



Canada Border
Services Agency

Agence des services
frontaliers du Canada

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Trade Fraud & Trade-Based Money Laundering Centre of Expertise

101 Overview

April 2020

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Authorities & Funding



Announced \$28M over four years (starting on April 1st, 2020) and \$10.5M per year ongoing (total 48 FTEs) for the creation of a “**Trade Fraud and Trade Based Money Laundering Centre of Expertise**”



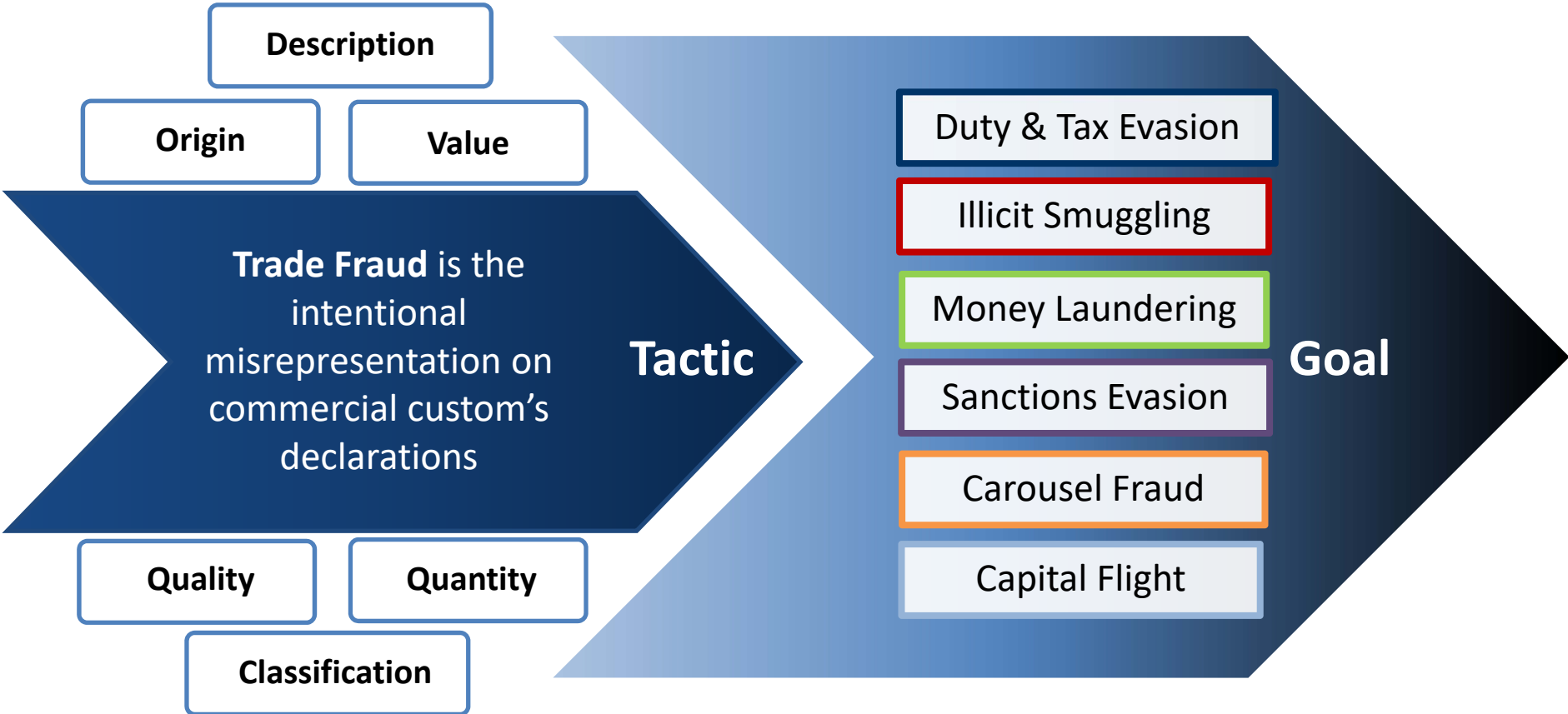
11 FTEs in 2020-21
+ 10 FTEs in 2021-22
21 FTEs to be funded on an ongoing basis



