



FINTRAC OVERVIEW

RECBC

May 2019



Who We Are

**Canada's Financial
Intelligence Unit
(FIU)**

**Canada's AML/ATF
Regulator**

Created in 2000; enabling Act is the *Proceeds of Crime
(Money Laundering) and Terrorist Financing Act*
(PCMLTFA)

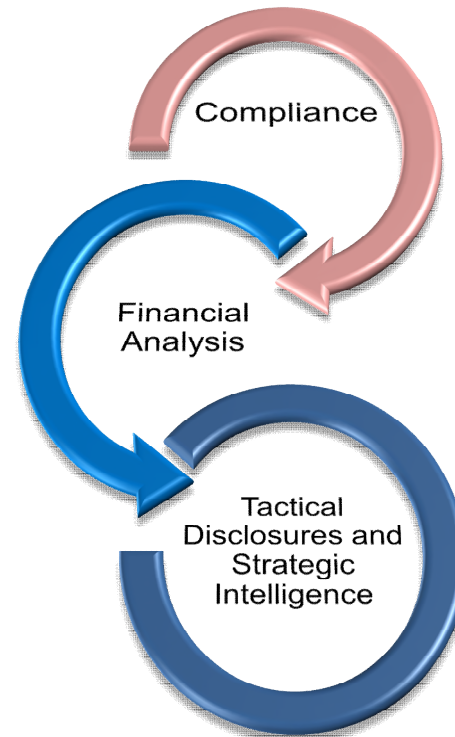
*Regulations: Money laundering and Terrorist Financing,
Suspicious Transactions, Cross-border movement of funds,
Registration of Money Service Businesses & Administrative
Monetary Penalties*

Independent agency
that reports to
Minister of Finance

HQ in Ottawa
3 regional offices:
Vancouver, Toronto,
Montréal

What We Do

- Ensure compliance with the PCMLTFA
- Produce and disseminate financial intelligence
- Safeguard the information under our control



FINTRAC's Compliance Framework

FINTRAC's Compliance Program assists and assesses compliance with the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)* and its Regulations.



OUR GUIDING PRINCIPLES

TRANSPARENCY: FINTRAC provides information and makes our processes accessible to help you understand your obligations.

ENGAGEMENT: FINTRAC provides guidance and feedback through a broad range of engagement and outreach activities.

CLARITY: FINTRAC provides clear and concise information to help you meet your obligations.

WHO MUST COMPLY?

Accountants | Agents of the Crown | British Columbia notaries | Casinos | Dealers in precious metals and stones | Financial entities | Life insurance | Money services businesses | Real estate | Securities dealers

WHAT ARE THE KEY OBLIGATIONS?

Compliance program | Know your client | Transactions reporting | Record keeping | Money services business registration

PILLARS OF OUR COMPLIANCE PROGRAM

ASSISTANCE

FINTRAC is committed to working with you to assist you in understanding and complying with the obligations. We provide assistance through a number of channels to help you implement an effective compliance program:

- Online publications
- Outreach and engagement
- Technical support

ASSISTANCE



ONLINE PUBLICATIONS

We provide pertinent online information, such as comprehensive guidance on your compliance obligations, an assessment manual that prepares you for a FINTRAC examination, and the operational alerts and briefs that guide you in identifying and reporting suspicious transactions to FINTRAC.



OUTREACH AND ENGAGEMENT

We conduct outreach and engagement with various stakeholders, including industry associations and regulators, to explain obligations, provide updates, or discuss legislative and regulatory changes.

We also provide support through a Helpline (**1-866-346-8722 option 4**) and offer policy interpretation for specific questions.



TECHNICAL SUPPORT

We provide further specialized support to address more technical questions you might have related to the Money services business registry or the electronic submission of reports to FINTRAC.

We also provide technical information and technology support through FINTRAC's Helpdesk (**1-866-346-8722 option 3**).

ASSESSMENT

FINTRAC fairly and objectively uses many different assessment tools to ensure that you are meeting your obligations:

- **Desk or onsite examinations** to assess your compliance program.
- **Monitoring** of financial transaction reports you submitted to FINTRAC.
- **Validations** to determine if you are subject to the PCMLTFA.
- **Observation letters** to highlight your improvements or program gaps.
- **Compliance assessment reports** to assess your progress in implementing a compliance program.

EXAMINATION PROCESS



PLANNING

- We will contact you in advance.
- We will inform you of the areas that we will examine.
- We will send you a letter requesting detailed information.



CONDUCTING

- We hold an introductory interview with you.
- We review and assess your records, transactions and your processes.
- We conduct interviews with your employees.
- We hold an exit interview with you.



CONSOLIDATING THE FINDINGS

- We assess all facts provided to us during the examination.
- We send you a letter detailing our findings.
- We give you 30 days to provide additional information if we recommend a penalty.

