

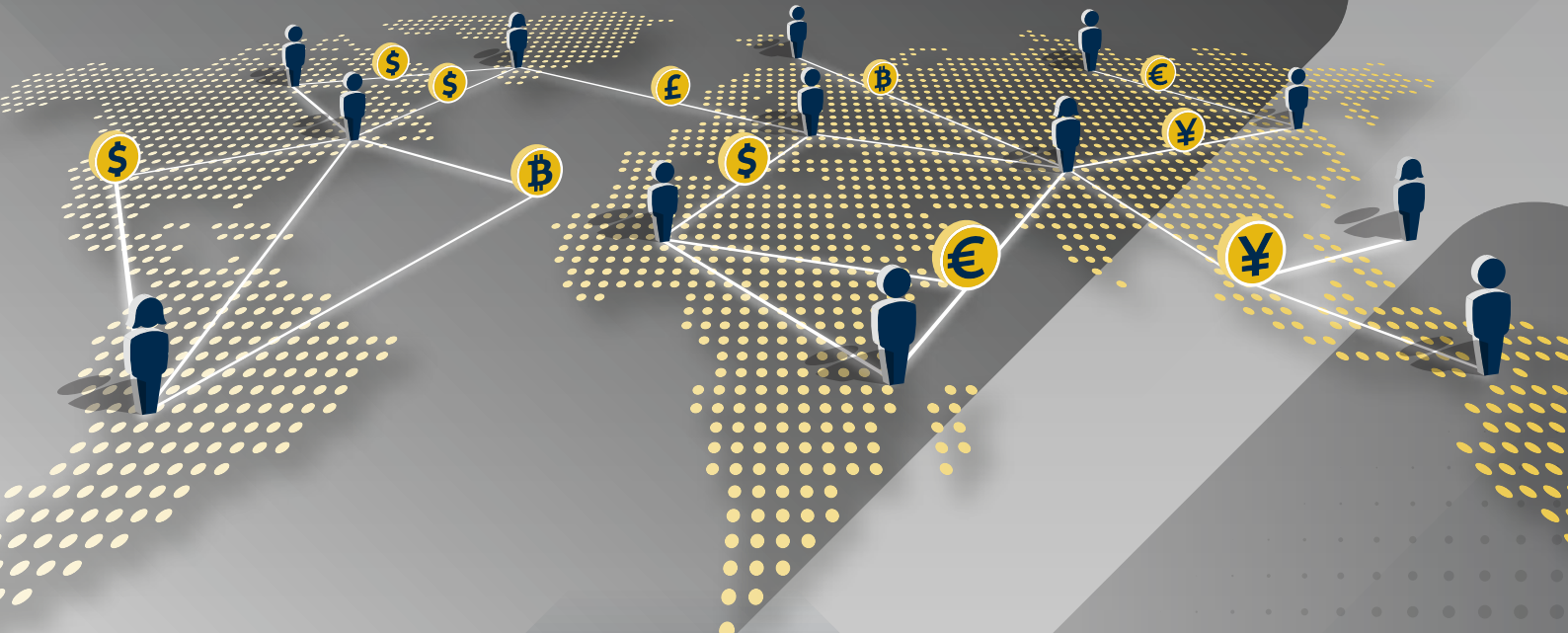


Annual Report 2022-23



FINTRAC

Safe Canadians, Secure Economy.



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In September 2022, the Alberta Law Enforcement Response Teams recognized FINTRAC’s assistance in a complex multi-jurisdictional investigation called Project Cobra. This investigation resulted in the seizure of 928 kilograms of methamphetamine and 6 kilograms of cocaine, and the laying of 80 charges against 15 people, including in relation to laundering the proceeds of crime, participation in a criminal organization and drug trafficking. It’s not hard to imagine the harm that these drugs would have done in our communities.”

— Sarah Paquet,
Director and CEO, FINTRAC

FINTRAC'S FINANCIAL INTELLIGENCE WAS RECOGNIZED BY ALERT CALGARY IN RELATION TO AN ORGANIZED CRIME INVESTIGATION INTO TRANSNATIONAL DRUG IMPORTATION, DRUG TRAFFICKING, AND MONEY LAUNDERING.

PROJECT COBRA, A NEARLY THREE-YEAR INVESTIGATION, RELIED ON THE ASSISTANCE OF NUMEROUS POLICE AGENCIES AND SPECIALIZED UNITS. AS A RESULT OF ENFORCEMENT INITIATIVES ON BOTH SIDES OF THE BORDER, THE FOLLOWING WAS SEIZED OR PLACED UNDER CRIMINAL RESTRAINT:

\$1 MILLION OF PROPERTY, BARS, ACCOUNTS, LIGHT VEHICLES, AND OTHER SUBJECTS OF CRIME	10 FIREARMS INCLUDING MAGGONS, RIFLES, SUBMACHINE GUNS, AND SUPPLIES	\$55 MILLION OF WE TRANSFERABLES AND COCAINE
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15 PEOPLE AND 1 BUSINESS CHARGED WITH 80 CRIMINAL OFFENCES

- PARTICIPATION IN A CRIMINAL ORGANIZATION
- IMPORTATION OF A CONTROLLED SUBSTANCE
- LAUNDERING PROCEEDS OF CRIME
- DRUG TRAFFICKING

PARTNERS

ALERT

“WE’VE HEARD THE SAYING ‘CUTTING THE HEAD OFF THE SNAKE IS EASIER TO DRIVE A CRIMINAL NETWORK, WELL, PROJECT COBRA DIDN’T JUST CUT OFF THE HEAD OF THE SNAKE; THESE DESPICED MEN AND WOMEN TOOK OUT THE WHOLE BEAST SNARE.”

ALERT SUPERVISOR WENDY YODER

Canada



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2022-23 HIGHLIGHTS



PROTECTING THE SAFETY OF CANADIANS



2,085

FINANCIAL INTELLIGENCE DISCLOSURES to law enforcement and national security agencies



LAUNCHED PROJECT LEGION, a new public-private partnership to combat the laundering of proceeds related to illicit cannabis activities



CONTRIBUTED TO 292 MAJOR, RESOURCE INTENSIVE INVESTIGATIONS ACROSS CANADA

and many hundreds of other individual investigations at the municipal, provincial and federal levels throughout the country



96% OF FEEDBACK FROM DOMESTIC LAW ENFORCEMENT AND NATIONAL SECURITY AGENCIES indicated the Centre's financial intelligence was valuable and actionable



SAFEGUARDING CANADA'S FINANCIAL SYSTEM AND ECONOMY

CONDUCTED 193 ENGAGEMENT ACTIVITIES with businesses and stakeholders across Canada

ISSUED GUIDANCE TO HELP SURVIVORS of human trafficking for sexual exploitation access banking services under the global Finance Against Slavery and Trafficking Survivor Inclusion Initiative

CONDUCTED 237 COMPLIANCE EXAMINATIONS across the country

REVOKED THE REGISTRATION OF 81 money services businesses

ISSUED 6 NOTICES OF VIOLATION for non-compliance to businesses

PROVIDED 10 NON-COMPLIANCE DISCLOSURES to law enforcement



GLOBAL LEADERSHIP

PROVIDED

225

FINANCIAL INTELLIGENCE

DISCLOSURES to foreign financial intelligence units

100%

OF THE FEEDBACK

received from 25 foreign financial intelligence units indicated they were mostly or very satisfied with FINTRAC's financial intelligence

WORKED WITH ALLIES

to establish the Russia-Related Sanctions and Illicit Finance Financial Intelligence Units Working Group

LAUNCHED PROJECT ANTON,

an international public-private partnership to combat the laundering of proceeds related to illegal wildlife trade

PLAYED A LEADERSHIP ROLE

in the Global Coalition to Fight Financial Crime with FINTRAC's Director and CEO co-chairing the Financial Intelligence Unit and Law Enforcement Sub-Group

PROVIDED KEY SUPPORT

to the Egmont Group including through FINTRAC's Director and CEO chairing the Egmont Information Exchange Working Group

SUPPORTED THE FINANCIAL ACTION TASK FORCE (FATF),

including collaborating on numerous policy and research documents such as FATF's study on Illicit Proceeds Generated from the Fentanyl and Related Synthetic Opioids Supply Chain



MODERNIZING AND STRENGTHENING FINTRAC

STRENGTHENED

FINTRAC's focus on recruitment, leadership development, talent management and employee learning and training

FINALIZED

a new Employment Equity, Diversity and Inclusion Strategy and Action Plan

IMPLEMENTED

FINTRAC's multi-year Digital Strategy aimed at transforming the Centre into a leading digital organization

MODERNIZING

Compliance and HR programs, processes and systems



ENHANCING AWARENESS OF MONEY LAUNDERING AND TERRORIST FINANCING

PUBLISHED a new Sectoral and Geographic Advisory, *Underground Banking through Unregistered Money Services Businesses*

LAUNCHED new Operational Alerts, *Laundering of Proceeds from Illicit Cannabis Activities, Terrorist Activity Financing and Laundering the Proceeds of Crime from Illegal Wildlife Trade*



MESSAGE FROM THE DIRECTOR AND CEO

I am proud to share with Canadians the real and impactful results that FINTRAC delivered in 2022–23 as Canada’s Financial Intelligence Unit and Anti-Money Laundering and Anti-Terrorist Financing Supervisor.

FINTRAC continues to operate in a challenging environment with new and evolving technologies and financial products, rapidly shifting global financial systems, and geopolitical events constantly shaping our work. Our role in detecting, preventing and deterring money laundering and the financing of terrorist activities is more critical than ever as criminals and terrorists are using increasingly sophisticated methods and professional facilitators to exploit vulnerabilities and take advantage of any opportunity to enrich themselves and advance their illicit enterprises.

Over the past year, we played a key role in helping to protect the safety of Canadians, particularly Canada’s most vulnerable citizens and communities. With the information that we receive from Canadian businesses, we were able to generate 2,085 unique financial intelligence disclosures in support of money laundering and terrorist financing investigations across Canada and around the world. Our financial intelligence contributed to 292 major, resource intensive investigations last year, and many hundreds of other individual investigations at the municipal, provincial and federal levels across the country, and internationally. I was pleased to see that 96% of the feedback that we received from domestic law enforcement and national security agencies indicated that our financial intelligence was both valuable and actionable.

Our financial intelligence often contains thousands of financial transaction reports in each disclosure, which speaks to the complexity of connecting the flow of illicit funds involving organized criminal groups. Our disclosures are also regularly provided to a number of agencies simultaneously when we have the authorization to do so. Our ability to provide multiple disclosure packages means that we can help Canada’s law enforcement and national security agencies connect criminal activities and operations across a number of domestic and international jurisdictions by following the money.



In September 2022, the Alberta Law Enforcement Response Teams recognized FINTRAC’s assistance in a complex multi-jurisdictional investigation called Project Cobra. This investigation resulted in the seizure of 928 kilograms of methamphetamine and 6 kilograms of cocaine, and the laying of 80 charges against 15 people, including in relation to laundering the proceeds of crime, participation in a criminal organization and drug trafficking. It’s not hard to imagine the harm that these drugs would have done in our communities.

Over the past year, we also helped safeguard Canada’s financial system and economy by assisting and ensuring the compliance of thousands of businesses with the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and Regulations. In addition to responding to approximately 11,000 enquiries from entities across the country, we participated in nearly 200 engagement activities with businesses and their associations, including hosting a Banking Forum for representatives from industry and partner agencies. We also focused on developing modern new tools to help businesses better understand how they can meet their obligation to verify the identity of their clients.

At the same time, we continued to take a broad approach to ensuring the compliance of businesses, including monitoring transaction reporting, engaging in quarterly meetings with the Major Reporters, and establishing and following up regularly on compliance action plans. We also undertook 237 examinations, many of which were focused on complex entities that provide substantial reporting to FINTRAC, levied

six administrative monetary penalties and provided 10 Non-Compliance Disclosures to law enforcement.

