

Compliance with the PCMLTFA

Feedback and Overview Presentation

February 2008

Overview

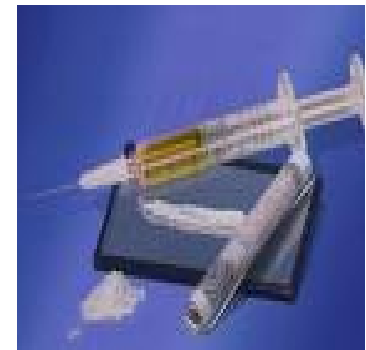
- Impact of ML/TF in Canada
- FINTRAC in Partnership with our Reporting Entities
- Successes of the AML/ATF Initiative – FINTRAC Perspective
- Changes to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and related Regulations

Impact of Money Laundering and Terrorist Activity Financing in Canada

Organized Crime in Canada

- Where there is profit to be made, organized crime is found.
- There are approximately 950 organized crime groups in Canada.
- These groups are found in all communities, from major urban centres to rural areas.
- Causes significant socio-economic harm.

Source: 2007 Criminal Intelligence Service of Canada Annual Report



Impact of Terrorism on Canada

- The Canadian Security Intelligence Service identified that with the exception of the U.S., there are more terrorist groups active in Canada today than in any other country in the world.
- Osama bin Laden has mentioned Canada as a “designated target” for terrorist action.
- Pre-operational planning has been undertaken on targets in major Canadian cities.
- Canadian Forces are combating terrorism in Afghanistan.

Source: CSIS Website

FINTRAC in Partnership with Reporting Entities

About FINTRAC

- Created in 2000 under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA)
- FINTRAC plays an integral role in Canada's effort to combat organized crime and terrorism
- Independent agency reporting to the Minister of Finance and the Parliament of Canada
- Operates at arm's length from law enforcement
- Work in partnership with Reporting Entities

Reporting Entities by Sector

- Accountants
- Casinos
- Financial Entities (Banks, Trusts and Loans, Credit Unions, Caisses Populaires)
- Life Insurance Companies, Brokers and Agents
- Money Services Businesses (MSBs)
- Real Estate Brokers and Sales Representatives
- Securities Dealers
- Agents of the Crown

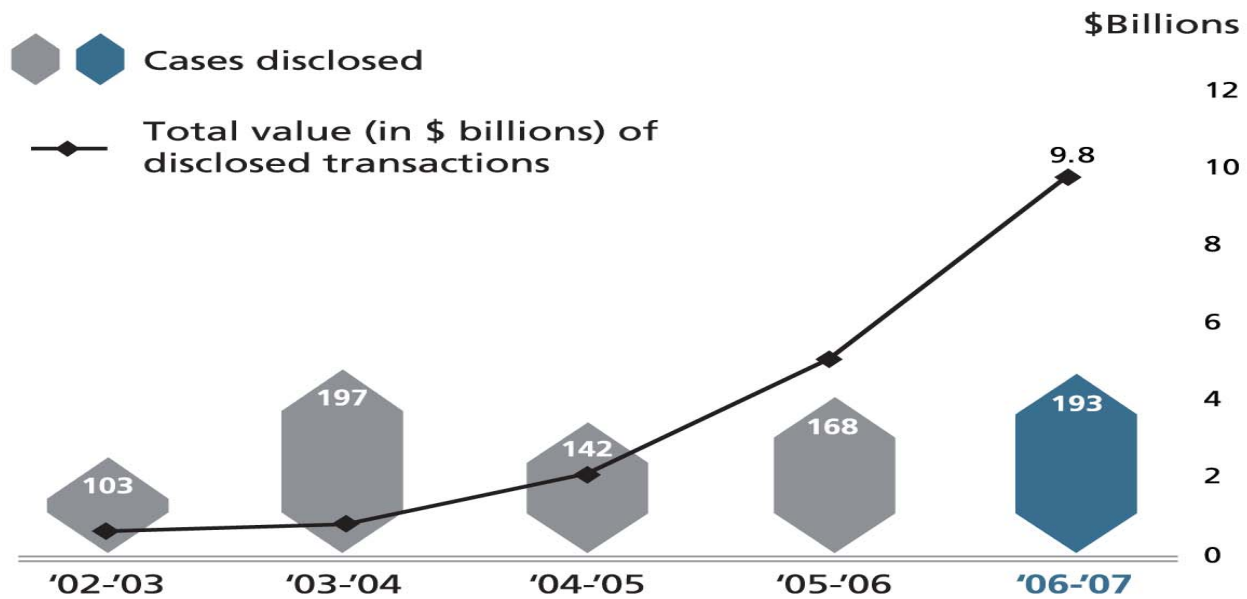
FINTRAC Reports - 2006-2007

- FINTRAC has received 17,615,233 reports in fiscal year 2006-2007:
 - 12 million Electronic Funds Transfer Reports (EFTRs)
 - 5.5 million Large Cash Transaction Reports (LCTRs)
 - 39,000 Suspicious Transaction Reports (STRs)
 - 30,000 Cross Border Currency Reports / Seizures (CBCR/CBSR)

Progress in Detecting and Deterring Money Laundering and Terrorist Financing

FINTRAC Disclosure Values

Disclosures and the Value of Financial Transactions



FINTRAC Cases

- The PCMLTFA outlines how FINTRAC can share details on specific disclosures.
- FINTRAC disclosures have assisted in not only the laying of money laundering charges, but also other predicate offences such as fraud, theft, drug trafficking, etc.
- FINTRAC is aware of numerous case disclosures that have reached the courts over the past few years.