- ❖ Incremental funding starting in 2022-23 is frozen
- ❖ Report to President of Treasury Board required by March 2022 to **unlock funding for additional 27 FTEs**



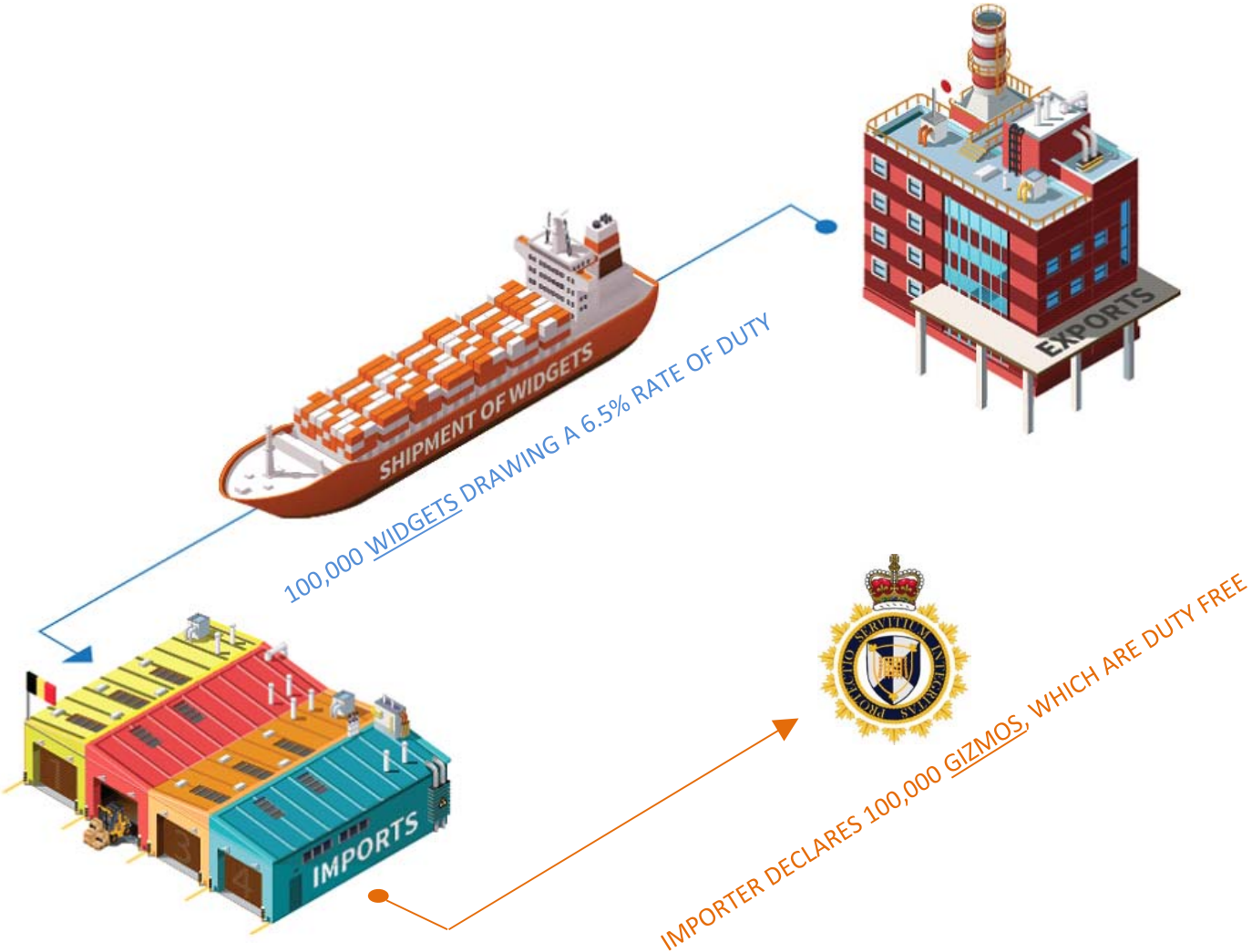
What are Trade Fraud and TBML?



