



TRENDS IN CANADIAN SUSPICIOUS TRANSACTION REPORTING (STR) – PART II

FINTRAC Typologies and Trends Reports – October 2011



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MESSAGE FROM THE DIRECTOR

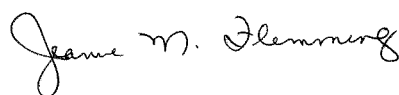
I am pleased to present this second publication on *Trends in Canadian Suspicious Transaction Reporting*. This series of publications is intended to help reporting entities strengthen their efforts to comply with the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*. By highlighting trends in suspicious financial activity reported in STRs, themes extracted from the Part G narrative, and the intelligence value that can be derived from STRs, these publications also help provide reporting entities with a baseline that can be used in the future to assess changes in STR reporting over time.

Before getting to the key findings of this study, I would like to highlight some important accomplishments. Since the first report was released in May 2011, we've come a long way in developing our text mining capability, which is central to the kind of analysis featured in both *Trends in Canadian Suspicious Transaction Reporting* publications. Recent advancements in our text mining methodology and technique now enable us to analyze both English and French STRs, and extract more complex reasons for suspicion from the Part G narrative, something that we were not able to do for the first report. As a result, this current publication builds on the preliminary findings of the first report, with the aim of providing additional insight by focusing on dominant themes in suspicious transaction reporting, as described by reporting entities (REs).

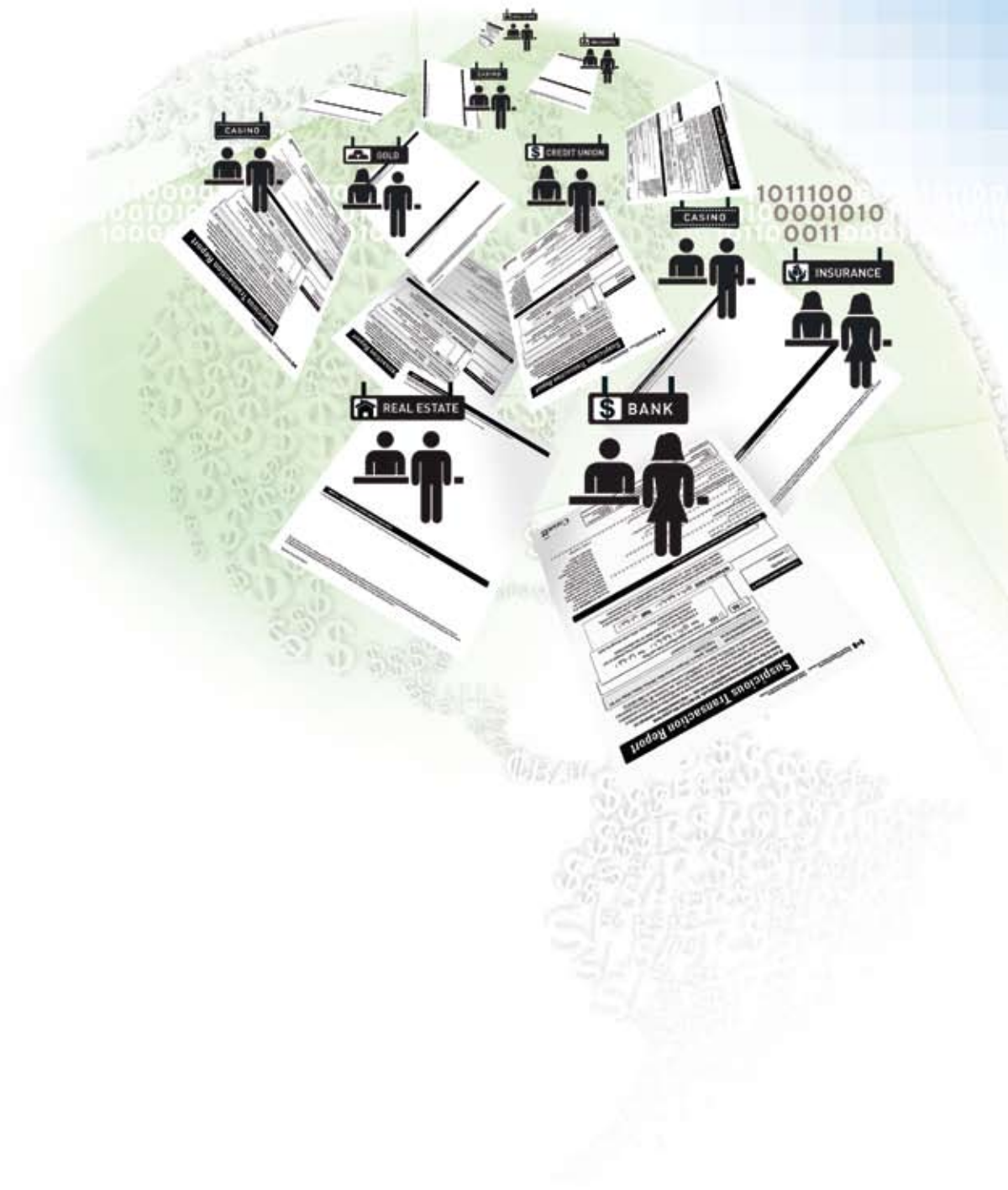
This second report on *Trends in Canadian Suspicious Transaction Reporting* presents FINTRAC's findings for each sector with reporting obligations under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*. I trust that this approach will offer unique insight, particularly since it has enabled FINTRAC to highlight new themes that were not previously identified for a significant number of sectors, such as casinos, money services businesses, trust and/or loan, life insurance, and securities. In addition, the geospatial analysis enhances the themes identified through text mining by mapping reported suspicious financial activity across Canada, thus helping to visualize the results.

Overall, our findings for this second *Trends in Canadian Suspicious Transaction Reporting* study support the main conclusion of the first report, namely that reporting entities across all sectors tend to submit STRs relating to the placement stage of the money laundering cycle. References that would indicate the layering or integration of proceeds of crime are much less frequent. Our findings also show that transactions indicative of structuring activity, transactions in cash or for which the source of funds is unknown, and transactions undertaken by clients already subject of an STR are the predominant reasons for suspicion found across all sectors. Some of those reasons for suspicion were also identified in the first report.

As I have done in the first report, I would like to re-affirm the importance of STRs to our AML/ATF regime. These reports provide valuable information allowing FINTRAC to assist partners in their investigations of money laundering and terrorist financing. The insight that FINTRAC obtains from the analysis of STRs is also crucial to improving our compliance program and feeding into our production of strategic intelligence. But most important, research such as this helps reporting entities improve their anti-money laundering programs. It is FINTRAC's intent to keep producing Typologies and Trends reports and continue working with REs to make Canada inhospitable to criminal financial activity that destabilizes, corrupts, and undermines the integrity of our financial system.

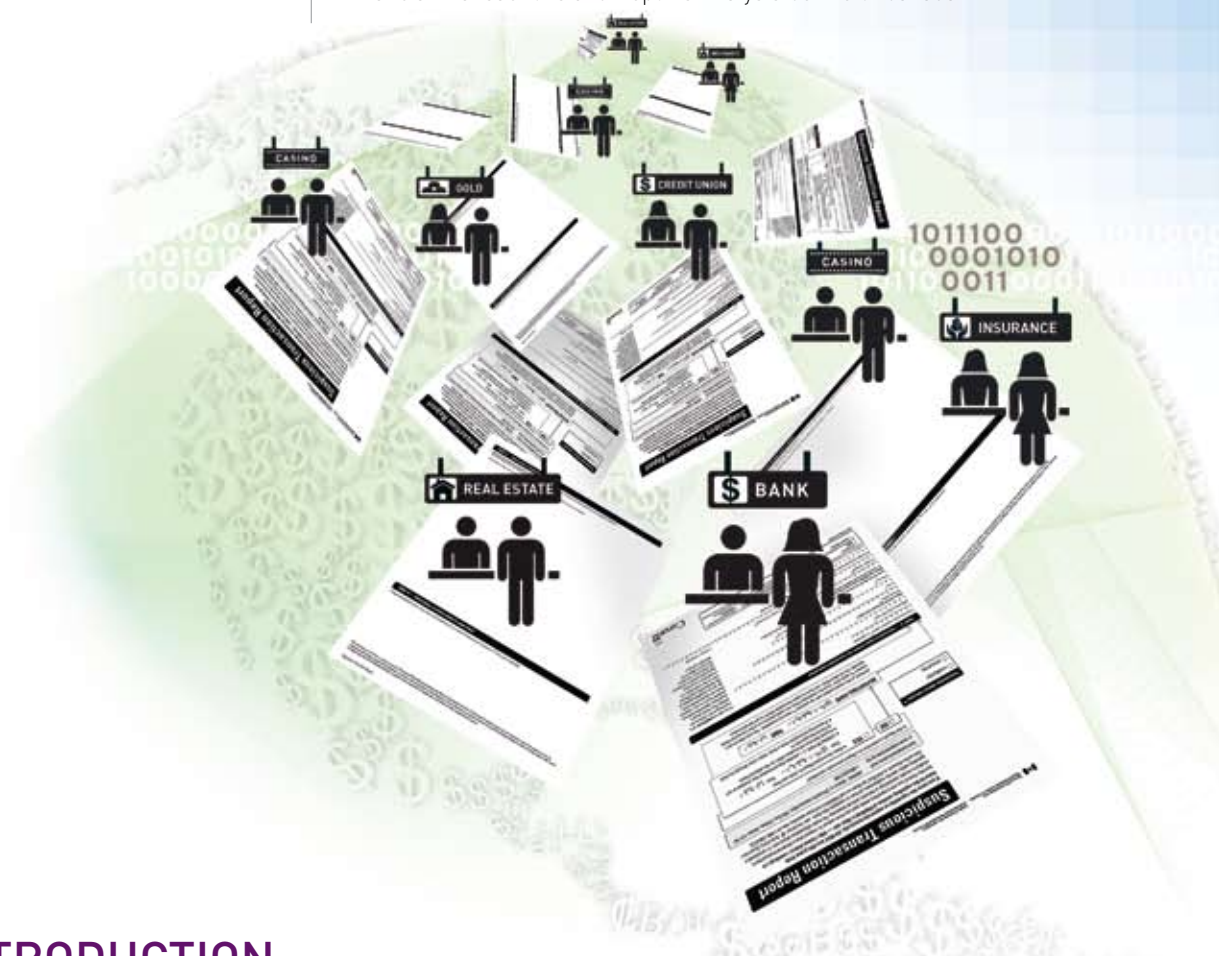


Jeanne M. Flemming
Director



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PART 1: INTRODUCTION

This report is the second in a series of FINTRAC publications that are intended to provide strategic financial intelligence and feedback to reporting entities about suspicious transactions reports (STRs).

The first FINTRAC report on *Trends in Canadian Suspicious Transaction Reporting*, released in May 2011, presented a preliminary analysis of STRs submitted to FINTRAC between 2001 and 2010, using geospatial and text mining techniques. That report was the first FINTRAC attempt to use the text mining technique in a financial analytical product, and served as the foundation to the current more sophisticated methodology.

This Trends and Typologies report on STRs is a continuation of the first one, and consists of an enhanced automated analysis of English and French STRs¹ submitted to FINTRAC from January 1st, 2007

to December 31st, 2010. It provides a greater focus on select topics related to money laundering and terrorist financing that are described by reporting entities in the Part G narrative of STRs. In order to keep providing feedback to reporting entities in relation to STRs and keep highlighting interesting trends as FINTRAC's text mining capabilities develop in sophistication, it is our intention to keep producing this series of analytical publications.

