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Financial Transactions and
Reports Analysis Centre
of Canada

Centre d'analyse des
opérations et déclarations
financières du Canada

FINTRAC 2009

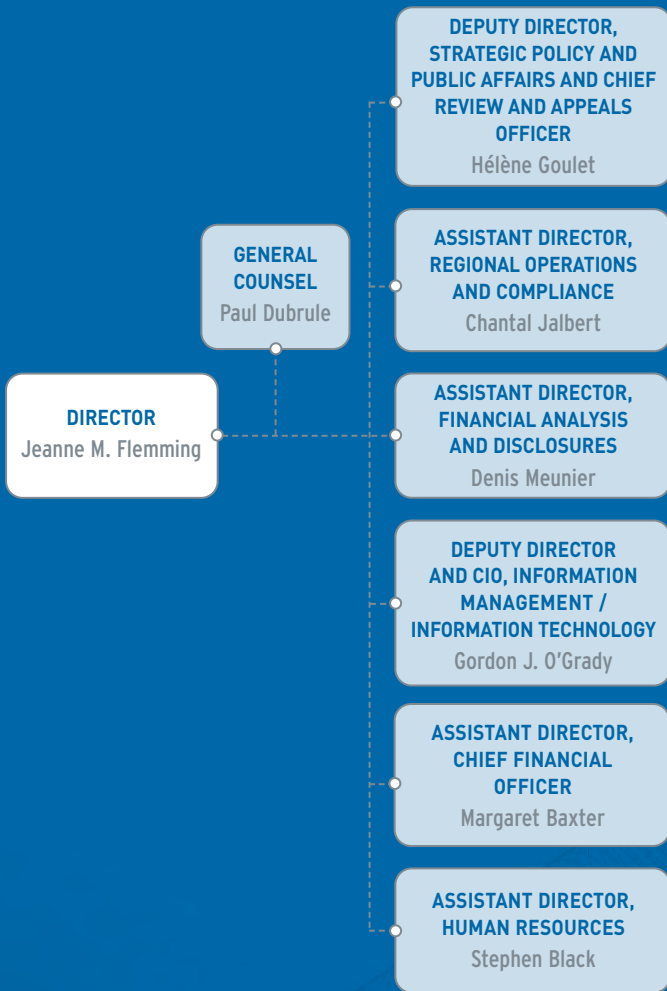
ANNUAL REPORT



WHO WE ARE



OUR ORGANIZATION



OUR MISSION

To contribute to the public safety of Canadians and to help protect the integrity of Canada's financial system through the detection and deterrence of money laundering and terrorist financing.

OUR VISION

To be recognized as a world class financial intelligence unit in the global fight against money laundering and terrorist financing.

OUR ACTIVITIES

- Receiving financial transaction reports in accordance with the legislation and regulations and safeguarding personal information under our control.
- Ensuring compliance of reporting entities with the legislation and regulations.
- Producing financial intelligence on suspected money laundering, terrorist activity financing and other threats to the security of Canada.
- Researching and analyzing data from a variety of information sources that shed light on trends and patterns in financial crime.
- Enhancing public awareness and understanding of money laundering and terrorist activity financing.

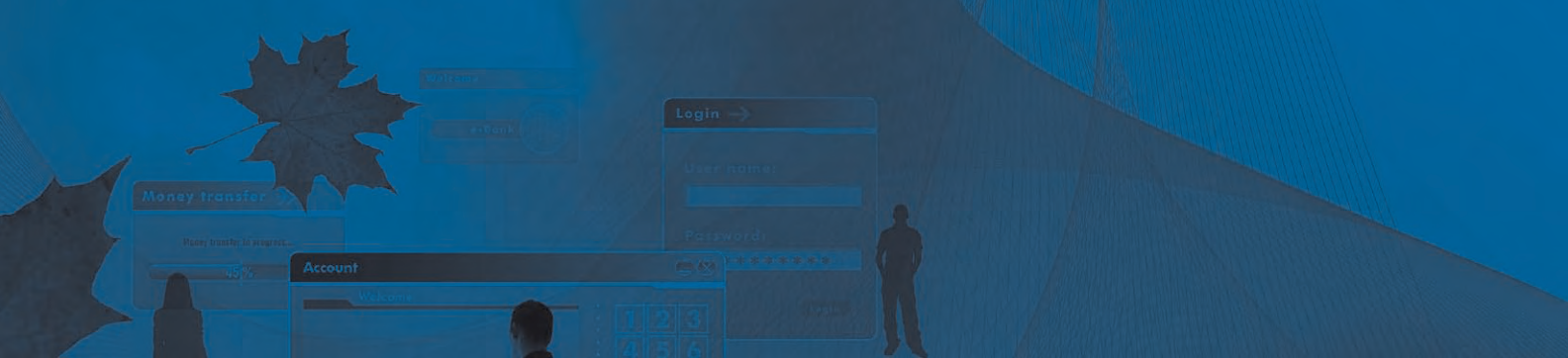
OUR RELATIONSHIPS

Domestic:

- Reporting entities (REs) and their representative associations
- National and provincial financial regulators
- Royal Canadian Mounted Police (RCMP)
- Sûreté du Québec and Ontario Provincial Police
- Montréal, Toronto, Vancouver and other municipal police forces
- Canadian Security Intelligence Service (CSIS)
- Canada Border Services Agency (CBSA)
- Canada Revenue Agency (CRA)
- Communications Security Establishment Canada (CSEC)
- Department of Finance
- Department of Justice
- Department of National Defence (DND)
- Public Prosecution Service of Canada (PPSC)
- Public Safety Canada (PS)
- Foreign Affairs and International Trade Canada (DFAIT)
- Privy Council Office (PCO)
- Treasury Board of Canada Secretariat (TBS)
- National Coordinating Committee on Organized Crime (NCCOC)
- Canadian Association of Chiefs of Police (CACP)

International:

- Foreign financial intelligence units (FIUs)
- The Egmont Group of Financial Intelligence Units
- Other international organizations such as the Financial Action Task Force (FATF), the World Bank, the International Monetary Fund (IMF), the Caribbean Financial Action Task Force (CFATF) and the Asia/Pacific Group on Money Laundering (APG)





September 23, 2009

The Honourable James M. Flaherty, P.C., M.P.
Minister of Finance
L'Esplanade Laurier
140 O'Connor Street
21st Floor, East Tower
Ottawa, Ontario
K1A 0G5

Dear Minister:

Pursuant to Subsection 71(1) of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, I am pleased to present you with the eighth Annual Report for the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC). This report provides details of our operations and our achievements for the period from April 1, 2008 to March 31, 2009, as well as our priorities for 2009-10.

We continue in our commitment to promote compliance with Canada's anti-money laundering and anti-terrorist activity financing legislation and to deliver high-quality financial intelligence.

Yours sincerely,

Jeanne M. Flemming
Director



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FINTRAC 2009

ANNUAL REPORT

RESPONDING TO THE PRIORITIES OF OUR PARTNERS





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MESSAGE FROM THE DIRECTOR



Couvrete/Ottawa

At the end of my first full year as Director, I am pleased to report that the number of our case disclosures has more than doubled. This increase reflects both our determination to provide our partners with financial intelligence that corresponds to their priorities, and the additional scope afforded by the recent amendments to the PCMLTFA.

This year we redoubled our efforts to make our intelligence products as relevant as possible, and to have them available at the time they are most needed. To reach this goal, we have been working to learn more about how our financial intelligence is used, the value it adds and what it has brought to light.

Over the past year, I made a concerted effort to meet with our partners, with the object of enhancing existing relationships. Domestically, these partners are the major recipients of our disclosures and our reporting entities. Internationally they are other financial intelligence units and bodies such as FATF and Egmont, where, in June 2009, I became the

Chair of the Training Working Group. As a committed international partner, FINTRAC has played a prominent role in initiatives aimed at enhancing anti-money laundering and anti-terrorist financing regimes around the world.

Among our domestic relationships, reporting entities, as the source of almost all our raw data, deserve and will continue to receive FINTRAC's assistance to help them better understand and meet the requirements of the PCMLTFA. We are now authorized, also, to impose our own administrative monetary penalties when a reporting entity fails to comply with its legal obligations.

This year, we developed what I believe is a practical strategic plan for FINTRAC's progress during the next three years. To produce this, we conducted extensive consultations with both our partners and our employees, and we believe that this process has added to our understanding of what our optimum role should be, as well as teaching us more about our strengths and weaknesses.

The true measure of our own success is and always will be our ability to add to the effectiveness of those who are investigating serious crimes. It is incumbent upon us, therefore, to recognize and seize opportunities to help our partners succeed.

To this end, FINTRAC has always strived to build on its capacities, its relationships and its output, and I am happy to be continuing this tradition.

A handwritten signature in black ink that reads "Jeanne M. Flemming". The signature is written in a cursive, flowing style.

Jeanne M. Flemming
Director



SAFEGUARDING PERSONAL INFORMATION

Financial intelligence units (FIUs), by definition, have access to sensitive financial information, and it is essential that they be subject to legislation that protects its confidentiality. In Canada, the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA), ensures the protection of the personal information entrusted to FINTRAC and contained in millions of financial transactions made by Canadians. The legislation not only determines the nature of our organization, but also requires us to uphold the most rigorous security measures, and to apply them to every part of our operations. These measures ensure the protection of the Centre's physical premises and IT systems, including the handling, storing and retaining of all personal and other sensitive data under our control.

THE PCMLTFA AND THE CENTRE

To uphold the Charter rights of Canadians, including the protection of their personal information, the PCMLTFA has established the Centre as an independent agency that must act at arm's length from the law enforcement and national security agencies to which it provides financial intelligence. FINTRAC may only disclose such information in ways specifically described in the Act. The information may be disclosed only to police and specific law enforcement and national security agencies, and only when established legal thresholds have been met.