Trade Based Money Laundering (TBML): Disguising and moving criminal proceeds through the use of trade transactions (engaging in trade fraud to launder money).



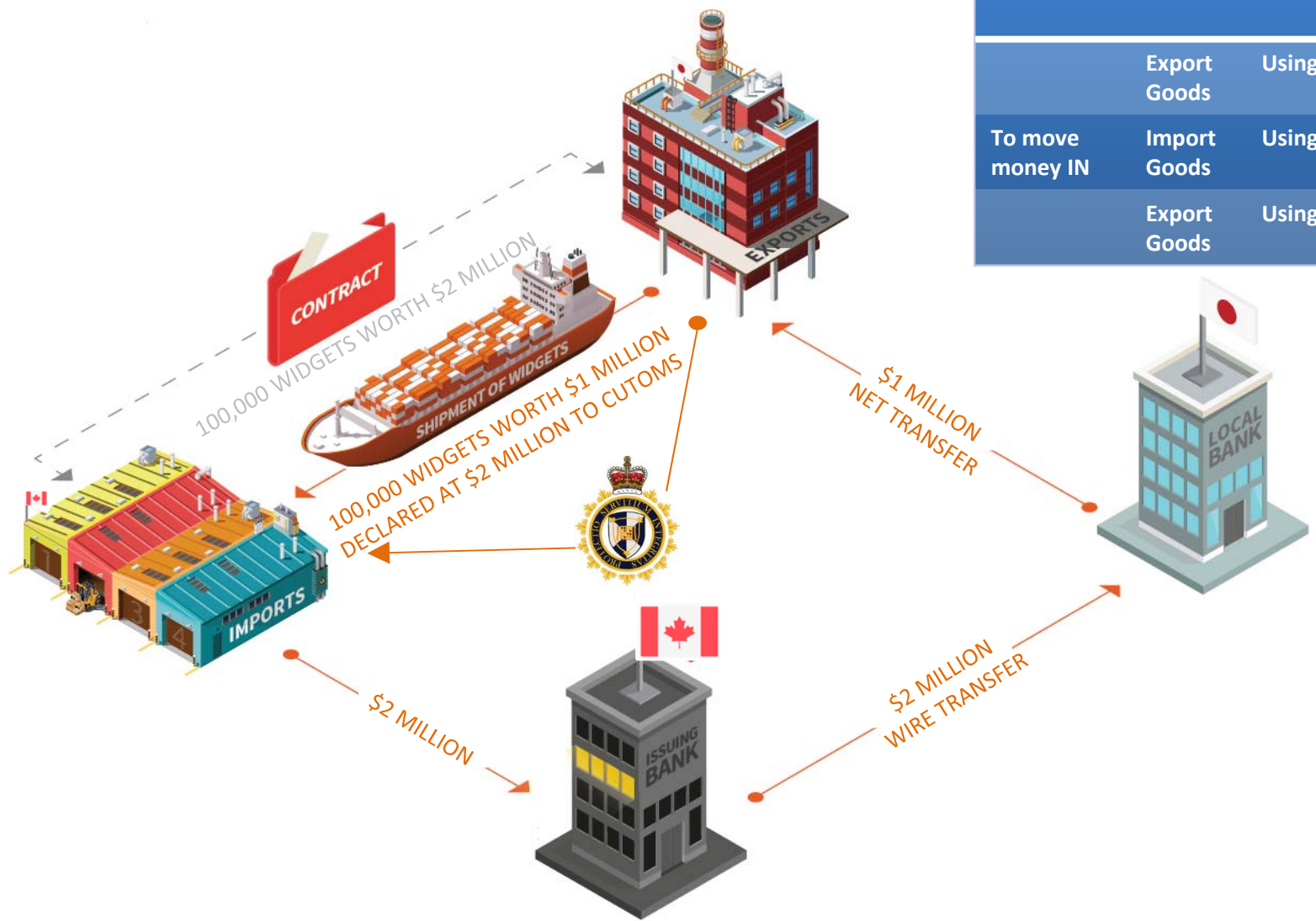
How Trade Fraud Works





How TBML Works

To move money OUT	Import Goods	Using above value prices
	Export Goods	Using below value prices
To move money IN	Import Goods	Using below valued prices
	Export Goods	Using above value prices