We worked effectively throughout the year to strengthen our key partnerships in Canada and internationally. We collaborated with the Financial Consumer Agency of Canada and Scotiabank, under the umbrella of the global Finance Against Slavery and Trafficking (FAST) Survivor Inclusion Initiative, to provide new guidance to businesses, which is meant to facilitate access to banking services for the survivors of human trafficking whose financial identity may have been hijacked by their traffickers for money laundering or other criminal purposes.

Following the Russian Federation's illegal invasion of Ukraine, we collaborated with our closest allies, including the United States, Australia and the United Kingdom, to establish the Russia-Related Sanctions and Illicit Finance Financial Intelligence Units Working Group. Over the past year, members have worked within their respective authorities to surge the sharing of tactical financial intelligence and develop a common base of understanding through the dissemination of strategic-level intelligence on a variety of related issues. This work was critical in informing the development of our updated Special Bulletin on Russia-linked money laundering activities.

We also launched a first-of-its-kind international public-private partnership targeting the money laundering associated with illegal wildlife trade. While endangering the global environment and countless species at risk, this heinous activity is also a major transnational organized crime, which generates approximately \$20 billion in criminal proceeds each year. By following the money and generating actionable financial intelligence for law enforcement in Canada and around the world, this international public-private partnership, named Project Anton, will be critical in identifying, pursuing and prosecuting perpetrators—and broader networks—linked to illegal wildlife trade.

As we work to meet new and evolving challenges and risks in the money laundering and terrorist financing landscape, we made important progress in modernizing our approaches, programs and technologies in 2022–23. We continued to implement numerous legislative and regulatory changes, which are helping to strengthen Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime. In preparation for the introduction of a cost recovery funding model for our Compliance Program, we also took a number of key steps aimed at ensuring our compliance activities are more targeted and agile in meeting the diverse needs, expectations and capacities of all business sectors. Underpinning our broader, FINTRAC-wide modernization efforts is our comprehensive Digital Strategy, which is transforming the Centre into a leading digital organization. Investing in our data and technological capabilities, modernizing our systems, and moving to the cloud are critical to our future success as Canada's modern Financial Intelligence Unit and Anti-Money Laundering and Anti-Terrorist Financing Supervisor.

I want to recognize and thank our talented and dedicated employees for their hard work and the impressive results that are captured throughout this annual report. I am proud to work with such capable professionals who are recognized here in Canada and internationally for their knowledge, expertise and commitment to the global fight against money laundering and the financing of terrorism.

Sarah Paquet

Director and Chief Executive Officer



FINTRAC'S MANDATE

FINTRAC is one of 13 federal departments and agencies that play a key role in Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime, which is led by the Department of Finance Canada. As Canada's Financial Intelligence Unit and Anti-Money Laundering and Anti-Terrorist Financing Supervisor, the Centre 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 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 terrorist 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 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 law enforcement and national security agencies. The Centre understands that the protection of privacy is critical to maintaining Canadians' confidence in FINTRAC and Canada's broader Anti-Money Laundering and Anti-Terrorist Financing Regime.



WHAT IS MONEY LAUNDERING?

Money laundering is the process used to disguise the source of money or assets derived from criminal activity. There are three recognized stages in the money laundering process:

- 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.



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.



PROTECTING THE SAFETY OF CANADIANS

As part of its core mandate, FINTRAC provides actionable financial intelligence to Canada’s law enforcement and national security agencies to help them combat money laundering, terrorist activity financing and threats to the security of Canada. The Centre’s intelligence plays a key role in helping to protect the safety of Canadians, particularly Canada’s most vulnerable citizens and communities.

In 2022–23, FINTRAC generated 2,085 unique financial intelligence disclosures in support of money laundering and terrorist financing investigations across Canada and around the world.

Given the complexity of connecting the flow of illicit funds often involving organized criminal groups, FINTRAC’s financial intelligence often contains thousands of financial transaction reports in each disclosure. At the same time, the value of transactions in each disclosure may be in the millions or even hundreds of millions of dollars.

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 law enforcement to put together affidavits to obtain search warrants and production orders.

In February 2023, the Organized Crime Unit of the Winnipeg Police Service recognized FINTRAC’s contribution to Project Onyx, a complex 10-month multi-jurisdictional investigation into a Manitoba-based drug network that had allegedly been importing large quantities of cocaine, methamphetamine and MDMA from Ontario and British Columbia using

various methods, including commercial shipping, airline companies and highway-based drug couriers, with the drugs then distributed throughout Manitoba. Municipal, provincial and federal law enforcement working the investigation made 13 arrests and seized some 50 kilograms of cocaine, 20 kilograms of methamphetamine, \$500,000 in cash, 12 vehicles and three weapons with ammunition.

FINTRAC’s financial intelligence is also used to 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.

More than 26% of the Centre’s financial intelligence disclosures last year were provided proactively to Canada’s law enforcement and national security agencies, which means the individuals or networks identified in the financial intelligence may not have been known to these agencies before FINTRAC’s intelligence was received.

In 2022–23, FINTRAC’s financial intelligence was used in a wide variety of money laundering investigations where the origins of the suspected criminal proceeds were linked to drug trafficking, fraud, human smuggling/trafficking, tax evasion, and other criminal offences.

FINANCIAL INTELLIGENCE DISCLOSURES



TOP FIVE PREDICATE OFFENCES RELATED TO CASE DISCLOSURES: 2022–23



DISCLOSURE PACKAGES BY RECIPIENT: 2022–23

Royal Canadian Mounted Police	2,352
Municipal Police	1,050
Provincial Police	670
Canada Border Services Agency	586
Canadian Security Intelligence Service	239
Foreign Financial Intelligence Units	225
Canada Revenue Agency	205
Provincial Securities Regulators	41
Communications Security Establishment	8

Throughout 2022–23, the Centre’s financial intelligence contributed to 292 major, resource intensive investigations as well as many hundreds of other individual investigations at the municipal, provincial and federal levels across the country. Canadian law enforcement agencies—particularly the Royal Canadian Mounted Police—continue to be the main recipients of FINTRAC’s financial intelligence.

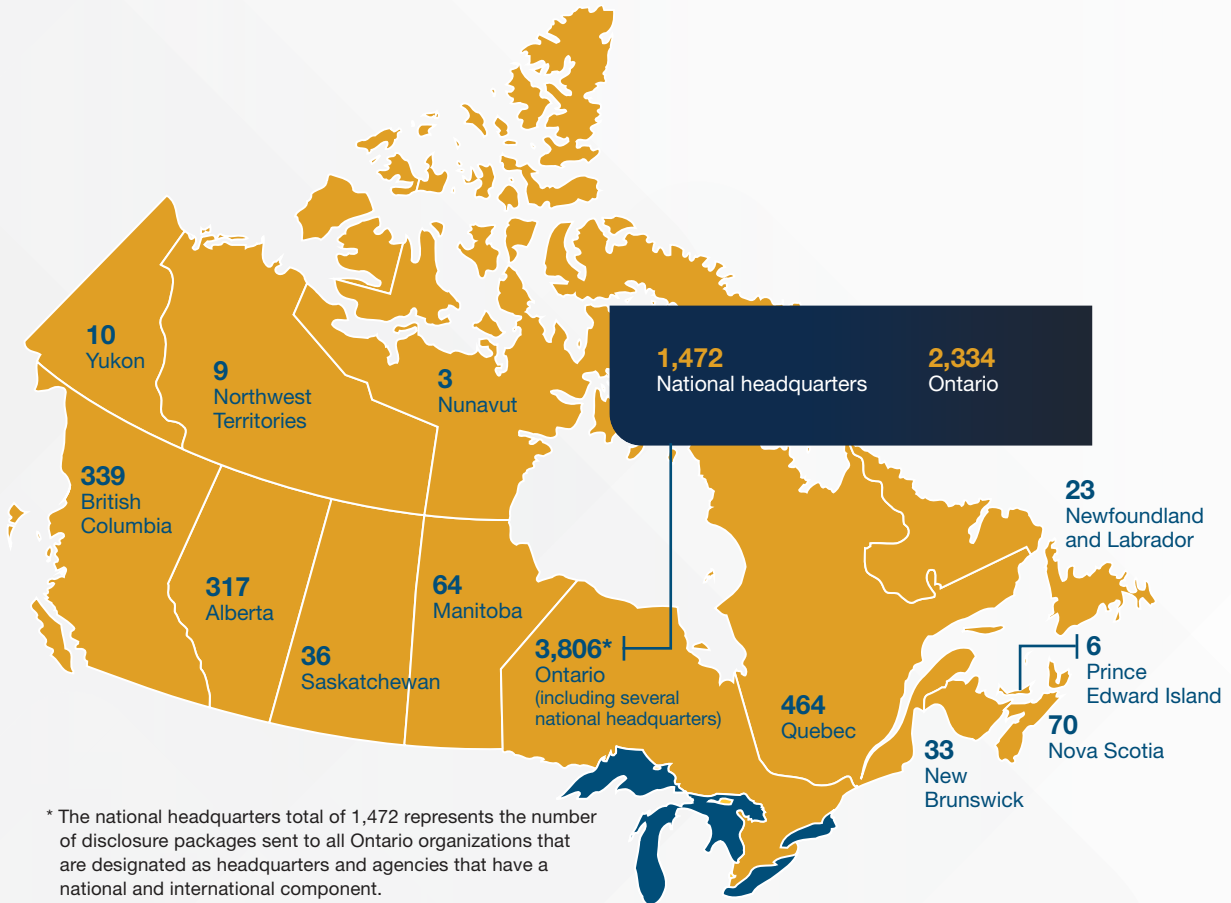
FINTRAC’s financial intelligence disclosures are often provided to a number of agencies simultaneously when there is authorization to do so. The ability to provide multiple disclosure packages means that the Centre can help law enforcement and national security agencies connect criminal activities and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

In November 2022, the Alberta Law Enforcement Response Teams and the Royal Canadian Mounted Police acknowledged FINTRAC’s contribution to Project Collector, a three-year multi-jurisdictional investigation into a nationwide professional money laundering organization that allegedly serviced some of Canada’s largest criminal groups. Project Collector revealed that the group operated pseudo-bank branches at either side of the country, which allowed organized crime groups utilizing its service to transfer funds while avoiding the detection of financial banking institutions and authorities. Seven individuals were charged with 71 criminal offences, including laundering proceeds of crime and participation in a criminal organization. Charges were also laid under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*. In addition, more than \$16 million in bank accounts, real estate holdings and vehicles were placed under criminal restraint.



In June 2022, the Yukon RCMP Crime Reduction Unit acknowledged FINTRAC’s contribution to Project Monterey, an investigation into a significant drug trafficking operation, with a focus on the trafficking of opioid substances, throughout Yukon. Following the investigation, eight individuals were arrested on 29 charges related to money laundering, drug trafficking, firearms offences and participation in activities of a criminal organization. Following the arrests, the Crime Reduction Unit seized two prohibited handguns (both loaded), more than 500 grams of cocaine with a street value of \$66,000, approximately 168 grams of fentanyl with a street value of \$84,000, 388 Dilaudid pills, 1,043 Alprazolam pills and \$148,000 in cash.

DISCLOSURE PACKAGES BY PROVINCE/TERRITORY: 2022–23



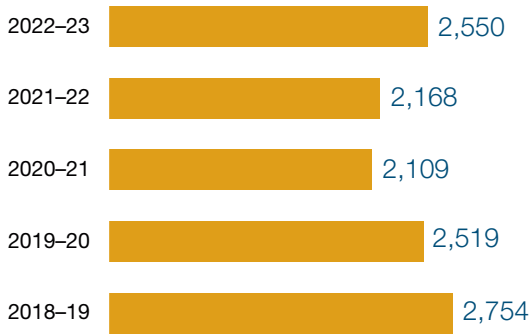
While FINTRAC is an arm’s length Financial Intelligence Unit, the Centre maintains productive working relationships with Canada’s law enforcement and national security agencies, among others, to ensure that its financial intelligence is relevant, timely and valuable. Throughout 2022–23, FINTRAC participated in dozens of operational meetings with municipal, provincial and federal law enforcement agencies, security commissions and other federal and provincial organizations across the country.