Public Examples of FINTRAC's Contribution

Source: Vancouver Sun, December 14, 2007

- International drug syndicate kingpin and 16 associates were charged.
- \$168 million in drugs seized and millions laundered
- Real estate worth \$6 million was restrained
- FINTRAC assistance was acknowledged publicly by the police who investigated the case.

Public Examples of FINTRAC's Contribution (cont'd)

- Source: Montreal Gazette, November 25, 2006 –
- Project Colisée – Organized Crime (Rizzuto family)
- 1,000 charges were filed including drug importation and extortion.
- 700 Police Officers executed warrants and made 73 arrests.
- FINTRAC financial intelligence cited as key.

Public Examples of FINTRAC's Contribution (cont'd)

- Source: Vancouver Sun, May 20, 2006
- Frank Tran, money laundering kingpin sentenced to 10 years in prison and to pay a fine of \$423,462.
- He laundered \$201 million for Asian and Latino gangs that imported cocaine and exported marijuana.
- \$3 million in assets were forfeited.
- FINTRAC assistance acknowledged publicly by the police.

Public Examples of FINTRAC's Contribution (cont'd)

- Source: Montreal Gazette - September 30, 2005
- Norbourg Asset Management
- \$115 million dollar fraud of investors' funds
- Vincent Lacroix (founder) was fined \$255,000 and sentenced to 12 years in prison
- Reported in media that search warrants issued were based on FINTRAC information

Public Examples of FINTRAC's Contribution (cont'd)

- Source: The StarPhoenix (Saskatoon) - January 14, 2005
- Arrests made in crystal meth distribution ring in rural Saskatchewan.
- 14 counts of trafficking.
- Police identified they were tipped off by locals and FINTRAC.

Changes to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act and Regulations*

Objectives of New PCMLTFA Obligations

- Strengthen existing AML/ATF regime and build on FINTRAC's experience
- Address existing gaps in the legislation and regulations
- Enhanced detection and deterrence of money laundering and terrorist financing
- Make illicit transactions more difficult to conduct
- Greater impact against organized crime and terrorists

International Context for New Initiatives

- Meet Financial Action Task Force (FATF) member obligations
- UN Conventions on terrorism, corruption, organized crime, drug trafficking, etc.
- Money laundering and terrorist financing are transnational problems requiring international cooperation. International Monetary Fund estimates that 2-5% of global gross domestic product is money laundering (up to \$2.25 trillion)



Benefits of Changes to the Compliance Obligations

- Improved reporting to FINTRAC = Better money laundering and terrorist financing detection
- Enhanced record keeping = Preserved money trail
- Enhanced compliance regime = More preventative controls and awareness to reduce an entity's money laundering and terrorist financing risks
- More client identification = Remove anonymity
- Maintain integrity of Canada's financial system

Overview of New Requirements

- Client Identification
- Politically Exposed Foreign Persons (PEFPs)
- Reporting of Suspicious Attempted Transactions
- Record Keeping
- Beneficial Ownership
- Electronic Funds Transfers (EFTs) Originator Information
- Compliance regime
- Risk-Based Approach

New Client Identification

- Options for verifying client identity are expanded in non face-to-face situations (e.g. telephone, Internet services)
- Provides reporting entities with more flexibility

Politically Exposed Foreign Persons (PEFP)

- Applicable to financial entities, securities dealers, life insurers and MSBs.
- Determine if a client holds, or has held, senior positions within a foreign government, judiciary or military.

Suspicious Transactions

- All sectors must now submit reports about suspicious attempted transactions.
- All sectors must retain a record of all STRs.

Beneficial Owners

- Applicable to financial entities, securities dealers, life insurers and money services businesses.
- Take reasonable measures to obtain information on beneficial owners
 - If obtained, keep a record of it.

EFTs: Originator Information

- Requirement to include originator information on wire transfers.
- Originator information means the name, address and, if any, the account number or reference number of the client who requested the transfer.

Changes to Compliance Regime

- A strong compliance regime is the cornerstone to a successful anti-money laundering / anti-terrorism financing regime.
- Enhancements to the compliance regime requirements include:
 - Documented;
 - Reviewed more systematically;
 - Include a risk assessment;
 - Be reported to senior officer.

Risk-Based Approach (RBA)

- Prepare a risk assessment of potential threats and vulnerabilities to money laundering and terrorist financing.
- Significant guidance is being prepared to assist reporting entities in implementing risk-based approach.

FINTRAC's Approach to Compliance

FINTRAC

- Continue to be committed to a cooperative approach to compliance.
- Will continue to provide guidance on upcoming and existing requirements through the updating and further development of FINTRAC guidelines, brochures/pamphlets and fact sheets.

Key Dates

- Revised FINTRAC guidelines and other communications tools: starting in February 2008
- Information sessions: February 2008
- Webcasts: April 2008
- Most provisions are effective June 23, 2008

For More Information

Please consult FINTRAC's Web site:

www.fintrac-canafe.gc.ca

THANK YOU