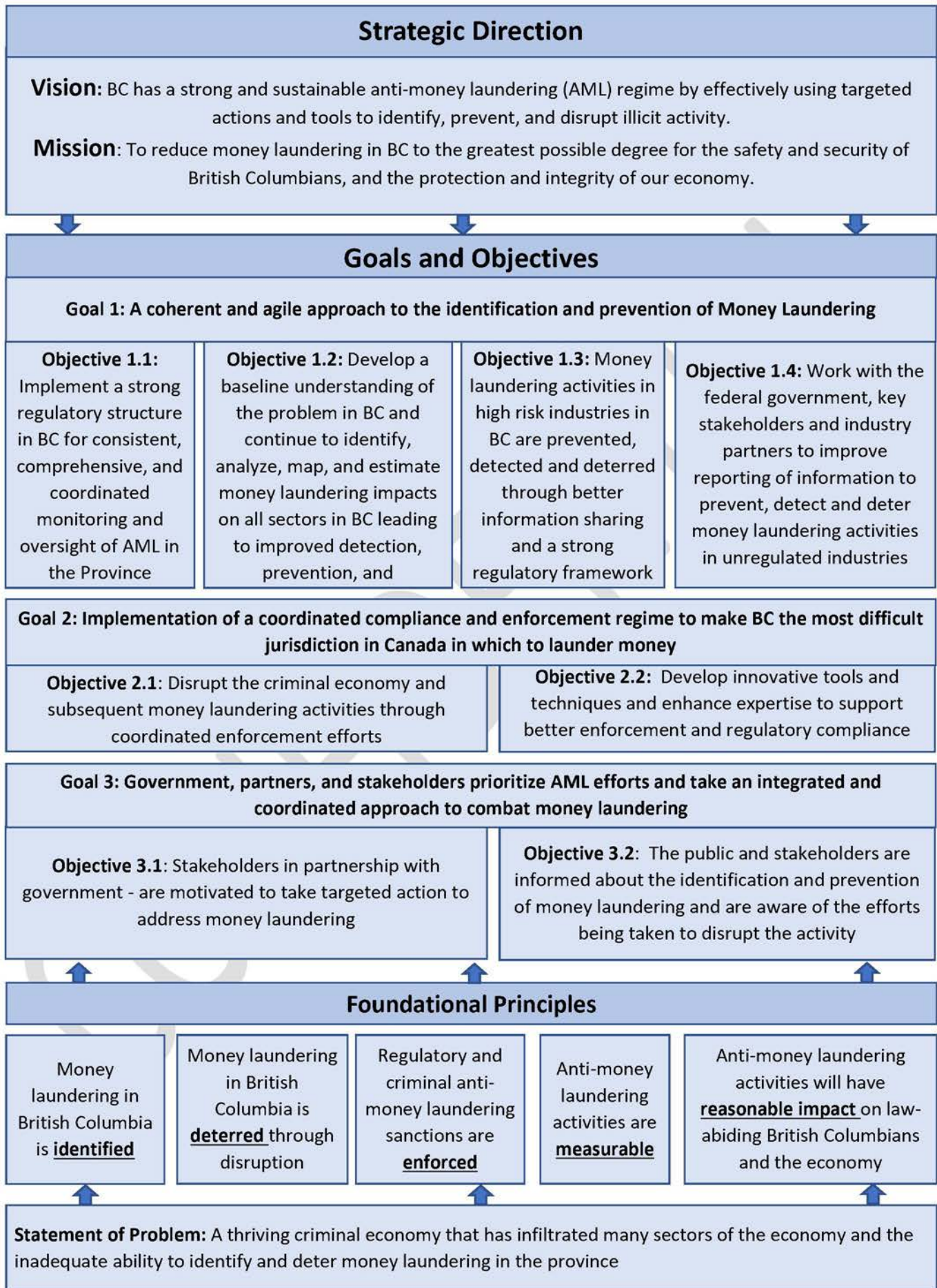


# **PROVINCIAL ANTI-MONEY LAUNDERING STRATEGY**

Last updated January 30, 2020

CONFIDENTIAL

CONFIDENTIAL



Current State	Future State
<ul style="list-style-type: none"> <li>Regulators tend to be siloed and unaligned; haven't always been brought together; no single body responsible for oversight</li> <li>Multiple databases in different systems that makes sharing and consolidation of information difficult</li> <li>Privacy concerns of regulators regarding sharing of information</li> <li>Misalignment of priorities between the federal government and BC                             <ul style="list-style-type: none"> <li>o Unsure of extent of ML in sectors outside of gambling, housing, and luxury vehicles.</li> <li>o No policies in place for non-reporting entities</li> </ul> </li> <li>No dedicated federal AML enforcement resources; lack of capacity/expertise at provincial level                             <ul style="list-style-type: none"> <li>▪ Difficult to prosecute ML</li> <li>▪ Lack of specialized police resources trained and focused on financial crime investigations</li> <li>▪ Inability to measure or assess ML activities</li> <li>▪ ML-related transactions can be complex and hard to investigate</li> <li>▪ Difficult to prosecute ML</li> </ul> </li> <li>➤ Lack of understanding among the public and non-reporting entities about the threat of ML</li> <li>➤ Reliance on civil forfeiture instead of criminal prosecution</li> <li>➤ ML may be viewed by public as victimless crime</li> </ul>	<ul style="list-style-type: none"> <li>Unified system for sharing regulatory information to understand trends across multiple sectors</li> <li>Data is proactively shared amongst regulators/stakeholders; trends are identified and actioned in real time</li> <li>Regulators operating under common AML framework</li> <li>BC and federal government working in a coordinated and