There are several sections in this report. Part 1 provides a broad overview of the material introduced in the first report, and addresses the new methodology used to analyze STRs in the current report. Part 2 describes the trends observed in the Part G narrative of STRs by specific sector, and contains the report's main findings. Part 3 provides a brief overview of the dominant themes related to reasons for suspicion in STRs across all sectors. Conclusions are offered in Part 4.

¹ The automated analysis of French STRs had not been completed in the last report due to the challenges associated to developing a standardized vocabulary for both official languages.

A) METHODOLOGY

For this report, FINTRAC analyzed over 238,000 STRs submitted between 2007 and 2010 by all sectors required to report to FINTRAC under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, namely:

- Financial entities of all types (banks, credit unions, caisses populaires, etc.);
- Life insurance companies, brokers or agents;
- Securities dealers, portfolio managers, and authorized investment counsellors;
- Money services businesses;
- Crown agents accepting deposit liabilities and/or selling money orders;
- Accountants and accounting firms;
- Real estate brokers, sales representatives and developers;
- Casinos;
- Dealers in precious metals and stones; and
- British Columbia notaries.

Although there are similarities between the methodologies used for the first and second issue of the *Trends in Canadian Suspicious Transaction Reporting*, there are subtle differences which enhance this report's results.


To eliminate potential bias, the methodology was shifted from one relying on heavy manual review and grouping of concepts to one that is more data-driven. Using this approach, a much more significant sample of STRs was categorized.

To extract concepts from STRs, the Part G narrative was first evaluated based on several report characteristics. Following this, probabilistic models were applied to highlight more predominant concepts or concept groupings. Additionally, two filtering rules were used to help remove names and other infrequent words: concepts were only included when they appeared in more than one year and in over 0.5% of the total STRs for the given sector. These two rules helped identify relevant concepts while still being able to capture a very wide variety of wording used by the different reporting entities.

Also, in an attempt to reduce the overall impact of entities providing a high volume of reports, each reporting entity was evaluated equally. The previous methodology did not account for this type of institutional bias and therefore, reporting entities in the lower tier of the sector's overall activity might have been overshadowed. In contrast, the new methodology factored both time and geography when extracting concepts from STRs. This facilitated the control of high volume years and provinces early on in the process, thus ensuring a more representative extraction of concepts from the Part G narrative. As a result, the text mining technique currently enables FINTRAC to undertake more complex analysis of STRs by providing the possibility to examine the occurrence of single concepts or concept groupings over time, by reporting entity, and by province, thus enhancing the richness of intelligence that can be obtained from STRs.

For this report, once a list of concepts was extracted by sector, results were manually reviewed, validated, analyzed, and grouped. This approach allowed for a more accurate collection of concepts featured in STRs, and enabled us to account for terminology differences, spelling variations and even spelling mistakes. In fact, the text mining technique was successful in highlighting some data quality issues in STRs. Multiple reports contained unexplained acronyms, misspelled words central to the reason of suspicion being explained, or incomplete sentences or ideas. Although many of those quality issues can be circumvented when a human being interprets the written content, they can pose a challenge for an automated analysis process and can skew results by diluting the frequency and probability models central to text mining. As a result, a manual review of the data mining results was still necessary to identify and eliminate concepts identified as noise words, such as words that were part of a background narrative and did not directly relate to the reasons for suspicion ('client came', 'member asked', 'client since', etc).

A similar concept validation process took place for groupings, however a unique challenge presented itself when analyzing two or more concepts together. One of the major objectives for this second *Trends*



in Canadian Suspicious Transaction Reporting was to enhance the sophistication of the text mining technique in order to extract more complex groupings and themes. At the technical level, our objectives were accomplished in that we were able to “mine” the text in the Part G narrative of STRs and extract groupings of multiple concepts. However, an unexpected finding of this study was that increased groupings of concepts (for instance four or five) did not necessarily reveal more complex reasons for suspicion presented in STRs. Instead, those larger groupings of concepts identified phrasings that were frequently used by multiple reporting entities across a specific sector, but which did not provide details about their suspicions. For the purpose of this report, concepts associated to such phrasings were filtered out to place the emphasis on the reasons of suspicion discussed in the STRs. Therefore, the remaining concepts were categorized as “single suspicion concepts” or “suspicion concept groupings”.

PART 2: TRENDS IN PART G NARRATIVE BY SECTOR

Table 1 provides an overview of the number of STRs submitted by each reporting sector between 2007 and

2010, followed by the percentage of STRs containing any type of single concept, and finally the percentage of STRs containing at least one single suspicion concept.

TABLE 1: NUMBER OF STRs SUBMITTED TO FINTRAC AND PERCENTAGE OF REPORTS CONTAINING AT LEAST ONE CONCEPT

Sector	Number of STRs received by FINTRAC	Percentage of STRs containing at least one concept ²	Percentage of STRs containing one of the top single suspicion concepts
Banks	75,944	99.3%	87.4%
Money services businesses ³	72,472	97.9%	84.1%
Caisses populaires	51,261	85.0%	48.8%
Credit unions ⁴	18,052	97.1%	67.0%
Casinos	14,051	88.2%	60.2%
Trust and/or loans	3,870	98.9%	69.7%
Life insurance ⁵	1,534	95.0%	73.5%
Other ⁶	960	89.7%	62.0%

² For this column, the word 'concept' refers to all concepts initially extracted, that is, combining "noise concepts" and "suspicion concepts".

³ Includes crown agents.

⁴ Includes provincial savings offices.

⁵ Includes companies, brokers, agents.

⁶ Includes accountants, British Columbia notaries, coop credit societies, dealers in precious metals and stones, real estate agents and securities dealers.

For the majority of sectors listed in Table 1, FINTRAC was able to extract at least one concept in over 95% of STRs reported. There are two sectors, caisses populaires and casinos, for which our text mining process identified one concept in a smaller percentage of STRs. This result is likely due to the two filtering rules discussed in the methodology section, which identified and removed concepts that appeared in only one year, or that appear in less than 0.5% of STRs for a given sector. These rules were applied to limit the amount of unique wording and variations that did not contribute to the general tendencies and trends present within a given sector.

In addition, when STRs submitted to FINTRAC contained a very limited amount of words, the text mining technique may not have been able to extract any concepts. Table 2 indicates how many STRs submitted to FINTRAC contained less than 140 characters. By way of comparison, 140 characters is the allotted amount of space for messages posted on Twitter, a social networking site on which users engage in “micro-blogging” to exchange short messages with their network.

As indicated in Table 2, almost 20% of all STRs received by FINTRAC between 2007 and 2010 were under 140 characters. Although the length of the narrative is not necessarily an indication of the quality of reporting, it should be recognized that only so much rationale in support of suspicious activity reporting can be provided in such short reports.

While reporting entities may still be compliant with reporting obligations, the limited amount of text in certain reports reduces the breadth and quality of financial intelligence that can be obtained from STRs through any kind of analysis, including text mining or a manual review.

Given that the methodology used for the current report has changed since the first issue, a new list of top single suspicion concepts is provided by sector. This is followed by an overview of major groupings of concepts in order to better explore the predominant reasons for suspicion communicated in STRs.

Note that for all tables in this report, concepts marked with an asterisk are present in both English and French. Single suspicion concepts and concept groupings are provided in their original language as extracted from the STRs, while themes are an interpretation of the concepts and are presented in English. Additionally, for all tables in this report, the percentages do not add up to 100% since the same STR may have more than one single suspicion concept or grouping.

To avoid over-representing major Canadian regional municipalities, which generally exhibit larger STR volumes, maps in this report have been normalized to represent the number of STRs submitted by reporting entities, per 100,000 people. By using this approach it is possible to see interesting trends emerge, which are discussed in the following pages. The maps are divided into 288 regional municipalities, which are based on Statistics Canada Census Divisions.

TABLE 2: NUMBER OF STRs BY SECTOR CONTAINING LESS THAN 140 CHARACTERS

Sector	Number of STRs under 140 characters	Percentage of STRs
Casinos	9,533	67.9%
Caisses populaires	28,699	56.0%
Life insurance ⁷	481	31.4%
Credit unions ⁸	5,369	29.7%
Other ⁹	55	5.7%
Trust and/or loans	194	5.0%
Money services businesses ¹⁰	1,343	1.9%
Banks	1,081	1.4%

⁷ Includes companies, brokers, agents.

⁸ Includes provincial savings offices.

⁹ Includes accountants, British Columbia notaries, coop credit societies, dealers in precious metals and stones, real estate agents and securities dealers.

¹⁰ Includes crown agents

A) BANKS

TABLE 3: TOP 25 SINGLE SUSPICION CONCEPTS IN STRs SUBMITTED BY BANKS BETWEEN 2007 AND 2010

Single suspicion concept	Percentage of STRs containing the concept	Single suspicion concept	Percentage of STRs containing the concept
Cash deposits	37.1%	Same day	7.9%
Source funds*	26.6%	USD account	7.7%
Funds unknown*	21.3%	Draft payable	7.3%
Cash deposit*	15.7%	Large cash	6.7%
Cash withdrawals	15.5%	Self-employed*	6.6%
CAD account	13.2%	Money laundering	6.3%
Disposition funds	13.1%	Short time	6.2%
Below reporting	11.0%	Incoming wires	6.1%
Third party*	10.5%	Legitimacy funds	5.7%
Cash deposited	10.5%	Incoming wire	5.7%
Personal account*	10.4%	Previously reported	5.6%
Business account*	9.2%	Even dollar	5.3%
Time frame	8.4%		

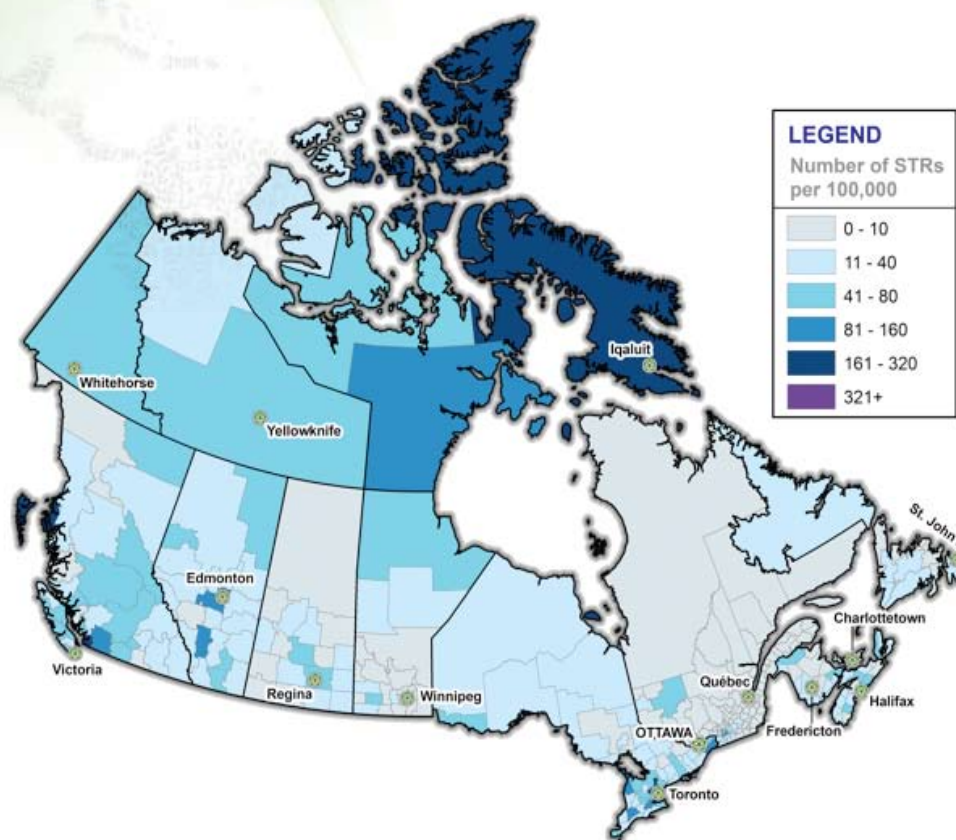
Between 2007 and 2010, the bank sector submitted over 75,900 STRs to FINTRAC in both official languages, and 87.4% of those STRs contained at least one of the top 25 single suspicion concepts listed in Table 3.