The Centre also met with numerous agencies and organizations across the country to strengthen collaborative efforts in combatting money laundering and terrorist financing, including the Counter-Ilicit Finance Alliance of British Columbia (CIFA-BC), the Gaming Policy Enforcement Branch of British Columbia, the RCMP Integrated Market Enforcement Team in Calgary, the RCMP National Child Exploitation Coordination Centre, the Criminal Intelligence Service of Manitoba and the Criminal Intelligence Service of Ontario, the Ontario Association of Chiefs of Police,

the Sûreté du Québec Asset Forfeiture Unit, Revenu Québec, and numerous Canada Border Services Agency and Canada Revenue Agency teams across Canada.

In 2022–23, the Centre presented information on the value of financial intelligence in relation to the investigation of money laundering, terrorist financing and other types of financial crime at dozens of courses and workshops throughout Canada organized by the Canadian Police College (Internet Child Exploitation Course), the RCMP (Proceeds of Crime, Child Exploitation and Cryptocurrency Investigator Courses), the Ontario Police College (Fraud and Human Trafficking Investigator Courses), Quebec’s National Police College Financial Crime Course, the Canadian Association of Chiefs of Police (Human Trafficking Symposium), the Toronto Police Service (Human Trafficking Conference), the Canadian Centre to End Human Trafficking, and the National Coordinating Committee on Organized Crime.

VOLUNTARY INFORMATION RECORDS



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 190 disclosure feedback forms, 96% of which indicated that FINTRAC's financial intelligence was valuable and actionable. This is a clear and significant measure of the effectiveness of, and results achieved by, FINTRAC under the Act. Examples of the feedback that the Centre received last year can be found in Annex A.

Throughout the year, FINTRAC received 2,550 voluntary information records from Canada's law enforcement and national security agencies, as well as from members of the public. 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 law enforcement at all levels, is a clear indication of the value that is placed on FINTRAC's financial intelligence.

RESULTS THROUGH PUBLIC-PRIVATE PARTNERSHIPS

It takes a strong, equipped and committed network to defeat modern, international criminal and terrorist networks. The best example of the extensive collaboration that takes place within Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime is its successful public-private partnerships.

These partnerships are aimed at more effectively combatting the laundering of proceeds stemming from human trafficking for sexual exploitation, online child sexual exploitation, romance fraud, the trafficking of illicit fentanyl, and money laundering in British Columbia and across Canada. In 2022-23, Canada launched two new public-partnerships aimed at tackling the laundering of proceeds of crime associated with international illegal wildlife trade and illicit cannabis activities.

By working with Canadian businesses and law enforcement agencies throughout 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, over the past year, FINTRAC provided 569 disclosures of actionable financial intelligence to Canada's law enforcement agencies in relation to the seven public-private partnerships.



In May 2022, the RCMP acknowledged FINTRAC's contribution to an investigation that led to charges related to over \$1 million in fraudulent funds obtained through the Canada Small Business Financing Program. The investigation began following a referral from Innovation, Science and Economic Development Canada about reports of suspicious loan applications granted through the program. The scheme involved a complex network of fake and legitimate companies whereby the proceeds of crime were either transferred through or co-mingled with legitimate funds to obscure the trail. Three individuals were charged with money laundering, fraud over \$5,000, providing false documents, and possession of property obtained by crime.



PROJECT ANTON: COMBATTING ILLEGAL WILDLIFE TRADE

In January 2023, FINTRAC helped to launch Project Anton, a first-of-its-kind international public-private partnership aimed at increasing awareness of illegal wildlife trade and improving the detection of the laundering of proceeds from this appalling crime. The project was named after Anton Mzimba, head of security at the Timbavati Private Nature Reserve and a Global Conservation Technical Advisor, who was murdered for his brave commitment to protecting and conserving wildlife.

Illegal wildlife trade is a major and growing threat to the global environment and biodiversity, imperiling endangered species already on the edge of survival, and threatening fragile habitats, communities and livelihoods. It also poses a serious economic, security and public health threat in Canada and around the world.

The Financial Action Task Force identified illegal wildlife trade as a major transnational organized crime, which generates billions—some have estimated approximately \$20 billion (USD)—of criminal proceeds each year.

According to the Wildlife Justice Commission, illegal wildlife trade is a lucrative, low risk and high reward criminal activity, and often involves fraud schemes, tax evasion and other serious crimes that facilitate the illicit enterprise. The Commission also found that organized crime groups involved in wildlife crime are often involved in other domestic and internationally connected criminal activity such as human trafficking, drug trafficking, firearm trafficking and money laundering. This suggests that organized crime groups are continuing to grow their profits and power through wildlife crime.

Corruption is one of the most important facilitators of illegal wildlife trade. Every stage in the illegal trade chain is affected, from poaching and illegal harvesting through transportation, processing and export, to sale and the laundering of proceeds.

Project Anton is led by Scotiabank and original partners included The Royal Foundation's United for Wildlife network (founded by Prince William), FINTRAC, AUSTRAC's Fintel Alliance, the South African Anti-Money Laundering Integrated Task Force, the UK Financial Intelligence Unit–National Crime Agency, Western Union, Environment and Climate Change Canada, Fisheries and Oceans Canada, the Royal Canadian Mounted Police, the Canada Border Services Agency, and the Wildlife Justice Commission.



In support of Project Anton, FINTRAC developed a new Operational Alert, *Laundering the proceeds of crime from illegal wildlife trade*. Based on a strategic analysis of suspicious transaction reporting received by FINTRAC and supported by credible and compelling domestic and international research, as well as information and input from Project Anton partners, this Operational Alert includes money laundering indicators related to suspected illegal wildlife trade. These indicators are meant to assist businesses in identifying and reporting suspicious transactions to FINTRAC that may be related to illegal wildlife trade.

By following the money and generating actionable financial intelligence for law enforcement in Canada and around the world, Project Anton is assisting in identifying, pursuing and prosecuting perpetrators—and broader networks—linked to illegal wildlife trade. From the launch of the project to March 31, 2023, FINTRAC generated 22 disclosures of actionable financial intelligence in support of money laundering investigations related to illegal wildlife trade for Canada's law enforcement agencies and international partners. A sanitized case can be found in Annex B.



PROJECT LEGION: COMBATTING THE LAUNDERING OF PROCEEDS FROM ILLEGAL CANNABIS ACTIVITIES

Modelled after Canada's existing and successful public-private partnerships, Project Legion, which is led by TD Bank and supported by law enforcement agencies and FINTRAC, was launched in September 2022 to enhance awareness of the harm associated with illicit cannabis activities and to strengthen the detection of the laundering of proceeds from this crime.

Although the *Cannabis Act*, which provides the legal framework controlling the production, distribution, sale and possession of cannabis across Canada, came into force in 2018, 37% of respondents to the Canadian Cannabis Survey 2021 disclosed that they obtained some or all of their cannabis from illegal/unlicensed sources, including unregulated/unauthorized retailers and storefronts.

Such a flourishing and illegal cannabis market harms Canadians and Canada's financial system through the significant loss of tax revenue. The profits generated by the sale of illicit cannabis are also used by organized crime groups to fund other illegal and harmful activities in communities across the country.

Based on a review of 5,000 suspicious transaction reports received in 2020–21, FINTRAC's Operational Alert, *Laundering of Proceeds from Illicit Cannabis*, describes the methods used to launder the proceeds

associated with this crime and provides a series of indicators related to the laundering of proceeds related to illicit cannabis activities. These indicators are meant to assist businesses in identifying and reporting suspicious transactions to the Centre in relation to this criminal activity.

Cases involving the laundering of proceeds from illegal cannabis activities are often large and complex, involving multijurisdictional networks. With its ability to provide multiple disclosure packages, FINTRAC is able to help law enforcement connect illicit cannabis activities across provincial and national boundaries by following the money. Over the past year, the Centre disclosed 169 unique suspicious transaction reports to seven different law enforcement agencies across Canada related to illegal cannabis activities. These reports were focused on 163 individuals and more than 90 accounts and totalled over \$53 million in illicit sales.

In July 2022, the Hamilton-Niagara RCMP recognized FINTRAC's contribution in unravelling a sophisticated drug trafficking and money laundering scheme and the arrest of several individuals on multiple charges, including the laundering of proceeds of crime. Following a lengthy investigation, law enforcement seized a total of 29,975 cannabis plants, 7,926 pounds of dried cannabis and \$1,029,020 in Canadian currency. The total value of all seized cannabis was more than \$24 million.



In February 2023, the RCMP recognized FINTRAC's contribution to the investigation and interception of a commercial truck entering Canada at the Blue Water Bridge port of entry in Point Edward, Ontario. Upon inspection of the trailer, Canada Border Services Agency officers discovered 84 bricks of suspected cocaine, weighing approximately 84 kilograms. The RCMP took custody of the subject and charged him with importation and possession of cocaine for the purpose of trafficking.

CANADA'S ONGOING PUBLIC-PRIVATE PARTNERSHIPS



PROJECT PROTECT: COMBATTING HUMAN TRAFFICKING FOR SEXUAL EXPLOITATION

- Key contribution to the Government of Canada's National Strategy to Combat Human Trafficking
- Launched in 2016 as Canada's first public-private partnership
- Targets the money laundering associated with human trafficking for sexual exploitation
- Inspired by Timea Nagy, a leading advocate for victims, and led by BMO, with the support of other banks, law enforcement and FINTRAC
- Published an Operational Alert in 2016, *The laundering of illicit proceeds from human trafficking for sexual exploitation*, to increase awareness of money laundering in relation to human trafficking in the sex trade
- FINTRAC's 2021 Operational Alert, *Updated Indicators: Laundering of Proceeds from Human Trafficking for Sexual Exploitation*, provided 58 additional indicators to assist businesses in better identifying and reporting suspicious transactions associated with human trafficking for sexual exploitation
- Generated 315 financial intelligence disclosures, 72% of which were proactive
- Supported 21 project-level investigations of 20 different municipal, provincial and federal police forces across Canada



- In February 2023, members of Ontario's Human Trafficking Intelligence-led Joint Forces Strategy (IJFS) from the Ontario Provincial Police, Toronto Police Service, Greater Sudbury Police Service and Treaty Three Police Service acknowledged FINTRAC's assistance to its human trafficking investigations. Since the IJFS was created in December 2021, its member police services have conducted 65 investigations, assisted 61 victims, laid 72 human trafficking charges and 167 other charges against 28 people. The victims ranged from 12 to 47 years old.