ENFORCEMENT

When needed, FINTRAC uses a variety of enforcement tools to address non-compliance situations:

- **Compliance meetings** to identify and discuss non-compliance gaps with you.
- **Findings letters** to identify specific areas that require attention.
- **Action plans and follow-up examinations** to assess if previous non-compliance has been addressed.
- **Administrative monetary penalties (AMP)** that may be issued in cases of serious or repeated non-compliance.
- **Non-compliance disclosures** that FINTRAC can provide to law enforcement in cases of extensive non-compliance.

ADMINISTRATIVE MONETARY PENALTIES PROCESS



NON-COMPLIANCE FINDINGS

- We will review and assess the non-compliance findings.



NOTICE OF VIOLATION

- We will explain your violations and the factors taken into account for the penalty calculation.
- We will inform you on the recourses available to you.



RECOURSE

- You have the right to make representations to FINTRAC's Director and CEO for a review of the notice of violation and the penalty amount.
- You also have the right to appeal the Director and CEO's decision to the Federal Court.



PUBLICATION

- Once all proceedings have ended, details of your AMP, including your name, may be subject to publication.

Real Estate: Real Estate Brokers or Sales Representatives

Real estate brokers and sales representatives are individuals or entities that are registered or licensed in a province to sell or purchase real estate – not including leases, rentals or property management.

Section 37 of the PCMLTFR states that:

“Every real estate broker or sales representative is subject to Part 1 and 1.1 of the Act when **they act as an agent** in respect of the purchase or sale of real estate”.

Real Estate: Real Estate Developers

An individual or entity other than a real estate broker or sales representative who, in any calendar year after 2007, has sold the following to the public:

- Five or more new houses or condominium units;
- One or more new commercial or industrial buildings;
- One or more new multi-unit residential buildings each of which contains five or more residential units; or
- Two or more new multi-unit residential buildings that together contain five or more residential units.

Requirements for REs



37. Every real estate broker or sales representative is subject to Part 1 of the Act when they act as an agent in respect of the purchase or sale of real estate.

Reporting

- Suspicious Transactions
- Terrorist Property
- Large Cash Transactions

Ascertaining Identity

- Any individual who conducts a large cash transaction;
- Any individual or entity for whom a **client information record** or a **receipt of funds record** is required;
- Any individual for whom a **suspicious transaction report** (reasonable measures and exceptions apply) is generated.

Record Keeping

- Large cash transaction records
- Receipt of funds records
- Client information records
- Copies of official corporate records (binding provisions)
- Copies of suspicious transaction reports
- PIN (purpose and intended nature of the business relationship)
- Ongoing monitoring documentation

