TOP THREE PREDICATE OFFENCES

related to financial intelligence disclosures:

- 35% Fraud
- 34% Drugs
- 9% Tax evasion

CONTRIBUTED TO OVER 376 RESOURCE INTENSIVE, PROJECT-LEVEL INVESTIGATIONS ACROSS CANADA

RECEIVED 2,109 VOLUNTARY INFORMATION RECORDS FROM POLICE, LAW ENFORCEMENT AND NATIONAL SECURITY AGENCIES

STRATEGIC INTELLIGENCE

PUBLISHED

Special Bulletin on COVID-19: Trends in Money Laundering and Fraud

DEVELOPED

money laundering and terrorist financing indicators – virtual currency transactions

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

Contributed to the work of the Public-Private Collaboration Steering Committee and the Counter Illicit Finance Alliance of British Columbia (CIFA-BC)

Supported 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 a working group coordinated by the City of Vancouver in relation to unregistered money services businesses

Supported the work of the Commission of Inquiry into Money Laundering in British Columbia, providing more than 100 document packages totalling about 3,000 pages and seeing six FINTRAC officials appear at Commission hearings

COMPLIANCE

- Provided ongoing support, updates and guidance to businesses related to the global pandemic
- Responded to 6,778 enquiries from businesses
- Issued 445 policy interpretations to assist with compliance
- Conducted 208 engagement and outreach activities with businesses and stakeholders
- Signed a Memorandum of Understanding with the Ontario Securities Commission
- Published significant new and updated guidance to support businesses in implementing the regulatory amendments taking effect in June 2020 and June 2021
- Conducted 151 compliance examinations across the country
- Issued 9 Notices of Violation to businesses
- Provided 9 Non-Compliance
 Disclosures to police
- Published guidance
 to support
 the effective implementation of the
 Ministerial Directive on the Islamic
 Republic of Iran issued in July 2020.
 The directive was issued based on
 concerns raised by the Financial
 Action Task Force (FATF)

GLOBAL LEADERSHIP

WORKED WITH

international partners to combat money laundering and terrorist activity financing

209 QUERIES

received from foreign financial intelligence units

122 QUERIES

sent to foreign financial intelligence units

182 DISCLOSURES

to foreign financial intelligence units

RECEIVED

an overall satisfaction rate of 88% in relation to FINTRAC's financial intelligence in a survey of 15 foreign financial intelligence units

PRODUCED

a training module focused on best practices for the production of financial intelligence relating to terrorist financing for the Egmont Centre for FIU Excellence and Leadership

FINTRAC'S DIRECTOR

took over as Chair of the Egmont Information Exchange Working Group

CONTRIBUTED

to FATF's priorities, including in relation to the identification of COVID-19 related risks, the revision of FATF standards and mutual evaluations, and projects dealing with virtual assets, proliferation financing and the supervision of reporting entities

ENGAGED

Five Eyes partners through the International Supervisors Forum

CORPORATE STRENGTH

- RESPONDED QUICKLY to the global pandemic to keep employees safe and to ensure that FINTRAC could continue to deliver on its core financial intelligence and compliance mandates
- MODERNIZED its Flexwork, Leave and Overtime
 Directive, with an emphasis on increasing the mobility of
 the Centre's workforce through technology and flexible
 work arrangements
- DEVELOPED a new Workplace Wellness and Culture Action Plan focused on mindful leadership; open communication and transparency; healthy, respectful and inclusive workplace; talent acquisition, development and retention
- FINTRAC'S OMBUDS OFFICE provided direct and critical support to staff, and valuable advice to the Director, in relation to the challenges brought about by the global pandemic
- LAUNCHED a new multi-year Digital Strategy aimed at transforming the Centre into a leading digital organization

MESSAGE FROM THE DIRECTOR AND CHIEF EXECUTIVE OFFICER

I am pleased to present my first annual report since becoming FINTRAC's Director and Chief Executive Officer in November 2020. I want to recognize and thank my predecessor, Nada Semaan, for her tremendous leadership over the first seven plus months of activity covered by this report and for her incredible commitment,



throughout her tenure, to strengthening FINTRAC as an employer of choice, a more open and transparent organization and a trusted leader in the global fight against money laundering and terrorist activity financing.

The global pandemic has cast a long shadow over the past fiscal year. It has been a difficult time—in many ways a generational challenge—for governments, businesses and people across Canada and around the world. Our thoughts are with those who have suffered health or economic struggles as a result of COVID-19, and even more so with those who have lost loved ones to this disease. As we remember the hardships endured by many, we should also recognize the resilience that Canadians have demonstrated throughout this crisis.

FINTRAC quickly and effectively mobilized and reoriented its operations at the beginning of the pandemic to ensure that it was able to deliver on its critical financial intelligence and compliance mandates, while keeping its people and workplace safe. From the earliest lockdown in 2020, the Centre continued to receive and analyze reporting, including suspicious transaction reporting, and provide actionable financial intelligence to Canada's police, law enforcement and national security agencies.

Our financial intelligence has been more important than ever as criminals and terrorists have sought to take advantage of the pandemic to enrich themselves and advance their illicit enterprises. In the early months of the pandemic, FINTRAC published a Special Bulletin, *COVID-19: Trends in Money Laundering and Fraud*, identifying increased money laundering risks associated with the crisis. This included the laundering of proceeds of crime by counterfeiters selling fake COVID-19 test kits and pharmaceuticals and cyber criminals employing COVID-19 versions of popular phishing and blackmail scams, which directed victims to send virtual currency for donations and ransom payments.

Throughout the 2020–21 reporting period, FINTRAC provided 2,046 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 include thousands of financial transactions and pertain to an individual or a wider criminal network. While working in a pandemic environment, the Centre managed to generate roughly the same number of disclosures as it has in previous years, adding to the more than 20,000 financial intelligence disclosures that it has provided to Canada's police, law enforcement and national security agencies since becoming operational in 2001.

These agencies continue to seek our financial intelligence in record numbers. FINTRAC received 2,109 voluntary information records from Canada's police, law enforcement and national security agencies in 2020–21. 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 the recipients of our disclosures have told us that they will not start a major project-level investigation without seeking out our financial intelligence.

We also worked with our federal partners over the past year to support a number of public-private partnerships, which are producing real and meaningful results for Canadians. Building on Projects Protect, Guardian, Chameleon and Athena, the Centre published an Operational Alert, *Laundering of Proceeds from Online Child Sexual Exploitation*, as part of Project Shadow, a new partnership aimed at combatting online child sexual exploitation. Co-led by Scotiabank and the Canadian Centre for Child Protection and supported by FINTRAC and the National Child Exploitation Crime Centre of the Royal Canadian Mounted Police, this new project is harnessing the power of financial intelligence to identify possible perpetrators—and broader networks—linked to this horrific crime.

The results that FINTRAC has been able to achieve throughout the global pandemic would not have been possible without the dedicated efforts of businesses across the country. Even with significant public health restrictions in place in Canada's provinces and territories, businesses continued to report suspicious transactions at historic levels, allowing us to keep producing actionable financial intelligence for Canada's police, law enforcement and national security agencies in support of their money laundering and terrorist financing investigations. I want to recognize and thank businesses for their commitment to protecting Canadians and Canada's economy.

Throughout 2020–21, we worked closely with businesses, adopting a flexible and reasonable approach to our compliance-related activities while still ensuring businesses fulfilled their obligations under the *Proceeds of Crime* (Money Laundering) and Terrorist Financing Act and associated Regulations. Acknowledging the challenges posed by public health restrictions, we provided temporary flexibility in areas such as the verification of client identity. We also moved from onsite compliance examinations to virtual and desk examinations, allowing additional time when it was needed for businesses to prepare the necessary documentation and to respond to our requests. With our flexible approach to compliance during the pandemic, we have avoided imposing undue pressure on businesses while still delivering on our mandate for Canadians.

We also worked with businesses over the past year to implement significant new legislative and regulatory changes that came into effect in 2020 and that are coming into effect in 2021. These changes are strengthening Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime by covering dealers in virtual currencies and foreign money services businesses, extending obligations related to beneficial ownership and politically exposed persons to all business sectors, and requiring all businesses subject to our Act to report virtual currency transactions of \$10,000 or more to the Centre. This initiative has been a tremendous undertaking, made even more challenging by the ongoing global pandemic. As we continue to operationalize the remaining aspects of this initiative, it is clear that we could not have implemented these comprehensive changes without the input, support and committed efforts of businesses across Canada.

I also want to acknowledge the significant support that we received from the Government of Canada in 2020–21 to strengthen our operations and enhance the results that we achieve for Canadians. As part of the federal government's Economic and Fiscal Snapshot, FINTRAC was provided over \$106 million in additional funding over the next six years. These new resources will be used to, among other things, increase our capacity to generate valuable financial intelligence for Canada's police, law enforcement and national security agencies, and enhance our ability to ensure the compliance of Canada's financial institutions. This significant new funding for the Centre is a clear reflection of the confidence that the Government of Canada has in FINTRAC and the value that is placed on our role in helping to protect the safety of Canadians and the security of Canada's economy.

Ultimately, our people are at the heart of our organization and are the cornerstone of our success. I would like to recognize and thank our talented and dedicated employees for their hard work, resilience and the impressive results that are captured in this annual report. Under some of the most challenging circumstances that Canada has faced in nearly a century, their commitment to serving and protecting Canadians has been truly inspiring.

Sarah Paquet

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, detect 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

FINTRAC's Strategic Plan 2019–24 guides the Centre's ongoing efforts to strengthen its operational effectiveness and fulfill 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 development of key strategies and activities, including its Digital Strategy, which has established the foundation for FINTRAC's digital plan and strategic investments, its Compliance Engagement Strategy, its international engagement, its communications and its recruitment and talent management.