PROJECT SHADOW: TARGETING ONLINE CHILD SEXUAL EXPLOITATION

- Co-led by Scotiabank and the Canadian Centre for Child Protection, and supported by Canadian law enforcement agencies and FINTRAC
- Targets the laundered funds associated with online child sexual exploitation, a heinous crime often directed at vulnerable children
- Published an Operational Alert in 2020, *Laundering of Proceeds from Online Child Sexual Exploitation*
- Generated 60 financial intelligence disclosures, 75% of which were proactive
- Financial intelligence disclosures included 174 unique suspicious transaction reports on 274 subjects of interest from all 10 provinces and 2 Canadian territories



PROJECT GUARDIAN: COUNTERING THE TRAFFICKING OF FENTANYL

- Launched in 2018 to combat money laundering associated with the trafficking of illicit fentanyl
- Key contribution to the Federal Action on Opioids
- FINTRAC's Operational Alert, *Laundering of the proceeds of fentanyl trafficking*, helps businesses identify the laundering of proceeds of crime related to the trafficking of fentanyl
- Disclosed 127 unique suspicious transaction reports on 78 different subjects
- Supported 79 law enforcement investigations, including 52 proactively
- In July 2022, the Alberta Law Enforcement Response Teams acknowledged FINTRAC's contribution to an investigation that led to the arrest of two suspects and seizure of about \$135,000 worth of drugs, including more than 1.3 kilograms of suspected fentanyl, 1,110 illicit prescription pills, 1 gram of cocaine, suspected GHB and \$15,400 in cash



PROJECT ATHENA: COMBATting MONEY LAUNDERING IN BRITISH COLUMBIA AND ACROSS CANADA

- Launched in 2019 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
- FINTRAC's Operational Alert, *Laundering the proceeds of crime through a casino-related underground banking scheme*, assists businesses in identifying suspicious transactions that may be related to professional money launderers and money laundering organizations
- Generated 45 disclosures of actionable financial intelligence involving 61 subjects
- Disclosed 71 unique suspicious transaction reports to 17 different law enforcement agencies across three provinces
- Project Athena team continued to strengthen its relationships in British Columbia, notably with the Joint Illegal Gaming Investigation Team, and expanded the project into Alberta, Quebec and Ontario
- FINTRAC is a partner in the Counter-Illicit Finance Alliance of British Columbia, which is focused on enhanced collaboration and strategic information exchange between the public and private sectors with the goal of protecting the economic integrity of British Columbia



PROJECT CHAMELEON: TACKLING ROMANCE FRAUD

- Launched in 2017 to counter the laundering of proceeds stemming from romance fraud
- 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 consultation with the Canadian Anti-Fraud Centre, FINTRAC published an Operational Alert, *Laundering of the proceeds of romance fraud* aimed at assisting Canadian businesses in identifying this illicit activity and reporting suspicious transactions
- Provided 50 financial intelligence disclosures in 2022–23 to law enforcement across Canada that included more than 90 unique suspicious transaction reports



ENHANCING AWARENESS OF MONEY LAUNDERING AND TERRORIST FINANCING

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

Over the past year, FINTRAC produced 21 strategic financial intelligence assessments and reports on a range of specific money laundering and terrorist financing trends, typologies and mechanisms in order to improve the detection, prevention and deterrence of these activities. These assessments and reports covered key priority areas, including professional money laundering, terrorist activity financing, money laundering undertaken by domestic and international organized crime, laundering the proceeds of sexual exploitation, and issues related to economic and institutional integrity.

While many of these assessments and reports are classified, FINTRAC is closely monitoring a number of key themes and risks that can be shared publicly. Efforts to avoid traditional financial channels were the dominant emerging theme of 2022–23, as money launderers and those financing terrorism sought to avoid detection or evade measures meant to restrict the flow of illicit and threat financing. While the traditional financial sector—albeit cloaked in complex methods of misdirection—remains the preferred channel for the flows of transnational proceeds of crime, such as Russia-linked professional money launderers, there was continued broad-based adoption of small-scale terrorist financing and money laundering methods that focused on alternative methods.

PROFESSIONAL MONEY LAUNDERING TECHNIQUES OBSERVED IN RUSSIA-LINKED ILLICIT FINANCE

The most significant development in the context of illicit financial flows has been the introduction of international sanctions against Russia following its illegal invasion of Ukraine. This has prompted increased scrutiny of Russia-linked financial flows.

In March 2022, FINTRAC produced a *Special Bulletin on Russia-linked Money Laundering Related to Sanctions Evasion* to increase the awareness of Canadian businesses subject to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* about the laundering of the proceeds of crime that may also be connected to the evasion of sanctions that have been imposed under the *Special Economic Measures Act*.

Following an analysis of the transaction reporting that FINTRAC received from businesses throughout the year, the Centre updated the *Special Bulletin* with additional information related to Russia-linked money laundering activities. This information showed that Russian entities and individuals moving criminal proceeds rely on established professional money laundering networks and techniques to transfer funds from Russia to other jurisdictions. Such methods include the use of shell and front companies, offshore financial centres and secrecy jurisdictions known to cater to money laundering networks.

UNDERGROUND BANKING THROUGH UNREGISTERED MSBs

The use of unregistered money services businesses continues to present challenges for those seeking to detect money laundering and terrorist financing through traditional financial channels. In May 2022, FINTRAC published a Sectoral and Geographic Advisory, *Underground Banking through Unregistered Money Services Businesses*, accompanied by a video, to assist businesses and Canadians in better protecting themselves against illicit activities associated with underground banking, and to facilitate the reporting of suspicions of money laundering or terrorist financing to FINTRAC. The advisory describes key attributes of underground banking in Canada, particularly as it is carried out by unregistered money services businesses in Metro Vancouver, the Greater Toronto Area, and, to a lesser extent, in the Calgary-Edmonton Corridor.

Since the publication of this Sectoral and Geographic Advisory, FINTRAC has seen an increase in reporting on money laundering associated with underground banking, as well as the identification of individuals and entities suspected to be operating unregistered money services businesses. Suspicious transactions reported to FINTRAC have highlighted the significant role of third party intermediaries, such as professional money launderers and money mules, in facilitating underground banking and the laundering of criminal proceeds. Underground banking through unregistered money services businesses continues to be leveraged by international actors seeking to evade sanctions or engage in other types of illicit activity, such as terrorist or threat financing.

CONTINUED ADOPTION OF VIRTUAL CURRENCY METHODS IN THE FACE OF THE “CRYPTO-WINTER”

Building on funding received in Budget 2021 and Budget 2022, FINTRAC’s strategic intelligence program deepened its expertise and understanding of risks and vulnerabilities associated with virtual currencies. In 2022–23, FINTRAC developed, and shared with partners, research into areas of emerging risk in this space and generated targeted strategic intelligence products looking at the role that cryptocurrency plays in money laundering and terrorist financing.

Despite the decline in prices for virtual assets, FINTRAC expects to see further long-term growth in the adoption of cryptocurrency by illicit and threat actors seeking to raise, move and hide funds outside the traditional banking system.

Laundering the proceeds of fraud and ransomware attacks continues to be the most prevalent form of money laundering involving virtual currencies. Despite massive growth in the number of identified cryptocurrency-related fraud schemes, the ways in which criminals defraud their victims and launder the proceeds of fraud are likely to remain consistent. Similarly, ransomware will remain a threat to Canadians and their livelihoods in the years to come due in part to the growing availability of malware linked to the Ransomware-as-a-Service model, which makes advanced ransomware available to less sophisticated actors via darkweb marketplaces.

FINTRAC has observed an overwhelming reliance on mixing services and high-risk exchanges to launder cryptocurrency and to convert ransoms back into fiat currency. Centralized exchanges are also frequently used to launder and cash-out smaller amounts.



SASKATCHEWAN

In June 2022, the Saskatchewan RCMP Federal Serious and Organized Crime Unit recognized FINTRAC’s contribution to an investigation into a sophisticated crime group that was allegedly distributing large quantities of drugs to numerous communities across Alberta and Saskatchewan. Following the lengthy investigation, seven individuals were charged with 70 criminal offences, including conspiracy to traffic in a controlled substance, trafficking in a controlled substance and property obtained by crime. Police also seized 2.97 kilograms of methamphetamine, about 600 grams of cocaine, more than 9,000 grams of Meclonazepam (approximately 30,000 fake Xanax pills) and \$123,652 in Canadian currency.

Decentralized Finance (DeFi) services may also present risks to Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime and will necessitate greater due diligence by those facilitating the use and adoption of DeFi services.

While the majority of illicit transactions through cryptocurrency relate to the laundering of the proceeds of crime—which are themselves a small proportion of overall virtual transactions undertaken—FINTRAC has observed the increased use of virtual currencies by terrorist groups globally to fund their activities. This is particularly true of threat actors associated with ideologically motivated violent extremism due to a mistrust of regulated and centralized financial systems. In addition to organized threat actors and lone actors, recent years have seen an increase in loose connections with broad movements that transcend borders as well as a continuation of cross-border funding networks and online fundraising.

USE OF CROWDFUNDING AS A COMPONENT IN TERRORIST FINANCING

International awareness of crowdfunding techniques to finance terrorist activity has increased in recent years. Crowdfunding activities leverage social media and sometimes dedicated crowdfunding platforms—websites or applications that are used to raise funds or virtual currency through donations—to collect funds from a wide audience. Small donations, subscriptions or payments provide an important financing base for a variety of activities undertaken by individual threat actors and groups.

The extension of Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime to capture crowdfunding platform services and certain payment service providers within its money services businesses framework is expected to help in the detection, prevention and deterrence of money laundering and terrorist financing. FINTRAC expects terrorist entities to continue to shift

towards alternative fiat crowdfunding platforms online as a result of increased vigilance by mainstream platforms. Other groups are likely to increase the sophistication of their crowdfunding efforts by leveraging new technologies, such as cryptocurrency.

In December 2022, FINTRAC published a broader Operational Alert on *Terrorist Activity Financing* to assist businesses subject to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* in identifying and reporting suspicious transactions and terrorist property to FINTRAC. Following a strategic analysis of the Centre's financial intelligence disclosures from 2019 to 2022, FINTRAC determined that the terrorist activity financing was focused on domestic terrorism, the financing of international terrorist groups and Canadian extremist travellers.

The majority of FINTRAC's financial intelligence disclosures associated with domestic terrorism, where the target of terrorism was in Canada, were related to ideologically motivated violent extremism and involved lone actors, cross-border networks and organized groups, including entities listed under the *Criminal Code*. The Centre's analysis revealed that ideologically motivated violent extremism financing activity included actors located and operating in Canada.

FINTRAC also found that transactions relating to the financing of international terrorist groups consisted primarily of outgoing funds transfers to another country, particularly to jurisdictions of concern for terrorist activity financing such as Iraq, Lebanon, Pakistan, Syria, Turkey, United Arab Emirates and Yemen. Within its disclosures, the Centre determined that the most frequently identified international terrorist entities were Daesh and Hizballah.

The Operational Alert noted that FINTRAC continued to receive suspicious transaction reports related to the threat of Canadian extremist travellers, particularly in relation to financial transactions associated with the five phases identified in FINTRAC's *2018 Terrorist Financing Assessment*: pre-departure, en route, in theatre, returning, and interrupted travel.



ONTARIO

In January 2023, the RCMP Federal Policing Transnational Serious and Organized Crime team in Toronto acknowledged FINTRAC's contribution to an extensive investigation into a large-scale drug importation network that resulted in four individuals being charged with eight offences, including importing, trafficking, and conspiracy to import cocaine and possessing property obtained by crime. Following the investigation, police seized 88 units of Ether cryptocurrency, a 2022 Mercedes Benz G-wagon, over \$2 million in jewelry, watches and other luxury items, and \$800,000 in Canadian currency.



SAFEGUARDING CANADA'S FINANCIAL SYSTEM

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 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 law enforcement and national security agencies. Financial transaction reporting statistics from 2022–23 can be found in Annex C.

As FINTRAC prepares for the introduction of a cost recovery funding model for its Compliance Program, which begins on April 1, 2024, the Centre has launched a multi-year modernization initiative called R.I.S.E. (Respond, Innovate, Simplify, Evolve) aimed at ensuring that its compliance activities are more targeted and agile in meeting the diverse needs and expectations of all business sectors. FINTRAC wants to make it easier for businesses to fulfil their legal obligations by providing meaningful support, refined processes, service and tools, among other efficiencies. The Centre is also focused on equipping its people with greater automation, digital tools and solutions to keep pace with the innovative technologies used by businesses.

FINTRAC took a number of concrete steps in 2022–23 as part of its R.I.S.E. initiative, including establishing a modernization team and conducting comprehensive research and engagement with businesses, associations and relevant stakeholders to seek their views on how to improve the reach, accessibility, responsiveness and impact of FINTRAC's Compliance Program. This research has supported foundational analysis, planning

and development of the modernization agenda with key activities and service-oriented opportunities going forward. As part of the R.I.S.E. initiative, FINTRAC has also implemented a number of technological building blocks to support modernization on a broad scale, including the creation of a new cloud-based controlled-access testing portal in order to streamline the adoption of system-to-system reporting.

In addition to advancing the broader R.I.S.E. initiative, FINTRAC's Compliance Program remained focused on its three pillars: assistance, assessment and enforcement.



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

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

In addition to publishing comprehensive and sector-specific guidance for businesses subject to the Act, FINTRAC provides timely and targeted guidance in relation to legislative and regulatory changes and other compliance-related issues on an ongoing basis.