From this list, it is clear that a significant portion of STRs relate to the notion of cash transactions. 'Cash deposits' are mentioned in STRs more than twice as frequently as 'cash withdrawals'. This finding links to the second top concept, the 'source of funds'. Reporting entities are expected to perform customer

due diligence, and take reasonable measures to identify mandatory information on their clients. Our results show that in over a quarter of STRs (over 20,000 reports) submitted to FINTRAC by this sector, the source of funds associated to the reported transaction or account was an element of concern.

Map 1, found on the next page, illustrates the geographical distribution of the single suspicion concepts 'cash deposit', 'cash deposits' and 'cash deposited' across Canada, as reported in STRs submitted by banks between 2007 and 2010.

MAP 1: NUMBER OF BANK STRs, PER 100,000 PEOPLE, CONTAINING SINGLE SUSPICION CONCEPTS RELATED TO CASH DEPOSITS



Generally, the single suspicion concepts related to cash deposits appears frequently in STRs across all provinces in Canada, especially in the Northern provinces and territories, in select areas of Western Canada, and in Southern Ontario.

Other regions that recorded the highest use of 'cash deposit(s)' in STRs submitted to FINTRAC were the Greater Vancouver Regional District and Skeena-Queen Charlotte Regional District in British Columbia, as well as the Toronto and Hamilton Divisions in Ontario.

The province of Quebec does not feature a high representation of this concept in the banking sector, likely due to the fact that a very significant portion of

Quebec residents use caisses populaires as their primary financial institutions. Nevertheless, certain areas such as the Vallée de l'Or showed a significant volume of STRs containing this concept.

When examined in a more complex grouping, the concepts related to cash deposits still appear in the top, however the results are more nuanced to indicate that the deposits were large or that the client conducted multiple deposits. Our analysis has revealed other suspicion concept groupings present in the STRs submitted by bank reporting entities, as seen in Table 4.

TABLE 4: TOP SUSPICION CONCEPT GROUPINGS IN STRs SUBMITTED BY BANKS BETWEEN 2007 AND 2010

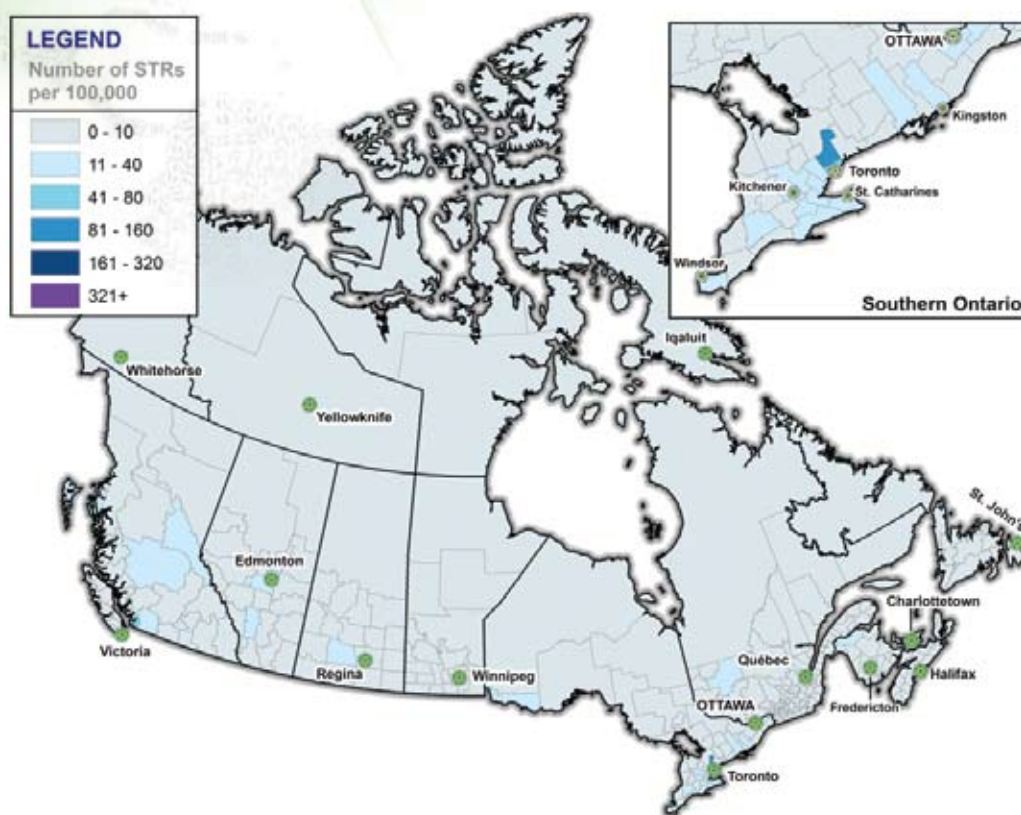
Theme	Suspicion Concept Grouping	Percentage
Transactions below reporting threshold	Reporting threshold + below reporting	10.3%
Ultimate disposition of funds is unknown	Ultimate disposition + disposition funds + funds unknown	7.2%
Activity over a short time frame	Short time + time frame	5.7%
Use of different currencies	CAD account + USD account	5.0%
High risk jurisdiction	High risk + risk jurisdiction	4.5%
Inconsistent activity or unsubstantiated rationale for activity	Activity not + not support	4.3%
Questioning legitimacy of funds	Source legitimacy + legitimacy funds*	4.6%
Large cash deposits	Large cash + cash deposits	3.8%
Previously reported	Previously reported + reported FINTRAC	3.6%
Multiple cash deposits	Multiple cash + cash deposits	3.3%
Use of personal and business accounts	Personal account + business account*	3.0%
Suspected money laundering offence	Money laundering + laundering offence + reasonable grounds + grounds suspect	2.4%
Unknown source of funds	Original source + source funds + funds unknown	1.7%
Multiple cash withdrawals	Multiple cash + cash withdrawals	1.6%
Multiple cash deposits	Multiple cash + cash deposit	1.1%

The most dominant suspicion concept grouping, present in over 10% of all STRs reporting since 2007, relates to financial activities below reporting thresholds, likely indicating structuring activity. Map 2 illustrates the geographical distribution of the suspicion concept grouping 'below reporting threshold'.

Another dominant grouping listed in Table 4 relates to the unknown disposition of funds and appears in just over 7% of STRs submitted by banks to FINTRAC between 2007 and 2010. This means that in over 5,400 STRs, it is not known what the client ended up doing with the money that was received, withdrawn or exchanged.

It is also worthwhile to note that almost 5% of STRs include a reference to high risk jurisdictions. These are generally jurisdictions which have been identified by reporting entities as posing a risk due to money laundering or terrorist financing concerns.

MAP 2: NUMBER OF BANK STRs, PER 100,000 PEOPLE, CONTAINING THE SUSPICION CONCEPT GROUPING 'BELOW REPORTING THRESHOLD'



Regional municipalities across six provinces stand out for mentioning this suspicion concept grouping in STRs. In British Columbia, the Greater Vancouver Regional District and the Fraser Valley Regional District recorded a higher than average reference to 'below reporting threshold' in their STRs. For Alberta, it was the region

of Edmonton and Calgary, while in Ontario the most frequent occurrence of this grouping was in regional municipalities such as the Niagara, Hamilton, Toronto, Wellington County and Ottawa. The grouping also appears frequently in New Brunswick's Madawaska County.

B) MONEY SERVICES BUSINESSES

TABLE 5: TOP 25 SINGLE SUSPICION CONCEPTS IN STRs SUBMITTED BY MSBs BETWEEN 2007 AND 2010

Single suspicion concept	Percentage of STRs containing the concept	Single suspicion concept	Percentage of STRs containing the concept
Sent CAD	55.2%	Outgoing wire	2.4%
Avoid reporting	45.4%	Possible structuring	2.4%
Money transfer	20.8%	Wire transactions	2.4%
Money transfers	11.9%	Cheque cashing	2.3%
Sent USD	9.6%	Structured avoid	2.2%
Money orders	5.9%	Appear structured	2.0%
Money order	5.4%	Sending money	2.0%
Same day	3.8%	Non sequential	1.8%
Multiple transactions	3.2%	Amount mxp	1.8%
Canadian dollars	2.9%	Wire transfers	1.6%
Consumer fraud	2.6%	Same location	1.6%
Send money	2.5%	Sent money	1.6%
Fraud situation	2.5%		

Between 2007 and 2010, the money services business (MSB) sector submitted over 72,400 STRs to FINTRAC in both official languages, and 84.1% of STRs contained at least one of the top 25 single suspicion concepts listed in Table 5.

For this sector, English and French STRs had varying levels of references to different currencies. The top single suspicion concepts indicate that over 55% of STRs submitted by MSBs to FINTRAC between 2007 and 2010 involved outgoing Canadian funds. In comparison, just under 10% of STRs involved outgoing American funds. Both 'sent CAD' and 'sent USD' were present only in the top list of English STRs. In contrast, French STRs featured single suspicion concepts mentioning the euro currency, which despite not appearing frequently enough to land

on the top list of concepts for the sector, presented a unique characteristic of French STRs. Indeed, English STRs did not feature the euro in either single suspicion concepts or concept groupings. Alternatively, single suspicion concepts containing the Mexican peso (i.e. 'amount mxp') appear in almost 2% of STRs in English (over 1,200 STRs) whereas French STRs do not make reference to this particular currency since the concept was likely not prominent enough to be extracted using the text mining technique.

The most frequent suspicion concepts groupings reported in STRs submitted by MSBs can be found in Table 6.