FINANCIAL INTELLIGENCE

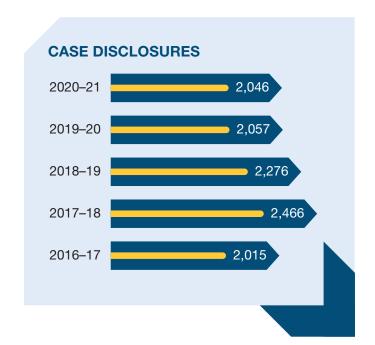
FINTRAC responded quickly and effectively at the beginning of the COVID-19 global pandemic, and throughout, to ensure that it was able to continue to provide actionable financial intelligence to Canada's police, law enforcement and national security agencies to help them combat money laundering, terrorism financing and threats to the security of Canada. The Centre produced more than 320 financial intelligence disclosures alone related to the laundering of proceeds stemming from fraud, corruption and other financial crimes associated with the pandemic. These disclosures were among the more than 2,000 that were generated by FINTRAC in 2020–21.

Often based on hundreds or even thousands of financial transactions, a financial intelligence disclosure 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 2020, for example, the Winnipeg Police Service acknowledged FINTRAC's assistance in its Project Wonders investigation, which led to the dismantling of an interprovincial organized crime drug network involved in the transportation of cocaine from southern Ontario to Winnipeg. The network used conventional package delivery services to supply high-level drug traffickers. The investigation resulted in 11 arrests and 56 charges, including for conspiracy, trafficking of a controlled substance, proceeds of crime, and numerous firearms offences.

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 2020–21, FINTRAC provided 2,046 unique disclosures of actionable financial intelligence to Canada's police, law enforcement and national security agencies, approximately the same number that it has provided to regime partners in previous years.



Royal Canadian	Municipal	Provincial	Canada Border
Mounted Police	Police	Police	Services Agency
2,567	925	639	507
Canadian Security	Canada Revenue	Foreign Financial	Provincial Securities
ntelligence Service	Agency	Intelligence Units	Regulators
212	187	182	54
Revenu	Department of	Communications	Competition
Québec	National Defence	Security Establishment	Bureau

Of FINTRAC's unique disclosures, 1,812 were related to money laundering, 146 were related to terrorism financing and threats to the security of Canada, and 88 were related to money laundering, terrorism financing and threats to the security of Canada.

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2

6

29

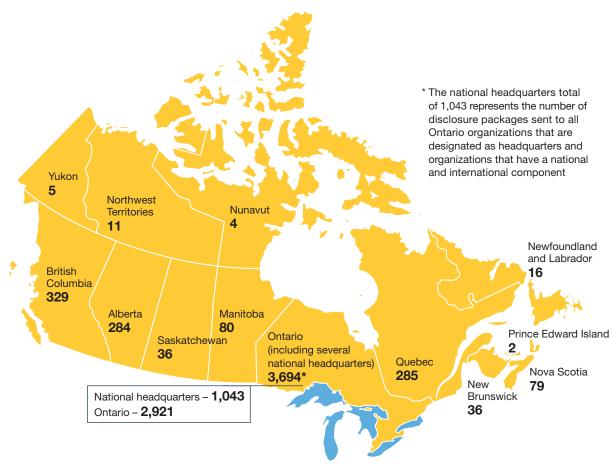
In August 2020, the Royal Canadian Mounted Police's O Division Integrated National Security Enforcement Team recognized FINTRAC's contribution following a lengthy investigation that resulted in a Toronto area woman being charged with participation in activities of a terrorist group and leaving Canada to participate in activities of a terrorist group.

Throughout 2020–21, the Centre's financial intelligence contributed to 376 major, resource intensive 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.

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.

In September 2020, for example, FINTRAC's assistance was recognized by the Royal Canadian Mounted Police as part of their 16-month joint investigation with United States Homeland Security Investigations, which led to the execution of six search warrants within the Greater Toronto Area and Quebec and the arrest of four individuals for illegal gun importation and the export of illegally grown cannabis across the Canadian-U.S. border. The warrants resulted in the seizure of restricted and prohibited handguns, over 800 plants and dried cannabis from an illegal grow operation, and approximately 400 grams of cocaine.

DISCLOSURE PACKAGES BY PROVINCE/TERRITORY: 2020–21



While FINTRAC is an arm's length financial intelligence unit, the Centre 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 2020-21, FINTRAC conducted dozens of virtual outreach presentations across the country with disclosure recipients, including with the Canadian Police College's Financial Investigators Course; the Ontario Police College's Fraud Course, Internet Child Exploitation Course and Drug Investigators Course; the Privy Council Office's Intelligence Analyst Learning Program; the Royal Canadian Mounted Police's Proceeds of Crime Course, Terrorist Financing Investigators Course and Counter Proliferation Course; York Regional Police Service's Financial Crimes Investigators 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.

In June 2020, the Ontario Provincial Police recognized FINTRAC's contribution to Project Cairnes, an investigation into a criminal organization manufacturing and distributing contraband tobacco, illicit cannabis, cocaine and fentanyl, which led to the arrest of 16 people for a total of 218 offences. Project Cairnes also led to the seizure of 11.5 million contraband cigarettes, 1,714 pounds of cannabis, three handguns and associated ammunition, a cocaine press, 1.14 kilograms of cocaine, 10.2 kilograms of Piperidone, 1.3 kilograms of fentanyl, \$236,750 in CAD currency, and seven vehicles as offence-related property.

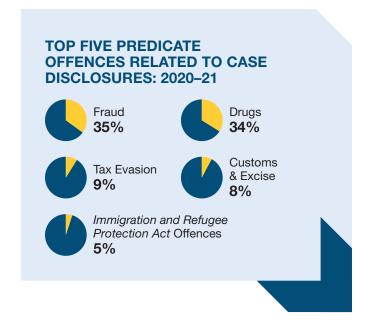


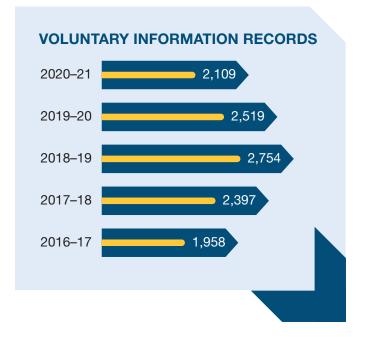
FINTRAC always seeks feedback on its financial intelligence from disclosure recipients at the municipal, provincial and federal levels. Over the past year, the Centre received 201 completed disclosure feedback forms, 96 percent of which indicated that FINTRAC's financial intelligence was actionable. 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 2020–21, 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 fraud (including related to the global pandemic), drug trafficking, tax evasion, corruption, theft and other criminal offences.

Throughout the reporting year, FINTRAC received 2,109 voluntary information records from Canada's police, law enforcement and national security agencies, as well as from members of the public. This is close in numbers to previous years despite the COVID-19 global pandemic. 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 volume of voluntary information records received year-after-year, particularly from police at all levels, is a clear indication of the value that is placed on FINTRAC's financial intelligence.





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 partnerships. These partnerships are aimed at more effectively combatting online child sexual exploitation, money laundering in British Columbia and across Canada, human trafficking in the sex trade, romance fraud and the trafficking of illicit fentanyl. By working 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. In total, in 2020–21, FINTRAC was able to provide 602 disclosures of actionable financial intelligence to Canada's police and law enforcement agencies in relation to the existing public-private sector partnerships.

PROJECT SHADOW:

Combatting Online Child Sexual Exploitation

In December 2020, FINTRAC published an Operational Alert, Laundering of Proceeds from Online Child Sexual Exploitation, in support of the public launch of Project Shadow, the fifth public-private partnership involving FINTRAC, the Royal Canadian Mounted Police and Canadian businesses.

Co-led by Scotiabank and the Canadian Centre for Child Protection, and supported by Canadian law enforcement agencies and FINTRAC, Project Shadow targets the laundered funds associated with online child sexual exploitation, a heinous crime directed at vulnerable children. The project, itself, is aimed at improving the collective understanding of online child sexual exploitation and strengthening the detection of the facilitation and the laundering of funds related to this illicit activity. Ultimately, by following the money, Project Shadow is helping police and law enforcement identify and charge the perpetrators of these terrible crimes, and protecting countless victims and survivors in Canada and around the world.

The Centre's Operational Alert and its indicators were developed from an analysis of FINTRAC's financial intelligence and in consultation with Scotiabank, the Canadian Centre for Child Protection and the Royal Canadian Mounted Police's Sensitive and Specialized Investigative Services. It is meant to assist businesses subject to the Proceeds of Crime (Money Laundering) and Terrorist Financing Act in better identifying and reporting to FINTRAC financial transactions related to the laundering of funds associated with online child sexual exploitation.

Although most perpetrators commit child sexual exploitation offences for sexual gratification and not for financial gain, there are significant financial dimensions to these despicable crimes. For example, online child sexual exploitation includes payments, purchases and proceeds associated to the access, consumption, production, and distribution of the illicit material. There is also increased risk of virtual currencies being used as payment for online child sexual exploitation material.

FINTRAC's latest Operational Alert, Laundering of Proceeds from Online Child Sexual Exploitation, will assist businesses subject to the Act in better identifying and reporting suspicious transactions associated with online child sexual exploitation. With an increase in suspicious transaction reporting from Canadian businesses across the country, FINTRAC will be able to generate and disclose additional financial intelligence to Canada's police and law enforcement agencies in support of their money laundering investigations related to online child sexual exploitation.

With the suspicious transaction reporting received from Canadian businesses since the start of Project Shadow, FINTRAC provided 67 financial intelligence disclosures in 2020-21 in relation to online child sexual exploitation to the Royal Canadian Mounted Police (primarily the National Child Exploitation Crime Centre) and provincial and municipal police forces.