Recent amendments to the PCMLTFA include a key provision requiring the Office of the Privacy Commissioner (OPC) to conduct a bi-annual review of FINTRAC's measures to protect the information it receives and collects. The first review has been completed and the report from the OPC is expected in the fall of 2009. We shall, of course, comply with any recommendations that further strengthen the Centre's measures to protect information.

Before the implementation of any new programs, we apply the Government of Canada's policy on Privacy Impact Assessments (PIAs) and this allows the Centre to identify and mitigate privacy risks. On a number of occasions during the last year, the Centre completed or updated PIA reports, and has obtained the OPC's guidance in ensuring that the privacy of all Canadians is protected.

THE PCMLTFA AND SECURITY CONTROLS

Privacy protection is at the heart of all FINTRAC's systems and programs. FINTRAC's premises in Ottawa, Montréal, Toronto and Vancouver are all protected by an integrated security system that prevents unauthorized access. We have also implemented multi-layered security in our IT systems to ensure that access is strictly controlled based on the "need-to-know" principle and the appropriate security clearance.

STAFF

All employees must have a high security clearance and, in addition, they are given ongoing training on their responsibilities to protect the personal and other sensitive information entrusted to FINTRAC. Improper disclosure of information can be penalized by as much as five years in jail, a fine of up to \$500,000, or both.



THE YEAR IN REVIEW

The past year has been one of impressive achievements for FINTRAC. Both the quantity and quality of our financial intelligence have increased significantly, and feedback from recipients of our product indicates that it is adding value to investigations. In addition, we have now completed the implementation of virtually all elements of the 2006 legislative amendments to the PCMLTFA, and these changes have provided us with a considerably broader ambit within which to detect and deter money laundering and terrorist activity financing.

In 2008-09, FINTRAC more than doubled its output of case disclosures from the previous year. We improved the efficiency of the disclosure process, and we concentrated on making our case disclosures more informative and more relevant to the investigations of our partners in the law enforcement and intelligence communities. We made a point of consulting them on their priorities and consequently, their financial intelligence needs. Our strategic intelligence products are also proving their value, and form part of an exchange of intelligence that contributes to the greater effectiveness of Canada's initiatives against money laundering and terrorist activity financing (AML/ATF).

Our continued work with reporting entities, helping them adjust to their new obligations, enables them to play an increasingly effective role in the detection and deterrence of such activities. We are also showing that we can work with the banking and other financial sectors in ways that serve both our needs and theirs. In 2008-09, we collaborated with Canada's five major banks on a first-ever study of money laundering and terrorist financing typologies and trends in Canadian banking. (See page 14.) In addition, we have been able to enlist the cooperation of the many money services businesses (MSBs) that registered in the first year of operation of the MSB registry.

An important addition to our array of enforcement tools is the administrative monetary penalties regime. This is now in place for those reporting entities that, despite our efforts at education and persuasion, fail to comply with the law.

Internationally, we remain a strong and committed participant in the Egmont Group of FIUs. The establishment of the Egmont Group's secretariat in Toronto has given FINTRAC a particular opportunity to provide support and advice on governance and other issues. FINTRAC demonstrated its continued commitment to Egmont by hosting a meeting of Egmont Working Groups in Toronto in October 2008. Maintaining FINTRAC's tradition of leadership within Egmont, FINTRAC's Director became Vice-Chair of the Egmont's Training Working Group in March 2009 and, in June, was confirmed as Chair. As well, both senior and working level officials ably represent us in many other Egmont projects.

We continue to foster close bilateral relationships with our counterpart financial intelligence units in other countries, signing six new memoranda of understanding (MOUs) for information sharing in 2008-2009, including one with Australia on the sharing of information on compliance. The agreement with Australia was the first since the authority to make such agreements was granted to us in the 2006 legislative changes to our Act. As well, we have been active in delivering technical assistance programs, particularly in the Caribbean region.

In February, Canada presented a follow-up report to the FATF on the progress made since the February 2008 mutual evaluation report on Canada. This highlighted FINTRAC's efforts to rationalize and improve its internal processes. The FATF recognized the significant progress made by Canada in addressing FATF recommendations pertaining to the financial intelligence unit and supervisory activities.

These results reflect the collective efforts of an organization of people who are both highly skilled and committed to their work. Our newly initiated three-year strategic plan (see *Looking Ahead*, page 24) will ensure that FINTRAC has the technology and the resources needed to produce even better results in the years ahead.



OUR RESULTS

FINANCIAL INTELLIGENCE: ITS NATURE AND ROLE

Financial intelligence is a detailed picture of many kinds of funds criss-crossing the country—and ultimately the world—through different institutions and sectors. By examining this picture, we note suspicious money movements and, through our technology and analysis, we can track complex links among businesses, individuals and accounts.

Essentially, we search for linkages that suggest joint interests, and these, in turn, further indicate that there may be illegal activity. This activity may be limited to Canada or it might be international in scope.

Many of the funds moving around the world are derived from legitimate sources and are destined for legitimate goals. It is our business to uncover situations when this is not the case. When, from our extensive analysis, we have reasonable grounds to suspect that certain information would be relevant to an investigation of money laundering or terrorist activity financing, we disclose our findings to law enforcement and/or security agencies, which can investigate further. As Canada's financial intelligence unit (FIU), our purpose, and the purpose of similar units around the world, is to assist in the fight against organized crime and terrorism.

In a cyberspace world, criminal activities can take place at frightening speed. In tracking these activities, FIUs such as FINTRAC can make a large contribution to the security of the globe. At the same time, however, the FIU's principal responsibility lies with the financial transactions of its own country. It is vital, therefore, that every country both supports its FIU and protects its citizens. Canada's legal framework, fortunately, places the needed emphasis on the privacy rights of Canadians and the protection of their information, and balances this with the requirements of law enforcement and national security.

THE PRODUCT

We produce, broadly speaking, two categories of financial intelligence. The first category provides information on specific transactions, and the second on emerging trends and patterns in the way funds may be moved by criminal organizations. The world of terrorist financing and money laundering is in constant evolution, and we must always aim to keep abreast of new developments.

The primary sources of our own data are the reports we receive from entities and individuals that are required to provide them. We work together with them to help them meet their reporting obligations and to ensure that the reports are as complete and accurate as possible. Our own store of data is augmented by information provided voluntarily by law enforcement and security agencies, foreign FIUs, and from public sources. Together they are powerful sources of information enabling us to fulfill our role of assisting police and intelligence agencies in the detection and deterrence of money laundering and terrorist activity financing.

THE FUTURE

Organized crime and terrorism undermine global and domestic economies and threaten security throughout the world. Financial intelligence, through the work of FIUs, is an important tool in the fight against them. Criminals and terrorists, nonetheless, will always have new ideas and methods to achieve their goals, and it is our continuing challenge to anticipate them and thus prevent their success.



OUR FINANCIAL INTELLIGENCE DISCLOSURES

FINTRAC's core products are disclosures of financial intelligence that relate to suspected cases of money laundering, terrorist financing, and other threats to the security of Canada. It is this intelligence that supplies both law enforcement and intelligence agencies with critical information supporting their investigations. Using the full powers that the PCMLTFA affords FINTRAC, we are committed to providing our partners with high-quality financial intelligence, delivered expeditiously, that adds value to their investigations.

In 2008-09, we were able to make a dramatic increase in the number of our disclosures. Of the total of 556 disclosures, 474 were related to money laundering (ML), 52 to terrorist financing and other threats to Canada's security (TF/TH), and 30 were related to all three areas.

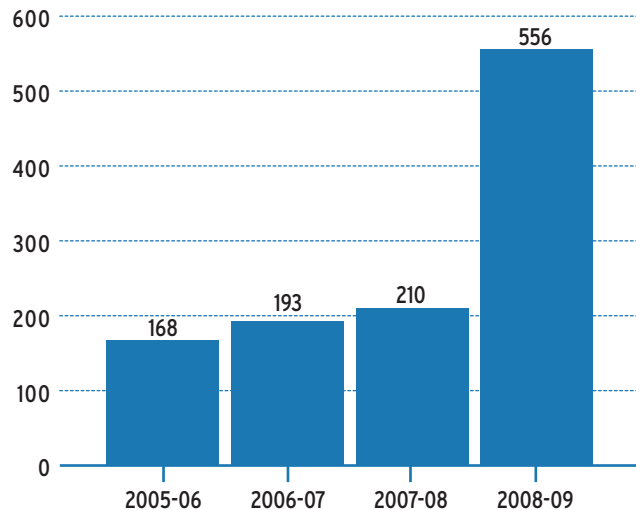
DISCLOSURES BY TYPE

ML	474
TF/TH	52
ML/TF/TH	30
TOTAL	556

The increased number of disclosures resulted from changes to the disclosure review and approval process, rather than from modifications in the nature of our disclosures.

It should be noted that disclosures contain information on hundreds and sometimes thousands of transactions. It is only through our highly automated data capture and analysis that we are able to sift through our extensive database of financial transactions and so see coherent patterns emerge of complex money laundering and/or terrorist activity financing.