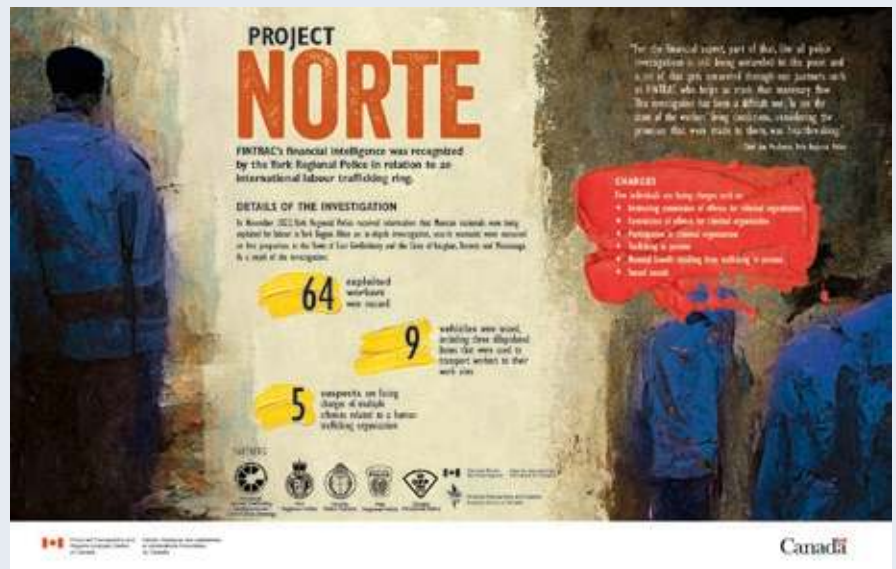
In 2022–23, the Centre worked closely with the Financial Consumer Agency of Canada and Canada's banks, under the umbrella of the global Finance Against Slavery and Trafficking (FAST) Survivor Inclusion Initiative, to provide guidance to financial institutions in relation to identifying vulnerable clients, including survivors of human trafficking for sexual exploitation, who may not have proper identification documentation or information to open a retail deposit account. The financial identity and/or banking products of survivors of human trafficking for sexual exploitation are often hijacked by their traffickers for money

laundering or other criminal purposes. This updated guidance—the first-of-its-kind in the world—will help to prevent the re-victimization of the survivors of this appalling illicit activity by facilitating their access to basic banking services and products that are so fundamental to our daily lives.

Over the past year, FINTRAC also developed and launched a new video series to help businesses better understand how to meet their obligation to verify the identity of their clients. This obligation removes the anonymity from financial transactions and is one of the most important measures in place to protect Canada's financial system from money launderers and terrorist financiers. The videos posted in 2022–23 (and more to come in 2023–24) capture, in a simple and succinct way, the different methods that businesses can use to verify the identity of a person or entity conducting a financial transaction. The videos are meant to increase the awareness and understanding of businesses of their obligation and support their anti-money laundering and anti-terrorist financing training needs. They have been viewed thousands of times to date and have been very well received by businesses and stakeholders.

In April 2022, crowdfunding platforms and certain payment service providers became subject to legal obligations under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* as money services businesses. These obligations

In March 2023, York Regional Police acknowledged FINTRAC's contribution to Project Norte, a multi-jurisdictional investigation that exposed a human trafficking ring in the Greater Toronto Area that was exploiting migrants lured from Mexico to Canada with the promise of a better life. Search warrants were executed at five properties in Vaughan, East Gwillimbury, Toronto and Mississauga. As a result, 64 exploited workers were rescued, five people were arrested and charged, and two outstanding suspects had warrants issued for their arrest.



include registering with FINTRAC, developing and maintaining a compliance program, identifying clients, keeping certain records, including records related to transactions and client identification, and reporting certain financial transactions, including international electronic funds transfers and suspicious transactions. The Centre published comprehensive new guidance tailored to the businesses affected by this change to assist them in understanding and complying with the new obligations.

FINTRAC also engaged extensively with crowdfunding platforms, payment service providers and key stakeholders throughout the year to ensure the entities were aware of the new requirements. This included hosting numerous information sessions for implicated businesses, lawyers, consultants and financial entities; presenting information on FINTRAC and the requirements to Fintechs Canada, an association of Canadian financial technology companies primarily engaged in the payments space; and meeting with the National Payments Institute to clarify the Centre's position with respect to payroll services providers. FINTRAC also spoke regularly of the new requirements in relation to crowdfunding platforms and certain payment service providers at conferences across the country, including at the Association of Certified Anti-Money Laundering Specialists Conference in Toronto.

OUTREACH AND ENGAGEMENT

In total in 2022–23, FINTRAC undertook 193 outreach and engagement activities with businesses, industry associations, provincial regulators, federal departments and regulators, stakeholders and international partners through virtual and onsite meetings, presentations, conferences, training, and other exchanges of information. The Centre also conducted consultations on a number of issues, including new and revised guidance, reporting forms and the implementation of regulatory amendments.

Through the FINTRAC Reporting Working Group and 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 continued to enhance understanding of the regulatory requirements that came into effect in June 2021. In addition, the Centre consulted with the Guidance and Policy Interpretation Working Group and published draft guidance in relation to the reporting of suspicious transactions and large cash transactions in the new forms.

In order to strengthen collaboration, cooperation and information sharing in the fight against money laundering and terrorist financing, FINTRAC signed a new compliance Memoranda of Understanding with the Bank of Canada. This agreement will enable the sharing of information on payment service providers and money services businesses in the context of the Bank of Canada's new supervisory functions under the *Retail Payment Activities Act* (RPAA), set to come into force in 2024. The agreement allows the exchange of both mandatory information outlined in the RPAA as well as other key supervisory information to assist both regulators advance their respective compliance mandates.

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 these organizations provide approximately 90% of the reporting that FINTRAC receives every year. Over the past year, the Centre undertook 81 proactive engagement activities with Canada's largest financial institutions and with small- and medium-sized banks on examinations, follow-up examinations and reports monitoring. This includes meeting with each large bank on a quarterly basis to monitor the ongoing state of their anti-money laundering and anti-terrorist financing program and what they are doing to identify and address risks to the financial system.



In April 2022, the Ottawa Police Service Human Trafficking Unit acknowledged FINTRAC's contribution to Project Exodus, an investigation that led to more than 40 charges against four individuals, including in relation to sexual assault, trafficking in persons under 18 by recruiting, trafficking in persons under 18 by exercising control, financial/material benefit from trafficking in person over 18, and withholding/destroying travel or identity document/trafficking in person over 18. The investigation began in June 2021 and involved four female victims. Three of the victims were under the age of 18 at the time of the offences that occurred between 2013 and 2020. Investigators continued to search for additional victims in this case.

In February 2023, FINTRAC hosted a Banking Forum for Chief Anti-Money Laundering Officers, compliance officers and their delegates from across Canada’s banking sector. In total, more than 100 attendees gathered in person and over 250 people joined virtually from all Canadian banks, five other federal agencies, the Canadian Bankers Association and other stakeholder organizations. The theme for the forum was “Future Forward: Risk-Based Frameworks for a Digital Age” and included discussions on FINTRAC’s Compliance Modernization, the anticipated Parliamentary Review of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, FINTRAC’s modern approach to assessing and enforcing compliance, and the promise of artificial intelligence in RegTech.

Over the past year, FINTRAC also continued to strengthen its engagement in the real estate sector across the country. Beginning in October 2022, the Centre established monthly touch points with the Canadian Real Estate Association to discuss regulatory expectations, high-level examination trends and explore new ways of working together to strengthen anti-money laundering and anti-terrorist financing compliance in the sector. FINTRAC has also collaborated, on a regular basis, with the British Columbia Real Estate Association, participating in webinars in relation to compliance obligations and addressing questions from the sector on administrative monetary penalties in British Columbia. In addition, FINTRAC is assisting the association in the creation of a training module in relation to identifying suspicious transactions and reporting them to the Centre.

In early 2022, FINTRAC hosted its first National AML/ATF Real Estate Virtual Forum. This event was made available on demand from March 18 to April 30, 2022, and consisted of 22 sessions, recorded in English, French and in a bilingual format. Designed for the real estate sector, the forum offered comprehensive presentations and discussions on the legislative obligations, including the importance of suspicious transaction reporting, and the critical role that Canada’s Anti-Money Laundering and Anti-Terrorist Financing Regime plays in protecting Canadians and Canada’s economy. Various real estate regulators, associations and law enforcement stakeholders took part in a panel discussion, provided additional resources, and publicized the forum to their members. Approximately 3,000 registrants from across Canada participated in the forum.

As well, over the past year, FINTRAC also provided a number of presentations and participated in numerous symposia and webinars focused on enhancing

understanding and compliance with the obligations under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and Regulations, including in association with the Canadian Life and Health Insurance Association, the Canadian Jewelers Association and the Canadian Credit Union Association.

POLICY INTERPRETATIONS

In 2022–23, FINTRAC provided 302 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 regulatory changes, verifying 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.

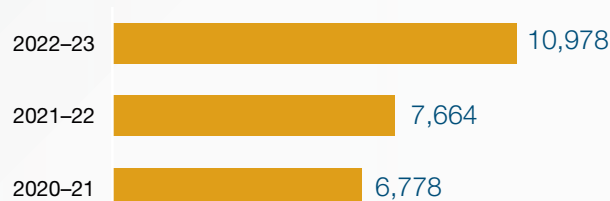
RESPONSES TO ENQUIRIES

Throughout 2022–23, FINTRAC responded to 10,978 enquiries from businesses in every reporting sector on a broad range of issues, including reporting obligations, access to reporting systems, the registration of money services businesses, and the requirements associated with the regulatory amendments that came into force in June 2021.

POLICY INTERPRETATIONS PROVIDED



NUMBER OF QUERIES ANSWERED



MONEY SERVICES BUSINESS REGISTRY

Businesses that exchange foreign currencies, transfer money, cash/sell money orders or traveller's cheques, or deal in virtual currency must register with FINTRAC before offering these services to the public. Moreover, they must renew their registration every two years. A registration with FINTRAC does not indicate an endorsement or licensing of the business. It only means that the business has fulfilled its legal requirement under the Act to register with FINTRAC.

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. Money services businesses are also required to respond to demands for information from FINTRAC or their registrations are revoked. In total, there were 81 revocations in 2022–23. In order to enhance transparency and assist other business sectors with their risk assessments, FINTRAC publishes, on a quarterly basis, the names of money services businesses whose registration has been revoked.

The Centre also undertakes a validation initiative every year to confirm the existence of specific money services businesses and determine where entities may potentially be operating without being registered (*i.e.*, illegally) with the Centre. In 2022–23, FINTRAC conducted 188 validations on money services businesses in Canada that were suspected of being unregistered. This resulted in 20 new entities registering with FINTRAC.

In total last year, 1,201 money services businesses registered or were renewed with FINTRAC. In addition, 219 businesses ceased their registrations and 296 registrations expired. As of March 31, 2023, 2,489 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 more than 24,000 businesses across the country. In recent years, the Centre has shifted from an audit 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.

DATA QUALITY OF FINANCIAL TRANSACTION REPORTS

FINTRAC monitors the quality, timeliness and volume of the financial transaction reporting that it receives from businesses across the country. The Centre has invested heavily in validating and monitoring reporting data, including improving its business processes to increase the effectiveness of its monitoring. In 2022–23, FINTRAC received a total of 36,286,939 financial transaction reports from businesses. The Centre rejected 73,878 reports for not meeting quality requirements. It accepted 456,068 financial transaction reports for which it subsequently issued a warning to businesses about the quality of those reports.



In October 2022, the RCMP Federal Policing Integrated Money Laundering Investigative Team in Calgary, Alberta, recognized FINTRAC's contribution to a comprehensive investigation of a mortgage fraud scheme that led to charges against an individual for fraudulently purchasing property and money laundering. It was alleged that the individual defrauded millions of dollars from multiple financial institutions in the Calgary area between 2015 and 2020.

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 data monitoring, the Centre is also able to identify over-reporting and follow up with businesses to remove or delete from their database those reports that should not have been received.

