



B. CRIMINAL MARKET NARRATIVE - MONEY LAUNDERING

OVERVIEW

Money laundering (ML) is an essential process used by OC to disguise the source of funds and evidence that crimes have been committed (making it less vulnerable to seizure by LE)¹¹ and to finance further criminal operations. Ultimately the goal is to place illicit funds into the legitimate financial system. To facilitate their money laundering, BC-based OC groups use a range of techniques – from sophisticated schemes involving Trade-Based Money Laundering (TBML), to using specialized criminal money launderers who may or may not operate money service businesses (MSBs), to hiring legitimate professionals (such as notaries, lawyers, accountants, etc.) who may or may not be complicit in the illegal activities.

STRATEGIC CONSIDERATIONS

- In general, there are intelligence gaps in BC and Yukon related to the full scope of criminal involvement in ML activities and the OC groups which are involved. Factors contributing to the gaps and challenging LE agencies in investigating ML include:
 - difficulties in sharing of information and intelligence between LE, anti-money laundering (AML) agencies, private sector agencies, and regulatory bodies
 - differing AML legislation and/or AML policies in various countries¹², and
 - prosecuting cases where predicate offences may be difficult to establish¹³
- There is limited information indicating that Yukon-based OC groups use sophisticated ML techniques such as TBML or use professional money launderers
- In BC, money laundering is usually not the primary focus of an investigation but is part of other investigations looking at predicate offences¹⁴
- Professional money launderers who own MSBs operating in BC are being used by BC-based OC groups to launder funds.

¹¹ V1

¹² V1

¹³ FATF/APG (2016), Anti-money laundering and counter-terrorist financing measures - Canada, Fourth Round Mutual Evaluation Report, FATF, Paris, www.fatf-gafi.org/publications/mutualevaluations/documents/mer-canada-2016.html

¹⁴ V1



PROFESSIONAL MONEY LAUNDERERS

- Professional money launderers specialize in laundering proceeds of crime and offer their services to criminals for a fee¹⁵; many money launderers operate MSBs (e.g. coin and bullion exchanges, overseas fund remitters, etc.), and these pose a high threat to BC and Yukon because:
 - they are capable of supporting complex long-term ML operations and manipulating the money transfer system
 - their operations and the BC-based OC groups who use their services are transnational¹⁶
- OC groups in BC use professional money launderers and illegal MSBs, however, the amount of this activity that is occurring is estimated to be underreported. MSBs that are controlled or manipulated by OC groups offering financial services and money laundering for OC have historically surfaced in police investigations, but some of these are no longer included in the PTA due to a lack of recent information and intelligence
- From what is known currently and historically, there is a network of OC groups who operate MSBs, who support each other's ML activities, and are associated to other OC groups in BC¹⁷
- Professional money launderers are often not directly involved in the predicate offences. This distance from the offence insulates money launderers, and these criminal actors are likely to receive lesser charges, such as conspiracy or fraud, with limited reprimand¹⁸. This can pose a challenge for LE trying to pursue charges against professional money launderers¹⁹.

¹⁵ Department of Finance Canada, Assessment of Inherent Risks of Money Laundering and Terrorist Financing in Canada – 2015, p.22 Unclassified, <https://www.fin.gc.ca/pub/mltf-rpcf/index-eng.asp>

¹⁶ Financial Action Task Force (FATF), Money Laundering through Money Remittance and Currency Exchange Providers, June 2010,

<http://www.fatfgafi.org/media/fatf/ML%20through%20Remittance%20and%20Currency%20Exchange%20Providers.pdf>;

Department of Finance Canada, Assessment of Inherent Risks of Money Laundering and Terrorist Financing in Canada – 2015, p.22 Unclassified, <https://www.fin.gc.ca/pub/mltf-rpcf/index-eng.asp>; V1

¹⁷ V3: Ongoing Investigation

¹⁸ FATF/APG (2016), Anti-money laundering and counter-terrorist financing measures - Canada, Fourth Round Mutual Evaluation Report, FATF, Paris, www.fatf-gafi.org/publications/mutualevaluations/documents/mer-canada-2016.html

¹⁹ Department of Finance Canada, Assessment of Inherent Risks of Money Laundering and Terrorist Financing in Canada – 2015, Unclassified, <https://www.fin.gc.ca/pub/mltf-rpcf/index-eng.asp>



What are the implications for LE?

- Professional money launderers may surface in other investigations (e.g. drug cases) as secondary targets
- Due to the lack of information and intelligence, these groups are underreported and operate largely unchecked.

PROFESSIONAL SERVICE PROVIDERS

- Professional service providers (e.g. lawyers, real estate agents, mortgage brokers, accountants, etc.) are used by OC groups in BC to provide services (e.g. purchasing real estate, establishing trusts and domestic and offshore companies, and passing funds through their client accounts) that OC uses in their money laundering activities²⁰. The professional service providers thus serve as facilitators to OC.
- There are several high threat level OC groups in BC that have used professional service providers²¹, and it appears there are some professionals who may be complicit in the money laundering²². It is difficult to prove the individual is knowingly facilitating money laundering²³, and it is unknown to what degree professional service providers may be coerced or extorted to become involved
- It is assessed that ML activities require professionals who serve as facilitators, and that those who are complicit in these schemes pose a high level of threat; they are able to structure the illegal activities to obscure the source of the illegal funds²⁴ in order to avoid detection from LE and other investigative bodies (e.g. professional associations).