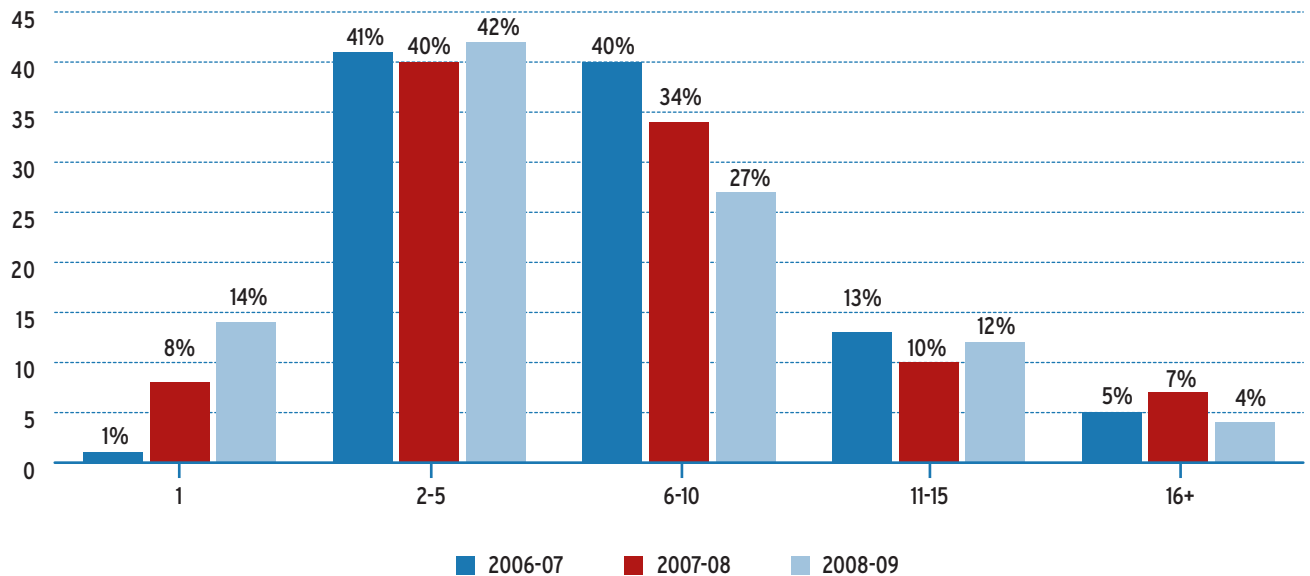
FINTRAC CASE DISCLOSURES FROM 2005-06 TO 2008-09



"The disclosure provided a very accurate picture of the breadth and depth of the various financial transactions and we truly benefited. We were very impressed with how fast we received the results. Furthermore, the analysis was very thorough and meaningful and very complete."

—Vancouver Integrated Market Enforcement Team, RCMP

NUMBER OF REPORTING ENTITIES REPRESENTED IN CASE DISCLOSURES



Due to rounding, the percentages in this chart may not add up to 100%.

As well as providing our clients with information more quickly, we have, thanks to the amendments made to the PCMLTFA in 2006, been able to include a greater range of information in our disclosures. (See “What a FINTRAC Case Disclosure Contains”, page 27.) We have held discussions and given presentations in order to inform our clients of the significance of the new case content provisions. The result has been that our disclosures have become more valuable and more directly useful.

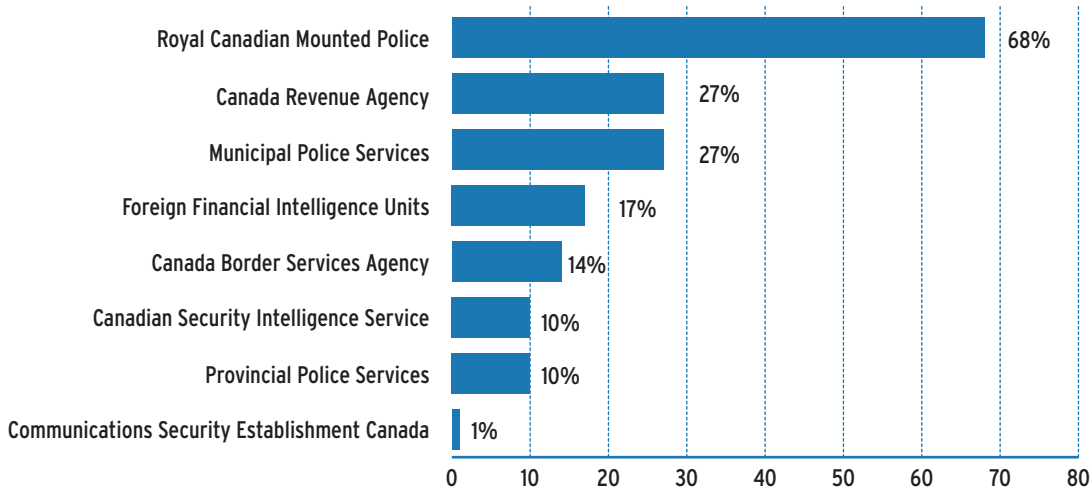
The chart above illustrates a key reason why FINTRAC was created. Criminals attempt to evade detection by spreading their activities across several institutions, in some cases as many as sixteen or more. FINTRAC is able to detect this activity throughout the many financial institutions and regions, and provide our clients with a good view of the range and scope of money laundering.

THE CANADA REVENUE AGENCY

In the 2008-09 fiscal year, FINTRAC stepped up its disclosures to the Canada Revenue Agency (CRA), providing it with 152 case disclosures. FINTRAC must disclose information to the CRA if a dual threshold is met: the first, where it has reasonable grounds to suspect that the information would be relevant to a money laundering or terrorist activity financing investigation and the second, if the Centre then determines that the information is relevant to a tax offence.

The CRA conducts criminal investigations of tax offences and engages in other enforcement activities under the Special Enforcement Program (SEP) when persons are suspected of deriving taxable income from criminal activities such as commercial fraud and drug trafficking. During the 2008-09 fiscal year, four criminal investigations were launched using FINTRAC’s financial intelligence. In addition, intelligence from FINTRAC was used by the CRA in carrying out SEP audits, and these garnered almost ten million dollars in federal taxes. Many other audits are ongoing based on the intelligence contained in the disclosures. In one particularly large case, the SEP was able to use our intelligence to close 35 separate files, levying an additional four million dollars in federal taxes.

DISTRIBUTION OF DISCLOSURE RECIPIENTS IN 2008-09



The percentages in this chart do not add up to 100% because FINTRAC disclosures are often destined to more than one recipient.

As the chart above illustrates, 68 per cent of our disclosures were delivered to the RCMP, while the others were sent to various law enforcement and partner agencies, as well as to foreign financial intelligence units. The most significant change from 2007-08 is the increase in the number of disclosures provided to the Canada Revenue Agency (27 per cent), and to the Canada Border Services Agency (14 per cent). In 2007-08, only five per cent of the disclosures were provided to these two agencies, together with those sent to Communications Security Establishment Canada.

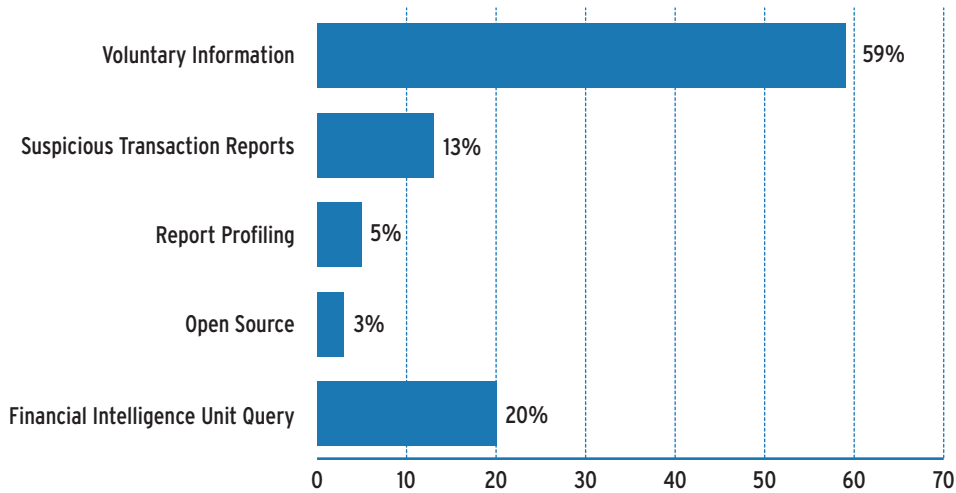
FINTRAC's disclosures are generated from many different sources of information (see chart, page 9), including from information provided voluntarily by law enforcement and intelligence agencies, as well as by members of the public and from queries received from other FIUs. Through our analysis, we then find connections to other individuals and entities; connections that may help our partners in their own investigations. The percentage of disclosures generated from

those sources, however, decreased from 65 to 59 per cent in the last year, while the number of disclosures originating from suspicious transaction reports increased from nine to thirteen per cent in the same period. The number of disclosures based on report profiling, that is from trends and patterns detected in our own database, also increased to five per cent this year from two per cent in 2007-08.

As well, this year FINTRAC participated in an intensive international investigation—dubbed Operation Mantis—of the cross-border movement of monetary instruments. During the course of this investigation, FINTRAC's assistance was sought to provide "real time" tactical financial intelligence. During the three-day operation, authorities from several G8 countries worked together to detect the illegal movement of funds, examining hundreds of flights at multiple international airports to detect cash carried in baggage, on travellers, or in shipments.



DISTRIBUTION OF CASE ORIGINATORS FOR 2008-09



Operation Mantis aimed to disrupt and dismantle criminal organizations that use cash couriers to move their illicit gains around the world. During the operation, G8 members, including Canada's FINTRAC, shared real-time information and intelligence in order to further target and interdict cash couriers.

The law enforcement agencies from the G8 countries that were involved in this unprecedented multilateral cash courier operation netted more than \$3.5 million dollars in 81 cash seizures, and they detected another \$4.2 million in undeclared currency at ports of entry around the world.



SNAPSHOT OF OUR 2008-09 CASES

DRUG TRAFFICKING AND MONEY LAUNDERING

SAMPLE CASE

Voluntary information received in 2008 from a law enforcement agency indicated that a number of individuals, suspected of being part of an organized crime group, were under investigation by various law enforcement agencies in Canada. It was alleged that these individuals were involved in the importation and distribution of cocaine, and it was suspected that a number of businesses were being used to facilitate the laundering of illicit proceeds.