Through the dedicated efforts of businesses across the country and the financial transactions they report, FINTRAC is able to harness the power of financial intelligence to identify possible perpetrators-and broader networkslinked to this horrific crime. Project Shadow brings together key partners who share the common goal of protecting and rescuing our children from these terrible acts.

-SARAH PAQUET, DIRECTOR AND CEO, FINTRAC



Sanitized online child sexual exploitation cases can be found in Annex B.

PROJECT PROTECT:

Battling Human Trafficking in the Sex Trade

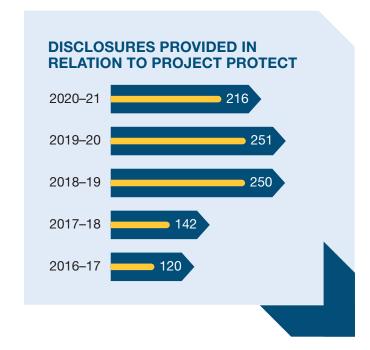
Launched in 2016, Project Protect was the first public-private partnership created by Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime. Inspired by Timea Nagy, a survivor of human trafficking and leading activist for victims, this innovative project targets the money laundering associated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

Project Protect is an important element of the Government of Canada's National Strategy to Combat Human Trafficking: 2019–2024 and, since its inception, 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 received thousands of suspicious transaction reports related to Project Protect in 2020–21, and was able to provide 216 disclosures of actionable financial intelligence, including thousands of transaction reports, to Canada's municipal, provincial and federal police forces in support of their human trafficking investigations.

Given the innovative nature of this first public-private sector partnership and the overwhelming support and interest that it has received across Canada and throughout the world, FINTRAC was asked to provide its insight and expertise on the key role that financial intelligence plays in combatting human trafficking in the sex trade at numerous conferences, training sessions and workshops over the past year.



In July 2020, the Ontario Provincial Police recognized FINTRAC's assistance in an investigation, which led to the dismantling of a commercial sex trade organization operating in nine Ontario cities, including Ottawa, Kingston, Belleville, Kitchener, London, Oshawa, Peterborough, Sarnia and Sudbury. Seven persons were charged with 32 criminal offences, including laundering the proceeds of crime, as a result of the joint investigation, named Project Crediton.



Here in Canada, for example, the Centre provided two presentations to domestic partners taking part in the Canadian Police College's Human Trafficking Investigators Course, as well as partners participating in a Human Trafficking Investigators Course at the Ontario Police College. FINTRAC also provided targeted presentations to the Ottawa Police Service and the Canada Revenue Agency in November 2020.

Internationally, the Centre continued to work closely with the Australian Transaction Reports and Analysis Centre (AUSTRAC) to share insight and best practices related to Project Protect. This included participating in an operational meeting with its Australian counterparts in 2020-21 and taking part in an AUSTRAC led webinar with Indonesia's financial intelligence unit in which that country expressed a strong interest in learning more about Project Protect and Canada's public-private partnerships more broadly. FINTRAC provided additional information to its Indonesian counterpart as part of a follow-up teleconference in September 2020.

As part of World Day Against Trafficking in Persons in July 2020, a FINTRAC intelligence analyst working on Project Protect was featured on the United Nations Office on Drugs and Crime's website under the alias 'Carmen'. FINTRAC's analyst responded to several questions in support of the campaign, Committed to the Cause - Working on the Frontline to End Human Trafficking.

PROJECT CHAMELEON:

Tackling Romance Fraud

Launched in 2017, Project Chameleon is a public-private 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 2020-21, FINTRAC was able to provide 75 financial intelligence disclosures, including thousands of transaction reports, to municipal, provincial and federal police agencies in relation to Project Chameleon.

In many instances, the Centre was able to link perpetrators who were transacting with numerous victims from reports received from different financial institutions. The suspicious transaction reports that FINTRAC received from businesses also helped to build a clearer view of romance fraud networks that are operating in Canada and abroad.

In September 2020, the Sûreté du Québec recognized FINTRAC's assistance in an investigation that led to the dismantling of a vast romance fraud network that collected \$2.3 million from approximately 50 victims, many of them senior citizens, over a number of years. Twelve persons were charged with fraud and concealment, including the head of the network and two accomplices.



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 partnership aimed at combatting 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 2020–21. With this information, the Centre was able to generate 181 disclosures of actionable financial intelligence,

Across Canada, 21,174 apparent opioid toxicity deaths occurred between January 2016 and December 2020. The most recent quarterly count (September-December 2020) is the highest since national surveillance began in 2016. Among the factors contributing to the worsening of the crisis are an increasingly toxic drug supply, increased feelings of isolation, stress and anxiety, and limited availability or accessibility of services for people who use drugs.

OPIOID-RELATED HARMS IN CANADA, PUBLIC HEALTH AGENCY OF CANADA (MARCH 2021)

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.

In August 2020, the RCMP recognized FINTRAC's assistance in the investigation of Genaxx Pharma, Dufore Technologies and their owner on allegations of diverting chemical products and laboratory equipment to illicit laboratories knowing that these items were to be used to manufacture controlled substances including fentanyl and methamphetamine. Charges included the selling of chemical products knowing they will be used to produce fentanyl, illegal importation, various firearms offences, and possession of the proceeds of crime. A second person was charged with offering to transfer restricted firearms when not authorized.



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 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 63 disclosures of actionable financial intelligence in 2020-21 in support of the money laundering investigations of Canada's police and law enforcement agencies.

While FINTRAC continues to receive suspicious transaction reporting in relation to Project Athena, this initiative has transformed into a new permanent public-private partnership aimed at combatting money laundering and financial crime in British Columbia. Referred to as the Counter Illicit Finance Alliance of British Columbia (CIFA-BC), this new initiative is focused on enhanced collaboration and information exchange between the public and private sectors with the goal of protecting the economic integrity of British Columbia. FINTRAC is a key partner within the CIFA-BC initiative as a member of the Strategic Advisory Board and has been an active participant in each of the Principal Working Group meetings that have taken place since its inception.

In May 2020, the British Columbia Securities Commission recognized FINTRAC's assistance in an investigation of five British Columbia residents alleged to have helped promote a U.S.-based Ponzi and pyramid scheme that raised about US\$15 million from more than 1,400 investors around the world.



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 research and 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 Canada's 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.

As the global pandemic began to worsen in early 2020, FINTRAC started to observe new trends emerging in the transaction reporting that it was receiving from Canadian businesses across the country. Some of this was explainable by the unusual circumstances of the global pandemic and the associated business closures. Other trends, however, represented new and emerging patterns of suspicious activity as criminals and terrorists sought to take advantage of the pandemic to enrich themselves and advance their illicit enterprises. By the summer of 2020, FINTRAC had produced a number of classified strategic intelligence products to inform regime partners and law enforcement agencies of the emerging money laundering and terrorist financing risks related to the global pandemic.

In July 2020, the Centre also published a Special Bulletin, COVID-19: Trends in Money Laundering and Fraud, to enhance the awareness of Canadian businesses and the general public of the increased risk of money laundering related to fraudulent activities associated with the global pandemic. Drawing from FINTRAC's analysis of COVID-19-related suspicious transaction reporting as well as the Canadian Anti-Fraud Centre's assessments of fraud reporting, the Special Bulletin revealed a number of pandemic-related trends in money laundering and fraud, which were consistent with those identified as prevalent by international bodies and financial intelligence units in other jurisdictions. This included new opportunities for criminals in the virtual currency space in Canada and internationally, the enhanced risk of cybercrime due to greater use of online services, and an increased prevalence of phishing schemes, identity fraud and merchandise scams. The Special Bulletin also provided a number of unique characteristics of suspicious transaction reports related to COVID-19 to assist businesses subject to the Proceeds of Crime (Money Laundering) and Terrorist Financing Act in identifying and reporting suspicions of money laundering to FINTRAC.

Throughout 2020-21, FINTRAC produced and disseminated to regime partners a number of strategic financial intelligence assessments and reports on a range of specific money laundering and terrorism financing trends,

typologies and mechanisms in order to improve the detection, prevention and deterrence of these activities. The Centre 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 issues. For example,

In an ongoing case, the RCMP's Integrated National Security Enforcement Team in Ontario acknowledged FINTRAC's assistance in an investigation, named Project Salento, leading to the arrest of a Kingston, Ontario individual on terrorism-related and Criminal Code infractions. Charges included knowingly facilitating a terrorist activity and counseling a person to deliver, place, discharge or detonate an explosive or other lethal device to, into, in or against a place of public use with intent to cause death or serious bodily injury.



through the National Inherent Risk Assessment Working Group, FINTRAC supported 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.

In December 2020, with the new requirement for dealers in virtual currency to register as money services businesses and submit suspicious transaction reports to FINTRAC, the Centre also generated and posted money laundering and terrorist financing indicators in relation to virtual currency transactions. Based on a detailed review of money laundering and terrorist financing cases, high-quality suspicious transaction reports and strategic information from international organizations such as the Financial Action Task Force and the Egmont Group, these indicators are meant to assist businesses, when combined with additional facts and context, in determining if there are reasonable grounds to suspect that a virtual currency transaction is related to the commission or attempted commission of a money laundering or terrorist financing offence.

In order to support international efforts to combat money laundering and terrorist financing, FINTRAC also contributed to a number of global strategic financial intelligence initiatives, including developing a terrorism financing module for the Egmont Centre of FIU Excellence and Leadership (ECOFEL) and participating in Joint Experts Meetings for 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 and international organizations, 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.

FINTRAC's financial intelligence and anti-money laundering and anti-terrorism financing expertise helps inform broader Government of Canada policy discussions and decisions. The Centre 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. FINTRAC also 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.

Over the past fiscal year, FINTRAC continued to support the work of the Anti-Money Laundering Action, Coordination and Enforcement (ACE) Team, which was announced in Budget 2019 and developed its operational model in 2020. The ACE Team, subsequently renamed the Financial Crime Coordination Centre (FC3), 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 Canada Border Services Agency led multi-disciplinary Trade Fraud and Trade-Based Money Laundering Centre of Expertise, which was also announced in Budget 2019.