Trade Fraud Methods

Method	Description
Over Invoicing	By misrepresenting the price of the goods in the invoice and other documentation (stating it at above the true value) the seller gains excess value as a result of the payment.
Under Invoicing	By misrepresenting the price of the goods in the invoice and other documentation (stating it as below the true value) the buyer gains excess value when the payment is made.
Multiple Invoicing	By issuing more than one invoice for the same goods a seller can justify the receipt of multiple payments. This will be harder to detect if the colluding parties use more than one FI to facilitate the payments and or transactions.
Short Shipping	The seller ships less than the invoiced quantity or quality of goods thereby misrepresenting the true value of goods in the documents. The effect is similar to over invoicing.
Over Shipping	The seller ships more than the invoiced quantity or quality of goods thereby misrepresenting the true value of goods in the documents. The effect is similar to under invoicing.
Deliberate obfuscation of the Type of Goods	Parties may structure a transaction in a way to avoid alerting any suspicion to FIs or to other third parties which become involved. This may simply involve omitting information from the relevant documentation or deliberately disguising or falsifying it. This activity may or may not involve a degree of collusion between the parties involved and may be for a variety of reasons or purposes.
Phantom Shipping	No goods are shipped and all documentation is completely falsified.



Strengthening Canada's AML/ATF Regime

FATF

APG

Anti-money laundering and counter-terrorist financing measures

Canada

Mutual Evaluation Report

September 2016

HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

CONFRONTING MONEY LAUNDERING AND TERRORIST FINANCING: MOVING CANADA FORWARD

Report of the Standing Committee on Finance

The Honourable Wayne Easter, Chair

NOVEMBER 2018
42nd PARLIAMENT, 1st SESSION

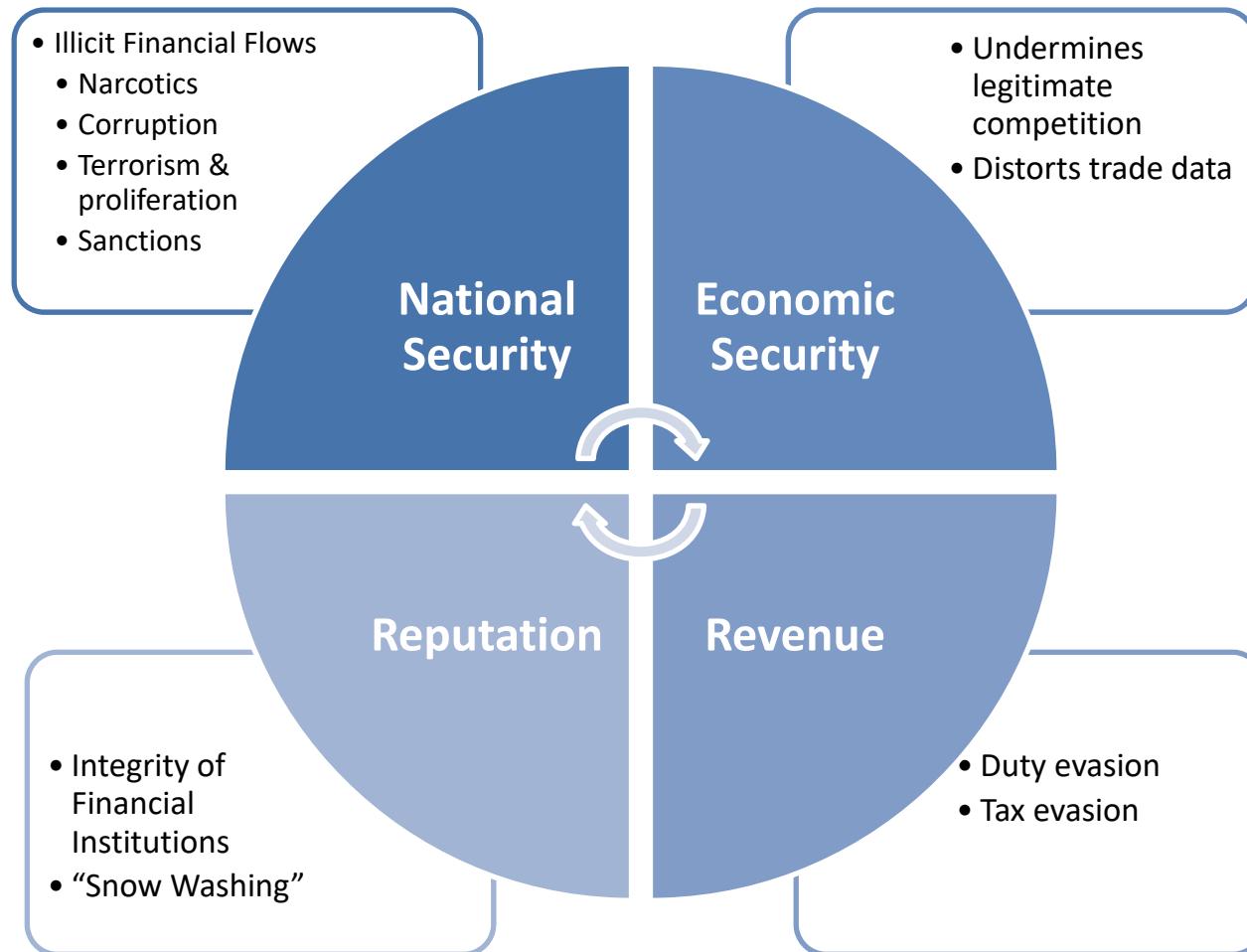
Investing in the Middle Class

BUDGET 2019

Tabled in the House of Commons
by the Honourable
William Francis Mornieu, P.C., M.P.
Minister of Finance
March 19, 2019