FINTRAC's analysis showed that there were a number of transactions associated with seven of these individuals. Four additional individuals and eight businesses, none previously identified by law enforcement, were also found to have a possible association with this group suspected of organized crime. The businesses suspected of involvement appeared to be in real estate, food and entertainment, and financial services.

In total, the transactions associated with these individuals and businesses, conducted during a period of five years, had a value of over \$6 million. FINTRAC disclosed all relevant designated information to the law enforcement agencies that were investigating the individuals and businesses involved.

FRAUD AND MONEY LAUNDERING

SAMPLE CASE

In 2007, a European financial intelligence unit queried FINTRAC regarding an investment company. The company was suspected of being involved in money laundering, that is, of being the beneficiary of multiple electronic funds transfers (EFTs) that had been ordered by individuals and businesses in both Canada and the United States. FINTRAC found that the investment company was associated with a number of transactions involving Canadian individuals and businesses. The Centre then disclosed the relevant information to the European FIU and to a Canadian law enforcement agency.

Following that initial disclosure, FINTRAC continued to analyze information received from different reporting entities. This revealed a large number of suspicious transactions connected to a massive investment scheme reported to have defrauded numerous investors of millions of dollars. The mastermind behind this scheme used a number of businesses and individuals (including family members) to recruit investors/victims in several Canadian provinces. Potential investors were led to believe that securities in offshore investment companies would provide them with unusual high rates of return when, in fact, these companies were non-existent.

Our analysis revealed that investors' funds were, as a first step, frequently wire transferred into the accounts of Canadian businesses. The funds were then often wire transferred immediately to a large number of investment companies (including the one identified by the foreign FIU in 2007) located in South America, Asia, Africa, Europe and the United States. Many of the businesses seemed to be controlled by one individual, apparently the mastermind. During a period of six years, the approximate total value of the relevant financial transactions was over \$400 million.

FINTRAC's subsequent disclosures about these individuals and businesses were significant in furthering the investigations of the different law enforcement agencies, as well as that of the foreign FIU. The information was also disclosed to other recipient agencies.

DIGITAL PRECIOUS METALS AND MONEY LAUNDERING

SAMPLE CASE

In 2008, FINTRAC received a query from a foreign financial intelligence unit referring to an ongoing investigation of a suspected money laundering operation. This concerned the movement of illicit funds gained from various criminal activities, including drug trafficking, child pornography, credit card fraud and health care fraud. A number of agencies from different countries were active in the investigation, and they alleged that a business, located in the United States, was suspected of being a digital currency exchange service and was receiving funds from criminal sources. The funds were then sent by cheque or wire transfer to the business's bank accounts. It was believed that the funds were then forwarded either by transferring the funds to prepaid stored value cards or by wire transferring funds directly to bank accounts of co-conspirators worldwide.

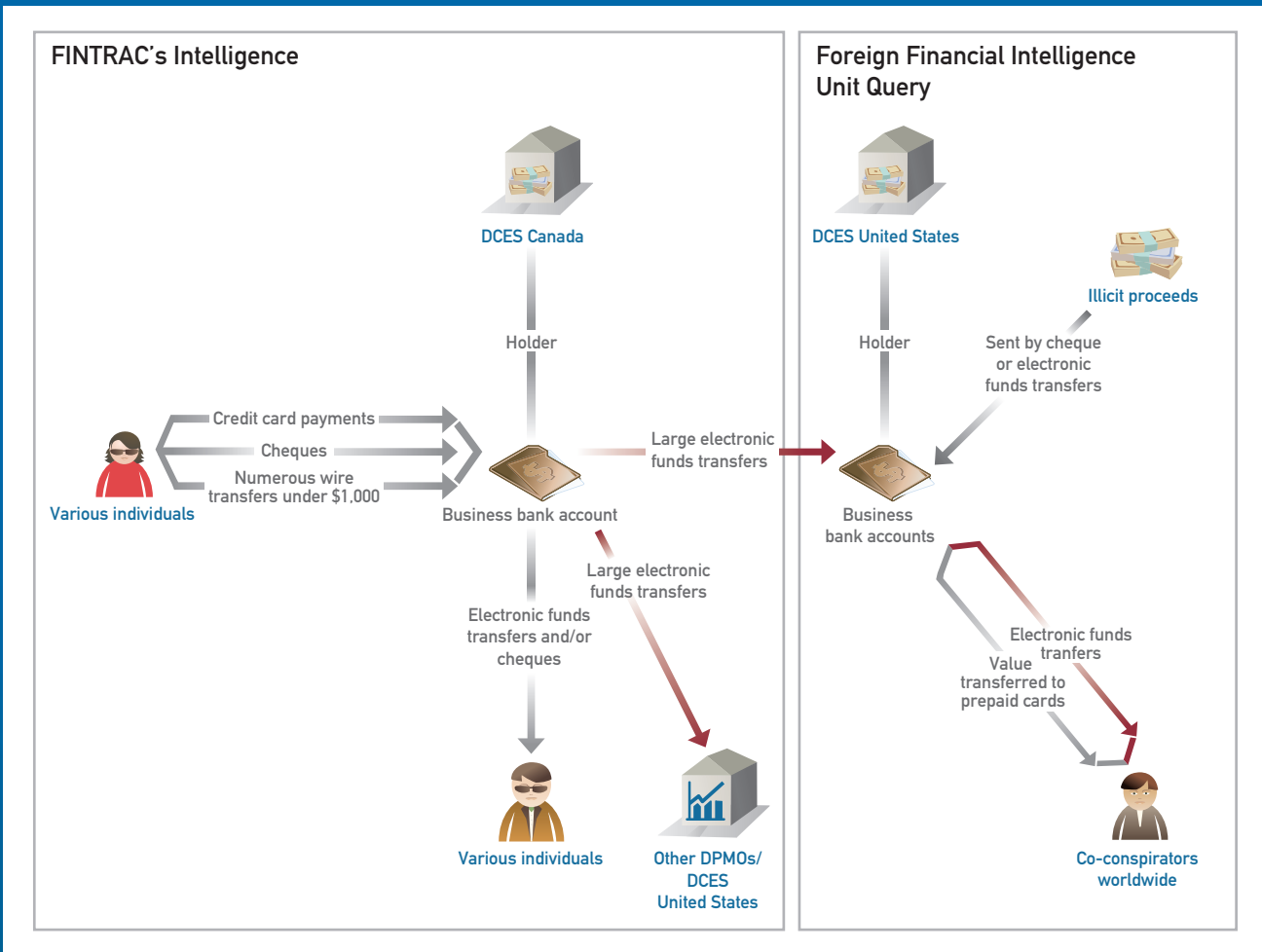
FINTRAC then assessed its own data and found a number of financial transactions associated specifically with the DCES in the United States. At least four businesses located in Canada had been involved in some of these transactions, and at least one of the Canadian businesses appeared also to be a DCES.

Suspicious transaction reports showed that the Canadian DCES was the beneficiary of numerous wire transfers, each under \$1,000, and that the wire transfer instructions made reference to a DPMO account. The DCES also received other funds in the form of cheques or credit card payments. Once received or deposited, these funds were depleted by the issuance of large cheques, or by the ordering of EFTs, payable to individuals, as well as to different DPMOs and to the DCES in the United States. The media reported that some of the DPMOs in this case had been charged both with operating unregistered money services businesses in the U.S.A., and with facilitating money laundering activities. The total value of these financial transactions was more than \$45 million.

FINTRAC subsequently provided relevant information in two consecutive disclosures to the Canadian law enforcement agency and to the foreign FIU, which then forwarded the information to partner agencies also involved in the investigation.

Digital precious metals operators (DPMOs) are Internet payment systems (IPS), and provide users with "digital currencies" purportedly backed by precious metal. The currencies can be used for e-commerce, bill payments, person-to-person payments and other typical transactions. An IPS, using a DPMO, involves the use of two separate service providers. To establish and fund an account, a user first needs to remit currency into "digital currencies" via a digital currency exchange service (DCES). Upon receipt of the remittance, the DCES funds the user's account with the DPMO. DCESs and DPMOs operate independently from one another.





TERRORIST ACTIVITY FINANCING

SAMPLE CASE

FINTRAC received voluntary information from law enforcement, and this identified several individuals and their associated entities suspected of being involved in various criminal activities, including mortgage fraud. Some of the individuals were also suspected of terrorist financing activities, and of having links to religious extremism.

Analysis of the FINTRAC database concerning these subjects revealed transactions consisting of international EFTs, large cash transactions, and an exportation of currency, as well as other transactions that had been reported to FINTRAC as suspicious.

In this case, the suspicious transactions provided valuable information leading to the identification of a “flow-through” account. This had funds moving quickly in and out, as well as large movements of funds between entities controlled by one of the suspected individuals. These movements of funds were soon followed by the issuance of certified cheques and bank drafts.

As a result of our analysis, we were able to provide law enforcement with financial information on an expanded network of individuals and entities, and these included non-profit organizations associated with the individuals under investigation. We also identified a significant flow of funds between Canada and a country of particular concern for terrorist activities.

Accept

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AUTOMATED DETECTION OF SUSPICIOUS TRANSACTIONS

SAMPLE CASE

FINTRAC was able to generate a case disclosure after analyzing transactions pinpointed through our automated detection process. The Centre found many instances of cross-border currency importation into Canada carried out by three individuals travelling from a South American country and thought to be members of one family. It was discovered that they had also conducted a number of currency exchange transactions at one specific Canadian MSB. Only one of the three individuals lived in Canada. Two of the three appeared to be regularly travelling from the South American country carrying large sums of various currencies (euros, pounds sterling and Canadian dollars). On average, the equivalent of \$250,000 was transported each trip.