collaborative fashion                             <ul style="list-style-type: none"> <li>o Improved implementation of AML actions in BC</li> <li>o Strong financial intelligence and investigative system to identify, investigate, disrupt and enforce</li> <li>o Systems approach to disrupting the criminal economy</li> <li>o Evidence-based approach to collecting, analyzing, and using information to identify ML</li> <li>o AML actions are measurable and evaluated to assess value for money                                     <ul style="list-style-type: none"> <li>▪ BC is the toughest jurisdiction in Canada to launder money leading to reduced criminal activity</li> <li>▪ AML activities have the appropriate resources, funding, and expertise</li> </ul> </li> </ul> </li> <li>➤ Strong civil remedies and meaningful regulatory penalties to disrupt ML</li> <li>➤ Significant reduction in organized crime and ML</li> <li>➤ Educated public that recognizes the signs and triggers of money laundering</li> <li>➤ Altered narrative recognizing the links between ML and poverty, drugs, crime etc.</li> </ul>

Future State Opportunities		
<ul style="list-style-type: none"> <li>Reduction of distorting effects on the economy, notably the housing market</li> <li>Safer and more secure province</li> <li>Limiting distortive impacts of ML on consumers and businesses</li> <li>Increased public confidence in government and institutions</li> </ul>	<ul style="list-style-type: none"> <li>BC positioned as a leader in its response to ML</li> <li>Better working relations with the federal government</li> <li>Regulators and law enforcement have more options and better tools to combat ML</li> </ul>	<ul style="list-style-type: none"> <li>Reduced criminal activity</li> <li>Improved reputation of the province</li> <li>Increased tax revenue</li> <li>Increased efficiencies across government (standardized practices and processes)</li> </ul>