Throughout 2020–21, the Centre also supported the work of the new Public-Private Collaboration Steering Committee, which FINTRAC co-chairs with the Bank of Nova Scotia, and comprises an executive committee that also includes representatives from RBC and HSBC. This committee includes members from Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime and Canadian businesses and was created to provide a coordination of efforts to improve efficiency and effectiveness within existing legislative authorities. The committee is currently focused on establishing shared priorities, enhancing information sharing between businesses, and between the public and private sectors, and leveraging technology in appropriate situations to increase automation, strengthen analytical capabilities and enhance the financial intelligence that is disclosed to police, law enforcement and national security agencies.

During the past year, FINTRAC continued to support the efforts of the Province of British Columbia to understand and more effectively combat money laundering in that province. The Centre contributed, as a member, to the efforts of the Province of British Columbia and the Government of Canada Ad Hoc Working Group on the Real Estate Sector, which explored issues related to fraud, money laundering, and tax evasion in British Columbia's real estate sector with the goal of better coordinating and aligning policy and operations.

In 2020–21, FINTRAC continued to contribute to the work of the Commission of Inquiry into Money Laundering in British Columbia to the fullest extent possible, within its legislative authorities. Throughout the global pandemic and resulting public health restrictions, the Centre responded to numerous requests and provided documents and interviews covering a wide range of topics in support of the Commission's mandate. Staff worked onsite and remotely during the pandemic to review thousands of pages of documents to confirm accuracy and that there were no statutory limits or potential injury or harm in disclosing them to the Commission. FINTRAC was particularly conscious of the need to protect information that might jeopardize ongoing police, law enforcement or national security investigations—or that might infringe on the privacy or legal rights of Canadians or Canadian businesses.

In total, throughout the past year, FINTRAC provided the Commission and its researchers with more than 100 document packages totalling approximately 3,000 pages. In addition, six FINTRAC officials appeared before the Commission in seven different instances to provide information on FINTRAC's mandate and to respond to questions from Commission counsel. In order to support its Anti-Money Laundering and Anti-Terrorist Financing Regime partners as they similarly worked to respect privacy and legal requirements in relation to the disclosure of documents, FINTRAC also reviewed thousands of pages of documents from other federal organizations, provincial regulators and private sector entities participating in the Commission to ensure that the material could legally and safely be shared with the Commission.

Throughout 2020-21, FINTRAC was also actively engaged with the National Security and Intelligence Committee of Parliamentarians. After participating in the first wave of reviews conducted by the committee, the Centre worked with other members of the security and intelligence community to ensure that FINTRAC 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 and the Avoiding Complicity in Mistreatment by Foreign Entities Act.

In June 2020, the RCMP thanked FINTRAC for its contribution to an investigation by the Alberta RCMP's Federal Serious and Organized Crime section, which led to the arrest of three individuals in an international multimillion-dollar luxury vehicle export scheme. Charges included fraud over \$5,000, money laundering, trafficking in proceeds of crime, and uttering threats to cause death or bodily harm.



COMPLIANCE

As part of its core mandate, FINTRAC administers a comprehensive, risk-based compliance program to assist and ensure that thousands of 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 2020-21 can be found in Annex C.

The global pandemic had a significant impact on FINTRAC's approach to compliance over the past year. However, the Centre effectively mobilized its operations in order to deliver on its critical compliance mandate. This included working closely with businesses to minimize the impact of their regulatory requirements, given the challenging circumstances, while ensuring that FINTRAC was still able to protect Canadians and Canada's economy. It also included consulting and engaging businesses on the implementation of significant new legislative and regulatory changes that came into effect in 2020 and that are coming into effect in June 2021.

Throughout the pandemic, FINTRAC's compliance program has remained focused on its 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 precious stones
- Financial entities
- Life insurance
- Money services businesses
- Real estate
- Securities dealers

In November 2020, Peel Regional Police recognized FINTRAC's assistance in a 14-month investigation called Project Siphon, which led to numerous arrests and seizures of firearms, drugs and property. As part of the operation, nearly 600 officers from various police services conducted search warrants across the GTA in a single day. In total, over 800 charges were laid against the 88 people that were arrested. Charges included firearms offences, shootings, attempted murders and homicides, participating in a criminal organization, human trafficking, drug trafficking and possession, and drug production.



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

As the severity of the COVID-19 pandemic intensified in Canada in March 2020, FINTRAC published guidance to support businesses that were facing challenges in meeting their obligations as a result of provincial emergency measures and staffing issues. In addition to suspending its onsite examinations, the Centre emphasized that it was committed to working constructively with businesses and provided temporary flexibility in areas such as the verification of client identity and transaction reporting.

In its communications with businesses, 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. Businesses responded positively, and suspicious transaction reporting to FINTRAC increased by more than 20% over the previous year.

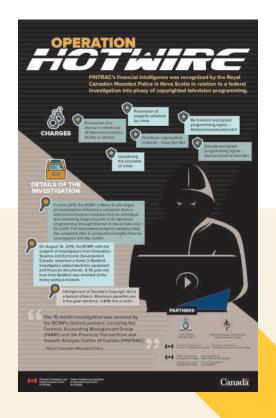
The Centre updated its pandemic-related guidance on three additional occasions throughout 2020-21 in relation to record keeping, confirming the existence of a corporation or entity other than a corporation, and the resumption of desk examinations.

FINTRAC also provided substantial new and revised guidance to businesses throughout the year regarding the regulatory changes that came into effect in June 2020 and that will be coming into effect in June 2021. These changes are intended to strengthen Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime by, among other things, including dealers in virtual currencies and foreign money services businesses, as well as extending obligations related to beneficial ownership and politically exposed persons to all reporting entity sectors.

As of June 1, 2020, dealers in virtual currency were required to register as money services businesses with FINTRAC and comply with existing obligations, including submitting suspicious transaction reports to the Centre 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. In advance of this requirement coming into force, FINTRAC published updated guidance and, in December 2020, posted money laundering and terrorist financing indicators in relation to virtual currency transactions.

In September 2020, the RCMP acknowledged FINTRAC's assistance in a Nova Scotia Federal Serious and Organized Crime unit investigation, called Operation Hotwire, that led to the filing of 25 copyright-related charges against two Bedford, Nova Scotia individuals accused of streaming for profit a large amount of a telecommunications company's programming though Internet Protocol Television. Charges included laundering the proceeds of crime, distributing copyrighted material, decoding and re-transmitting encrypted programming material, and possession of property obtained by crime.



With the majority of the regulatory amendments coming into force on June 1, 2021, the Centre worked closely with the Department of Finance Canada, businesses and associations to find innovative solutions to the challenges associated with implementing new regulatory amendments during the global pandemic. In November 2020, FINTRAC advised businesses that it would be exercising flexibility when assessing and enforcing compliance with the new regulations, including in relation to new reporting and some record keeping requirements.

In January 2021, the Centre published a delivery schedule involving a staggered implementation approach for the reporting obligations coming into force on June 1, 2021. This approach was meant to account for necessary changes to IT systems by both FINTRAC and businesses, as well as the drafting of more than 50 guidance documents to assist businesses in understanding and fulfilling their legal obligations in advance of coming into force dates.

FINTRAC also engaged in extensive collaboration with dealers in virtual currency and other business sectors during the past year in order to develop a new large virtual currency transaction form. In February 2021, FINTRAC shared with businesses dealing in virtual currencies the guidance to develop and implement the large virtual currency transaction report upload process, which is a means to submit these reports to the Centre electronically.

In addition to providing pandemic and regulatory related guidance in 2020-21, FINTRAC published guidance regarding the Ministerial Directive on Financial Transactions Associated with the Islamic Republic of Iran issued on July 25, 2020. Based on concerns raised by the Financial Action Task Force, this directive requires every bank, credit union, financial services cooperative, caisse populaire, authorized foreign bank and money services businesses to treat all transactions destined to, and originating from Iran as high-risk, regardless of the amount. These obligations include identifying clients, keeping certain records, exercising customer due diligence and reporting all such transactions to FINTRAC.

Throughout 2020-21, FINTRAC also continued to engage businesses on a number of seminal publications that were created as part of a broader transparency initiative that was launched over the past couple of years. These included 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.

That transparency initiative also included the seven user guides that describe FINTRAC's 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 harm guides, businesses have been able to understand how a penalty is calculated and what they can expect when the Centre undertakes enforcement action.

Outreach and Engagement

Over the past year, FINTRAC continued to implement its five-year Compliance Engagement Strategy, which sets the priorities for the Centre's engagement activities. Based on this strategy, FINTRAC undertook 208 outreach and engagement activities in 2020–21, including working groups, 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 engaged regularly with the Community of Federal Regulators and the International Supervisory Forum throughout the year to learn and share best practices on compliance assessment and enforcement matters in the context of the pandemic. This engagement supported the development of new and innovative approaches as the Centre pivoted its compliance program in light of the public health measures and restrictions implemented across Canada, as well as other pandemic-related realities.

FINTRAC's outreach efforts during 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 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 to collaborate with and seek feedback from business sectors on the implementation of changes to the Centre's reporting systems and forms related to the regulatory amendments. Members of this working group were consulted, in particular, throughout the development of the new large virtual currency transaction form.

In 2020–21, FINTRAC also provided presentations at 65 virtual events to inform businesses of the regulatory amendments coming into force on June 1, 2021, as well as of FINTRAC's expectations during the global pandemic. Key events included the ACAMS 24 Hours Global Conference, where FINTRAC spoke on the regulatory changes and pandemic-related challenges; the ABC Solutions 2020 Anti-Money Laundering Conference, where the Centre discussed how to combat financial crime in a post-pandemic world; the 2021 ACAMS Anti-Money Laundering Conference, where FINTRAC provided a regulatory update; the ACAMS 25th Annual International Anti-Money Laundering and & Anti-Financial Crime Conference, where the Centre spoke to global anti-money laundering and anti-terrorist financing global trends; and the Canadian Institute Anti-Money Laundering Regulatory Conference, where FINTRAC spoke about flexible measures and trends in compliance.