Once in Canada, the currency was exchanged from euros to US dollars at the same Canadian MSB. Subsequently, on behalf of an import/export company owned by one of the three individuals and registered in the South American country, many EFTs were ordered from the MSB. The EFT beneficiaries were found to be companies variously involved in steel, shoes, import/export and electronics businesses, and located in Asian, European and South American countries, as well as in the United States. The owner of the import/export business ordered EFTs from accounts held in two South American countries payable to the benefit of a personal account in Canada, held jointly with the other two individuals. The Canadian resident made large cash deposits into that same joint personal account as well as into other personal accounts, and purchased bank drafts.

During a period of six years, more than US\$35 million was wired out of Canada to beneficiaries in various countries. In Canada, over \$35 million of currency exchanges were conducted on behalf of the import/export business registered in the South American country. It seemed unusual that such large amounts of cash would be imported from that country to Canada in a legitimate manner.

Consequently, FINTRAC disclosed the relevant designated information to various branches of a law enforcement agency and to other recipient agencies.

“The disclosure was very informative, easy to read and comprehend. It brought value to the investigation by identifying the level of activity, revealing previously unknown parties and confirming a suspected relationship between the target and additional parties who were potential future targets of the investigation.”

—Vancouver Police Department



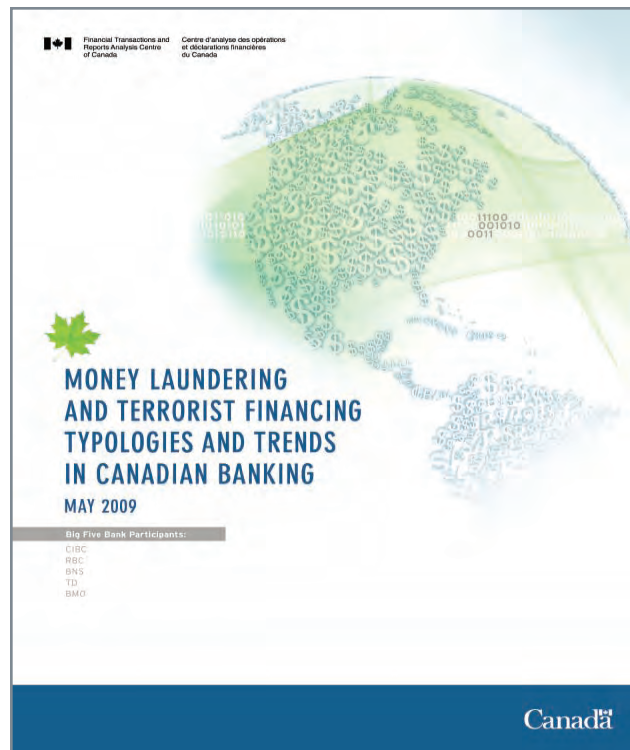
STRATEGIC ANALYSIS: HELPING TO SEE THE BIG PICTURE

If we are to develop effective counter measures to combat money laundering and terrorist financing, we must have the ability to keep pace with evolving trends in such criminal activity, and this is the role of strategic analysis. FINTRAC's human expertise and its technological capacities place it in a unique position to uncover important knowledge about existing and developing forms of illegal money movement, and to share it with our partners.

In 2008-09, FINTRAC continued to produce and disseminate a wide range of strategic analysis products to stakeholders. These included three issues of the *ML/TF Watch*, an environmental scan focusing on money laundering (ML) and terrorist activity financing (TF); a *Backgrounder* on Islamic banking and money laundering, as well as four *Financial Intelligence Assessments*, which involved an extensive review of cases and reports associated with countries of concern and a terrorist group.

The Centre also prepared a document entitled *Money Laundering and Terrorist Financing Typologies and Trends in the Canadian Banking Sector*, which was released in May 2009. Prepared in consultation with five of the country's largest banks, this report focuses, for the first time, on issues of specific interest to the banking sector and, in so doing, aims to help banks in their own efforts to combat money laundering and terrorist financing. The report is available on FINTRAC's Web site at www.fintrac-canafe.gc.ca.

FINTRAC also participated in FATF and Egmont typologies exercises, which included a major contribution to the FATF typologies exercise on the securities sector. FINTRAC was a member of the lead project team, which included other Canadian agencies and departments, as well as representatives from the United Kingdom.



The financial intelligence assessments were disseminated to our domestic security and intelligence partners, and some results from them have been presented and well received in international gatherings. Intelligence assessments help the security and intelligence community to target specific individuals, groups, businesses, as well as countries that are likely to be involved in crime or activities injurious to national security. They also serve to inform policy makers in the Canadian government.



FINANCIAL INTELLIGENCE ASSESSMENT OF COUNTRIES OF CONCERN

FINTRAC has started a new line of intelligence assessments intended to meet the needs of the security and intelligence (S&I) community more effectively. These assessments provide an extensive review of all the reports we receive of financial transactions related to specific countries of concern. These countries are identified by law enforcement and security agencies on account of their known support for terrorist groups and/or for reportedly having active terrorist groups, and/or for being suspected of proliferating weapons of mass destruction. Consequently, most of them are part of Canadian national security priorities. Not infrequently, the United Nations Security Council or the United States Department of the Treasury has imposed financial sanctions or restrictions on them. Still more countries may have been recognized as offshore tax havens, with the result that they are more susceptible to money laundering activity.

In 2008-2009, FINTRAC produced three such financial intelligence assessments. Its analysis of the flow of funds between Canada and those countries was intended to identify any possible trends and patterns that could be associated with terrorist financing and money laundering conducted by various individuals and businesses.

In one of these assessments, FINTRAC looked at its information holdings in relation to a country reputed for harmful bank secrecy practices. FINTRAC advised select federal partners that individuals and entities in Canada seemed to take advantage of the country's harmful bank secrecy practices to engage in financial transactions suggesting that there was either money laundering or large-scale tax evasion.

FINANCIAL INTELLIGENCE ASSESSMENT OF A TERRORIST GROUP

Again to work more closely with the security and intelligence community, FINTRAC conducted an extensive review of all cases and financial transaction reports of one particular terrorist group, which was known to be involved in fundraising activities in Canada.

The result of this financial intelligence assessment was a better understanding of the terrorist group's network of individuals and businesses, of its fundraising techniques and possible acquisition of goods, as well as of the methods used to transmit these funds or goods to overseas terrorist group members.



OUR RELATIONSHIPS

WORKING WITH REPORTING ENTITIES

Ultimately, regardless of the complexity of the technology, or the skills and diligence of the staff, the quality of FINTRAC's financial intelligence stems directly from the quality of the reports we receive from reporting entities. If they are to produce reports of superior quality, it is vital that they understand and are able to comply with the requirements of the PCMLTFA to which they are subject.

ASSISTANCE AND OUTREACH

The Centre continues to place a strong emphasis on working with reporting entities to raise awareness and understanding of their legal obligations under the PCMLTFA. This year, much of the assistance and outreach effort flowed from the 2006 legislative amendments to the PCMLTFA. It has been particularly important to provide assistance to sectors such as dealers in precious metals and stones, as well as British Columbia notaries, which have been newly brought under the regime. In addition, our guidelines and other communication tools were extensively modified to help reporting entities come into compliance. The Centre also provided reporting entities with Web-based seminars on the new legislative requirements, and developed an on-line e-learning module on terrorist financing. In addition, our Web site www.fintrac-canafe.gc.ca provides extensive and thorough guidelines and other materials to assist reporting entities in understanding their obligations.

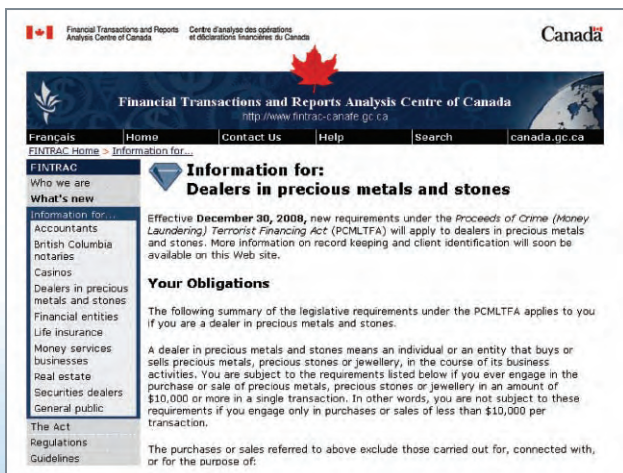
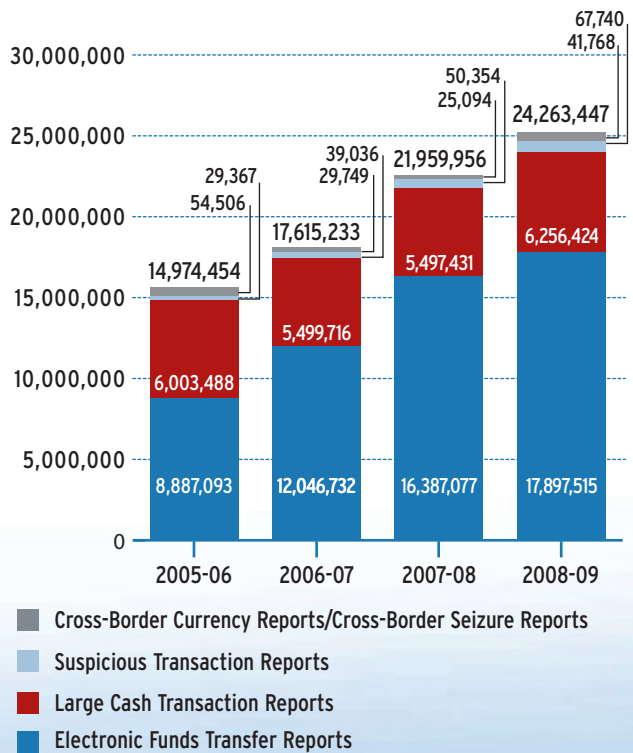
FINTRAC's Regional Operations and Compliance Directorate conducted over 500 outreach meetings, reaching approximately 20,000 individuals, and it provided feedback to all the reporting entities and associations representing all sectors within the ambit of the PCMLTFA.