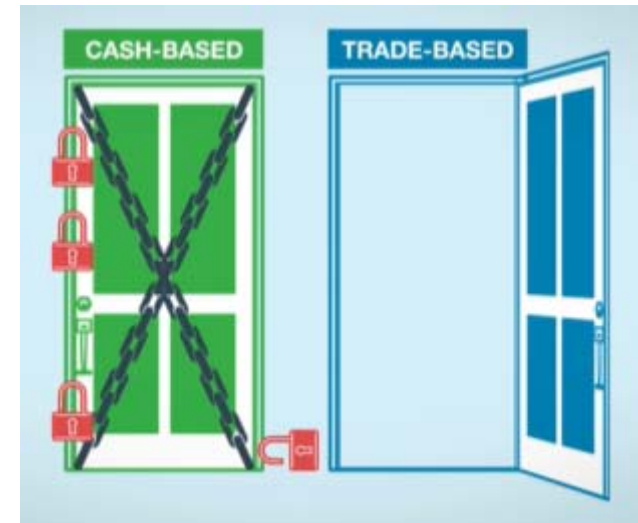


TBML Risks to Canada





Appeal of TF and TBML



Money Laundering Methods

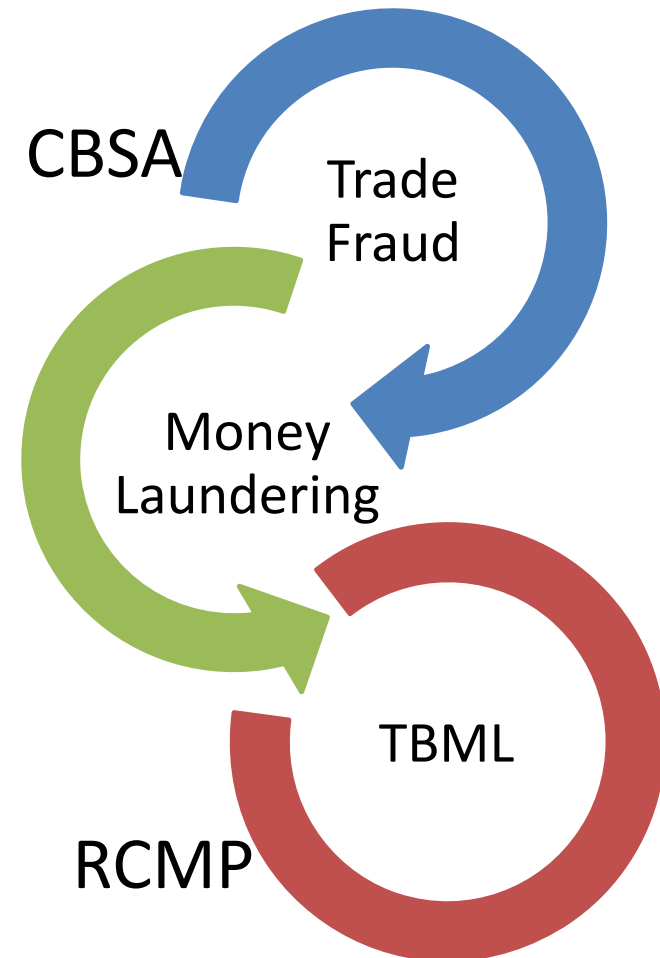
There are three primary money laundering methods

- Money laundering through financial institutions
- Bulk cash smuggling
- **Trade-Based Money Laundering (TBML)**



CBSA Roles and Responsibilities

TRADE FRAUD	TRADE-BASED MONEY LAUNDERING
<i>Customs Act (CBSA)</i>	<i>Criminal Code (Law Enforcement)</i>
Intent: to defraud national governments through customs “misinvoicing” aka “misdescription”	Intent: to disguise illicit financial flows and move value through the use of trade transactions in an attempt to legitimise their illicit origins
Method: manipulation of elements customs documents (aka trade fraud) such as: <ul style="list-style-type: none"> • Price paid • Quantity • National origin • Tariff classification • Physical description of the goods 	Method: trade fraud
CBSA = “TB”	RCMP = “ML”