Threats and Challenges to Achieving Future State			
<ul style="list-style-type: none"> <li><b>ML is not a priority for all provincial ministries</b></li> <li><b>Smart and nimble criminal economy</b></li> <li><b>Significant number of stakeholders across multiple sectors</b></li> <li>Inability to influence or leverage certain sectors, agencies, or organizations</li> <li>Access to capital is not readily available for tools and training needed to identify, prevent and enforce AML efforts.</li> </ul>	<ul style="list-style-type: none"> <li>Burden on British Columbians and economy</li> <li>Outcomes of public inquiry</li> <li>Change of government (federal and/or provincial)</li> <li>Political intervention / early provincial election</li> <li>Difficulty to measure illicit activity and impacts on the provincial economy</li> <li>Perceptions around privacy laws and the ability to share information</li> <li>Current approach within government is fragmented</li> </ul>	<ul style="list-style-type: none"> <li>Siloed regulator/agency approach to AML</li> <li>Constitutional limits</li> <li>Communicating social value to stakeholders</li> <li>Regulator's inhibition to participate</li> <li>Changing tech and markets (e.g. Cryptocurrency)</li> <li>Public perception of inactivity</li> <li>Feds have primary jurisdiction over criminal justice system</li> </ul>	<ul style="list-style-type: none"> <li>Inability to influence federal AML priorities</li> <li>Charter restricts timing to prosecute (i.e. Jordan), and enhanced disclosure (Stinchcombe)</li> <li>Hard to prosecute ML because proceeds of crime/predicate offences are pushed instead</li> <li>Insufficient funding and tight timelines to deliver</li> </ul>

## Context:

Recent research indicates that over the last few decades a thriving criminal economy has infiltrated many sectors of British Columbia's economy. At the same time, governments – across all levels - have had inadequate tools and limited ability to identify and combat money laundering. To date, organized crime (OC) has been nimbler than government, often changing and targeting different sectors as needed to launder money, hide unexplained wealth, and complete transactions of an illegal nature. Without intervention, this remains a very real threat that will continue to impact citizens and families of BC Through ongoing gain violence, the opioid crisis, housing affordability and more.

Government must build a response and structure that is coordinated, integrated, and agile to respond to these constantly shifting trends in the criminal economy. We believe that our greatest opportunity to disrupt money laundering activities, including returns on investment derived from those activities, is through the detection, deterrence, and prevention of the illicit behaviour. These opportunities will include development of an overarching coherent AML framework to prevent, enforce and disrupt money laundering along with implementation of a coordinated compliance and enforcement regime to make BC the toughest jurisdiction in Canada in which to launder money. Integral to the success of this strategy will be the ongoing commitments from key partners and stakeholders in areas such as public and private collaboration in the collection and analysis of data and intelligence. Government is committed to working in partnership to make this a priority and exploring opportunities for better collaboration.

# Goals, Objectives, Strategies, & Actions

## Goal 1: A coherent and agile approach to the identification and prevention of ML.

**Description:** To create a common and agile approach to preventing Money Laundering (ML) in the economy across all sector partners, and in partnership with our key stakeholders. BC will work with the federal government and municipal governments to take a coordinated and integrated approach to identify, prevent, and enforce ML. Part of this work will include standardizing and integrating data with the purpose of using it to deter ML in vulnerable sectors. Analytics will be used to identify trends as to where the criminal economy is shifting and provide early warning signs and indicators in real time. To accomplish this goal, anonymized data must be proactively shared amongst regulators. BC must also work with the federal government and non-regulated industries to improve information sharing to prevent ML activities in these sectors.

To further these efforts, we will continue to gather baseline information and undertake research to further identify and understand the effects of ML activities in British Columbia. This information is used to build the foundation for the rest of the strategy to prevent and disrupt ML and enforce applicable laws, as well as to aid in evaluation of efforts to ensure they are achieving intended outcomes.

**Objective 1.1:** Implement a strong regulatory structure in BC for consistent, comprehensive, and coordinated monitoring and oversight of AML in the Province.