TABLE 6: TOP SUSPICION CONCEPT GROUPINGS IN STRs SUBMITTED BY MSBs BETWEEN 2007 AND 2010

Theme	Suspicion Concept Grouping	Percentage
Avoiding reporting requirements	Reporting requirements + avoid reporting	43.2%
Use of different currencies	Amount USD + ng ¹¹ amount + sent CAD	10.1%
Use of different currencies	Amount CAD + amount USD	3.9%
Use of monetary instruments	Money orders + money order	3.8%
Monetary instrument cleared through a particular institution	Cleared together + cleared institution + institution name ¹²	3.5%
Fraudulent activity	Consumer fraud + fraud situation	2.4%
Abnormal pattern of activity	Abnormal pattern + pattern activity	2.4%
Possible structuring activity	Department found + found possible + possible structuring + structuring outgoing + outgoing wire + wire transactions	2.3%
Possible structuring activity	Together appear +structured avoid +appear structured	2.0%
Unknown account number	Account number +unknown account	1.8%
Avoiding recordkeeping	Avoid recordkeeping	1.7%
Conducting transactions at the same location	Appears same + same location	1.4%
Suspicion related to handwriting on monetary instruments ¹³	Handwriting face + face values	1.3%
Outgoing money transfer	Money transfer + transfer sent	1.1%
Large transaction amount	Seemed like + like large + large amount	1.0%

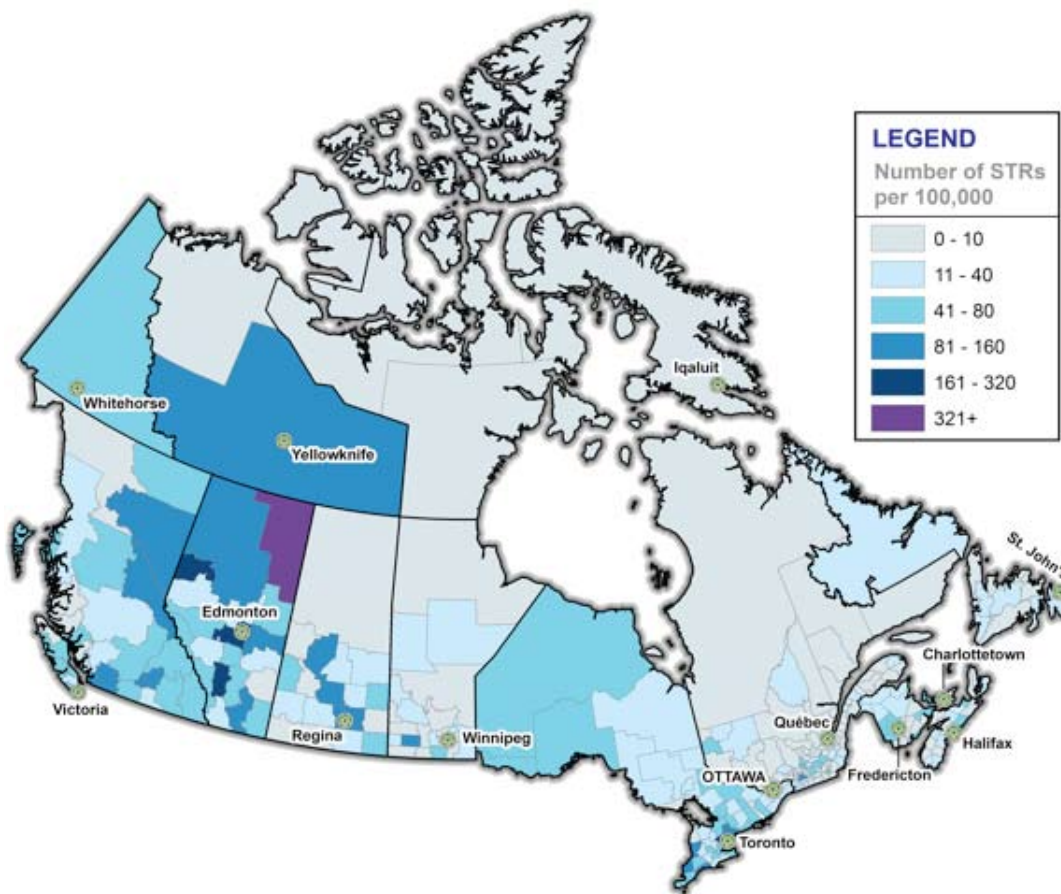
By looking at the frequencies, it is clear that the most commonly occurring theme in STRs from this sector concerns attempts to avoid reporting requirements. This theme is present in nearly half (43.2%) of STRs reported by MSBs to FINTRAC between 2007 and 2010. In practice, the theme of 'avoiding reporting requirements' is often linked to structuring activities, which are also alluded to in the list of single suspicion concepts in Table 5. Map 3 shows the distribution of the grouping 'avoiding reporting requirements' across Canadian provinces.

¹¹ In the context of STR provided by MSBs, 'Ng' is typically an acronym for the country of Nigeria.

¹² The reporting entity name has been intentionally omitted.

¹³ This concept refers to the writing on monetary instruments, typically money orders, with a specific face value. The narrative likely relates to the following: "the handwriting on the face of money orders appears to be the same".

MAP 3: NUMBER OF MSB STRs, PER 100,000 PEOPLE, CONTAINING THE SUSPICION CONCEPT GROUPING 'AVOIDING REPORTING REQUIREMENTS'



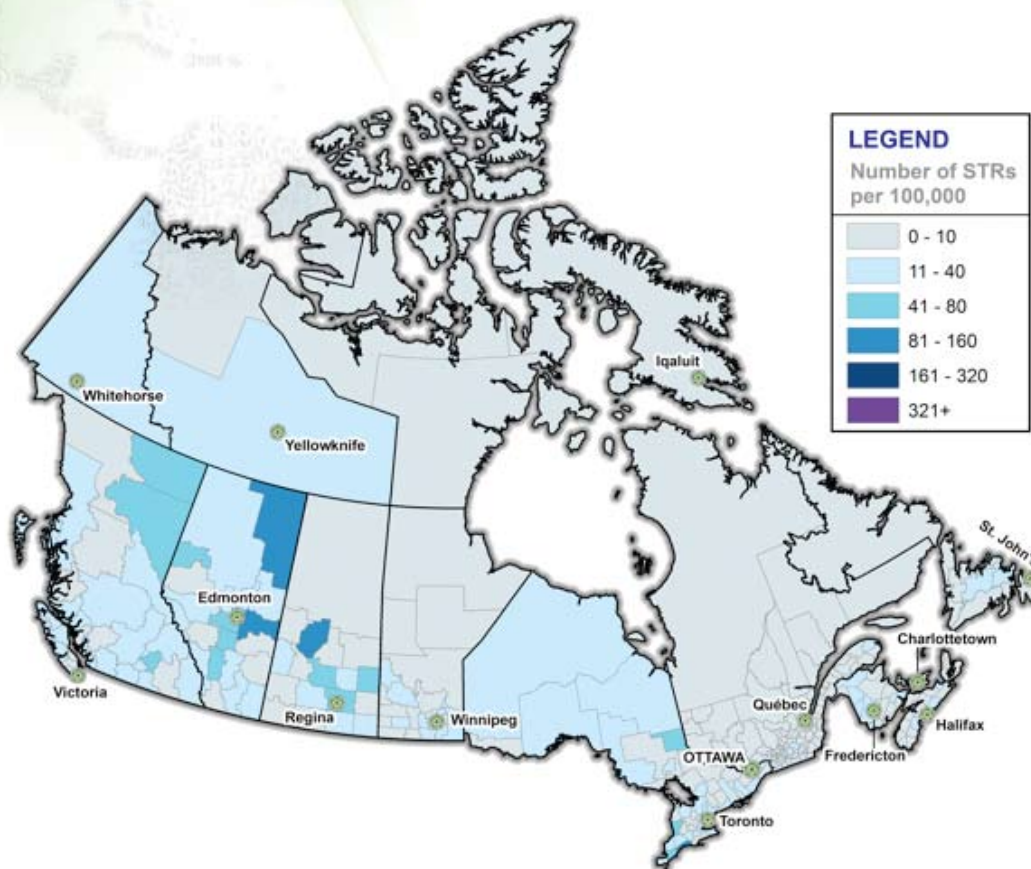
The grouping shown above on Map 3 is similar to the grouping 'below reporting threshold', which was a dominant theme for the banking sector and is represented on Map 2. Despite the fact that both of those groupings can indicate structuring activities, the MSB grouping 'avoiding reporting requirements' has a stronger presence in STRs submitted by reporting entities across most provinces in Canada.

Another interesting finding was the suspicion concept grouping 'amount USD, ng amount, sent CAD', which appears in over 10 % of STRs. It should be noted that

'amount USD' and 'ng amount' are concepts which do not feature in the top 25 single suspicion concepts, however when combined with 'sent CAD', they appear in the top list of concept groupings. The narrative behind those concepts may mean that the client sent X amount in Canadian dollars, which was received in Nigeria in the amount of X US dollars.

When looking at a geographic visualization of that suspicion concept grouping on Map 4, a fairly wide distribution can be observed.

**MAP 4: NUMBER OF MSB STRs, PER 100,000, CONTAINING THE SUSPICION CONCEPT GROUPING
'AMOUNT USD, AMOUNT CAD, NG AMOUNT'**

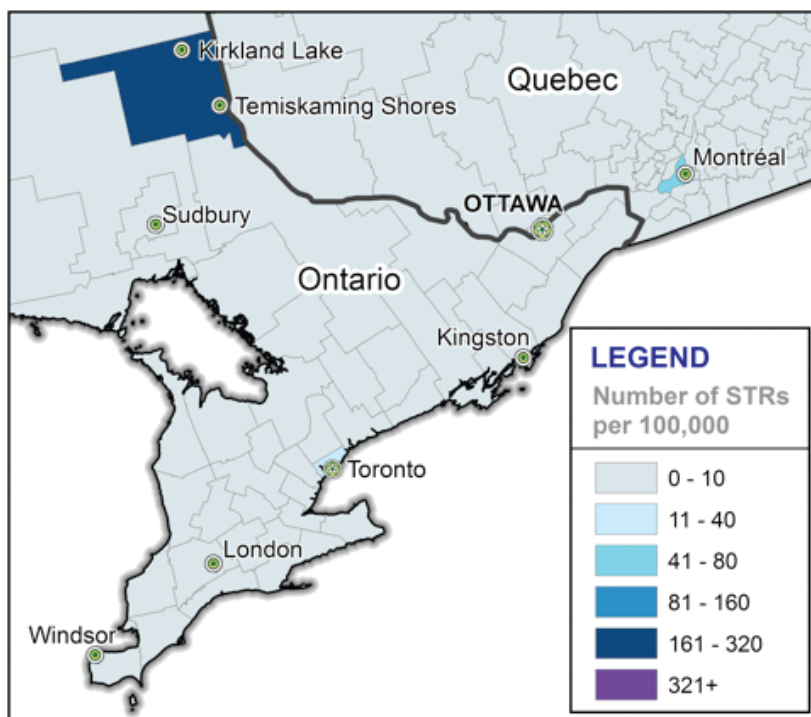


Although the biggest hotspots featuring this concept are in Alberta and Saskatchewan, most Canadian provinces¹⁴ do show a presence of this grouping.

The suspicion concept groupings in Table 6 also feature 'consumer fraud situation'. Map 5 shows the distribution of this grouping in Ontario and Quebec since those were the only two provinces which registered greater representation of 'consumer fraud situation'.

¹⁴ Quebec did not register any results for this suspicion concept grouping because most STRs for that province are reported in French, and they do not use this particular phrasing to describe movements of funds.

MAP 5: NUMBER OF MSB STRs, PER 100,000 PEOPLE, CONTAINING THE SUSPICION CONCEPT GROUPING 'CONSUMER FRAUD SITUATION'



Initially the concept grouping 'amount USD, amount CAD, ng amount' was thought to potentially indicate a reference to the Nigerian scam,¹⁵ especially if it appeared in conjunction with the grouping 'consumer fraud situation'. However, a more in-depth analysis revealed no correlation between those two groupings. Although there was not a single STR submitted between 2007 and 2010 by MSBs that mentioned both those suspicion concept in the same report, we observe a reasonably high volume for both separate concept groupings in the Temiskaming District, Toronto, and Montreal when comparing Maps 4 and 5. This could indicate that suspicions related to Nigerian scams or other types of telemarketing fraud are being reported by various entities using a different wording.

In addition to groupings listed in Table 6, other suspicion concept groupings unique to the French STRs were found to be interesting, despite appearing further down the list. For instance, reference to travel cheques and travel money cards (prepaid cards) appeared in approximately in 4.9% of STRs for the French language category. Such financial instruments offer multiple benefits, such as potentially being transferrable to other individuals. A FATF report,¹⁶ to which FINTRAC contributed, identified new payment methods such as prepaid cards as potentially being vulnerable to exploitation by money launderers.