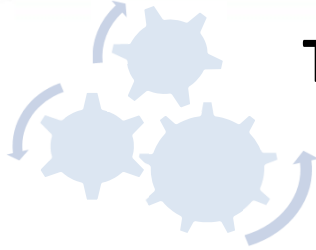
Government of Canada AML/TF Community



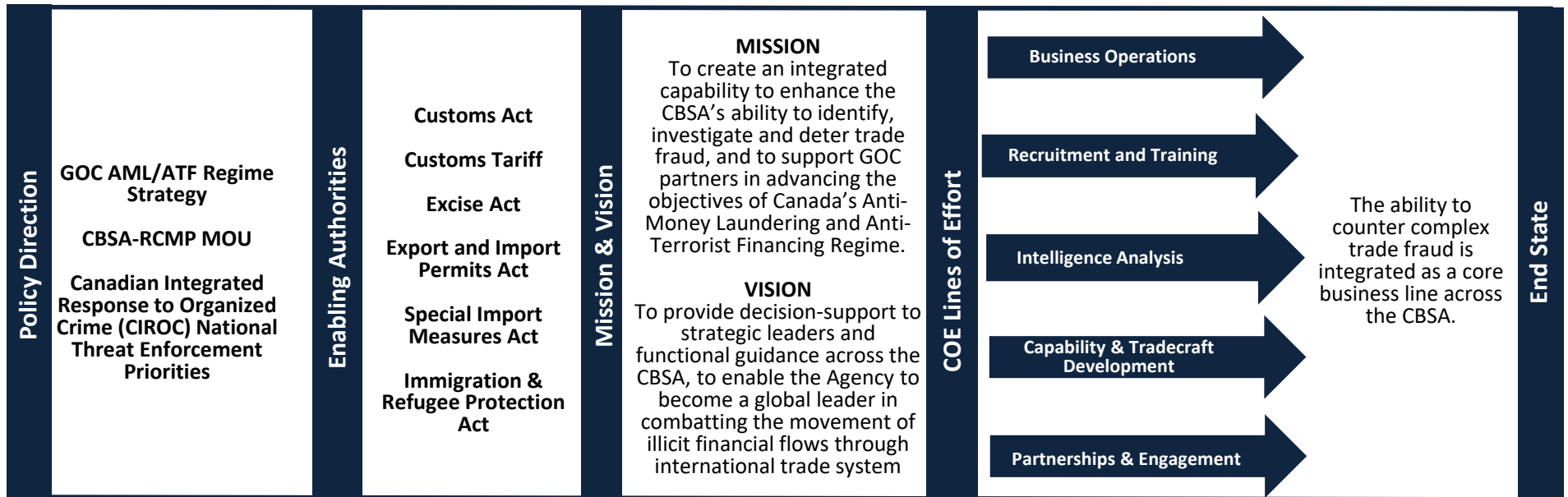


CBSA TF and TBML Community



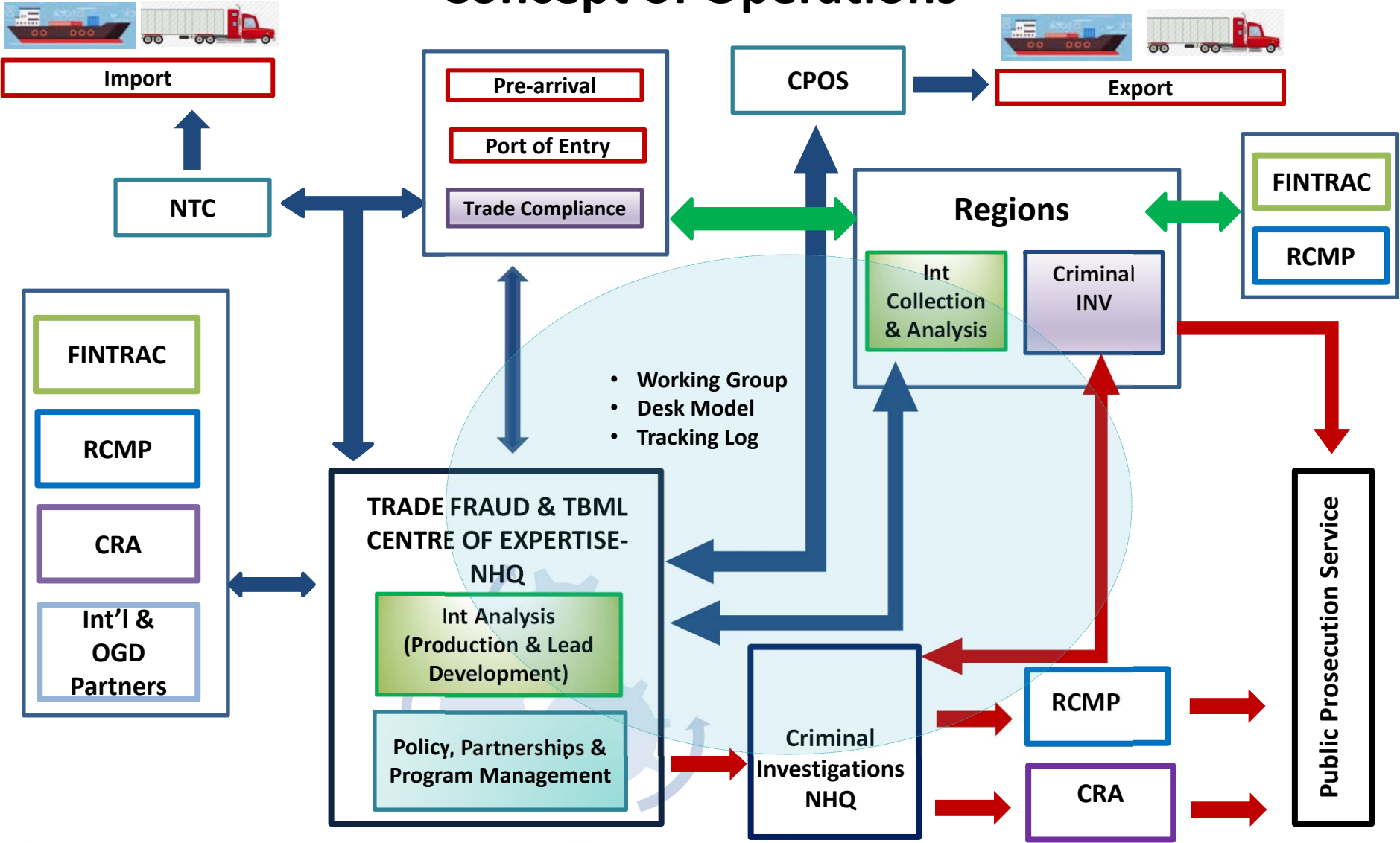


Trade Fraud and TBML Centre of Expertise Operating Framework





Concept of Operations





Central Coordination

What?

- Build a community of FB04-FB08 **intelligence** and **investigative** staff across the country who work on trade fraud/TBML files

Why?

- Maintain situational awareness on intelligence leads/projects/production and investigations across the country
 - Need to leverage scarce resources towards priority files (severity, potential)
 - Ensure INT probes a region is working on does not disrupt larger project
 - Coordinate on projects across jurisdictions
 - Identify trends
 - Support investigations anticipate workload based on intelligence files being developed
- Create community to build knowledge (e.g. training opportunities - HSI)

How?

- Monthly Management calls (corporate focus)
- Monthly Desk calls (analytical focus)
- Deep dive project calls as required
- Tracking log (leads, projects, referrals, investigations)