COMPLIANCE EXAMINATIONS

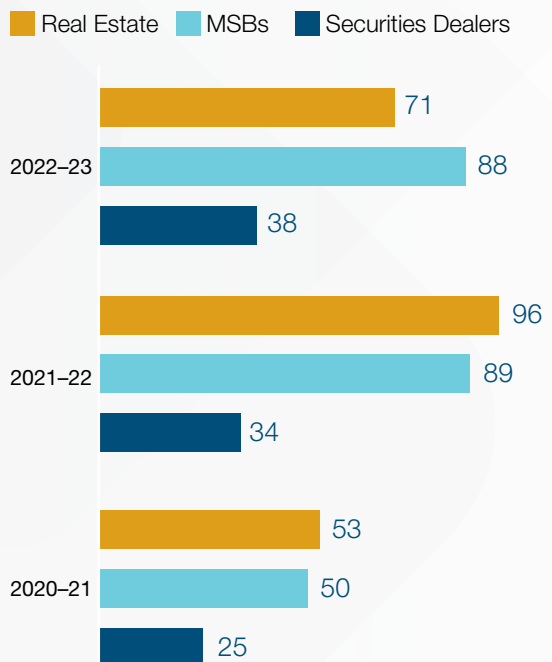
Examinations are one of FINTRAC's primary instrument for assessing the compliance of businesses subject to the Act. The Centre uses a risk-based approach to select the businesses that will be examined every year, focusing a significant portion of its examination resources on businesses that report large 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.

FINTRAC has also modernized and enhanced its engagement with businesses and its risk-based approach to ensuring compliance with the Act and Regulations. Recognizing that different business sectors have varying levels of knowledge of their obligations and differing needs, examinations serve to increase awareness and understanding of the requirements under the Act and the role businesses play in combatting money laundering and terrorist financing; improve compliance with the Act; strengthen the identification and monitoring of high-risk clients; and enhance reporting to FINTRAC.

Of FINTRAC's 237 examinations over the past year, the largest number of examinations was focused on the money services business sector (88). This was followed by the real estate sector (71) and securities dealers (38).

In 2022–23, 95% of businesses assessed by FINTRAC did not require enforcement action. This means that these assessments resulted in no further activity or in a follow-up activity instead of enforcement (e.g., data integrity monitoring, a follow-up assessment, an action plan, etc.).

LARGEST NUMBER OF EXAMINATIONS BY SECTOR (TOP THREE)



ONTARIO

In January 2023, the RCMP Federal Policing Transnational Serious and Organized Crime team in Kitchener, Ontario recognized FINTRAC's contribution to an investigation that led to the unraveling of a sophisticated international drug importation scheme and the arrest of three individuals on multiple charges. After tracking a marine shipping container of interest from Central America to Saint John, New Brunswick, Canada Border Services Agency officers seized more than 1.5 tonnes of cocaine concealed within industrial machinery. The total value of the seized cocaine was approximately \$198 million.

FINTRAC regularly reminds businesses of its Voluntary Self-declaration of Non-compliance, a mechanism for informing the Centre when businesses face instances of non-compliance. Promoting open dialogue and transparency without the threat of a penalty allows 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 law enforcement and national security agencies.

In 2022–23, FINTRAC received 281 Voluntary Self-declaration of Non-compliance notices. Financial institutions submitted the majority of these declarations in relation to reports that had not been provided. The Centre collaborated with these financial institutions to ensure that the transactions were submitted accurately to FINTRAC, and provided guidance when it was required.

FOLLOW-UP ACTIVITIES

Follow-up activities can take a number of forms, including a recommendation to examine a particular business in the near future or requiring an entity to provide regular updates on its progress in addressing the deficiencies that have been identified by the Centre.

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 2022–23, the Centre conducted 40 follow-up examinations. Of these, no further activity was required in 18 cases as the businesses demonstrated a positive change in their compliance behaviour. The remaining 22 examinations resulted in an enforcement action or a recommendation for additional follow-up activity.

FINTRAC has 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. The Centre's ongoing engagement with financial entities following an examination reinforces positive compliance behaviours and promotes higher rates of compliance during follow-up activities.



In June 2022, the Alberta Law Enforcement Response Teams acknowledged FINTRAC's contribution to Project Deception, an interprovincial joint forces investigation focused on disrupting the drug supply line and uprooting Edmonton and Kelowna-based suppliers. Following a search of multiple homes, a large quantity of cocaine, fentanyl and methamphetamine was seized with an estimate street value of \$571,000. Police also seized two handguns with ammunition, \$147,872 in restrained assets, including jewelry, and \$101,888 in cash.

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 imposing administrative monetary penalties when warranted and providing Non-Compliance Disclosures to law enforcement. Businesses must never lose sight of the fact that Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime is about protecting Canadians and the integrity of Canada's financial system.

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.

In 2019, the Centre published its updated Administrative Monetary Penalties policy, which outlines clearly and transparently the penalty process and FINTRAC's 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.

As of 2019, FINTRAC is required to publicly name all persons and entities that receive an administrative monetary penalty. However, the public notice of the penalty may occur months after the issuance of a Notice of Violation. Therefore, the fiscal year that an administrative monetary penalty is made public may not align with the fiscal year that the Notice of Violation is issued.

In 2022–23, FINTRAC issued six Notices of Violation of non-compliance for a total of \$1,113,569. Four Notices of Violation were issued in the money services business sector for a total of \$156,255. One was issued in the financial entity sector for \$858,000 and one in the dealers of precious metals and precious stones sector for \$99,314.

FINTRAC has issued 128 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 law enforcement when it is extensive or if there is little expectation of immediate or future compliance. In 2022–23, the Centre disclosed 10 such cases.

NON-COMPLIANCE DISCLOSURES TO LAW ENFORCEMENT



In April 2022, the Laval Police Service recognized FINTRAC's contribution in an investigation related to Project Centaure, Project Cohésion and Programme Accès-Cannabis that led to the arrest of five individuals and the seizure of over 60 kilograms of THC candies, 28.6 kilograms of dried cannabis, 2.2 kilograms of cannabis resin, 664 methamphetamine tablets sporting the letters ICE, 46 grams of chocolate laced with THC, a weapon and ammunition, vehicles and more than \$150,000 in cash. Police stressed that such compounds, disguised to look like candies and chocolate, could seriously undermine the health of children.



GLOBAL LEADERSHIP

FINTRAC works with its allies and partners in a global effort to combat international money laundering and terrorist 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 2022–23, the Centre received 255 queries for information from foreign financial intelligence units in relation to money laundering and terrorist financing, and provided 225 disclosure packages. For its part, FINTRAC sent 103 requests to foreign financial intelligence units seeking further financial intelligence to broaden its own analysis.

In recent years, FINTRAC has developed a survey to assess the level of satisfaction among international partners with the Centre's financial intelligence. In 2022–23, this survey focused on the 25 foreign financial intelligence units that, in total, receive more than 90% of FINTRAC's disclosures. The survey's results showed an overall satisfaction rate of 100% in relation to FINTRAC's financial intelligence. Over 87% of respondents stated that the Centre's disclosures identified previously unknown information every time or almost every time, and 92% of respondents stated that FINTRAC's disclosures expanded on existing information every time or almost every time.

Following the Russian Federation's illegal invasion of Ukraine in 2022, FINTRAC worked with Canada's Five Eyes partners and Western European allies to establish the Russia-Related Sanctions and Illicit Finance Financial Intelligence Units Working Group. Over the past year, members have worked within their respective authorities to surge the sharing of tactical financial intelligence and develop a common base of

understanding through the dissemination of strategic-level intelligence on a variety of related issues. This collaboration was also critical to the analysis conducted over the past year that informed the development of FINTRAC's updated Special Bulletin on Russia-linked money laundering activities.

In 2022–23, FINTRAC also contributed to the important work of the Global Coalition to Fight Financial Crime, a public-private coalition that is focused on enhancing the fight against financial crime globally by identifying weaknesses in the current system and advocating for tangible reform. FINTRAC's Director and CEO continued to serve as a Co-chair of the Financial Intelligence Unit and Law Enforcement Sub-Group within the broader Effectiveness Working Group. The goal of this sub-group is to advise on how financial intelligence units and law enforcement agencies can work collaboratively to ensure that financial intelligence is utilized to the fullest extent possible in order to disrupt financial crime. In addition to producing a number of recommendations to advance this objective over the past year, FINTRAC also drafted recommendations in relation to optimizing anti-money laundering and anti-terrorist financing business models and processes and leveraging the use of data and technology to better address emerging and evolving threats. In addition, FINTRAC's Director promoted the continued growth of the Global Coalition by providing advice to newly formed sub-groups for Reporting Entities and Compliance/Supervisory Authorities within the Effectiveness Working Group.

FINTRAC is an active member of the Egmont Group, which is comprised of more than 165 financial intelligence units worldwide. As part of its contribution to the group, the Centre has led or participated in numerous projects, including the development of typologies, the delivery of technical assistance and the provision of training.

FINTRAC'S INTERNATIONAL ENGAGEMENT AT A GLANCE



COMBATTING ILLEGAL WILDLIFE TRADE GLOBALLY

- Facilitated the launch of Project Anton, a new international public-private partnership aimed at combatting the money laundering associated with illegal wildlife trade
- Developed an Operational Alert in collaboration with numerous international partners that includes money laundering indicators associated with this lucrative and cruel crime
- By following the money, Project Anton will assist in identifying, pursuing and prosecuting perpetrators and broader networks involved in illegal wildlife trade globally



GLOBAL FAST INITIATIVE

- Collaborated with the global Finance Against Slavery and Trafficking (FAST) Survivor Inclusion Initiative to increase awareness and understanding of the brutality of human trafficking for sexual exploitation
- Helped communicate the important role that financial intelligence units and financial institutions can play in combatting this heinous crime and supporting survivors
- Worked with the FAST initiative to provide new guidance to Canadian financial institutions in relation to identifying vulnerable clients, including survivors of human trafficking for sexual exploitation



INTERNATIONAL FINANCIAL ACTION STRIKE TEAM (IFAST)

- FINTRAC is a founding member of the International Financial Action Strike Team, along with its Five Eyes partners
- Created to deepen the use of financial intelligence to combat priority financial crimes by bringing together subject matter experts to discuss specific operational files and propose coordinated operational approaches
- Established priorities for the team and met monthly to support tactical financial intelligence efforts in support of priority money laundering investigations
- Hosted first ever, week-long Analyst Exchange Program focused on combating professional money laundering activities





FIVE EYES PPP ROUNDTABLE

- AUSTRAC-led Public-Private Partnership Roundtable meant to increase strategic financial intelligence sharing among Five Eyes financial intelligence units
- Met quarterly to share best practices, discuss new and evolving developments and coordinate policy action
- Presented FINTRAC's Operational Alert in support of Project Legion, including money laundering indicators associated with illicit cannabis activities



SUPPORT TO THE ROADMAP FOR A RENEWED U.S.–CANADA PARTNERSHIP

- Participated in government joint working groups seeking to strengthen information sharing to improve Canada and the United States' respective prevention strategies addressing domestic violent extremism
- Provided perspective on trends and developments of financing of ideologically motivated violent extremism, including those highlighted in FINTRAC's Special Bulletin



UN OFFICE ON DRUGS AND CRIME

- Contributed to the efforts of the United Nations Office on Drugs and Crime Financial Intelligence Disruption Workshop
- Shared trends, indicators and case studies related to ideologically motivated violent extremism and financing associated with proliferation



INTERNATIONAL SUPERVISORY AGREEMENTS

- Finalized supervisory Memoranda of Understanding with Luxembourg's Commission de Surveillance du Secteur Financier and Germany's Federal Financial Supervisory Authority
- Agreements will allow for the exchange of information in relation to the anti-money laundering and anti-terrorist financing supervisory mandates of each organization



PROTECTING PERSONAL INFORMATION

In fulfilling its core financial intelligence and supervisory mandates, FINTRAC is committed to safeguarding the information that it receives and discloses to Canada’s law enforcement and national security agencies. The *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* strikes a careful balance between the Centre’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.

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 enhanced security screening 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.