Throughout the year, FINTRAC also engaged extensively with regulatory bodies, associations and businesses across the country to strengthen compliance across sectors.

In December 2020, FINTRAC signed a Memorandum of Understanding (MOU) with the Ontario Securities Commission (OSC) to strengthen collaboration, cooperation and information sharing in the fight against money laundering and terrorist activity financing. Through this MOU, FINTRAC and the OSC have a framework to share compliance-related information, including the results of examinations conducted, in order to strengthen the compliance of registered securities dealers with the Proceeds of Crime (Money Laundering) and Terrorist Financing Act. The sharing of information facilitated by this MOU will also maximize the knowledge and expertise of each organization in relation to new and evolving trends, as well as money laundering and terrorist activity financing risks in the investment sector and broader financial system.

Over the past year, FINTRAC engaged widely with the real estate sector across the country. In October and November 2020, the Centre sent welcome letters to 169 new real estate brokerages in British Columbia to inform them of their obligations under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act. Based on the success of this initiative, FINTRAC intends to apply this process across Canada to educate new real estate brokerages on their obligations. The Centre also worked closely with the British Columbia Real Estate Association, including contributing to the Association's anti-money laundering and anti-terrorist financing course, helping them with their program and participating in four live virtual sessions in December 2020 that included more than 160 managing brokers. In addition, FINTRAC assisted the Real Estate Council of British Columbia, the Organisme d'autoréglementation du courtage immobilier du Québec and the Canadian Real Estate Association with the development and updating of their anti-money laundering and anti-terrorist financing training modules and material.

In September 2020, the Ontario Provincial Police acknowledged FINTRAC's contribution to an investigation into a complex Ponzi scheme where the victims were led to believe that they would receive a royalty on each purchase made via their 'point of sale' terminals. Approximately 515 known victims suffered losses totalling more than \$24-million since the scheme originated in 2012 in Barrie, Ontario, while the accused is believed to have collected more than \$56-million from victims who believed they were investing in a legitimate investment. Charges included fraud over \$5,000, laundering the proceeds of crime and bribery of an agent.



Throughout 2020–21, FINTRAC worked with the casino sector, including with the Canadian Gaming Association and the Gaming Policy and Enforcement Branch of British Columbia, to provide comments respectively on wager-less gaming standards and proposed changes to the British Columbia Gaming Control Act.

The Centre also conducted training sessions with the Canadian Money Services Businesses Association and the Canadian Credit Union Association on the new regulatory amendments coming into force in June 2021.

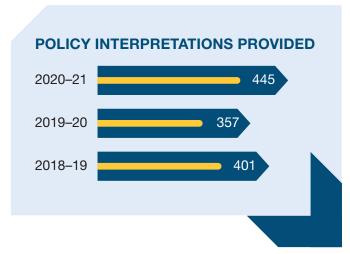
FINTRAC's regional offices in Toronto, Vancouver and Montreal undertook 120 proactive engagement activities throughout the past year with Canada's largest financial institutions and small-medium sized banks on examinations, follow-up examinations and reports monitoring. Maintaining regular and constructive dialogue with Canada's financial institutions is critical to the success of Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime given that these organizations provide approximately 90% of the reporting that FINTRAC receives every year.

Policy Interpretations

In 2020-21, FINTRAC provided 445 policy interpretations to clarify its approach to the application of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act. Common interpretations were related to ascertaining identity, reporting international electronic funds transfers, and determining whether a business was considered a reporting entity under the Act.

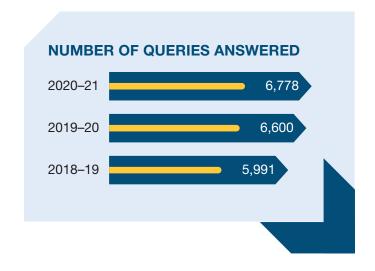
FINTRAC's policy interpretations, many of which involve complex business models, are generally posted on its website without identifying information, to assist other businesses that may have similar questions.

Policy interpretations in relation to the regulatory amendments were also discussed at the Advisory Committee on Money Laundering and Terrorist Financing, the FINTRAC Reporting Working Group, the Virtual Currency Dealers Working Group and the Guidance and Policy Interpretations Working Group.



Responses to Enquiries

Throughout 2020-21, FINTRAC continued to operate its external call centre telephone line, which is usually managed by Service Canada. In total, during the year, the Centre responded to 6,778 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, among other statutes, 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 two revocations in 2020-21. Last year, 887 new money services businesses registered with FINTRAC and 366 businesses were renewed. In addition, 147 businesses ceased their registrations and 211 registrations expired. As of March 31, 2021, 2,070 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.

In recent years, the Centre has shifted to an assessment approach to ensuring compliance, where the emphasis is on a more holistic view of the overall effectiveness of a business's compliance program, including the impact of non-compliance on the objectives of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act and FINTRAC's ability to carry out its mandate. When the Centre's Compliance Program was first established, its examinations focused more on technical compliance. As the program matured, FINTRAC has continued to evaluate the essential requirements and obligations during its examinations; however, the Centre also assesses the business's processes for identifying money laundering and terrorist financing risks and applying appropriate mitigation measures. In addition, FINTRAC considers any relevant factors and circumstances that impede the business's efforts or affect its obligations, as well as reduces the harm caused by the non-compliance. With this more comprehensive assessment approach, FINTRAC aims to encourage businesses to better understand both their requirements and their money laundering and terrorist activity financing related risks, as well as the important role they play in the fight against money laundering and terrorist activity financing.

In November 2020, Yukon RCMP and the Canada Revenue Agency recognized FINTRAC's assistance in a three-year investigation called Project Muskrat, which led to the execution of a number of search warrants at multiple Whitehorse locations. Five persons faced charges, including possession of cocaine for the purpose of trafficking, possession of property obtained by crime over \$5,000, money laundering and numerous firearms offences.



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 2020–21, FINTRAC received a total of 30,074,194 financial transaction reports from businesses. The Centre rejected 150,485 reports for not meeting quality requirements. It accepted 277,391 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.

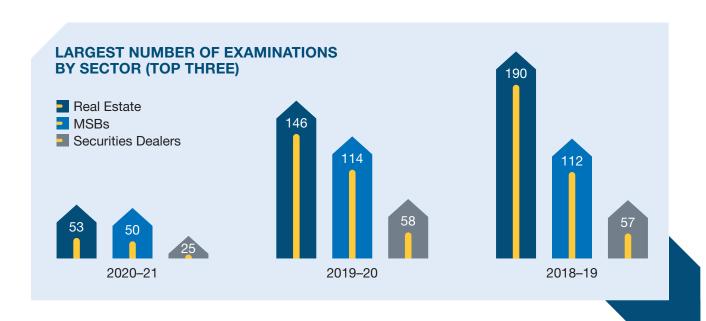
Compliance Examinations

Examinations are FINTRAC's primary instrument for assessing the compliance of businesses subject to the Act. The Centre 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, FINTRAC 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.

Given the impact of COVID-19 on Canada's businesses, including the implementation of public health restrictions across the country, FINTRAC informed businesses in April 2020 that it was reprioritizing its supervisory work, including temporarily pausing any new examinations.

Following this temporary pause, FINTRAC effectively migrated to conducting virtual examinations in July 2020. The Centre communicated that it would continue to be flexible and reasonable by providing additional time where required - for businesses to prepare necessary documentation and to respond to its requests. FINTRAC also informed businesses that it would consider the impact and challenges caused by the COVID-19 pandemic when assessing compliance with the obligations identified in the Proceeds of Crime (Money Laundering) and Terrorist Financing Act and its associated Regulations.

In 2020-21, FINTRAC conducted 151 compliance examinations, the largest number of which was focused on the real estate sector (53), followed by money services businesses (50) and securities dealers (25).



Over the past year, the Office of the Superintendent of Financial Institutions and FINTRAC entered a new phase in their collaboration on anti-money laundering and anti-terrorist financing supervision of financial entities. With this, FINTRAC has assumed 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 is helping to 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. To prepare for this change, FINTRAC organized national training sessions and job shadowing for its staff to ensure a smooth transfer of knowledge from the Office of the Superintendent of Financial Institutions to FINTRAC. The Centre also increased its resource capacity to take on these additional responsibilities, and decentralized financial entity supervision and expertise among FINTRAC's three regional offices. In addition, the Centre assigned a dedicated 'portfolio' compliance officer to each of the major reporting entities, and developed internal processes for following up on examination findings.

In light of the challenges associated with the global pandemic, FINTRAC sent a message to businesses in March 2020 reminding them of the Centre's Voluntary Self-declaration of Non-compliance, a mechanism for informing FINTRAC when businesses face instances of non-compliance. Promoting open dialogue and transparency without the threat of a penalty, such notices allow the Centre to work collaboratively with businesses in addressing non-compliance that they have identified. In particular, this mechanism helps to ensure that FINTRAC 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 2020-21, FINTRAC received 124 Voluntary Self-declaration of Non-compliance notices. The majority of these declarations, which came from financial institutions, involved reports that had not been provided. 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 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 Activities

Follow-up examinations are an assessment tool that FINTRAC leverages, when appropriate, to determine if a business has addressed previous instances of non-compliance. In 2020-21, FINTRAC conducted 11 follow-up examinations. Of these, five resulted in enforcement actions (46%), two were considered for a follow-up activity (18%) and four required no further activity (36%).