- Generic COE mailbox that all trade fraud referrals will be sent to
 - Triage at NHQ (nexus, prioritization) and farm out to regions



Lines of Effort

LOE 1: Business Operations

- Working Group / Desk Model / Track Log
- Results Table
- Financial set-up
- Establish lanes (INT analyst vs CI analyst)
- Webpage

LOE 2: Recruitment & training

- Staffing 75% complete
- TBML Intelligence training
- Financial forensic accounting training - FAMG
- HSI training/seminar

LOE 3: Intelligence Analysis

- Production Plan
- Intelligence lead development (& spin-off plan to the regions for projects)

LOE 4: Capability & Tradecraft Development

- Panjeeva – info from trade chain participants (bills of lading)
- Leveraging CPOS target on export capabilities
- Data analytics

LOE 5:

Partnerships

- HSI (Embed, training, biweekly call)
- CRA
- FAMG
- PS/RCMP – Integrated Proceeds of Crime model
- CBSA:
 - CDO
 - Trade – CARM
 - Risking Model



Data Analytics

Data Rich but Knowledge Poor

Trade Chain

- Foreign customs data
- Foreign company information
- Bills of Lading
- Shipping Invoices

Intelligence

- Financial (FIU)
- Criminal
- SIGINT
- HUMINT

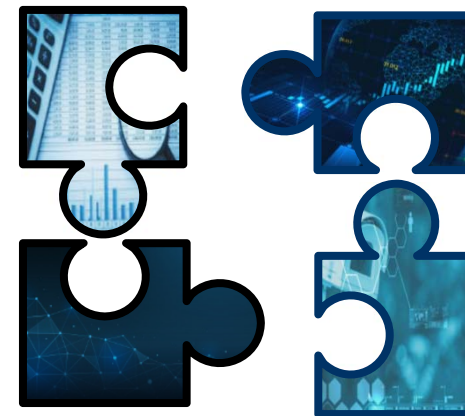
Non-Governmental

- Egmont Group
- Investigative Journalists databases
- Organized Crime and Corruption Reporting

Customs

- Import/Export declarations

Humans doing work that a machine could (layering of data)



Data Analytics provides sophisticated intelligence development and analysis capabilities that can:

- Automatically pull, combine and validate data on individuals and companies from multiple CBSA, GOC and external data sources to develop a fuller picture of potential intelligence targets;
- Automate network generation and analysis in order to identify hidden actors and relationships between threat actors from these various data sources (e.g. tying together customs data, open source shipping data, and financial intelligence from FINTRAC that reveals new information about potential criminal activity)
- Identify broad trends in threat actor behaviours (when provided with enough intelligence information over time).
- Conduct aggregate analysis of trade data to proactively identify anomalous transactions indicative of criminal activity.