**Strategy 1.1.1:** Identify a governing body with overarching responsibility for AML in BC

- 1.1.1a: Analyze the need for an independent body of government to oversee and coordinate AML activities and the possible role and responsibilities this body may have
- 1.1.1b: Develop a talent recruitment plan to ensure strong future provincial capacity and AML expertise in BC
- 1.1.1c: Set clear expectations around level of accountability for government and stakeholders

**Strategy 1.1.2:** Ongoing engagement with other jurisdictions on best practices in AML

- 1.1.2a: Continue to work with the federal government on the BC Canada working group on ML in BC real estate
- 1.1.2b: Develop working relationships with leading global AML experts and agencies that may contribute to the success of BC's goal in reducing ML for the safety of its citizens

**Strategy 1.1.3:** Ensure that a lens is applied to all AML work that considers the impact actions may have on law-abiding citizens

- 1.1.3a: Provide guidance and training to real estate agents on potential impacts of ML
- 1.1.3b: Develop materials to provide guidance to regulators on how to reduce impacts on British Columbians

Objective 1.2: Develop a baseline understanding of the problem in BC and continue to identify, analyze, map, and estimate ML impacts on all sectors in BC leading to improved detection, prevention, and enforcement.

**Strategy 1.2.1:** Identify emerging regulated and unregulated sectors that may be vulnerable to ML

- 1.2.1a: Conduct a jurisdictional scan of other Commonwealth or like countries/states/provinces to develop an understanding of best practices, trends, and actions to support potential strategies in BC
- 1.2.1b: Undertake an analysis of cryptocurrency activities and the potential vulnerabilities in this emerging area
- 1.2.1c Work with federal partners in considering the risks and opportunities with fintech disruptors like open banking

**Strategy 1.2.2:** Provide better opportunities and tools for the public to report potential ML activities

- 1.2.2a: Create a public web portal and telephone tip line for the anonymous reporting of ML activities
- 1.2.2b: Work with Crime Stoppers to understand how they can support this strategy

**Strategy 1.2.3:** Ensure that success of AML efforts are evaluated, quantified, and lead to continuous improvement and better decision making

- 1.2.3a: Undertake a review of performance measures to understand gaps and to develop a performance measurement framework
- 1.2.3b: Create a robust evaluation framework to enable better and timely decision making that incorporates best practices such as non-traditional measurement tools and indicators
- 1.2.3c: Consider the creation of a publicly available Provincial Risk Assessment

**Strategy 1.2.4:** Review and consider any recommendations resulting from the independent commission of inquiry into ML activities within BC

- 1.2.4a: Align with findings of interim report of the commission
- 1.2.4b: Review and align with findings of final report of the commission, as needed

**Strategy 1.2.5:** Make identifying money launderers easier by removing their ability to hide their identities behind numbered companies and trusts

- 1.2.5a: Make land ownership transparent by requiring owners of land to disclose beneficial owners of land in a publicly searchable registry
- 1.2.5b: Lift the corporate veil by requiring corporations to keep a register of their beneficial owners in their own records offices
- 1.2.5c: Create a publicly searchable registry of beneficial owners of corporations including both those that own land and those that do not
- 1.2.5d: Continue to monitor activities and develop preventative actions

**Strategy 1.2.6:** Develop data analytic capabilities to identify ML activities in real estate and take action

**Strategy 1.2.7:** Examine sectors currently affected by ML, both regulated and unregulated, and assess the impact or degree of ML

Objective 1.3: ML activities in high risk industries in BC are prevented, detected and deterred through better information sharing and a strong regulatory framework.

**Strategy 1.3.1:** Take steps to protect the financial system in BC from the acts of organized crime

- 1.3.1a: Identify sector weaknesses through collaboration with regulators/agencies
- 1.3.1b: Implement reporting rules for cash and other forms of transactions in which ML is a concern

**Strategy 1.3.2:** Prevent ML with the creation of a strong AML framework and outline appropriate regulator functions for priority sectors

- 1.3.2a: Engage regulators/agencies to develop potential solutions and outline roles and responsibilities of the regulator
- 1.3.2b: Add AML to the mandates of financial sector regulators
- 1.3.2c: Add AML to the mandates of other agencies/regulators
- 1.3.2d: Develop policies to assist regulators in developing reporting processes for compliance and enforcement
- 1.3.2e: Work with the BC Law Society to establish a framework for enhanced disclosure from lawyers in BC

**Strategy 1.3.3:** Develop a secure system for information sharing between regulators to analyze data for the development of trends for future prevention and compliance