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. The Office of the Privacy Commissioner finalized its fourth review of FINTRAC’s privacy protection measures in 2021–22. The Centre accepted the Privacy Commissioner’s final audit report and focused on implementing the recommendations over the past year.

As part of its Special Report to Parliament, *Protecting Privacy in a Pandemic*, and following substantial engagement with FINTRAC officials, the Privacy Commissioner of Canada determined that FINTRAC’s information exchanges and its handling of personal information related to the *Emergency Economic Measures Order* were appropriate and respected the authorities set out in the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*.

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*.



MODERNIZING AND STRENGTHENING FINTRAC

As FINTRAC's responsibilities 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.

FINTRAC'S EXCELLENCE IN PEOPLE MANAGEMENT

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.

FINTRAC's People, Culture and Workplace Sector received the Canadian HR Reporter's Innovative HR Teams 2023 Award for its extraordinary commitment to innovation, inclusivity and diversity.



SUPPORTING A CHANGING WORK ENVIRONMENT

- Transitioned to a hybrid *Flexible by Design* work model that focuses on reinvigorating partnerships, reigniting collaboration and re-energizing innovation and modernization
- Developed new tools, guidelines and held information sessions to ensure that staff had a full understanding of the Centre's hybrid framework
- Engaged managers and supervisors regularly to support them in leading in a hybrid work environment with a focus on sharing best practices and promoting experimentation
- FINTRAC's Ombuds and Champion for Mental Health engaged, assisted and supported employees at every level to help staff navigate the changing work environment



STRENGTHENING TALENT ACQUISITION, MANAGEMENT AND WORKFORCE RETENTION

- Implemented the Centre's five-year People and Culture Strategy, *Our Talent, Our Future*
- Developed a new Enterprise Talent Acquisition Strategy that is guided by principles such as inclusivity, innovation and fairness
- Introduced a new FINTRAC External Assignment Program to facilitate temporary assignments between employees of the Centre and organizations outside the core public administration
- Partnered with WithYouWithMe to identify and grow talent from underrepresented groups and within the Centre's existing workforce
- Introduced the Successfinder Psychometric tool to conduct talent acquisition activities
- Collaborated with Specialisterne on a neurodiversity initiative that is focused on facilitating the recruitment and retention of individuals on the autism spectrum or with similar neurodiversities
- Conducted approximately 200 staffing actions and hired over 100 students



ENHANCING TRAINING AND LEADERSHIP DEVELOPMENT

- FINTRAC's comprehensive Talent Management Program supports ongoing growth, development and retention, and helps the Centre understand employee strengths, areas of development and career aspirations
- Active participant in the Government of Canada's Executive and Leadership Development Program
- Agency Manager's Forum held regularly to strengthen and empower FINTRAC's leadership cadre
- Established Leadership Coaching Circles as a learning approach based on reflection, deep questioning, active listening, and peer coaching
- Following a successful pilot of the Pinkcareer Incubator Leadership Development Program, which targets leadership training for women, FINTRAC integrated the program into its leadership development cadre suite
- FINTRAC's Mentorship Program connected numerous employees with experienced colleagues and executives across the Centre to support their professional development goals



MODERNIZING HR PROGRAM, PROCESSES AND TECHNOLOGIES

- Working throughout 2022–23 to transition to a new Human Capital Management (HCM) solution
- New technology will allow for more process automation/self-serve options and new digital tools to support and enable the Centre's people management framework, programs and services
- The HCM solution will modernize human resource operations and streamline business processes through its various modules such as absence, time tracking, advanced compensation, talent optimization, recruitment and learning



ENSURING WORKPLACE WELLNESS

- Advanced its Workplace Wellness and Culture Action Plan, which is focused on mindful leadership; a healthy, respectful and inclusive workplace; open communication and transparency; and talent acquisition, development and retention
- Implemented a new values statement that is aligned with its *Code of Conduct, Values and Ethics*, and reinforces the Centre's core values to foster a workforce that is respectful and inclusive, and one that embraces its diverse backgrounds
- Conducted a Workplace Assessment to identify any gaps in its policies to prevent workplace harassment and violence, respond to situations in which harassment or violence have occurred, and support victims of harassment and violence
- Developed and published a new, three-year Accessibility Plan to strengthen accessibility across the Centre's programs, policies and services



FACILITATING OFFICIAL LANGUAGES

- FINTRAC promotes and supports bilingualism in collaboration with the Official Language Champion and FINTRAC's Official Languages Working Group
- Established an in-house Official Language School in 2022–23 for employees to access high-quality language training
- The Centre's Language Buddy System allows employees to practice and improve their second language skills with the help of a volunteer coach in a more informal setting



LEVERAGING EMPLOYMENT EQUITY, DIVERSITY AND INCLUSION

- Finalized a new Employment Equity, Diversity and Inclusion Strategy and Action Plan focused on talent acquisition and retention, professional growth, leadership and accountability, and employee engagement
- Implemented a rigorous mandatory Employment Equity, Diversity and Inclusion training program that includes unconscious bias and reconciliation related training
- Established the Executive Cadre Pledge on Diversity and Inclusion, which commits FINTRAC's executive cadre to address issues of racism and discrimination, and to create inclusive workplaces both at the Centre and across the Government of Canada
- Implemented the Mentorship Plus program, which includes a sponsorship component to ensure that employees from under-represented groups and equity-seeking groups have further access to developmental opportunities
- Maintained active partnerships with the Coalition of Innovation Leaders Against Racism, Knowledge Circle for Indigenous Inclusion, and the Federal Youth Network
- Revamped its website career section to bolster such initiatives as the Centre 50–30 Challenge to increase the representation and inclusion of diverse groups within their workplaces

FINTRAC DEMOGRAPHICS

Number of Employees¹: 526

Designated Group Representation	FINTRAC Employees	Workforce Availability ²	Federal Public Service ³
● Women	55.8%	58.4%	56.0%
● Visible minorities	20.6%	20.2%	20.2%
● Persons with disabilities	5.6%	8.5%	6.2%
● Indigenous peoples	1.3%	2.5%	5.2%

Official Languages Representation	FINTRAC Employees	Canadian Population ⁴	Federal Public Service ⁵
● First official language—English	67.3%	75.5%	70.9%
● First official language—French	32.7%	21.4%	28.0%

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, 2023, 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 2021 to 2022
4. Source: Statistics Canada – Language Statistics, based on 2021 Census data
5. Source: Population of the federal public service by first official language



In October 2022, Saskatchewan RCMP's Prince Albert Crime Reduction Team acknowledged FINTRAC's contribution to an in-depth investigation into an illicit drug trafficking operation in Melfort and the surrounding area. The investigation resulted in three individuals being charged with numerous offences, including possession for the purpose of trafficking and possession of proceeds of crime. Police also seized 178 grams of cocaine, 15 grams of methamphetamine, a sum of cash and three non-restricted, unlicensed firearms.

LEVERAGING TECHNOLOGY – FINTRAC’S DIGITAL STRATEGY

FINTRAC depends on a sophisticated information technology infrastructure to receive, store and secure over 35 million new financial transaction reports every year. The Centre’s systems support the technology-enabled Compliance Framework, allowing businesses to submit financial transaction reports, facilitating the tracking and recording of compliance, and enabling businesses to meet 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 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.

Technology is transforming the financial services industry and the way financial intelligence units and anti-money laundering and anti-terrorist financing supervisors interact with those organizations. Technology is also transforming the way criminals, money launderers, financiers of terrorism and sanctioned individuals move their money to finance and hide illegal activities. How financial intelligence units and supervisors respond to these threats is also evolving. In recent years, FINTRAC and other members of Canada’s Anti-Money Laundering and Anti-Terrorist Financing Regime have been building up their digital capabilities—using automation, blockchain analytics, big data, artificial intelligence, machine learning and other advanced analytics—and this is shaping the future of financial intelligence, supervision, security and the protection of privacy.

The Digital Strategy Journey

In 2021–22, FINTRAC launched its Digital Strategy to solve critical business problems and drive core business values.

Highlights 2021–22

- Evolved IM/IT capabilities to securely deliver during pandemic
- Mobilized resources around a target state modernized vision
- Identified foundational architectural components

Highlights 2023–24

- Decrease administrative burden for reporting entities with modernized reporting functionality and improved communication channels
- Improve data quality through the modernization and standardization of reporting forms
- Increase core business turnaround time by implementing modernized systems

April 2021

- Digital Strategy launched

Highlights 2022–23

- Implemented and upgraded foundational technologies for greater scalability and flexibility
- Increased core business efficiency by leveraging automation
- Introduced new office tools to increase effectiveness of HR processes, portfolio management, and overall collaboration within the Centre
- Increased ability to receive and monitor virtual currency transactions
- Enhanced disaster recovery readiness
- Strengthened collaboration with external stakeholders via user research, agile procurement, portal functionalities, and outreach

Through the comprehensive modernization plan laid out in FINTRAC's Digital Strategy, and facilitated by the significant new funding allocated in Budget 2022, FINTRAC continued to make considerable gains in 2022–23 toward the adoption of cloud and advanced technologies, enhancements to its security infrastructure, product management and user-centric research and design.

The Centre's Digital Strategy is based on three objectives:

- Establishing the digital foundations for the Centre's capacity, processes and infrastructure;
- Speeding up core business through digital automation, analytics and artificial intelligence; and
- Enhancing the Centre's internal Digital Office to create a better user experience.

To help meet its first objective in 2022–23, FINTRAC moved workloads securely into the cloud, which is increasing the flexibility and agility of new systems and applications and making use of interactive technologies like Application Programming Interfaces. The Centre also bolstered its product and portfolio management capabilities. Finally, in collaboration with Shared Services Canada, FINTRAC completed the design of its Disaster Recovery Plan.

In relation to its second Digital Strategy objective, the Centre moved to automate several key internal and external processes, increasing its capacity to put a stronger focus on higher value work rather than data entry. Extensive user research was completed in 2022–23 to inform the Compliance modernization and priorities. In addition, the introduction of an agile procurement process, using synthetic data, is well under way. This process involves a more comprehensive assessment of the performance, outputs and ultimate value of specific capabilities, which are aimed at reducing the potential risks of final procurement decisions.

With respect to its third objective, FINTRAC continued to advance and enhance its Digital Office. To further improve the office environment and workplace experience, the Centre adopted new technologies that allow for more effective hybrid collaboration. FINTRAC also completed the work necessary for a successful launch of a new Human Capital Management Software as a Service solution in July 2024.

All of the work advanced through FINTRAC's innovative Digital Strategy is better positioning the Centre to work hand-in-hand with key partners and stakeholders using a more product-centric multi-disciplinary approach to ensure its systems address end-user needs and are sufficiently agile to adapt to a continuously changing technology landscape.

FINTRAC BUDGET

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

	2020–21 (in millions)	2021–22 (in millions)	2022–23 (in millions)	2022–23 and 2021–22 variance (in millions)
Salaries	\$44.3	\$47.5	\$54.4	\$6.9
Employee Benefit Plans	\$5.9	\$6.7	\$7.6	\$0.9
Operations and Maintenance	\$30.1	\$36.0	\$33.7	-\$2.3
Total Approved Budget*	\$80.3	\$90.3	\$95.7	\$5.4
Total Actual Expenditures	\$61.7	\$77.0	\$88.2	\$11.2

* Totals may not add due to rounding.



ANNEX A: THE VALUE OF FINTRAC DISCLOSURES

“

FINTRAC is a surgical tool of absolute precision. The quality produced by your organization continues to impress us. The support we receive is second to none. For Project Onyx, not only were your disclosures provided in a timely manner, but the information we received assisted us in locating and seizing \$300,000 in suspected proceeds of crime. It also helped us paint a picture of the scope we were dealing with...Not only does the financial intelligence you provide assist us in catching criminals and identifying their proceeds of crime and assets, but in the end you are supporting the victims of sexual assault, child abuse, and horrible violence. So from the bottom of my heart, thank you. Keep doing what you are doing!”

– **Winnipeg Police Service Organized Crime Unit**

“

As a result of speaking with FINTRAC, we learned a lot about a Russian individual and his involvement in the Canadian economy. I believe that the collaboration between FINTRAC and the RCMP resulted in this individual being sanctioned.”