In 2019, FINTRAC established a process for monitoring financial entities' compliance with their action plan commitments following an examination. The process constitutes ongoing feedback to entities on the actions they take to strengthen their compliance program and address exam findings. An action item is considered closed once the financial entity can demonstrate that it has taken all appropriate corrective measures. Since 2019, 16 financial entities have been subject to the action plan compliance monitoring process with 335 action plan items received and successfully closed. FINTRAC's ongoing engagement with financial entities following an examination reinforces positive compliance behaviours and promotes higher rates of compliance during follow-up activities.

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.

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.

In 2020–21, FINTRAC issued nine Notices of Violation for non-compliance, five in the real estate sector for a total of \$538,230, two in the money services business sector for a total of \$143,219 and two in the dealers in precious metals and stones sector for a total of \$272,910. Each entity that received a Notice of Violation submitted representations to the Director. In all cases, the violations were upheld by the Director. FINTRAC has issued 107 Notices of Violation across most business sectors since it received the legislative authority to do so in 2008.

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 2020-21, the Centre disclosed nine such cases. In recent years, law enforcement agencies have increasingly looked to leverage the Non-compliance Disclosure tool to pursue criminal charges under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act.



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 2020-21, the Centre received 209 queries for information from foreign financial intelligence units in relation to money laundering and terrorist activity financing, and provided 182 disclosure packages. For its part, FINTRAC sent 122 requests to foreign financial intelligence units seeking further financial intelligence to broaden its own analysis.

The Centre received feedback last year from Mexico's financial intelligence unit, stating that the "disclosure package received from FINTRAC was very timely and useful to identify and stop the flow of illicit money in a high level scheme related to corruption in Mexico. The cooperation shown between FINTRAC and UIF [Mexico's financial intelligence unit] in this case is an excellent example of what can be achieved through international collaboration, and, today, the responsible are under arrest facing criminal charges."

In 2020-21, the Centre developed a survey to gauge the level of satisfaction among international MOU partners with FINTRAC's financial intelligence. The Centre obtained responses from 15 foreign financial intelligence units that, in total, received more than 70% of FINTRAC's disclosures from June 2019 to June 2020. The survey results showed an overall satisfaction rate of 88% in relation to FINTRAC's financial intelligence. The majority of respondents also indicated that the Centre's proactive disclosures aligned with their mission/ mandate every time or almost every time.



FINTRAC also works with the Department of Finance Canada, other regime partners and international organizations to conduct research, develop common policies and standards and share best practices. As well, the Centre 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 October 2020, FINTRAC provided terrorist financing training to 70 analysts in Guatemala with the support of the Egmont Centre for FIU Excellence and Leadership. As well, in February 2021, the Centre presented a course focused on compliance in relation to designated non-financial businesses and professionals to Suriname's financial intelligence unit and a select number of supervisors, as that country worked to develop its own supervision program for these entities. FINTRAC also delivered a technical assistance mission on compliance to Pakistan with the support of Global Affairs Canada.

FINTRAC is a member of the Egmont Group, which is comprised of 166 financial intelligence units worldwide. As part of its contribution to the group, the Centre has led or participated in projects including the development of typologies, delivery of technical assistance and provision of training. During the past year, FINTRAC produced a training module focused on best practices for the production of financial intelligence relating to terrorist financing for the Egmont Centre for FIU Excellence and Leadership, whose e-learning platform has over 2,000 registered users, including international law enforcement, financial intelligence units and academia. To date, more than 150 users from financial intelligence units and law enforcement organizations have taken the course from the Americas, Europe, Asia and Africa. The Centre also engaged in a number of virtual Egmont events in 2020-21 focused on money laundering related to the COVID-19 global pandemic and large scale cross-border money laundering schemes.

Over the past year, FINTRAC's Director and Chief Executive Officer, Sarah Paquet, took over as Chair of the Egmont Information Exchange Working Group. The mandate of this group is focused on improving information sharing among financial intelligence units by identifying new trends and methods related to money laundering and terrorist financing; sharing best practices and expertise among financial intelligence units; and seeking new and innovative ways to develop and share financial intelligence. As Chair of the Information Exchange Working Group, FINTRAC's Director will also serve as a member of the Egmont Committee, which acts as a steering/advisory group for the Chair of Egmont.

In February 2021, the RCMP and Canada Border Services Agency recognized FINTRAC's assistance in a human trafficking investigation, which resulted in the execution of eight search warrants and the arrest of six individuals on charges of exploiting foreign nationals and manipulating Canada's immigration systems and processes for personal gain. The searches revealed approximately 80 foreign nationals residing in sub-standard conditions, where many individuals slept on the floor on mattresses and the housing was infested with bed bugs, cockroaches and other vermin.

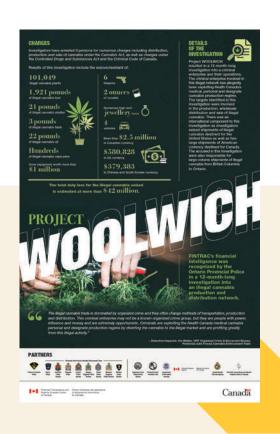


FINTRAC is also a member of Canada's delegation to the Financial Action Task Force (FATF), an international body that sets standards and promotes the effective implementation of legal, regulatory and operational measures for combatting money laundering and terrorism financing. In 2020-21, the Centre contributed to the review of several mutual evaluations and follow-ups and supported the improvement of FATF standards and processes. FINTRAC also contributed to the identification of COVID-19 money laundering and terrorist financing risks and policy responses, as well as to a number of projects and research documents, including work related to virtual assets, proliferation financing, the supervision of reporting entities, FATF's ISIL/AQ Financing Update and its project on ethnically and racially motivated terrorism financing. In addition, the Centre supported Canada's international efforts to improve anti-money laundering and anti-terrorist financing regimes through its work with FATF-Style Regional Bodies, including the Caribbean Financial Action Task Force and the Asia/Pacific Group on Money Laundering. The past year also saw the finalization of Terms of Reference, which FINTRAC led, for the new Heads of FATF FIUs Symposium. This group 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. During the past year, the Centre continued to engage 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 led a discussion on the impact of the global pandemic on the respective partners. This assisted the Centre in determining its own approach to compliance examinations and enforcement during the crisis. The Centre also engaged in numerous bilateral exchanges with Five Eyes partners, including sharing approaches to regulating virtual currencies, self-declarations of non-compliance and the coming into force of various new regulations.

Going forward, FINTRAC will continue to collaborate with its national and international partners on a number of priority projects, including countering online child sexual exploitation, combatting human trafficking in the sex trade and targeting the trafficking of illicit fentanyl.

In August 2020, the Ontario Provincial Police acknowledged FINTRAC's role in Project Woolwich, a complex multi-jurisdictional investigation into a criminal enterprise that exploited the Health Canada medical, personal and designate cannabis production regime by diverting cannabis authorized to be grown for medical purposes to the illegal market. As a result of this work, investigators arrested eight persons on numerous charges, including the distribution, production and sale of cannabis.



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.

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 2020-21, the Centre disposed of 19.9 million such reports.

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 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 Office of the Privacy Commissioner's review will continue into 2021–22.

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 December 2020, RCMP Newfoundland and Labrador acknowledged FINTRAC's assistance to Project Broken, a 30-month investigation, which allowed police to identify the structure of an organized crime group and its inter-provincial drug trafficking network. The investigation led to charges against five persons and the largest single seizure of illicit cash by police in the history of the province, over \$840,000, with other items seized including six kilograms of cocaine, firearms and vehicles. The total value of all items seized, including cash, was approximately \$1.4 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.

PROTECTING THE HEALTH AND SAFETY OF EMPLOYEES

As FINTRAC effectively mobilized and reoriented its operations at the beginning of the COVID-19 global pandemic to ensure that it was able to deliver on its critical financial intelligence and compliance mandates, the Centre remained focused on keeping its people and its workplace safe. Throughout 2020-21, FINTRAC rigorously managed its onsite presence to respect local and federal public health restrictions and to ensure that its employees could maintain appropriate physical distancing in the workplace. This included employees migrating to remote work where they could do so efficiently and effectively. The Centre developed a comprehensive Safe at Work Playbook and a Manager's Toolkit to ensure that employees were aware of, and respected, the extensive measures that were in place to keep them safe. FINTRAC also implemented signage in all work locations; made available non-medical masks and sanitizer, established rigorous cleaning procedures and provided readily available cleaning products; created technology-enabled contact tracing and reporting protocols and a building access management application to monitor building occupancy; and shared real-time guidance on occupational health and safety matters.

In addition to keeping its people safe over the past year, the Centre focused on supporting their mental health and well-being. This included conducting a COVID-19 Pulse Check-in Survey, which helped guide FINTRAC in adapting to new working environments both in the workplace and when working remotely. The Centre also established an information portal on its internal website, provided weekly messages to staff and held numerous all-staff virtual events throughout 2020-21 to ensure employees remained connected to FINTRAC and each other, and informed of any changes or new initiatives during the rapidly evolving global pandemic. Communications often focused on the extensive mental health supports that were available for staff and their families. In addition, the Centre's Ombuds and Champion for Mental Health were actively engaged in assisting, supporting and listening to individual employees and promoting, more broadly, information and advice to help staff manage the significant personal and professional challenges associated with the global pandemic.

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.

Throughout 2020–21, the Centre continued to implement its five-year People and Culture Strategy, Our Talent, Our Future, launched in 2019. 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 work will help ensure 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.

As a priority over the past year, FINTRAC ramped-up the modernization of 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. This included rapidly moving in February 2020 to share its new telework guide and implement processes and tools Centre-wide. 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.