- 1.3.3a: Take an inventory of data accessible by government, targeting real estate, luxury cars/goods sales, and horseracing sectors
- 1.3.3b: Take an inventory of data accessible by government, targeting priority sectors identified by the provincial AML governing body.
- 1.3.3c: Determine the strength of data and any gaps in data accessible by government
- 1.3.3d: Develop a model for a system that brings together anonymized regulatory and non-regulatory data for the purpose of red-flag analysis, trends, and possible investigation
- 1.3.3e Determine and develop an IM/IT system capable of doing the above, which includes cyber security standards
- 1.3.3f: Obtain and analyze anonymized data from regulators/agencies
- 1.3.3g: Strengthen regulatory data integrity and analytics including information sharing between the public and private sectors
- 1.3.3h: Develop a system that provides regulators with visibility outside their own areas of work and a common approach to data utility
- 1.3.3i: Develop a system that provides regulators with an avenue to communicate across sector boundaries
- 1.3.3j: Define an agreed upon data governance and data sharing model to enable the overall strategy

**Strategy 1.3.4:** Prevent ML with the creation of strong regulatory framework and outline appropriate regulator functions for priority sectors

- 1.3.4a: Conduct robust legal analysis of privacy legislation and the Charter to determine restrictions and opportunities in priority sectors identified by the provincial AML governing body
- 1.3.4b: Conduct robust legal analysis of privacy legislation and the Charter to determine restrictions and opportunities in real estate, luxury car/goods, and horseracing sectors.
- 1.3.4c: Investigate potential means of imposing non-criminal sanctions in the real estate, luxury car/goods, and horseracing sectors
- 1.3.4d: Investigate potential means of imposing non-criminal sanctions in sectors identified by the provincial AML governing body
- 1.3.4e: Investigate potential means of imposing civil forfeiture tools



**Strategy 1.3.5:** Ensure adequate regulation in the real estate sector

- 1.3.5a: Rewrite the *Mortgage Brokers Act* to be more up to date
- 1.3.5b: Create a single regulator for real estate
- 1.3.5c: Ensure an efficient real estate regulatory framework
- 1.3.5d: Consider if regulatory changes are required for developers, home inspectors, real estate appraisers, and unregulated lenders

Objective 1.4: Work with the federal government, key stakeholders and industry partners to improve reporting of information to prevent and deter ML activities in non-regulated industries.

**Strategy 1.4.1:** Engage federal government to develop a reporting scheme for all luxury goods within the *PCMLTFA*

- 1.4.1a: Identify what would be included under luxury goods and the markets therein

**Strategy 1.4.2:** Identify opportunities for non-regulated industries to improve reporting of potential ML

- 1.4.2a: Develop provincial considerations and guidelines for the non-regulated market
- 1.4.2b: Review non-regulated industry to determine all areas that should be provincially regulated

**Strategy 1.4.3:** Develop a framework for provincially regulating Money Service Businesses

- 1.4.3a: Conduct industry consultations to better understand the diversity of these businesses
- 1.4.3b: Develop options for an appropriate framework

Goal 2: Implementation of a coordinated compliance and enforcement regime to make BC the most difficult jurisdiction in Canada in which to launder money.

British Columbia faces challenges with respect to not having appropriate provincial resources and expertise to effectively combat ML. In order to enforce and effectively disrupt ML activities, British Columbia must have a strong compliance and enforcement regime – both on the regulatory and criminal side -that is well-resourced and has the expertise and tools to deter illicit behaviour.

Objective 2.1: Disrupt the criminal economy and subsequent ML activities through coordinated enforcement efforts.