FINTRAC, moreover, responded to over 5,000 telephone calls for assistance on compliance obligations, a 40 per cent increase over the previous year.

MONITORING OF REPORTING QUALITY, TIMING AND VOLUME

If FINTRAC is to guarantee the quality of the intelligence that is eventually disclosed, it is essential that it monitor the millions of reports received. During the year, there was a 20 per cent increase in reports returned to reporting entities for further action to improve data quality.

REPORTS RECEIVED BY FISCAL YEAR AND TYPE



FINTRAC has 1,500 pages of information on its Web site.



Across all reporting sectors, FINTRAC received 67,740 suspicious transaction reports (STRs), an increase of 35 per cent over last year. For the first time, as a result of the requirement for information on attempted transactions (introduced in June 2008), the number of STRs received also included suspicious attempted transactions.

ASSESSING THE RISK OF NON-COMPLIANCE

Despite all the available information and tools, some reporting entities will fail to comply with their legal obligations. Rather than applying our standard examination methods to the full spectrum of reporting entities, FINTRAC uses risk-based methods that allow it to focus its attention on those sectors that are at the greatest risk of non-compliance.

QUESTIONNAIRES AND EXAMINATIONS

Examinations continue to be key tests of how well our reporting entities are meeting their legal obligations. We continued to conduct examinations in all reporting entity sectors using various methods, including desk reviews and on-site visits, and some through partnerships with key national and provincial regulators with which FINTRAC has entered into memoranda of understanding. FINTRAC conducted 455 examinations, and regulators conducted 176.

Our questionnaires remain a key tool for assessing how well our reporting entities are complying with the law, and in this fiscal year, more than 700 were sent out to reporting entities. In addition, our questionnaires were modified to reflect the 2006 legislative amendments, and the fact that new sectors had been brought into the regime. These new compliance questionnaires will be in use in 2009-10.

DEALING WITH CASES OF NON-COMPLIANCE

Since December 2008, FINTRAC has been authorized to impose administrative monetary penalties where reporting entities are found to be non-compliant with the requirements of the PCMLTFA. This additional tool represents a measured and proportionate response to particular instances of non-compliance, and is

designed to encourage these reporting entities to correct their behaviour. The program, designed after extensive consultation, required alterations to compliance and finance administration processes, as well as changes to the Centre's policies and procedures. New and updated compliance and communication tools made reporting entities aware of the administrative monetary penalties program, and of the right to appeal the penalty.

There continues to be the option of referring more serious and/or persistent offenders to law enforcement for investigation and possible prosecution. In 2008-09, we made 19 suspected non-compliance disclosures to law enforcement, a significant increase over previous years.

MONEY SERVICES BUSINESSES REGISTRY

Since June 23, 2008, money services businesses are legally required to register with FINTRAC. The MSB registry was launched on the same day, allowing the general public to search for publicly available information about registered MSBs. In this fiscal year, 803 MSBs registered, for a total of approximately 21,000 branches and agents. In consequence, outreach activities directed toward the sector were intensified.

The screenshot displays the FINTRAC website interface for Money Services Business Registration. The header includes the Canadian flag, the organization's name in both French and English, and the Canada logo. The main navigation bar contains links for Home, Contact Us, Help, Search, and Canada.gc.ca. The page title is "Money Services Business Registration". The content area features a central heading "Money Services Business Registration" and a sub-heading "If you are a money services business (MSB) and you already have an organization number and a user ID to register, you can access the secure MSB registration Web site." Below this, there is a section titled "Before you do, please have the guide for Electronic Money Services Business Registration" which provides instructions on how to use the registration application, including options for printing or viewing on screen. A note mentions that a paper registration application form is also available but only for those who do not have the technical capabilities to register electronically. On the right side, there is a "General information" sidebar with links for "View public registration information about MSBs", "Who has to register?", and "How does an MSB register?". A "Notice" section at the bottom right provides a link for "Password for electronic MSB Registration".



WHAT ARE REPORTING ENTITIES?

Reporting entities are those persons and organizations covered under Part I of the PCMLTFA who are required to meet a number of obligations, principally to:

- Implement a compliance regime
- Keep records of financial transactions
- Identify clients and determine the third parties involved in relevant transactions
- Report certain financial transactions to FINTRAC

WHO MUST REPORT

- Financial entities of all types (banks, credit unions, caisses populaires, etc.)
- Life insurance companies, brokers or agents
- Securities dealers, portfolio managers, provincially authorized investment counsellors
- Money services businesses (including foreign exchange dealers and alternative remittance systems, such as Hawala, Hundi, Chiti, etc.)
- Crown agents accepting deposit liabilities and/or selling money orders
- Accountants and accounting firms, when carrying out certain activities on behalf of their clients
- Real estate brokers and sales representatives, when acting as an agent in the purchase or sale of real estate
- Casinos, except some temporary charity casinos
- Real estate developers, when they sell a new house, a new condominium unit, a new commercial or industrial building, or a new multi-unit residential building to the public
- Dealers in precious metals and stones, when they engage in the sale of precious metals, precious stones or jewellery in an amount of \$10,000 or more in a single transaction
- British Columbia notaries, when carrying out certain activities on behalf of their clients

WHAT IS REPORTED

- Suspicious transactions related either to money laundering or to terrorist activity financing regardless of dollar value, as well as suspicious attempted transactions
- The existence of terrorist property in their possession or control, or information about a transaction or proposed transaction in respect of such property
- International electronic funds transfers involving \$10,000 or more
- Large cash transactions of \$10,000 or more
- Effective September 28, 2009, disbursements of \$10,000 or more made by casinos



OUR DOMESTIC PARTNERS

A national FIU works most closely with national law enforcement and security agencies, which are also the most frequent recipients of its disclosures. Much of an FIU's contribution to the international fight against money laundering and terrorist financing flows directly from the success of its work with these domestic partners.

During 2008-2009, FINTRAC focused on strengthening relationships with key partners, thus enhancing the overall effectiveness of the AML/ATF regime. The more than 150 case disclosures that we made to the Canada Revenue Agency reflect the increasingly effective operational ties that we have with it. These disclosures are significant, because they uncovered activities that were associated with both with suspected money laundering/terrorist financing and with income tax-related offences such as tax evasion or tax fraud.

FINTRAC signed an inter-agency information-sharing agreement with the RCMP, thus creating an opportunity to improve both our disclosures and their value. We continue to negotiate on many fronts for additional database access. When this has been achieved, our analytical capacity will be considerably increased.

By studying and monitoring potential gaps in the AML/ATF regime in the areas of prepaid cards and white label ATMs, we have enhanced awareness and the capacity for detecting money laundering activities.

We worked hard to coordinate internal efforts and to establish good communication with the Office of the Privacy Commissioner. We also worked collaboratively with the Department of Finance on major policy, legislative and regulatory issues, as well as with other regime partners to solve a number of issues and problems as they have presented themselves.

“The disclosure was received in a timely fashion and contains information that is very pertinent to our investigation. It reflects a quality assessment and overview of the activities of Individual X and made important ties and associations between related individuals.”

—Canada Border Services Agency



OUR INTERNATIONAL RELATIONSHIPS

FINTRAC's effectiveness as a financial intelligence unit requires strong working relationships not only with its domestic partners, but also with its international ones. The harmful effects of money laundering and terrorist financing are global and require solutions that are global in scope. Such solutions, however, flow from the relationships and information shared among national FIUs, and promoted by important international groups such as Egmont and FATF. As a committed international partner, FINTRAC has played a prominent role in initiatives aimed at enhancing anti-money laundering and anti-terrorist financing regimes around the world.

FINTRAC's international relationships fall into three categories: multilateral, bilateral, and the provision of technical support to enhance the capabilities of other FIUs.

EGMONT GROUP

In this fiscal year, we have been able to work even more closely with the Egmont Group Secretariat, permanently established in Toronto since late 2007. In October 2008, we organized and participated in the meetings of the Egmont Working Group, hosting 155 international participants. The meetings were successful on all levels, and through this success, FINTRAC added to its international reputation. The Director became Vice-Chair of the Training Working Group in March 2009, and was confirmed as Chair

in June. The Director also became convener of the Finance and Communications Reference Groups and continued to be an engaged member of Egmont's Executive Committee. Through these involvements, FINTRAC contributed to the strengthening of Egmont's governance framework as well as to its increased capacity to deliver technical assistance to its members. All these efforts help build capacity in FIUs throughout the world all the while fostering greater collaboration between FIU partners.

FATF

During the year, FINTRAC successfully addressed two important concerns raised in the February 2008 FATF Mutual Evaluation Report for Canada. At the FATF's 2009 Paris Plenary, Canada reported on progress made since the FATF Mutual Evaluation was conducted. In particular, the FATF recognized efforts undertaken by FINTRAC to address FATF Recommendation 23 concerning the regulation, supervision and monitoring of financial institutions, and Recommendation 26, on the functions of FIUs.

NEW MEMORANDA OF UNDERSTANDING WITH INTERNATIONAL PARTNERS

FINTRAC broadened its capacity to seek information from foreign FIUs by signing six new information-sharing MOUs. FINTRAC will now be able to exchange tactical information about money laundering and terrorist financing with the following countries: Anguilla, Croatia, Liechtenstein, Malaysia, Thailand and Isle of Man.