¹⁵ Nigerian scams are fraud schemes which lure victims into conducting transactions for a number of individuals who end up defrauding them. Proceeds generated from this fraudulent activity are often sent to Nigeria or other West African countries.

¹⁶ Financial Action Task Force. *Money Laundering Using New Payment Methods*. Paris: 2010, Accessed online.

C) CAISSES POPULAIRES

Between 2007 and 2010, this sector submitted over 51,000 STRs to FINTRAC. Of those, 48.8% contained at least one single suspicion concept identified in Table 7. The original French wording is presented first, while a translation is provided in parentheses.

As seen in Table 7, the percentage of STRs containing the identified single suspicion concepts is low. A few factors may have contributed to this result. To begin with, more than half of STRs submitted to FINTRAC during that four-year period by this sector contained less than 140 characters, which limits the amount of

analytical value that can be obtained from those reports. Additionally, there were some concepts that appeared more frequently than 'cash deposit' in STRs, however those concepts were identified to be part of a narrative not related to reasons for suspicion, and therefore excluded from the top list of single suspicion concepts or groupings. The same reasoning applies for other sectors, such as credit unions and trust and/or loan companies, which also recorded relatively low percentages for the amounts of top suspicion concepts identified in STRs.

TABLE 7: TOP 25 SINGLE SUSPICION CONCEPTS IN STRs SUBMITTED BY THE CAISSES POPULAIRES SECTOR BETWEEN 2007 AND 2010

Single suspicion concept	Percentage of STRs containing the concept	Single suspicion concept	Percentage of STRs containing the concept
Depot argent* [cash deposit]	8.4%	x_x* ¹⁷	2.2%
Argent comptant [cash]	8.1%	Gros montant [large amount]	2.0%
Guichet automatique [ATM machine]	6.6%	Fait depots [conducts deposits]	1.7%
Inter caisse	5.0%	Provenance fonds [source of funds]	1.7%
Membre depose [client deposits]	4.0%	Depose regulierement [regular deposits]	1.6%
Compte personnel* [personal account]	3.4%	Argent guichet [cash ATM]	1.6%
Depot billets [deposits bills]	2.8%	Depose billets [deposits bills]	1.5%
Fait depot* [conducts deposit]	2.9%	Depot ga ¹⁸ [ATM deposit]	1.4%
Depot guichet [ATM deposit]	2.7%	Depot especes [cash deposit]	1.3%
Plusieurs depots [multiple deposits]	2.5%	Gros depot [large deposit]	1.2%
Depots argent* [cash deposits]	2.5%	Transfert fonds [fund transfer]	1.2%
Depose argent [deposits cash]	2.3%	Argent liquide [cash]	1.1%
Compte commercial *	2.3%		

¹⁷ The use of 'x_x' in STRs indicates multiple denominations. For instance: 'client deposited 25x20\$ and 150x10\$'.

Since the text mining technique is designed to ignore numbers due to the high variability of the values, only the 'x' is left in the concept.

¹⁸ The use of 'ga' is an acronym for 'guichet automatique' [ATM machine].

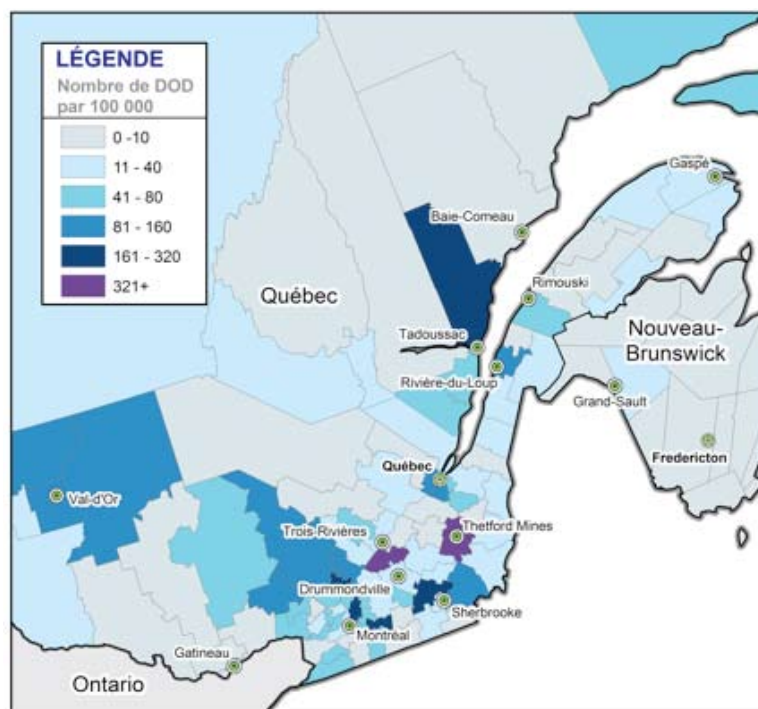
In terms of results for the top single suspicion concepts in STRs submitted by caisses populaires, the general reasons for suspicion in this sector relate mostly to the deposit of funds, with a significant amount of STRs flagging deposits to ATMs, multiple deposits, and cash deposits.

Of the top single concepts listed in Table 7, fourteen relate to deposits while eight relate to cash. Concepts associated to bills, in some cases bills of various denominations (indicated by the x_x), were also significant, as was the notion of deposits conducted via mechanisms that reduce the exposure of the client to front-line staff at the reporting institutions. For instance, the concept 'inter caisse' indicates that over 5.0% of STRs contained activity referencing inter-caisse accounts, which may offer a degree of client anonymity since reporting entities do not always have access to information about clients other than

the ones registered to their specific caisse. In other words, clients may have the flexibility to engage in banking activities across branches from multiple caisses, however their client information is only visible to the home caisse unless they chose to sign a consent form agreeing to share that information.

In addition, concepts related to ATMs are significant in STRs submitted by the caisses populaires sector. Map 6 below provides a visual representation of the geographic distribution of STRs which contain the concept 'guichet automatique' (ATM machine). The overwhelming majority of STRs for this sector were submitted in French by reporting entities located in Quebec; the other provinces did not register a result for this query. Therefore, in the interest of providing a more insightful map, only the province of Quebec is depicted.

MAP 6: NUMBER OF CAISSE POPULAIRE STRs, PER 100,000 PEOPLE, CONTAINING THE SINGLE SUSPICION CONCEPT 'GUICHET AUTOMATIQUE'



Based on Map 6, there is a higher than average number of STRs containing the concept 'guichet automatique' in the regions of l'Amiante, Francheville, Sherbrooke, la Vallée de l'Or, and la Haute-Côte-Nord.

Besides their obvious convenience, ATMs may be used by money launderers to place their illegitimate funds into the formal economy without needing to have a face-to-face contact with a teller, therefore avoiding any unwanted questioning. Similarly, multiple locations of ATMs may be used by criminals in an attempt to conceal their structuring activities.

The most frequent suspicion concept groupings in STRs reported by the caisses populaires sector can be found in Table 8.

As discussed earlier in this section, the percentages of STRs containing the different single suspicion concepts are very low. Consequently, the percentages of STRs containing suspicion concept groupings are even lower since two or more of those single concepts need to be in the same STRs. Again, this result can be attributed to multiple factors, including the high percentage of STRs for this sector that are below 140 characters as well as the fact that each caisse populaire is in fact a unique reporting entity, thus increasing the odds that different wording is used across the multiple institutions. Considering that a very significant portion of analytic value from STRs is derived from the Part G narrative, there should be a strong incentive for reporting entities across all sectors to elaborate on their reasons for reporting particular activities that they've identified as being suspicious.

TABLE 8: TOP SUSPICION CONCEPT GROUPINGS IN STRs SUBMITTED BY CAISSES POPULAIRES BETWEEN 2007 AND 2010

Theme English	Suspicion Concept Grouping	Percentage
ATM deposit	Depot guichet + guichet automatique	1.6%
Cash deposit	Depose argent + argent comptant	1.1%
Inter-caisse member	Inter caisse + membre inter	0.9%
Cash deposit to ATM	Depot argent + guichet automatique	0.9%
Large sum of money	Gros montant + montant argent	0.9%
Unknown source of funds	Fonds inconnue + provenance fonds	0.8%
Multiple deposits	Fait plusieurs + plusieurs depots	0.7%
Multiple cash deposits	Depots argent + plusieurs depots	0.6%
Deposits in personal account	Compte personnel + depot compte	0.7%
Frequent activity (every week)	Les semaines + toutes les	0.6%
Deposit in personal account	Member deposited + personal account	0.2%
Withdrawal from commercial account	Commercial account + member withdrew	0.2%
Deposit of Canadian funds	Deposited cnd + member deposited	0.1%
Withdrawal of funds	Came withdrew + member came	0.1%
Deposit of funds	Made deposit + member made	0.1%

D) CREDIT UNIONS

TABLE 9: TOP 25 SINGLE SUSPICION CONCEPTS IN STRs SUBMITTED BY CREDIT UNIONS BETWEEN 2007 AND 2010

Single suspicion concept	Percentage of STRs containing the concept	Single suspicion concept	Percentage of STRs containing the concept
Cash deposits	23.4%	Deposited cash	4.3%
Large cash	12.5%	Deposits account	3.9%
Cash deposit	9.9%	Deposit cash	3.7%
Previously reported	8.7%	Reported FINTRAC	3.5%
Cash transactions	8.7%	Dollar bills	3.4%
Large amounts	7.2%	Large amount	2.9%
Business account	5.4%	Reporting threshold	2.9%
Cash deposited	5.3%	Bank draft	2.8%
Deposits made	5.0%	Same day	2.4%
Source funds	4.8%	Frequent cash	2.4%
Deposited account	4.5%	Deposit box	2.1%
Deposits cash	4.5%	Stated occupation	2.1%
Money laundering	4.4%		

The credit union sector submitted over 18,000 STRs in English and French between 2007 and 2010, and 67.0% contained at least one of the top 25 single suspicion concepts in Table 9.

Among its top single suspicion concepts, STRs submitted by credit unions contained concepts related to the frequency or unusual large value of transactions. For instance, large transactions were identified as suspicious in the context of other information presented within the STRs. Similarly, transactions that occurred at a certain frequency (same day, on a regular basis) and transactions that were unusual due to the location at which they were conducted (outside of home branch) were noteworthy, especially when looking at both single suspicion concepts and concept groupings.