**Strategy 2.1.1:** Develop dedicated AML compliance and enforcement units

- 2.1.1a: Establish provincial criminal financial intelligence and investigative units to be the principal entity tasked with multi-stakeholder criminal intelligence and investigative coordination in the field of preventing ML in BC
- 2.1.1b: Establish a provincial regulatory centre that provides a space to share information, identify trends, collaborate on a regulatory response, and work in parallel with criminal enforcement

**Strategy 2.1.2:** Increase provincial expertise and dedicated resources for prosecutions and policing to combat ML

- 2.1.2a: Consider a fenced funding model for policing AML in the Province
- 2.1.2b: Undertake research of existing AML models and disruption strategies that can be emulated or leveraged within the BC AML landscape

- 2.1.2c: Provide education and hiring in coordination with BC post secondary institutions
- 2.1.2d: Develop a dedicated AML and financial crime skills-based training program with post secondary institutions
- 2.1.2e: Explore hiring of Crown (legal) resources in AML

Objective 2.2: Develop innovative tools and techniques and enhance expertise to support better enforcement and regulatory compliance

**Strategy 2.2.1:** Develop and implement a framework for regulators to impose appropriate penalties and significant cumulative fines for non-compliance

- 2.2.1a: Review regulators' powers to impose penalties for non-compliance with AML measures and develop an appropriate penalty framework
- 2.2.1b: Empower regulators to leverage legislation to impose multiple and cumulative fines for non-compliance
- 2.2.1c: Review and change policies and procedures or remove barriers that may prevent regulators from working together to levy fines
- 2.2.1d: Review regulatory reporting mechanisms on compliance to monitor when to impose penalties

**Strategy 2.2.2:** Increase provincial expertise and resourcing for regulators to combat ML

- 2.2.2a: Develop a provincial enforcement team that would work hand in hand with federal ACE teams

**Strategy 2.2.3:** Enhance tools and the use of civil forfeiture to target the proceeds and instruments of unlawful activity related to property

- 2.2.3a: Explore the potential use of unexplained wealth orders that require an individual to reveal the sources of unexplained wealth or face seizure of property
- 2.2.3b: Assess the feasibility of implementing geographic tracking orders that would include new or enhanced identification and record-keeping requirements on transactions occurring within defined geographic areas

### Goal 3: Government, partners, and stakeholders prioritize AML efforts and take an integrated and coordinated approach to combat ML.

In order for this strategy to be successful at disrupting ML, it will be necessary for all participants to show leadership, work together and make AML a priority. Government will lead this working closely with partners and stakeholders to ensure they are engaged early on and continuously in the process and by working to provide the appropriate motivation.

As the Provincial AML Strategy is developed, implemented, and evaluated, government is also committed to transparency and accountability by reporting on coordinated efforts to disrupt ML activities. In doing so, government must work with key stakeholders and the public to provide education and increase awareness of the effects of ML activities on the economy.

Objective 3.1: Stakeholders and partners- in partnership with government - are motivated to take targeted action to address ML.

**Strategy 3.1.1:** Create an engagement strategy with all impacted stakeholders to determine extent of the ML problem in the BC economy

- 3.1.1a: Determine stakeholders upon whom there may be an immediate impact through stakeholder analysis and development of a stakeholder engagement plan
- 3.1.1b: Keep above stakeholders informed through one-on-one communication from the identified relationship owner
- 3.1.1c: Determine future meetings and engagement activities (education/awareness campaigns)

**Strategy 3.1.2:** Develop appropriate incentives to support prioritization for all involved parties

- 3.1.2a: Consider whistleblower awards provided by regulators similar to those currently provided by the Ontario Securities Commission

Objective 3.2: The public and stakeholders are informed about the identification and prevention of ML and are aware of the efforts being taken to disrupt the activity.

**Strategy 3.2.1:** Undertake a communications campaign for stakeholders on actions, engagement, and general understanding of actions by government

- 3.2.1a: Development of website to provide updates on actions to date
- 3.2.1b: Publish progress reports on implementation of AML Strategy

**Strategy 3.2.2:** Identify tools to keep British Columbians aware of government and regulatory actions to combat ML

- 3.2.2a: Education campaign to understand the difference between Proceeds of Crime and ML

**Strategy 3.2.3:** Create greater awareness of negative impacts of ML to the Canadian economy