– **Royal Canadian Mounted Police**

“

Working with FINTRAC has been very beneficial to our intelligence investigation. The reports are thoroughly completed and very informative in advancing our files. Further, the team leaders went above and beyond to get the report to us in a timely manner.”

– **Canada Border Services Agency**



The quality of FINTRAC’s disclosure exceeded expectations. It provided insight on the magnitude of the organized laundering operation and its international reach. Great work. Your analyst kept the investigator up-to-date with the progress of the disclosure. This was greatly appreciated.”

– **Vancouver Police**



Excellent information and the links to other parties were especially helpful for the intelligence side of the investigation. The financial information will be useful in the fraud investigation, and may be used in combination with intelligence to develop further information with respect to an extremist group.”

– **York Regional Police**



The analysis FINTRAC created shone a spotlight on the prolific nature of the subject’s conduct and has assisted in developing a roadmap for OPP’s investigative focus. The analyst had an encyclopedic knowledge of the subject’s connections, associates and suspicious activities which, when compared to the investigative findings by police, created a much clearer picture of the subject’s financial reach. This investigation began with a very small financial aspect. However, following the hard work and professional delivery of this disclosure, the financial aspect has become a priority for investigative pursuit. FINTRAC’s analyst took a nearly 500 page FINTRAC disclosure and turned it into an interactive performance that was methodical, easy to follow and interesting. The analyst was able to identify the connections which were both interesting and relevant to the investigation.”

– **Ontario Provincial Police Anti-Rackets Branch**

ALERT



In December 2022, the Alberta Law Enforcement Response Teams Human Trafficking and Counter Exploitation Unit acknowledged FINTRAC’s contribution in announcing a Canada-wide warrant for an individual facing 10 criminal charges related to human trafficking, assault causing bodily harm and financial benefit from human trafficking. The nearly two year-long investigation identified multiple survivors connected to the individual, who was finally arrested in February 2023.



ANNEX B: PROJECT ANTON – A SANITIZED CASE

Project Anton, a first-of-its-kind international public-private partnership, was launched in January 2023 to increase awareness of illegal wildlife trade and to improve the detection of the laundering of proceeds from this appalling crime.

By following the money and generating actionable financial intelligence for law enforcement in Canada and around the world, Project Anton will assist in identifying, pursuing and prosecuting perpetrators—and broader networks—linked to illegal wildlife trade.

This case study demonstrates the international nature of an illegal wildlife trade investigation and the critical importance of suspicious transaction reporting to tackling this heinous crime.

INTERNATIONAL LINKS AND OBSERVED TRENDS IN SUSPICIOUS TRANSACTION REPORTING

Subject A operates a business that produces captive bred reptiles, an enterprise that can be used to facilitate illegal wildlife trade. Between January 1 and March 22, 2023, Subject A conducted 5,000 payments to FedEx totalling over \$100,000 (CAD). In addition, according to open source information, Subject A was previously charged with importing species into Canada without a valid permit.

In the meantime, Subject B is selling reptiles as well as food and care products for reptiles through his website SubjectB.ca. This individual, whose country of residence is listed as Canada, is reported as ordering wire transfers and electronic funds transfers to the benefit of various individuals with reported addresses

in Benin, Ghana and Hong Kong. Subject B's profile indicates that he is a high school teacher. However, upon review of his account, it appears that he is ordering and purchasing reptiles from Subject A and selling them to another business, Subject C.

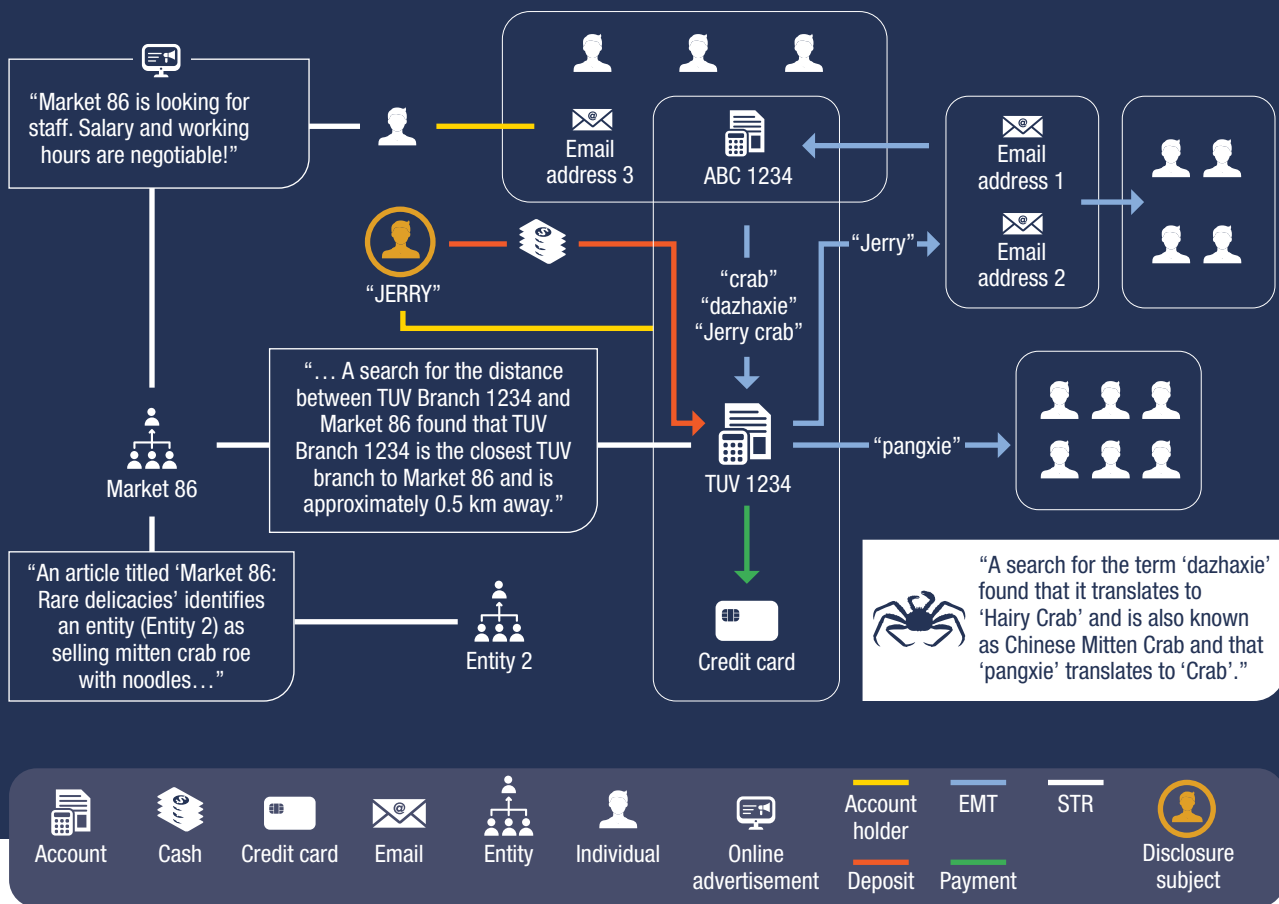
Subject C is a registered business account with the name TRADMEDICINE. Over a two week period, that business received 11 transactions that contained notes mentioning "bear grease". However, incoming electronic funds transfers referred to Subject C as 'dazhaxie', as the contact name, while outgoing electronic funds transfers referred to the destination contact name as 'pangxie'.

A search for the term 'dazhaxie' and 'pangxie' found that these translate to Chinese Mitten Crab and to Crab, respectively. The importation of live Chinese Mitten Crab, an invasive species, is illegal in Canada.

In the following financial trail, electronic money transfers ordered from JERRY's TUV 1234 account go to the benefit of various individuals referencing 'pangxie' and to two email addresses referencing 'Jerry', with some of the funds deposited into JERRY's ABC 1234 account.

The trail also points to electronic money transfers ordered from various individuals and JERRY's ABC 1234 account to the benefit of his TUV 1234 account, referencing 'dazhaxie', 'Jerry Crab' and 'Crab'.

ILLUSTRATING THE FINANCIAL TRAIL



An open source search conducted by the reporting entity identified the term dazhaxie as translating to Hairy Crab, also known as Chinese Mitten Crab, and the term pangxie as translating to Crab. Transaction details making reference to species or animal parts of concern for illegal wildlife trade is a money laundering indicator.

A second open source search by the reporting entity found that "An article titled 'MARKET 86: Rare delicacies', identified Market 86 as selling "Mitten crab roe with noodles" and that "TUV Branch 1234 is the closest TUV branch to MARKET 86", approximately 500 metres away.

A third open source search conducted by the reporting entity found an online ad with the following message: "MARKET 86 is looking for staff. Salary and working hours are negotiable!", which was linked to an individual and an e-mail address that had ordered funds via an electronic money transfer to the benefit of JERRY's TUV 1234 account.

An analysis of JERRY's electronic money transfer activity showed a pattern of money moving out of his accounts as well as back into his accounts. This pattern of activity, using an account as flow through, is another money laundering indicator.

Additionally, there are unrelated parties sending electronic money transfers to the same beneficiary with no apparent relation to the recipient, which is also a money laundering indicator.

As a result of the identification of multiple money laundering indicators, suspicious transaction reports were sent to FINTRAC for analysis and the potential disclosure of actionable financial intelligence in support of a law enforcement investigation.



ANNEX C: FINANCIAL TRANSACTION REPORTS

LARGE CASH TRANSACTION REPORTS

2022-23	8,041,942	A large cash transaction report is submitted to FINTRAC when a business receives \$10,000 or more in cash in the course of a single transaction, or when it receives two or more cash amounts totalling \$10,000 or more (each of which is less than \$10,000) made within 24 consecutive hours by, or on behalf of, the same individual or entity.
2021-22	7,220,383	
2020-21	6,069,896	

ELECTRONIC FUNDS TRANSFER REPORTS

2022-23	27,315,564	An electronic funds transfer report is submitted to FINTRAC upon the transmission of instructions for the transfer of \$10,000 or more out of or into Canada in a single transaction, or in two or more transactions totalling \$10,000 or more (each of which is less than \$10,000) made within 24 consecutive hours, by or on behalf of the same individual or entity, through any electronic, magnetic or optical device, telephone instrument or computer.
2021-22	25,065,370	
2020-21	23,507,176	

SUSPICIOUS TRANSACTION REPORTS

2022-23	560,858	A suspicious transaction report is submitted to FINTRAC in respect of a financial transaction that occurs or is attempted, and for which there are reasonable grounds to suspect that the transaction is related to the commission or attempted commission of a money laundering or terrorist activity financing offence. Unlike other reporting obligations, there is no monetary threshold associated with the reporting of a suspicious transaction.
2021-22	585,853	
2020-21	468,079	

CROSS-BORDER CURRENCY REPORTS/CROSS-BORDER SEIZURE REPORTS

2022-23	23,699	A cross-border currency report is filed with the Canada Border Services Agency by a person entering or leaving Canada carrying a sum of currency or monetary instruments of \$10,000 or more, or by a person mailing or sending such large sums into or out of Canada. The CBSA then submits the report to FINTRAC. A cross-border seizure report is submitted to FINTRAC by a CBSA officer upon the seizure of cash or monetary instruments.
2021-22	12,628	
2020-21	13,049	

CASINO DISBURSEMENT REPORTS

2022-23	273,785	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.
2021-22	153,195	
2020-21	29,043	

LARGE VIRTUAL CURRENCY TRANSACTION REPORTS

2022-23	94,790	A large virtual currency transaction report is submitted to FINTRAC when a business subject to the PCMLTFA receives virtual currency in an amount equivalent to \$10,000 or more in a single transaction, or when a business receives two or more amounts of virtual currency that total \$10,000 or more within a consecutive 24-hour window, and when the business knows the transactions were conducted by the same person or entity; were conducted on behalf of the same person or entity (third party); or are for the same beneficiary.
2021-22	60,361	

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