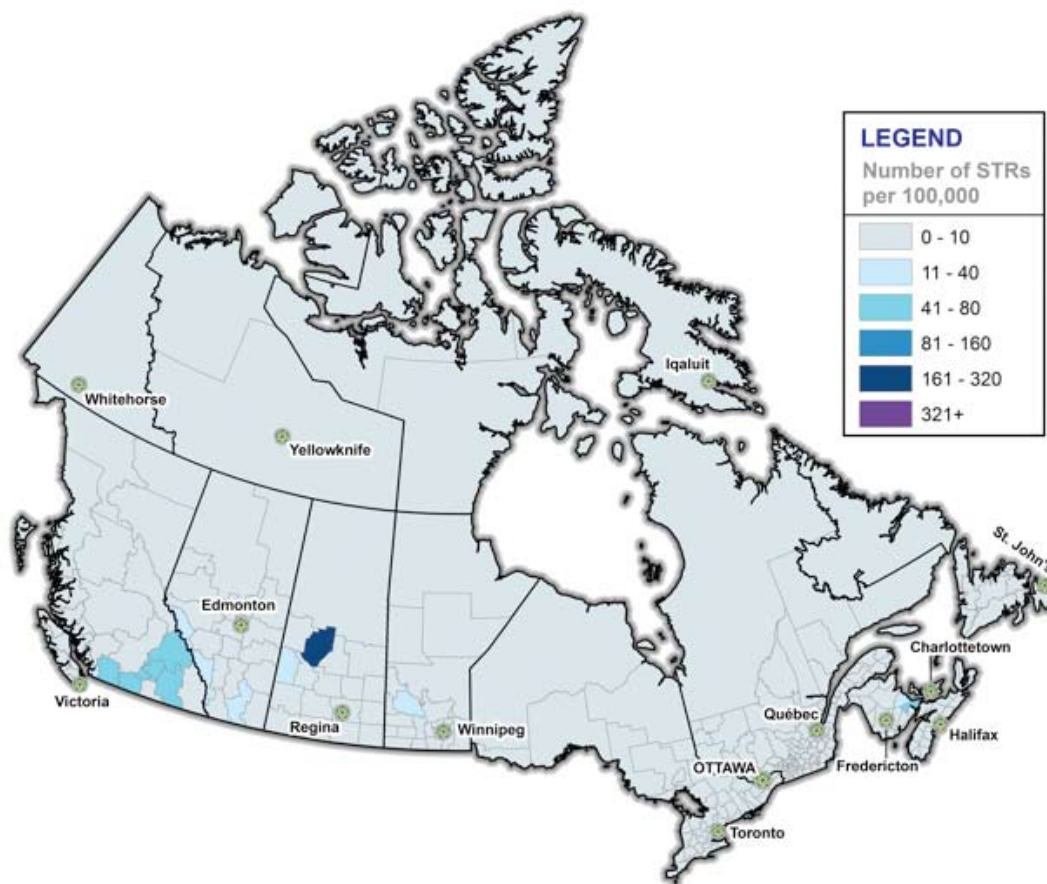
Overall, the most frequent single suspicion concepts are linked to deposits, with cash transactions dominating the other activities. The concepts 'large cash' or 'cash deposits' are also central in concept groupings. On its own, 'cash deposits' appears in almost 24% of STRs reported by this sector, while 'large cash' appears in 12.5% of STRs. As shown in Table 10, the number of STRs containing both suspicion concepts is lower, but still significant, appearing in over 7% of STRs between 2007 and 2010. Map 7 illustrates the geographic distribution of the 'large cash deposits' grouping in Canada.

Another suspicion concept grouping of interest was in relation to individuals who are subject of a money laundering/terrorist financing investigation. Although this theme is present in only 1.2% of STRs submitted by credit unions, it is a unique reason for suspicion that does not appear in the results for other sectors.

TABLE 10: TOP SUSPICION CONCEPT GROUPINGS IN STRs SUBMITTED BY CREDIT UNIONS BETWEEN 2007 AND 2010

Theme	Suspicion Concept Grouping	Percentage
Large cash deposits	Cash deposits + large cash	7.2%
Previously reported	Previously reported + reported FINTRAC	3.6%
Use of personal and business account	Personal account + business account	3.0%
Large amounts of cash	Large amounts + amounts cash	2.0%
Below reporting threshold	Reporting threshold + below reporting	1.9%
Avoiding reporting requirements	Apparent attempt + attempt avoid	1.8%
Consistent cash transactions	Client consistently + consistently makes + makes cash + cash transactions	1.8%
Use of safety deposit box	Safety deposit + deposit box	1.7%
Unusual activity	Not normal + normal activity	1.7%
Cash deposit	Cash deposited + deposited account	1.6%
Outside home branch	Outside home + home branch	1.6%
Consistently rounded transactions	Transactions consistently + consistently rounded	1.6%
Transactions below specific amount or reporting threshold	Transactions significantly + significantly below	1.5%
Avoiding reporting requirements	Avoid triggering + triggering identification + identification reporting + reporting requirements	1.2%
Client is subject of a money laundering or terrorist financing investigation	Client subject + subject money + money laundering + laundering terrorist + terrorist financing + financing investigation	1.2%

MAP 7: NUMBER OF CREDIT UNION STRs, PER 100,000 PEOPLE, CONTAINING THE SUSPICION CONCEPT GROUPING 'LARGE CASH DEPOSITS'



When examined per capita, STRs containing 'large cash deposits' appeared more frequently in Western and Central Canada, specifically in southern British Columbia, southern Alberta and central Saskatchewan. On the Eastern side of Canada, New Brunswick, and specifically the region near Moncton, recorded a higher than average reporting volume for this suspicion concept grouping. When compared with Map 1 (on page 8), which indicates

the number of STRs submitted by banks containing single suspicion concepts related to 'cash deposits', an interesting observation can be made. Although in some regions either banks or credit unions are the main financial institutions, we still observe certain regions in southern British Columbia and Alberta with relatively high volumes for both sectors in relation to 'cash deposits' concepts.

E) CASINOS

TABLE 11: TOP 25 SINGLE SUSPICION CONCEPTS IN STRs SUBMITTED BY CASINOS BETWEEN 2007 AND 2010

Single suspicion concept	Percentage of STRs containing the concept	Single suspicion concept	Percentage of STRs containing the concept
Not warrant	30.4%	Large amount	1.8%
Occupation not	29.3%	Play ratings	1.8%
Warrant buy	27.5%	Occupation doesn	1.7%
Cashier window*	3.6%	Gaming chips	1.7%
Cash buy	3.4%	Small bills*	1.6%
No play*	3.4%	Casino chips	1.6%
Cash advances	3.3%	Cash chips	1.4%
Large cash	3.3%	x_x	1.4%
Cash advance	2.9%	Loan sharking	1.4%
Obtained cash	2.7%	Large buy	1.1%
Patron exchanged	2.6%	Jetons table [chips table]	1.1%
Table buy	2.2%	Tables jeu [gaming tables]	1.0%
Value chips	2.0%		

Between 2007 and 2010, the casino sector submitted over 14,000 STRs to FINTRAC, and 87.4% contained the top 25 single suspicion concepts in Table 11.

Other suspicion concept groupings for the casino sector are listed in Table 12.²⁰

The predominant single suspicion concepts for this sector relate to the lack of a clear connection between the casino patron's occupational background and his/her casino gaming activity. More particularly, the top single suspicion concepts and concept groupings relate to a patron's occupation not warranting buy-in¹⁹ for casino gaming, suggesting that the source of funds may potentially be illegitimate. This is a theme that is also present in STRs reported by financial institutions, which frequently identify the 'unknown source of funds' of transactions as a reason for suspicion.

¹⁹ The term 'buy-in' refers to the purchase of casino chips with cash, cheques, bank drafts or other admissible methods of payment.

²⁰ Because of the small number of casinos per regional municipality, it was impossible to provide a map illustrating the distribution of certain suspicion concepts or groupings without indirectly identifying the reporting entity.

TABLE 12: TOP SUSPICION CONCEPT GROUPINGS IN STRs SUBMITTED BY CASINOS BETWEEN 2007 AND 2010

Theme	Suspicion Concept Grouping	Percentage
Occupation does not warrant activity	Not warrant + occupation not + warrant buy	23.0%
Obtained cash advances	Advances processed + cash advances	2.9%
Large cash buy-in	Cash buy + large cash	2.3%
Obtained cash advance	Cash advance + obtained cash	2.2%
Occupation does not warrant activity	Doesn warrant + occupation doesn	1.6%
Cash advance and table buy	Cash advance + table buy	1.3%
Incomplete employer information	incomplete employer + employer information	1.0%
Transaction at cashier window	Cashier window + exchanged cashier	1.0%
Funds do not appear to be used for gaming purposes	Appear used + not appear + gaming purposes + used gaming	0.8%
Play ratings are not consistent with patron's financial activities	Play ratings + ratings indicate + however play + advance however + indicate subsequent	0.6%
Client with membership card	Carte client + detient carte	0.5%
Multiple denominations of bills	Bills large + small bills	0.5%
Loan sharking and money laundering	Loan sharking + money laundering	0.4%
Small denomination bills	Denomination bills + small denomination	0.4%
No rated play	No rated + rated play	0.4%

Another theme frequently present in STRs submitted by casinos pertains to individuals who obtained cash advances. This theme typically appears in STRs when the subject engages in unproportionate gaming activities relative to the amount of the cash advance that was obtained. In a suspicious money laundering scheme, the individual could obtain, for instance, a cash advance of \$50,000 and use that money to buy casino chips. After minimal play, the individual could exchange the remaining chips for cash or a cheque, making it look like the funds were generated from winnings when in fact only a portion of the funds was used to play. The balance owing for the cash advance could then be paid off with proceeds of crime.²¹

A similar theme, which is much more explicit in the suspicion concept groupings than in the single concepts, relates to the idea that funds are not used for gaming purposes. The theme, combined with other factors in STRs, could help identify patrons who may be exploiting casinos to legitimize their proceeds of crime by attempting to pass them off as casino winnings. These activities often occur in the layering stage of the money laundering cycle. This is an example where concept groupings are successful in conveying more complex reasons of suspicion which are not necessarily obvious in the single suspicion concepts.

²¹ This example is based on a suspicious pattern of activity first identified in FINTRAC's *Money Laundering and Terrorist Financing Typologies and Trends in Canadian Casinos*. November 2009.

F) TRUST AND/OR LOAN

TABLE 13: TOP 25 SINGLE SUSPICION CONCEPTS IN STRs SUBMITTED BY THE TRUST AND/OR LOANS SECTOR BETWEEN 2007 AND 2010

Single suspicion concept	Percentage of STRs containing the concept	Single suspicion concept	Percentage of STRs containing the concept
Residential property	13.3%	Income suspect	5.5%
Purchased property	12.4%	Clients income	5.4%
Bank account	12.0%	Home trust	5.3%
Post funding	10.9%	Employment suspect	5.1%
Purchase property	10.1%	Verify income	4.9%
Mortgage account	9.9%	Transparency international	4.9%
Client income	8.8%	Second applicant	4.7%
Required payment	8.7%	Corruption perception	4.6%
Credit bureau	8.0%	Wire transfer	4.0%
Large deposits	8.0%	Residential mortgage	3.9%
Purchase residential	6.1%	Account arrears	3.8%
Self employed	5.9%	Third party	3.7%
Not consistent	5.9%		

The trust and/or loan sector submitted over 3,800 STRs to FINTRAC between 2007 and 2010, and 69.7% contained at least of the top 25 single suspicion concepts in Table 13.

The dominant single suspicion concepts relate to the real estate industry, more specifically to financial loans related to property purchases. For instance, the concept 'residential property' appears in 13.3% of STRs submitted by this sector, while 'mortgage account' appears in just under 10%. This result is expected since a predominant part of loans owed by Canadians is tied to their home ownership.

When looking at suspicion concept groupings in Table 14, more specific themes related to reasons for suspicion can be identified. Among the most frequent is the grouping 'unable to verify source of funds'. This theme, which features in 6.2% of STRs, is also present in other sectors, notably in the banking sector and the credit union sector.