In early 2020, FINTRAC also launched a People Management Policy Suite and Framework renewal exercise to ensure that it has the right policies, tools and procedures in place for the effective and efficient management of Human Resources within the Centre. As part of this renewal exercise, FINTRAC completed a Staffing Reboot initiative, which modernized the Centre's staffing regime. The new Staffing Policy Suite contains five new policy instruments related to staffing and recruitment as well as official languages. This suite will help to modernize, simplify, and streamline staffing activities and enhance the Centre's ability to identify and hire top talent. Once implemented, the Centre will shift from a rules-based system to one that is flexible, innovative and results oriented. It will also encourage broad managerial discretion and the customization of resourcing strategies, while ensuring fairness and transparency. The main objective of FINTRAC's staffing program is to ensure that the Centre is able to attract and hire talented people with the skill-sets needed to carry out its critical mandate for Canadians.

In October 2020, FINTRAC held a Talent Day as part of a new Talent Management pilot initiative. Focused initially on executive level positions, this initiative will be expanded to include all employees in an integrated performance management and talent management program, reinforcing FINTRAC's commitment to employee engagement and career development. During the past year, the Centre also established a Talent Acquisition Team to focus on streamlining the assessment process and implement innovative best practices and methods in recruiting key talent. Despite the challenges and restrictions associated with the global pandemic, FINTRAC was able to hire 75 new employees and provide 51 meaningful work term opportunities to students in 2020-21.

In March 2021, the Toronto Police Service acknowledged FINTRAC's assistance in a year-long employment fraud investigation called Project Drop, which led to the execution of search warrants, the arrest of four people, and the seizure of cheque forging materials, electronic devices and SIM cards that were allegedly used to send out mass marketing texts advertising employment opportunities for couriers to deliver loans for a small GTA-based lending company. In the scheme, victims were instructed to pick up and deposit what they thought were legitimate business cheques, then pay funds to other individuals in cash, Bitcoin or e-transfer. All of the cheques were eventually discovered to be well-made forgeries.



In order to further enable the hiring of a diverse set of new employees, the Centre also implemented a new Security Standard on Out of Country - Residence and Travel Outside Canada as part of the modernization of its Security Model in its new three-year Departmental Security Plan.

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. In early 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 order to build on these strong results and further strengthen FINTRAC's Public Service Employee Survey Action Plan, an employee-led Workplace Wellness and Culture Working Group developed a Workplace Wellness and Culture Action Plan for 2021–22. The plan contains a number of comprehensive initiatives grouped under four key themes: mindful leadership; open communication and transparency; healthy, respectful and inclusive workplace; talent acquisition, development and retention.

As an organization committed to expertise and excellence, learning and development opportunities for FINTRAC's employees remained a priority for the Centre throughout the past year. In addition to providing extensive sectorspecific training, the Centre continued, virtually, with its "FINTRAC 101" series, which offers employees an opportunity to learn about the work of other sectors and increase their knowledge of issues within the money laundering/terrorism financing landscape. FINTRAC also provided a number of virtual "Take Me With You" opportunities to employees, allowing interested staff to observe governance committees and other meetings to promote greater transparency and improve information sharing across the organization. In addition, 34 employees participated in the Centre's Mentorship Program (17 mentors and 17 mentees) and four employees took part in exchange assignments through the FINTRAC Exchange Program, which promotes collaboration, capacity building and leadership development within the Centre's highly engaged and talented workforce.

FINTRAC also continued to promote and support bilingualism through a variety of activities and initiatives, including group training, awareness activities and events and language programs. Throughout the year, dozens of employees across the Ottawa, Montréal, Toronto and Vancouver offices participated in part-time language training. As well, a number of employees took part in the Centre's Language Buddy System, which allows staff to practice and improve their second language skills with the help of a volunteer coach in a more informal setting. In addition, all-staff messages and intranet content were used to promote Linguistic Duality Day, Les Rendez-vous de la Francophonie and the Language Portal of Canada. FINTRAC's intranet also hosts a dedicated Official Languages Portal with various tips, tricks and other resources to promote bilingualism in the workplace. Given the challenges associated with the global pandemic, particularly as it relates to remote work, managers were reminded of their Official Languages obligations and the negative impacts of linguistic insecurity, and were provided tips on how to contribute to building a linguistically-inclusive workplace. As part of this, all FINTRAC employees were encouraged to hold bilingual meetings and all training and information sessions were held separately in both official languages.

In September 2020, the RCMP acknowledged FINTRAC's assistance and the value of its proactive disclosures leading to the launch of an extensive three-year criminal investigation of a former federal Member of Parliament, who then faced four counts of Breach of Trust and one count of Fraud Over \$5,000.



FINTRAC is committed to providing a workplace that is inclusive, safe and healthy. Following broad consultations with a diverse segment of its workforce, FINTRAC developed and implemented a new values statement that aligns with the Centre's Code of Conduct, Values and Ethics Policy. The new values statement reinforces the core values of the organization to foster a workforce that is respectful and inclusive and one that embraces its diverse backgrounds. In addition, in January 2021, the Centre launched a new Policy on Harassment and Violence, which promotes a work environment that is respectful and free of violence and harassment, describes the rights and responsibilities of employees and managers, and outlines the complaint process. The new policy was launched to coincide with the coming into force of Canada Labour Code amendments contained in the Workplace Harassment and Violence Prevention Regulations. All managers and employees will receive mandatory training on the new regulations through the Canada School of Public Service.

As part of the Centre's commitment to a respectful workplace, FINTRAC houses an Ombuds Office. Created in May 2019 and 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 Workplace Well-Being and Mental Health Champion, FINTRAC undertook a number of mental health initiatives in 2020-21, 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.

As part of its efforts to ensure a workplace that is inclusive, safe and healthy, FINTRAC is committed to promoting diversity, employment equity and multiculturalism. FINTRAC was among the first federal public sector organizations in 2020-21 to join the 50-30 challenge to increase the representation of women at the senior management level and the representation of other equity seeking groups in the various governance committees to enable a more direct influence on decision-making at the Centre. The Centre's Executive Committee and 40 employees also participated in Positive Space Training, which raised awareness of the importance of creating positive space and adopting a culture of inclusivity. In addition, FINTRAC engaged with Specialisterne in a neurodiversity recruitment initiative which will facilitate the recruitment, integration and retention of individuals with cognitive disabilities in professional positions. FINTRAC also continues to promote diversity and employment equity through its job posters, selection processes, job fairs and open houses.

FINTRAC's Employment Equity and Multiculturalism Committee, under the leadership of its Champion, organized a number of activities throughout the year. In the fall of 2020, for example, the Committee put together a Multiculturalism cookbook with recipes from employees. The proceeds from the sales of the cookbook were donated to the Government of Canada's Workplace Charitable Campaign. This cookbook, which replaced the annual potluck because of the pandemic, provided an opportunity for employees to enjoy a diversity of cuisine and celebrate inclusion and multiculturalism.

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 has a GBA+ Champion and an ADM-level Champion on Gender-Inclusive Services who represents FINTRAC inter-departmentally and who 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. The Centre has in place an electronic self-identification form and questionnaire to capture its demographic data and make it easier and more convenient for employees to participate. What follows is an updated demographic picture of the organization.

Number of Employees¹: **412**

Designated Group Representation	FINTRAC Employees	Workforce Availability ²	Federal Public Service ³	
Women	53.6%	58.4%	55.0%	
 Visible minorities 	21.1%	20.2%	17.8%	
 Persons with disabilities 	4.6%	8.5%	5.2%	
Aboriginal peoples	1.9%	2.5%	5.1%	
Official Languages	FINTRAC	Canadian	Federal Public	

Official Languages Representation	FINTRAC Employees		Canadian Population⁴		Federal Public Service⁵	
First official language – English	63.3%		75.4%		69.1%	
First official language – French	36.7%		22.8%		30.9%	

- 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, 2021, 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 2019 to 2020
- 4 Source: Office of the Commissioner of Official Languages, based on 2016 Census data
- 5 Source: Annual Report on Official Languages 2018-19

LEVERAGING TECHNOLOGY

FINTRAC depends on a sophisticated information technology infrastructure to receive, store and secure over 30 million new financial transaction reports every year. FINTRAC's systems support the heavily technology-enabled Compliance Framework, allowing businesses to submit financial transaction reports, facilitating the tracking and recording of compliance, and ensuring businesses are meeting their legislative and regulatory obligations. 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.

In response to the rapidly evolving global pandemic in early 2020 and throughout the past year, FINTRAC focused on ensuring that it had the appropriate tools, technology and systems in place to continue to securely deliver on its critical intelligence and compliance mandates. The Centre procured and integrated mobile devices for all of its staff, with the number of available mobile devices increasing by 80% during the early months of the pandemic. FINTRAC also reconfigured its physical office space, including its existing network connections, and introduced new technology to ensure that it was able to respect local public health restrictions and keep its staff safe and healthy. These extraordinary efforts, and many others that were led by FINTRAC's IM/IT professionals and supported by its IT Security Team and Shared Services Canada, provided the secure foundation upon which the Centre was able to produce the same, uninterrupted level of results for its regime partners and Canadians throughout the global pandemic.

As it managed the challenges and impacts associated with COVID-19, FINTRAC also worked effectively to deliver on the information technology requirements in relation to the implementation of the significant legislative and regulatory changes due to come into effect in June 2021. This included, among other things, publishing more than 850 new pages of new and revised guidance; developing a new reporting form in consultation with Canadian businesses; and implementing considerable systems changes to accommodate new reporting to FINTRAC.

FINTRAC has also 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. The Centre 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.

FINTRAC's modernization of its analytics systems is part of a broader, multi-year Digital Strategy that was finalized in March 2021. Aimed at transforming the Centre into a leading digital organization, the strategy is focused on delivering agile and client-centric solutions for both internal and external stakeholders based on the use of new and emerging digital technologies that add business value, improve business performance, enhance digital services and enrich the user experience. The strategy is centred on three core pillars:

- **Digital Foundations** establishing foundational digital capacity, processes and infrastructure;
- Digital Core Business enhancing core business through digital automation and advanced analytics; and
- **Digital Office** creating a better work experience by building a digital office. The implementation of Year 1 activities will begin in 2021–22.