AUSTRAC Director Neil Jensen and FINTRAC Director Jeanne Fleming sign memorandum of understanding in Guatemala City.

On March 2, 2009, FINTRAC and AUSTRAC entered into a memorandum of understanding to share compliance information. The agreement was signed in Guatemala City, shortly before the meetings of the Egmont Group of Financial Intelligence Units, held March 2-5, 2009. The exchange of information made possible by this agreement will benefit efforts to ensure compliance and thereby combat money laundering and terrorist activity financing in Australia and Canada. With the multinational nature of many businesses, ensuring compliance with anti-money laundering legislation goes beyond domestic borders and spans the globe. This MOU will enable both financial intelligence units to share compliance information regarding businesses that may operate in both countries. In practical terms, if deficiencies are found or problems are identified by FINTRAC, this sort of information could assist AUSTRAC in ensuring compliance with Australian anti-money laundering legislation. Similarly, AUSTRAC will be able to share information with its Canadian counterpart.

We also signed a MOU with Australia for the sharing of compliance information. This, the first of its type for FINTRAC, was made possible by provisions in the 2006 legislative amendments to the PCMLTFA, allowing international agreements to exchange compliance-related information.

TECHNICAL ASSISTANCE

In keeping with our support of the efforts of FATF and Egmont to promote multilateral cooperation, we have continued to provide an extensive international training and technical assistance program.

We delivered our International Compliance Program to the FIUs and regulatory representatives of St Vincent and the Grenadines, St. Kitts and Nevis, Antigua and Barbuda and Barbados. The feedback we received on these sessions was highly favourable.

FINTRAC also delivered the Financial Intelligence Analysis Course to the Bermuda FIU, Bermuda Customs and Bermuda Police Service, as well as to representatives from other FIU partners in Mexico and the United States. The course was reported as a success in the Bermudan Royal Gazette.



CORPORATE EFFECTIVENESS

As FINTRAC has embraced the legislative and policy changes that have helped to strengthen its capabilities, it continues to recognize the central importance of a healthy, well-managed organization underpinning performance. In particular, we keep a strong focus on the effective management of our human, technological and financial resources.

HUMAN RESOURCES

FINTRAC's business is both complex and sensitive, and places considerable demands upon its employees. Consequently, we attach great importance to providing a healthy, stimulating working environment. In 2008-09, we invested in learning and development opportunities for employees, and we provided leadership training to a number of executives.

We have appointed Champions to the Official Languages, Employment Equity and Diversity, Values and Ethics, and Awards and Recognition portfolios to reinforce our Human Resources programs. Reflecting our commitment to Canada's two official languages, FINTRAC has made a significant effort to assist its executives in meeting the language requirements of their positions. Both employees and managers have been provided with sessions on maintaining a respectful workplace, on change management, and on values and ethics. The *2007-08 Annual Report on the Operation of the Canadian Multiculturalism Act*, which was tabled in Parliament on February 5, 2009, highlights FINTRAC's efforts regarding our coop student program and our outreach strategy to communicate the changes related to the 2006 legislative amendments to the PCMLTFA.

FINTRAC encouraged its employees to take part in the 2008 Public Service Employee Survey, and an impressive 89.6 per cent of them—the third highest percentage of all government departments—did so. We also launched a series of workshops designed to help employees harmonize the challenges of successfully balancing the demands of work and family.

We reviewed and amended our performance management process. Among the changes we made is that our Executive Performance Pay program now incorporates key accountability measures related to Program Delivery, Values-based Leadership, Financial Management and Adherence to Corporate Policies and Effective People Management. Having reviewed our employee recognition program, we introduced a new Long Service Award program to recognize employees for their many years of contribution to the Government.

INFORMATION MANAGEMENT AND INFORMATION TECHNOLOGY

Our leading edge technology is one of the cornerstones of FINTRAC's success. From the beginning, we sought ways to use technology to improve service and to increase productivity in all aspects of our business, and the past year was no exception. We improved the quality both of our data and its analysis, and automated key business processes. Examples of newly developed business systems include money services business registration and our compliance contact management system (a foundation piece of the compliance workbench platform). Exploratory work has also begun on a comprehensive case management system for our financial analysts and on developing the capacity for electronic capture and disclosure between FINTRAC and domestic partners.

To ensure that we remain on the right track, we developed a comprehensive three-year IM/IT strategic plan. The IM/IT Strategic Plan will be refreshed each year, integrated with FINTRAC's annual strategic planning process, and supported by a sound investment strategy in our applications, services and infrastructure.

An example of the introduction of new technology is our data mining project. Data mining techniques provide intelligence agencies such as FINTRAC with the ability to sift efficiently through their extensive data sets to uncover trends, patterns or variances that might otherwise lie hidden. The great promise of data mining is the discovery of previously unknown



FINTRAC DEMOGRAPHICS

Total number of employees (including non-full-time equivalents): 295 as of March 31, 2009

Designated Groups

- Representation of women: 48.14%
- Representation of persons with disabilities: 2.37%
- Representation of Aboriginal persons: 1.02%
- Representation of visible minorities: 16.27%

anomalies in FINTRAC's transactions that could lead to insights into new or emerging money laundering and/or terrorist financing methods.

BUSINESS CONTINUITY

We have undertaken a number of initiatives this year to further advance our business continuity planning program. These include:

- evaluating our program to ensure compliance with Treasury Board policies and standards;
- reviewing and updating our business impact analysis (BIA) and the approval of recovery priorities;
- developing a pandemic plan; and
- re-aligning our disaster recovery site project based on the updated BIA.

The security and privacy of our information holdings continue to be our focus in the event of a business interruption.

RESOURCE MANAGEMENT

In 2008-09, FINTRAC undertook a resource review in order to prepare for an ongoing resource level of approximately \$48 million in 2009-10 and beyond, after having a resource level of \$52.8 million and \$54.9 million in years 2007-08 and 2008-09 respectively. As part of the review, resources were allocated to the strategic priorities of the organization, multi-year budgets were allocated across FINTRAC, and resource management practices were reviewed and improved. An accommodation strategy was also developed that allowed the agency to reduce its space holdings by 8.5 per cent.

BUDGET HIGHLIGHTS

The 2007-08, 2008-09 and 2009-10 approved budgets have been adjusted to reflect the reprofiled resources approved by TBS.

HISTORY OF FINTRAC'S BUDGET AND PROJECTIONS (DOLLARS IN MILLIONS)

	2006-07	2007-08	2008-09	2009-10
SALARIES	19.7	26.0	25.2	24.9
EMPLOYEE BENEFIT PLAN	3.2	4.1	4.5	4.2
OPERATIONS AND MAINTENANCE	17.3	21.4	24.0	17.5
GRANTS AND CONTRIBUTIONS	0.0	1.3	1.2	1.4
TOTAL APPROVED BUDGET	40.2	52.8	54.9	48.0
TOTAL ACTUAL	39.4	51.1	50.6	-



LOOKING AHEAD—FINTRAC'S THREE-YEAR STRATEGIC PLAN

Our results for 2008-09 show that FINTRAC has more than met the challenge of implementing the changes brought about by the 2006 amendments to the PCMLTFA. There are already visible signs that these changes are making us a stronger and more effective contributor to the overall anti-money laundering and anti-terrorist financing regime. We need to maintain this momentum, however, and we must continue to evolve if we are to keep pace with the changing methods of those engaged in the illegal movement of money.

FINTRAC has, therefore, developed a **Strategic Plan** for the coming three years. The plan was based on independent reviews and followed extensive consultations with employees in each of our sectors, as well as with external stakeholders such as our key domestic partners and some important international financial intelligence units.

At the heart of the plan are six **Strategic Priorities**, which lay out FINTRAC's course for the planning period:

STRATEGIC PRIORITY 1

Align our financial intelligence products more closely with our partners' needs and identify emerging money laundering and terrorist financing trends.

Our focus will be to strengthen further our operational links with the recipients of our case disclosures and strategic intelligence products at all levels, and our purpose will be to learn more about how our intelligence is employed and how it can be improved. We will also increase our interaction with partners in the law enforcement and intelligence communities. Our aim is to keep abreast of where they are headed and what priorities they set for themselves, and to recognize and grasp those opportunities where FINTRAC can help them succeed.

STRATEGIC PRIORITY 2

Pursue policy and legislative opportunities to strengthen the anti-money laundering and anti-terrorist financing regime. We aim to maximize the use and interpretation of existing legislation.

We also intend, by conducting systematic reviews and environmental scans, to play an influential role in addressing gaps in research, and in the development of anti-money laundering and anti-terrorist financing policy and legislation in Canada.

STRATEGIC PRIORITY 3

Refine our risk-based compliance program and fully implement the new legislative requirements.

We constantly aim to improve our risk assessment model, and to maximize our coverage of the reporting entity population. We will respond to reporting entities with more detailed and better feedback reports, and will work with them to improve the quality of the financial data they submit. We will increase the number of compliance examinations and will introduce a program of desk reviews. In addition, we will complete the implementation of the outstanding 2006 amendments to the PCMLTFA, including the casino disbursement report, and will review and refine the administrative money penalties program.

STRATEGIC PRIORITY 4

Be innovative in our approach to operational processes to maximize our efficiency and effectiveness.

We plan to ensure the best possible matching of resources with results. Key to this is FINTRAC's state-of-the-art technology, and we will exploit new opportunities to use this technology to the best advantage, delivering the

Money transfer in progress...

45%

Account

Welcome

1 2 3
4 5 6
7 8 9

Login

most architecturally sound, cost-effective, and best quality solutions to meet FINTRAC's operational needs. We will streamline and integrate our business processes, strengthen our compliance program, improve and extend our analytical capacity, and deliver our disclosures and other intelligence products to our partners even more efficiently and expeditiously.