TABLE 14: TOP SUSPICION CONCEPT GROUPINGS IN STRs SUBMITTED BY THE TRUST AND/OR LOANS SECTOR BETWEEN 2007 AND 2010

Theme	Suspicion Concept Grouping	Percentage
Mortgage loan granted	Mortgage loan + loan granted	7.9%
Unknown source of funds	Unable verify + verify source + source funds	6.2%
Multiple applicants on file	Second applicant + applicant file	4.5%
Suspicion regarding income + employment or employment documents	Income employment + employment letter	4.5%
Transparency International Corruption Perception Index	Transparency international + international corruption + corruption perception + perception index	4.2%
Unpaid or overdue debt	Account arrears + arrears installments	3.2%
Unknown source of funds	Claimed coming + coming savings ²²	3.1%
Multiple large deposits	Several large + large deposits	2.9%
Third party involvement	Third party + party involvement	2.3%
Inconsistent/suspicious client income	Client income + income inconsistent	2.1%
Lump sum payment	Lump sum + sum payment	2.0%

Also of interest is the suspicion concept grouping mentioning Transparency International's Corruption Perception Index, which appears in 4.2% of STRs and is unique to the trust and/or loan sector. This index ranks countries by their level of perceived corruption, and is often used as a resource when identifying movement of funds coming to or from high risk jurisdictions. The trust and/or loan sector may be using the Corruption Perception Index as an indicator of suspicious financial activity linked to money laundering and terrorist financing.

²² A manual validation of this grouping revealed that STRs featuring these suspicion concepts often referred to a suspicious or unknown source of funds, particularly in the context of a property purchase where the client's down payment is not consistent with the reporting entity's account information. The client claims that the funds come from personal savings, while the account information does not support that claim.

G) LIFE INSURANCE

TABLE 15: TOP 25 SINGLE SUSPICION CONCEPTS IN STRs SUBMITTED BY THE LIFE INSURANCE SECTOR BETWEEN 2007 AND 2010

Single suspicion concept	Percentage of STRs containing the concept	Single suspicion concept	Percentage of STRs containing the concept
Bank draft	17.5%	Credit union	2.0%
Investment loan	16.8%	Cheque issued	2.0%
Personal cheque	10.2%	Pre printed	2.0%
Money order	9.7%	Initial deposit	1.9%
Non registered*	6.7%	Subsequently declined	1.8%
Quick money	6.3%	Third party	1.7%
Policy issued	5.6%	Short period*	1.6%
Segregated fund	5.0%	Deposit made	1.6%
Wire transfer	3.5%	Client deposited	1.5%
Side account	2.9%	Paid insurance	1.4%
Previously reported	3.2%	Without explanation	1.4%
Cheque processed	2.5%	Refund cheque	1.4%
Lump sum	2.2%		

Between 2007 and 2010, the life insurance sector (brokers, agents and companies) submitted just over 1,500 reports to FINTRAC, and 73.5% contained at least one of the top 25 single suspicion concepts listed in Table 15.

One of the most frequent single suspicion concepts in Table 15 refers to a specific type of investment loan that is interest-deductible and is offered to clients who also want life insurance protection. This loan enables them to receive tax reductions and a guaranteed rate of return, while still ensuring insurance coverage. STRs which feature this single suspicion concept do not tend to elaborate on the reasons for suspicion, however it is noted that many reporting entities who identified

this concept in their STRs reported that they received payments in cheque from the client before processing the loan and returning a specific sum of money back to the client. Given that not enough information is provided in those STRs, it is unclear why this is considered suspicious other than being potentially part of the layering of illicit funds.

In terms of other single suspicion concepts, the list in Table 15 stands out for its absence of concepts related to cash, which would usually be very frequent in other sectors. Our results reveal that the most commonly mentioned financial instruments in STRs are bank drafts, personal cheques and money orders. This is consistent with legitimate activity associated to this reporting sector.

When examining groupings of concepts in Table 16, the notion of cash or cash transactions is more apparent. Groupings such as 'quick money transaction' and 'cash deposits' appear quite high on the list, although the latter concept is present in just

under 1% of STRs which, when considering the total sample, is not a high representation. In contrast, 'quick money transaction' is present in just over 5% of STRs for this sector.

TABLE 16: TOP SUSPICION CONCEPT GROUPINGS IN STRs SUBMITTED BY THE LIFE INSURANCE SECTOR BETWEEN 2007 AND 2010

Theme	Suspicion Concept Grouping	Percentage
Processed investment loan	Processed investment + investment loan	6.8%
Quick money transaction	Money transaction + quick money	5.3%
Non registered segregated fund	Non registered+ registered segregated+ segregated fund	2.5%
Received personal cheque	Received personal + personal cheque	2.4%
Activity over a short period time	Short period+ period time	1.2%
Application subsequently declined	Application subsequently + subsequently declined	0.9%
Cash deposit	Depots argent + argent comptant	0.9%
Sudden request to purchase substantial policy	Makes sudden + sudden request + request purchase + purchase substantial + substantial policy	0.8%
Lump sum deposits	Lump sum + sum deposits	0.8%
Previously reported	Previously reported + reported FINTRAC	0.8%
Not pre-printed	Not pre + pre printed	0.7%
Money laundering/ terrorist financing indicators	Indicateurs baft ²³ + baft presents + presents permis + permis identifier	0.5%
Life insurance policy	Police assurance + assurance vie	0.4%

²³ Indicateur baft: Indicateurs de blanchiment d'argent et financement de terrorisme (money laundering and terrorist financing indicator)

H) OTHER

TABLE 17: NUMBER OF STRs SUBMITTED BY VARIOUS SECTORS OF THE 'OTHER' CATEGORY

SECTOR	STRs submitted to FINTRAC
Securities dealers	779
Dealers in precious metals and stones	52
Real estate agents	48
Accountants	42
Coop credit societies	33
British Columbia notaries	6

Collectively, the other reporting sectors (accountants, British Columbia notaries, coop credit societies, dealers in precious metals and stones, real estate agents, and securities dealers), as listed in Table 17, submitted over 900 STRs to FINTRAC between 2007 and 2010. Of those reports, 62.0% contained at least one of the top 30 concepts in Table 18.

Because of the inequality in terms of the reporting volume between sectors in this category, an expanded list of the 30 most frequent single suspicion concepts is provided in Table 18.

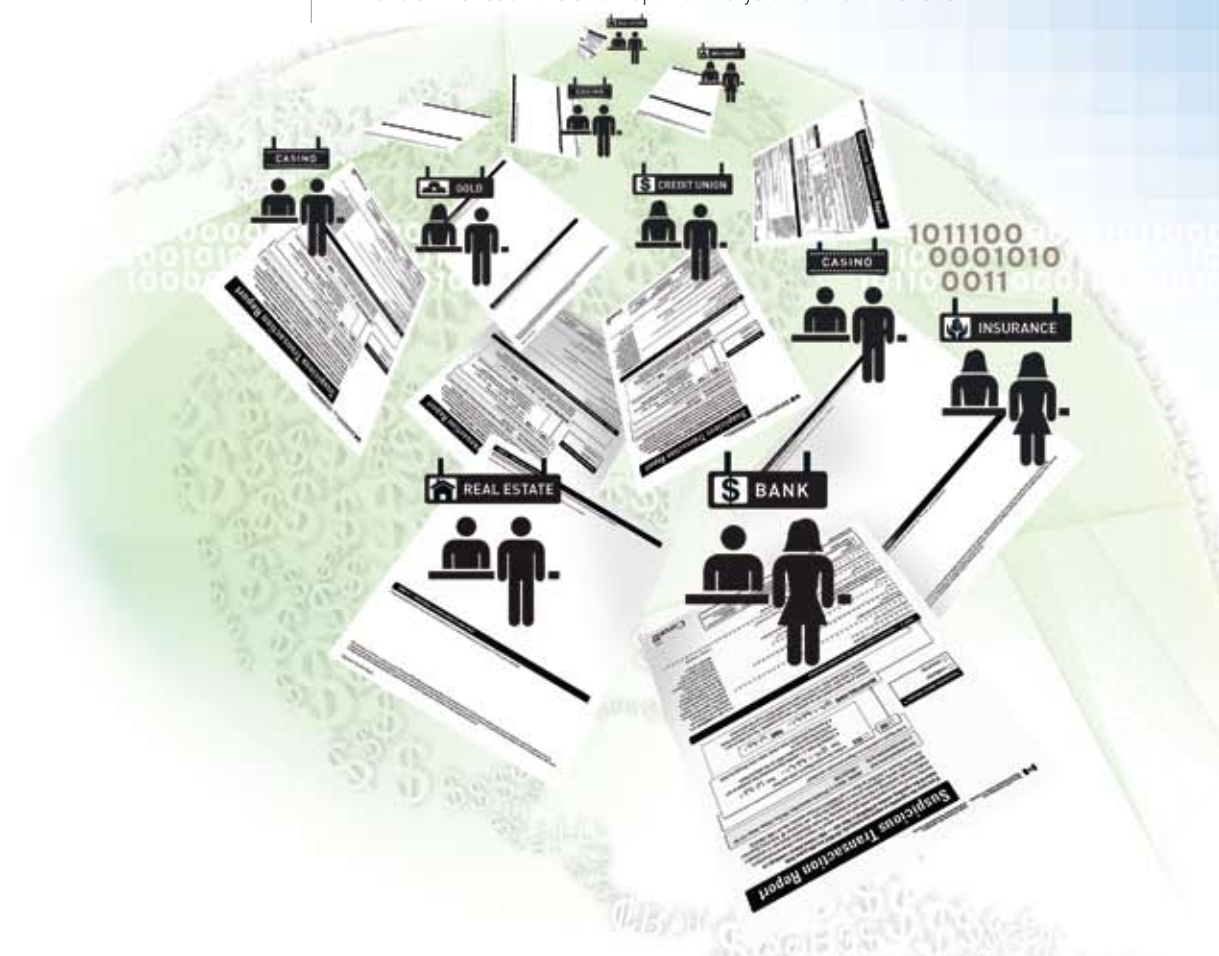
The concept that is present in STRs submitted by the most reporting sectors in this category is 'bank draft', which appears in the securities, real estate and BC notaries sectors. Other financial instruments or vehicles frequently mentioned in STRs for these sectors are 'mutual funds', 'electronic fund transfers', 'bank wires', and 'pre-authorized chequing accounts'.

For the most part, the securities dealer sector offered the most single suspicion concepts featured in the top 30 list since its volume of reporting was significantly higher than the other sectors in this section. Despite this, all concepts submitted by other reporting sectors were equally considered, ranked according to frequency, and compiled together when featured in more than one sector. As a result, most sectors are represented in the top list of single suspicion concepts.