²⁰ Financial Action Task Force(FATF), Money Laundering and Terrorist Financing Vulnerabilities of Legal Professionals, June 2013, <http://www.fatf-gafi.org/publications/methodsandtrends/documents/mltf-vulnerabilities-legal-professionals.html>; Department of Finance Canada, Assessment of Inherent Risks of Money Laundering and Terrorist Financing in Canada – 2015, Unclassified, <https://www.fin.gc.ca/pub/mltf-rpcf/index-eng.asp>;

²¹ **V1** Adam Ross, " On our doorsteps: Money laundering in Canadian real estate," The Canadian Bar Association: British Columbia Branch, 2018, <https://www.cbabc.org/Sections-and-Community/Business-Law/Business-Law-Quarterly/Business-Law-Quarterly-Archives/Q2-Current-Issues-in-Anti-Corruption-and-Money-Lau/On-our-doorsteps-Money-laundering-in-Canadian-real>

²² Kathy TOMLINSON , " B.C. vows crackdown after Globe investigation reveals money-laundering scheme, The Globe and Mail (BC Edition), " 2018-02-16, <https://www.theglobeandmail.com/news/investigations/real-estate-money-laundering-and-drugs/article38004840/>

²³ Financial Action Task Force(FATF), Money Laundering and Terrorist Financing Vulnerabilities of Legal Professionals, June 2013, <http://www.fatf-gafi.org/publications/methodsandtrends/documents/mltf-vulnerabilities-legal-professionals.html>

²⁴ Department of Finance Canada, Assessment of Inherent Risks of Money Laundering and Terrorist Financing in Canada – 2015, p.22 Unclassified, <https://www.fin.gc.ca/pub/mltf-rpcf/index-eng.asp>); Department of Finance Canada, Reviewing Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime, February 07, 2018, Unclassified, <https://www.fin.gc.ca/activty/consult/amlatfr-rpcf-eng.asp>



What are the implications for LE?

- While there is a general understanding that professional service providers are being used to assist OC groups in money laundering, there is a need for LE and other agencies to work with the professional associations (e.g. real estate councils, law societies, accounting associations, etc.) to ensure their members are not knowingly involved in the money laundering activities of OC²⁵.

TRADE-BASED MONEY LAUNDERING

Canada has a high level of global trade, an open economy, and a stable financial system, which makes it susceptible to money laundering of all kinds, including trade-based money laundering (TBML)²⁶. Proceeds of crime laundered in Canada can originate from domestic or international criminal enterprises²⁷.

- There are OC groups in BC that have the capability, knowledge, and transnational relationships to orchestrate TBML. These OC groups have the knowledge, skills, and relationships to manipulate trade chains²⁸ and conduct complex foreign exchange transactions to commingle the proceeds of crime²⁹
- While there are currently two BC-based OC groups known to be involved in TBML³⁰, it is believed this is an underrepresentation, and the true scope of TBML in BC is not well understood. TBML is an intelligence gap in BC and Yukon
- TBML is assessed as posing a high threat because the groups involved operate transnationally and work with OC in other countries, and the amount of legitimate trade provides ample opportunities for conducting this type of money laundering. Information and intelligence gaps suggest that much activity in this area is undetected by LE.

²⁵ Department of Finance Canada, Reviewing Canada’s Anti-Money Laundering and Anti-Terrorist Financing Regime, February 07, 2018, Unclassified, <https://www.fin.gc.ca/activty/consult/amlatfr-rpcf-at-eng.asp>

²⁶ Department of Finance Canada, Assessment of Inherent Risks of Money Laundering and Terrorist Financing in Canada – 2015, p.35, Unclassified, <https://www.fin.gc.ca/pub/mltf-rpcf-at/index-eng.asp>; V1 [REDACTED]

²⁷ V1 [REDACTED]

²⁸ Department of Finance Canada, Assessment of Inherent Risks of Money Laundering and Terrorist Financing in Canada – 2015, p.20, Unclassified, <https://www.fin.gc.ca/pub/mltf-rpcf-at/index-eng.asp>

²⁹ Department of Finance Canada, Assessment of Inherent Risks of Money Laundering and Terrorist Financing in Canada – 2015, p.35, Unclassified, <https://www.fin.gc.ca/pub/mltf-rpcf-at/index-eng.asp>; V1 [REDACTED]

³⁰ V1 [REDACTED]



What are the implications for LE?

- While there is a general understanding that TBML occurs, its scope, methods, and techniques used in TBML are not well understood by LE³¹. which means that OC groups in BC that are conducting TBML will continue to transfer value across borders, evade detection, and launder proceeds of crime in various countries.

³¹ V1