A key focus will continue to be the protection of all assets within a robust and secure IM/IT environment. Another will be the constant updating of our technology infrastructure to sustain business performance and growth at an affordable cost.

STRATEGIC PRIORITY 5

Promote excellence in our workforce and strengthen our management and human resources framework.

We will pursue the promotion of FINTRAC as an employer of choice. These initiatives will include an intensified recruitment effort, a review and possibly an updating of our compensation package. We will also conduct surveys to determine the engagement of the current workforce. We are developing new competency models that will be integrated in all areas of human resources, while specifically addressing the particular learning needs of our organization. Within the sphere of management, we will review and update corporate policies for privacy, information management, project management, security, finance, procurement, audit, evaluation, risk management, and asset management. As a follow-up to last year's resource review, our aim will be to identify activities that are currently unfunded, and to develop a resource strategy and funding options.

STRATEGIC PRIORITY 6

Enhance collaboration within the organization and with our partners and stakeholders.

Internally, our aim will be to ensure that there is open communication in the work environment, that is, one that fosters transparency with our employees. There should be a greater degree of collaboration among business units. Such collaboration will be encouraged, recognized and rewarded throughout the organization. With our external partners, we will ensure that the right mechanisms are in place at all levels to foster understanding of each other's interests and priorities, and to allow the best possible sharing of information. Similarly, we will tailor our communications strategies to reflect the specific needs of each of our partners.

The keys to success in achieving these Strategic Priorities are the tools and the teamwork that are found across all parts of the FINTRAC organization. Each sector has put business plans in place to identify the specific activities and associated resources that will be utilized during the period of the Strategic Plan. Equally importantly, senior management is committed to reviewing FINTRAC's results on a quarterly basis, and to making necessary adjustments to the Strategic Plan in order to make sure that we are staying on track. In this way, we are confident that FINTRAC will meet the goals it has set itself for the coming three years.



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WHAT A FINTRAC CASE DISCLOSURE CONTAINS

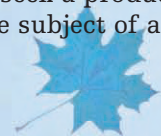
GLOSSARY

WHAT A FINTRAC CASE DISCLOSURE CONTAINS

FINTRAC's case disclosures consist of designated information that identifies individuals or entities and their transactions or attempted transactions. A disclosure can include any or all of the following:

- The name and address of the entity(ies) involved in the transaction(s);
- The name, address, electronic mail address and telephone number of each partner, director or officer of an entity involved in transactions or of an entity acting on their behalf;
- The name, address, telephone number and type of business where the transaction(s) occurred;
- The date and time of the transaction(s);
- The type and value of the transaction(s) including the amount and type of currency or monetary instruments involved;
- The transaction, transit and account number(s), as well as the type of account(s) involved;
- The names and addresses of all persons authorized to act in respect of the account (signing authority, power of attorney, etc.);
- The name of the importer or exporter, in the case of importation or exportation of currency or monetary instruments;
- Any person or entity involved in importation or exportation transactions or any person or entity acting on their behalf;
- The name, address, telephone number and electronic mail address of person(s) involved in the transaction(s);
- The date of birth, citizenship, and passport, record of landing or permanent resident card number of person(s) involved in the transaction(s);
- The telephone number and electronic mail address of any entities involved in transactions or any person or entity acting on their behalf;
- The fact that any persons or entities involved in transactions or a person or entity acting on their behalf have relevant criminal records or have had any relevant criminal charges laid against them;
- Relationships suspected on reasonable grounds to exist between any persons or entities suspected on reasonable grounds to be involved in transactions or persons or entities acting on their behalf and any other persons or entities;
- The fact that any persons or entities involved in transactions or persons or entities acting on their behalf have a financial interest in the entity on whose behalf the transaction was made;
- The person who FINTRAC suspects on reasonable grounds of directing the suspected money laundering or terrorist financing;
- The grounds on which a person or entity made a suspicious transaction report when found relevant by FINTRAC;
- The number and types of reports on which a disclosure is based;
- The number and categories of persons or entities that made the reports, and
- The indicators relied upon by FINTRAC to justify a disclosure.

In certain circumstances, law enforcement and CSIS may seek to obtain FINTRAC's full case analysis by means of a production order granted by a court. The Canada Revenue Agency can seek a production order as well for the purpose of an investigation in respect of an offence that was the subject of a previous FINTRAC disclosure to the CRA.



GLOSSARY

BACKGROUNDER

A FINTRAC publication that presents an overview of emerging or current technologies and financial mechanisms that can be used for money laundering (ML) and terrorist activity financing (TF). The main source of information for Backgrounders is generally publicly available information but further analysis is also conducted to identify potential ML/TF risks.

CANADA BORDER SERVICES AGENCY (CBSA)

The federal government agency responsible for providing integrated border services that support national security priorities and facilitate the free flow of persons and goods, including animals and plants, which meet all requirements under the program legislation. www.cbsa-asfc.gc.ca

CANADA REVENUE AGENCY (CRA)

The federal government agency that administers tax laws for the Government of Canada and for most provinces and territories, as well as various social and economic benefit and incentive programs delivered through the tax system. www.cra-arc.gc.ca

CANADIAN SECURITY INTELLIGENCE SERVICE (CSIS)

Canada's national security agency that has the mandate to investigate and report on threats to the security of Canada. www.csis-scrs.gc.ca

CROSS-BORDER CURRENCY REPORT (CBCR)

A report that must be filed with the CBSA by a person entering or leaving Canada advising that the person is carrying large sums of currency or monetary instruments (\$10,000 or more), or by a person mailing or sending such large sums into or out of Canada.

CROSS-BORDER SEIZURE REPORT (CBSR)

A report filed with FINTRAC by a CBSA officer who seizes cash or monetary instruments for which reporting obligations were not met.

DIGITAL CURRENCY EXCHANGE SERVICE (DCES)

An entity that exchanges any currency for digital currency or converts one type of digital currency into another on behalf of a digital precious metals operator.

DIGITAL PRECIOUS METALS OPERATOR (DPMO)

An Internet payment system that provides users with digital currencies purportedly backed by precious metals that can be used for e-commerce, bill payments, person-to-person payments and other typical transactions.

EGMONT GROUP OF FINANCIAL INTELLIGENCE UNITS

An international organization of over 100 FIUs, founded in 1995, whose members find ways to cooperate and share expertise, especially in the areas of information exchange, training and information technology. www.egmontgroup.org

ELECTRONIC FUNDS TRANSFER REPORT (EFTR)

A report that a reporting entity must file with FINTRAC in respect of a 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 that it knows were made within 24 consecutive hours of each other by or on behalf of the same individual or entity, through any electronic, magnetic or optical device, telephone instrument or computer.

FINANCIAL ACTION TASK FORCE (FATF)

An inter-governmental body, established by the G7 Summit in 1989, whose purpose is the development and promotion of policies, both at national and international levels, to combat money laundering and terrorist activity financing. www.fatf-gafi.org



FINANCIAL INTELLIGENCE UNIT (FIU)

A national governmental agency established to combat money laundering and terrorist activity financing. FIUs fulfill this function by collecting reports on financial transactions and other information for the purpose of analyzing and disclosing intelligence concerning suspected proceeds of crime or potential financing of terrorist activity.

LARGE CASH TRANSACTION REPORT (LCTR)

A report that a reporting entity must file with FINTRAC when it receives \$10,000 or more in cash in the course of a single transaction, or when it receives two or more cash amounts totalling \$10,000 or more that it knows were made within 24 consecutive hours of each other by or on behalf of the same individual or entity.

MONEY LAUNDERING AND TERRORIST ACTIVITY FINANCING WATCH

A FINTRAC publication that presents a quarterly review of news articles summarizing relevant country-based, group-based and activity-based money laundering and terrorist activity financing issues and alerts readers to the new financial mechanisms or technologies that could possibly be exploited for money laundering or terrorist activity financing purposes in Canada.

NATIONAL COORDINATING COMMITTEE ON ORGANIZED CRIME

A federal group composed of law enforcement agencies and federal, provincial and territorial policy makers. The Committee determines national policy priorities and assesses emerging concerns in the area of organized crime.

PROCEEDS OF CRIME (MONEY LAUNDERING) AND TERRORIST FINANCING ACT (PCMLTFA)

This statute establishes FINTRAC as the agency authorized to collect, analyze, assess and disclose financial information to assist in the detection and deterrence of money laundering and of the financing of terrorist activities. Originally

enacted as the *Proceeds of Crime (Money Laundering) Act* in June 2000, it was amended in December 2001, to add combating terrorist activity financing to FINTRAC's mandate. In December 2006, the Act was substantially amended to bring it in line with international standards by expanding its coverage, strengthening its deterrence provisions and broadening the range of information that FINTRAC may include in its financial intelligence disclosures.

ROYAL CANADIAN MOUNTED POLICE (RCMP)

Canada's national police force. Its Web site is www.rcmp-grc.gc.ca.

STAGES IN THE MONEY LAUNDERING PROCESS

There are three recognized stages in the money laundering process:

- *Placement* involves placing the proceeds of crime in the financial system.
- *Layering* involves converting the proceeds of crime into another form and creating complex layers of financial transactions to disguise the audit trail and the source and ownership of funds. This stage may involve transactions such as the buying and selling of stocks, commodities or property.
- *Integration* involves placing the laundered proceeds back in the economy to create the perception of legitimacy.

SUSPICIOUS TRANSACTION REPORT (STR)

A report that a reporting entity must file with FINTRAC in respect of a financial transaction that occurs or that is attempted in the course of its activities 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.

VOLUNTARY INFORMATION RECORD (VIR)

A record of information voluntarily submitted to FINTRAC about suspicions of money laundering or of the financing of terrorist activities.





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