TABLE 18: TOP 30 SINGLE SUSPICION CONCEPTS IN STRs SUBMITTED BY ALL SECTORS IDENTIFIED AS 'OTHER'

Single suspicion concept	Percentage of STRs containing the concept	SECTOR (s) featuring the concepts
Bank account	11.7%	Securities dealers, Coop credit societies
Commercial bank	8.5%	Securities dealers
Source funds	8.1%	Securities dealers
Annual income*	5.5%	Securities dealers
Bank draft	5.5%	Securities, Real estate agents, BC notaries
Third party	4.9%	Securities dealers
Located dubai	4.8%	Securities dealers
Trading llc ²⁴	4.6%	Securities dealers
Client deposited	4.5%	Securities dealers
Trading activity	4.2%	Securities dealers
Non registered	3.9%	Securities dealers
Mutual funds	3.8%	Securities dealers
Real estate	3.8%	Securities dealers, BC notaries
Money laundering*	3.7%	Securities dealers, BC notaries
Original source	3.4%	Securities dealers
Same day	3.3%	Securities dealers
Self-employed	3.2%	Securities dealers
Reported FINTRAC	3.0%	Securities dealers
Mutual fund	2.9%	Securities dealers
Electronic fund	2.8%	Securities dealers
Pre authorized	2.8%	Securities dealers
Chequing account	2.7%	Securities dealers
Net worth	2.7%	Securities dealers
Authorized chequing	2.6%	Securities dealers
Stock exchange	2.6%	Securities dealers
Valeurs mobilières [securities]	2.3%	Securities dealers
Bank wire	1.7%	Dealers in precious metals and stones
Opened account*	1.6%	Dealers in precious metals and stones, Securities dealers
Purchase sale	1.2%	Real estate agents
Financial statements	0.8%	Coop credit societies

²⁴ Trading LLC²⁴ typically stands for a limited liability company



PART 3: OVERALL THEMES IN STRs

This second FINTRAC report on *Trends in Canadian Suspicious Transaction Reporting* supports the main observation made in the first report, namely that reporting entities across all sectors submit STRs related to the 'placement' stage of the money laundering cycle. In contrast, references to concepts or groupings that could indicate layering or integration activities are less frequent. The predominant themes related to reasons for suspicion found in STRs submitted by all sectors between 2007 and 2010 relate to:

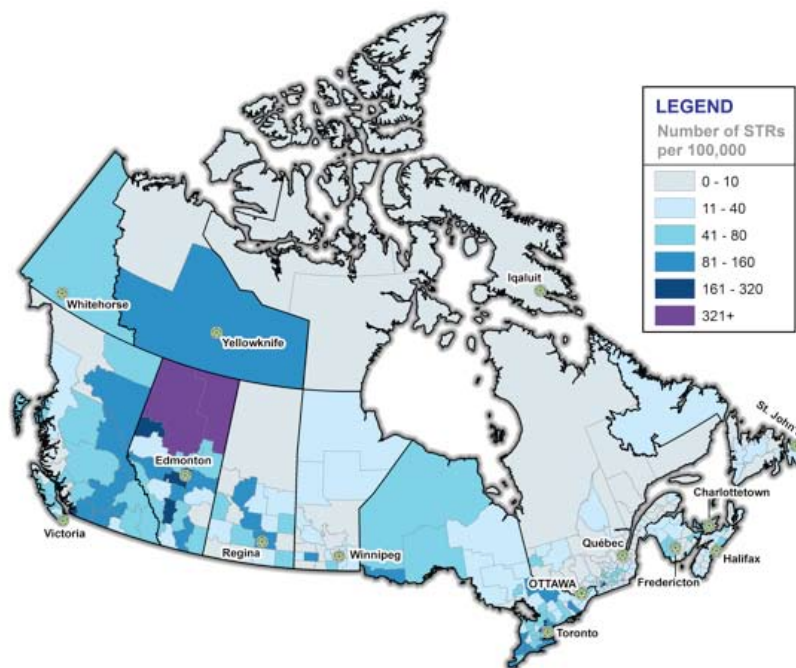
- Attempts at avoiding reporting thresholds/identification requirements;
- Clients for which STRs were previously sent to FINTRAC;
- Cash-based transactions, especially large cash deposits;
- Suspected structuring activity;
- Unknown source of funds.

Maps 8 and 9 illustrate two of the main themes found in STRs from all sectors:

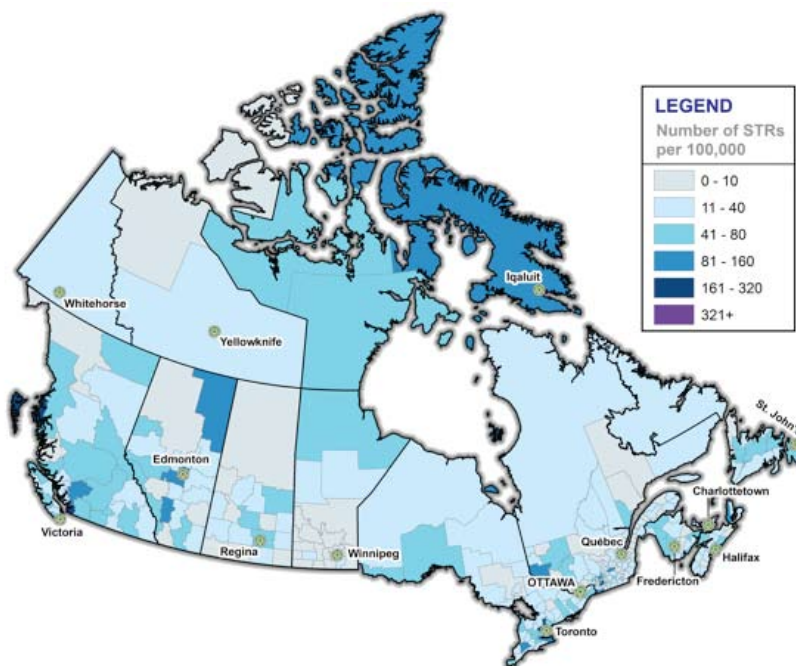
1) attempts to avoid reporting thresholds or identification requirements and 2) unknown source of funds.²⁵

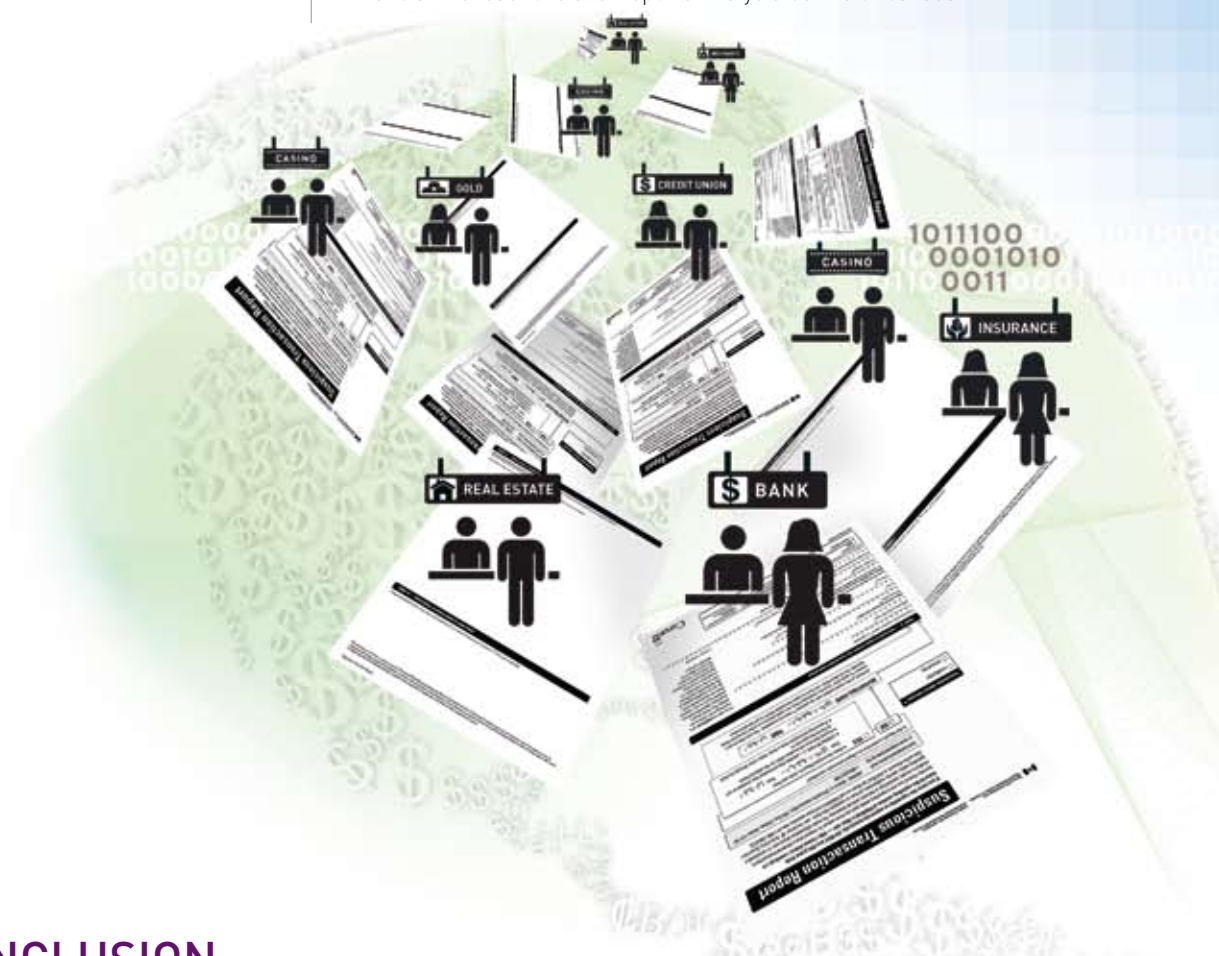
²⁵ The theme addressing reporting requirements/thresholds was not predominant in STRs submitted in French, therefore the province of Québec does not record high frequencies on Map 8.

MAP 8: NUMBER OF STRs FROM ALL SECTORS, PER 100,000 PEOPLE, CONTAINING THE THEME OF AVOIDING REPORTING THRESHOLDS/IDENTIFICATION REQUIREMENTS



MAP 9: NUMBER OF STRs FROM ALL SECTORS, PER 100,000 PEOPLE, CONTAINING THE SUSPICION CONCEPT GROUPING 'UNKNOWN SOURCE OF FUNDS'





PART 4: CONCLUSION

Overall, the accomplishments of this report were significant. In addition to corroborating many of the results featured in the first iteration of the report on Trends in Canadian Suspicious Transaction Reporting, FINTRAC presented an enhanced level of detail related to reasons for suspicion identified in STRs by reporting entities and highlighted unique sector-specific themes.

The enhanced methodology used for this report was also able to bring forward some of the unique single suspicion concepts and groupings that were not identified in the first iteration. For instance, MSBs featured multiple variations of concepts related to structuring activity: avoid reporting, possible structuring, same day, multiple transactions, same location. Although the general theme of 'activity below reporting threshold' was identified in the first report, the second iteration was successful in highlighting the various ways that suspicious activity was reported, as well as the different techniques used by clients to engage in structuring activities.

Despite the level of detail presented in this report, it was simply not feasible to feature all of the intelligence generated from this exercise. For instance, although Part 2 of this report presents the top single concepts and concept groupings by sector, FINTRAC has identified many more concepts found in STRs submitted by reporting entities. In other words, the concepts and groupings described in this report are not exhaustive. Instead, this report provides an overview of the most frequent reasons for suspicion reported in STRs, as identified using the text mining technique. FINTRAC is aware that some valuable information provided by reporting entities in STRs may not have been discussed in this report. The text mining technique is not the only analytical technique used by the Centre to review STRs, and other methods of analysis offer a different type of insight into the intelligence contained within STRs.

Nevertheless, this report highlights opportunities for reporting entities to maximize their vantage point as an "early detection system" for suspicious

activity related to money laundering or the financing of terrorism. STRs are an integral part of Canada's anti-money laundering/anti-terrorism financing regime, and reporting entities are expected to identify, assess and conduct ongoing monitoring of their highest money laundering and terrorist financing risks. As mentioned throughout this report, some of the ways that reporting entities can enhance the analytical value of STRs include: submitting STRs that clearly and coherently describe reasons for suspicion; continuing to report on activity indicating the placement stage of the money laundering cycle, which reporting entities currently do well; and being more attentive to activities indicating the layering and integration stages of money laundering. In turn, the Centre remains committed to leveraging its expertise in the interest of providing valuable feedback to reporting entities and working with them to safeguard the integrity of Canada's financial system.