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

	2018–19 (in millions)	2019–20 (in millions)	2020–21 (in millions)	2020–21 and 2019–20 Variance (in millions)
Salaries	\$35.5	\$41.1	\$44.3	\$3.2
Employee Benefit Plans	\$4.9	\$4.8	\$5.9	\$1.1
Operations and Maintenance	\$14.2	\$14.2	\$30.1	\$15.9
Total Approved Budget*	\$54.6	\$60.2	\$80.3	\$20.1
Total Actual Expenditures	\$51.4	\$55.3	\$61.7	\$6.4

^{*} Totals may not add due to rounding.

Between 2019-20 and 2020-21, FINTRAC's total approved budget increased by \$20.1M (33.4%). The voted budget, including salary and operations and maintenance, increased by \$19.1M, while the statutory budget for the employee benefits plan increased by \$1.1M. The increase in the voted budget is primarily attributable to an increase in funding announced in Budget 2020 to address program pressures and modernization, strengthen Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime, and support the relocation of FINTRAC's headquarters and its security requirements. The Centre's budget also increased based on the funding announced in Budget 2019 to strengthen Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime and to contribute to Canada's national strategy to combat human trafficking.

Compared to last fiscal year, FINTRAC's total actual expenditures increased by \$6.4M (11.6%) in 2020-21. Increased personnel costs are the largest factor in increasing expenses. Salary costs were higher in 2020–21 following growth in the number of full-time employees. Operating costs for professional and special services also increased across various expense categories, including in relation to legal services, information technology services, management consulting, security protection and other professional services.

ANNEX A: THE VALUE OF FINTRAC **DISCLOSURES**

WHAT OUR PARTNERS SAY

FINTRAC disclosures received by the NTC (Targeting Travellers Intelligence - National Security team) are consistently excellent. They inform existing intelligence files and regularly identify previously unknown associates. One of the NTC's primary objectives is discovering new serious transnational crime and terrorism/national security leads. FINTRAC's work and significant effort are highly valued by analysts working at the NTC.

- Canada Border Services Agency - National Targeting Centre (NTC)

FINTRAC provided valuable information pertaining to income/funds received. The disclosure package summary was well written and informative. We received the Centre's response quickly and, as a result, the investigation is proceeding with additional charges anticipated.

- Durham Regional Police Service

The intelligence provided in the disclosure summary has proven very beneficial toward current investigations. The intelligence identified new subjects and created new leads that emphasize the suspicion of modern-day slavery and human trafficking linked to the subjects contained within the report. The intelligence has provided us with a significant link to the Canadian subject and to a person of interest in the UK, which UK authorities are also interested in.

FIU Isle of Man

This disclosure was very useful to our investigation. It provided valuable corroborating evidence to support witness statements and evidence already obtained. FINTRAC further identified three new victims, thus spurring new Production Orders, interviews and investigative steps to support additional charges.

- Durham Regional Police Service

ANNEX B:

PROJECT SHADOW— **SANITIZED CASES**

Building on the success of Projects Protect, Guardian, Chameleon and Athena, FINTRAC published an Operational Alert in December 2020, Laundering of Proceeds from Online Child Sexual Exploitation, in support of Project Shadow, a new public-private partnership launched to combat online child sexual exploitation.

Co-led by Scotiabank and the Canadian Centre for Child Protection and supported by FINTRAC and the National Child Exploitation Crime Centre of the Royal Canadian Mounted Police, this new public-private partnership is harnessing the power of financial intelligence to identify possible perpetrators—and broader networks—linked to this horrific crime.

What follows are three sanitized case examples that have been drawn from suspicious transaction reports, which were analyzed and used to develop financial intelligence for Canadian police and 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 the first case, a FINTRAC disclosure package was generated from a suspicious transaction report received from a money services business that deals in virtual currencies. The suspicious transaction report was filed on a male individual reported in Vancouver, British Columbia who had opened an account with the money services business in July 2020. A few days after opening the account, the individual conducted two fiat money deposits, and the funds were used to transfer an equivalent of \$389.95 CAD in Bitcoin to a specific wallet address. The wallet address was identified by the money services business' blockchain analysis software as being related to child sexual abuse material. As a result, the money services business closed the individual's account and reported the activity.

BRINGING IT ALL TOGETHER 1

"An investigation into SUBJECT A was started because of an internal notification received from our Blockchain Analysis Software regarding a specific wallet address with the cluster identified as subscription to Child Sexual Abuse Material (CSAM). The details of the alert are provided below:

"This specific address (...) within the cluster (...) has been identified as a subscription to CSAM, reported as (A NAME INDICATIVE OF CSAM) by the Software."

"No other indicators of unusual transactions were identified during the relationship of the client with (NAME OF MONEY SERVICES BUSINESS). A subsequent review of the transactions revealed \$389.95 CAD equivalent bitcoins transferred to the identified wallet related to CSAM." #ProjectShadow





July 2020 \$389.95 equivalent in Bitcoins



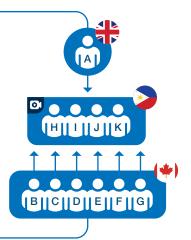
Wallet related to CSAM

In the second case, a suspicious transaction report sent to FINTRAC by a reporting entity indicated that it had been contacted by law enforcement regarding an individual in the United Kingdom suspected of paying facilitators for international live streaming of child sexual assault/exploitation. The information potentially matched 1,228 financial transactions conducted through the reporting entity between May 2018 and April 2020. The transactions in question consisted of online wire transfers ordered predominately in Western countries at night, for low amounts and to the benefit of individuals in the Philippines. Of these, 351 wire transfers totalling \$69,791.25 CAD were ordered by six individuals reported to be in locations across Canada and received by four individuals in the Philippines. These four individuals in the Philippines had also received funds ordered by the individual located in the United Kingdom. The receipt of this disclosure, by Canadian law enforcement, prompted the submission of a voluntary information record to FINTRAC regarding subjects of interest.

BRINGING IT ALL TOGETHER 2

"(...) is filing this STR to report 1,228 transactions totalling \$138,442, conducted between 05/20/2018 and 04/12/2020, that potentially may be related to Child Exploitation based on information received from law enforcement that potentially matches information identified in (...) transactions, which includes: (SUBJECT A) with a date of birth 02/11/56 in the United Kingdom. Additionally, law enforcement provided that the individual is suspected of paying facilitators for international Child Sexual Assault and Exploitation live streaming."

"In Canada, between 06/22/2018 and 04/12/2020, (SUBJECTS B THROUGH G) sent 351 transactions, totalling \$69,791.25 including fees to (SUBJECTS H through K) in the Philippines. Of these, three transactions, totalling \$331.50 CAD, were not completed. (SUBJECTS H through K) in the Philippines also received transactions from (SUBJECT A) in the United Kingdom."

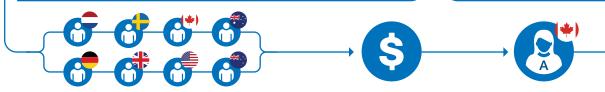


In the third case, suspicious transaction reports were filed with FINTRAC regarding accounts held by a 16-year-old female reported in Waterloo, Ontario. The reports, filed by a money services business that operates an online payment system, indicated that between January 2019 and December 2020, the account of the 16-year-old female was credited with 215 payments totalling \$12,253.50 CAD. It was noted that the payments were for even-dollar amounts and were ordered by male buyers in Canada, the United States, the United Kingdom, Germany, Sweden, the Netherlands, Australia and New Zealand. Notes indicated that the payments were for "explicit content." Given these details, suspicious transaction reports were filed to report that their client was receiving payments for possible child sexual abuse material.

BRINGING IT ALL **TOGETHER 3**

"(PAYMENT PROCESSOR) identified that (SUBJECT A) potentially received payments for child sexual abuse material... The even-dollar payments sent by all male buyers, notes indicating explicit content, and the age of the account holder prompted ongoing concerns of the existence of child sexual exploitation material."

"External research conducted on (SUBJECT A) revealed multiple online profiles confirming she is currently 16 years old."



In all three cases, using money laundering indicators developed as part of Project Shadow, reporting entities were able to recognize the types of financial transactions that are indicative of online child sexual exploitation and subsequently submitted suspicious transaction reports to FINTRAC. From there, the Centre was able to undertake broader and more detailed analysis, and generate proactive financial intelligence disclosures for several Canadian law enforcement agencies.

With the suspicious transaction reporting received from Canadian businesses since the start of the Project Shadow, FINTRAC provided 67 financial intelligence disclosures in 2020-21 in relation to online child sexual exploitation to the Royal Canadian Mounted Police (primarily the National Child Exploitation Crime Centre) and provincial and municipal police forces.

ANNEX C: FINANCIAL TRANSACTION REPORTS

LARGE CASH TRANSACTION REPORTS

2020–21	6,069,896	A large cash transaction report is submitted to FINTRAC when a business receives
2019–20	9,738,058	\$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)
2018–19	10,055,099	made within 24 consecutive hours by, or on behalf of, the same individual or entity.

ELECTRONIC FUNDS TRANSFER REPORTS

2020–21	23,507,176	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
2019–20	21,031,401	
2018–19	17,627,947	individual or entity, through any electronic, magnetic or optical device, telephone instrument or computer.

SUSPICIOUS TRANSACTION REPORTS

2020–21	468,079	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
2019–20	386,102	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
2018–19	235,661	obligations, there is no monetary threshold associated with the reporting of a suspicious transaction.

CROSS-BORDER CURRENCY REPORTS/CROSS-BORDER SEIZURE REPORTS

2020–21	13,049	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
2019–20	53,265	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.
2018–19	61,583	

CASINO DISBURSEMENT REPORTS

2020–21	29,043	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.
2019–20	208,603	
2018–19	201,145	



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