Compliance Regime

- 5 elements

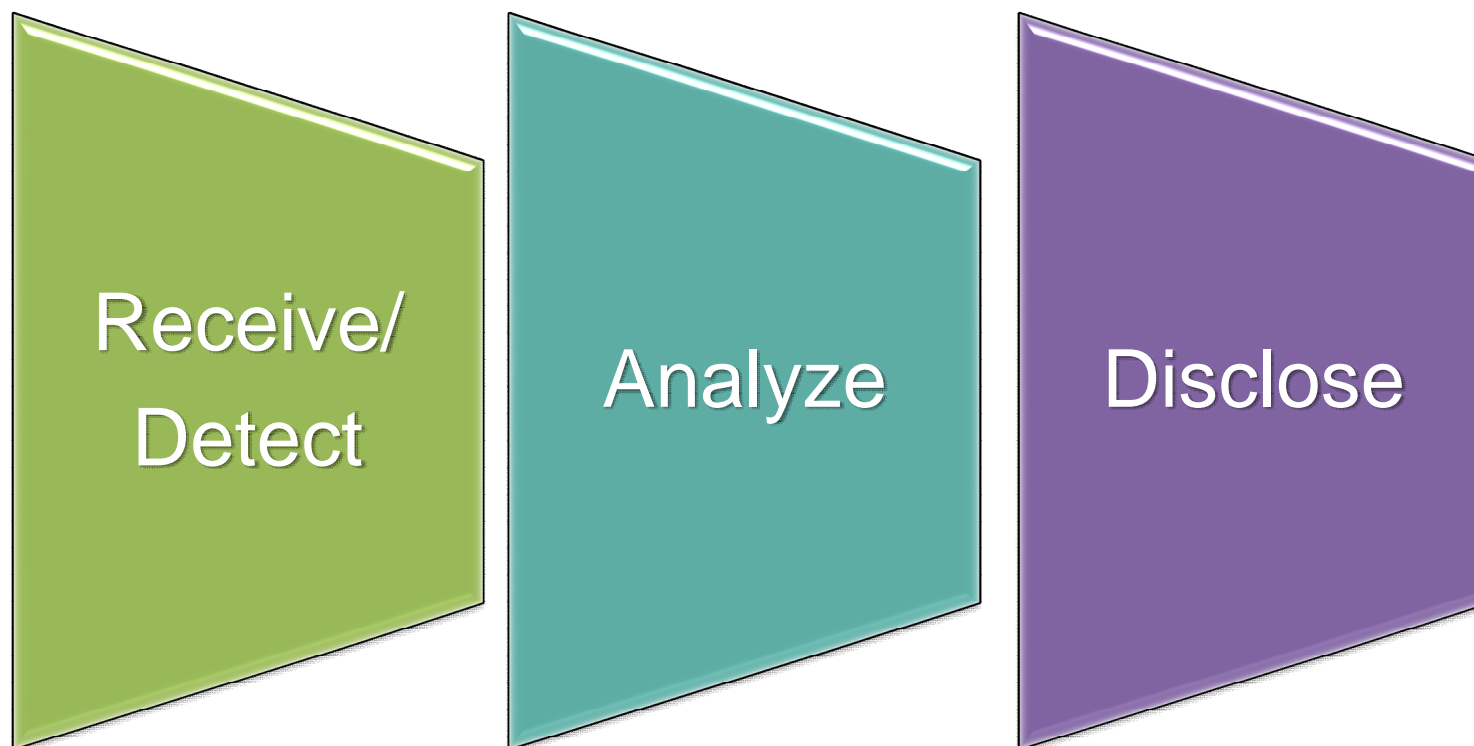
Compliance → Intelligence

- Effectiveness of AML/ATF Regime = Ability of Reporting Entities (REs) to submit high quality and timely reports
- FINTRAC's approach to ensuring compliance
 - **Collaborative approach** to ensure continual supply of financial intelligence
- Reporting Entity's role
 - **Implement effective compliance programs** to detect and mitigate risks
 - **Submit** high quality and timely reports

Financial Intelligence and Analysis



Tactical Financial Intelligence Analysis at FINTRAC



Receiving Information

FINTRAC monitors the quality, quantity and timeliness of reports submitted by reporting entities

Reporting Entities

Financial entities
Money Services Businesses
Casinos
Securities dealers
Real estate
Life insurance
Dealers in precious metals and stones
Accountants
BC notaries

Reports

Suspicious transaction reports
Electronic funds transfer reports
Large cash transaction reports
Casino disbursement reports
Terrorist property reports

CBSA

Cross-border currency seizure reports
Cross-border currency reports

Law enforcement agencies

General public

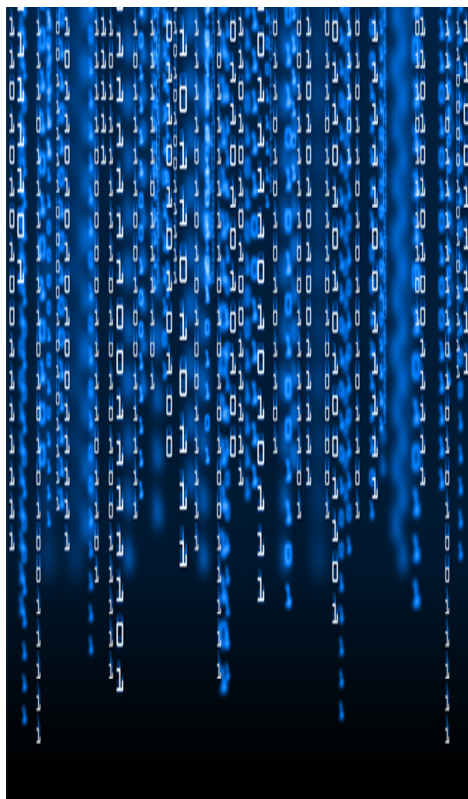
Voluntary information

Foreign financial intelligence units

Queries and disclosures



Conducting Analysis



FINTRAC produces actionable financial intelligence by:

- Establishing identification;
- Grouping related transactions; and
- Querying databases

FINTRAC's database

External databases
Publicly available information

FINTRAC's Disclosure Threshold

“Reasonable grounds to suspect” information in the disclosure
 “would be relevant to investigating or prosecuting
 a money laundering offence or a terrorist activity financing offence”

s.55(3) PCMLTFA



Disclosing Intelligence

When legislated thresholds are met, FINTRAC discloses designated information pertaining to suspected cases of money laundering, terrorist activity financing and threats to the security of Canada

Disclosure Recipients:

RCMP

Municipal and provincial police forces

CSIS

Foreign FIUs

CRA

CBSA

CSE

Provincial Securities Regulators

Department of National Defence



Safeguards Provided in the PC(ML)TFA

- Arm's length concept;
- General prohibition to disclose FINTRAC information;
- Listed sources of information available to FINTRAC to conduct its analysis;
- Specific information that FINTRAC can disclose (designated information);
- Limited number of disclosure recipients;
- Review by the Office of the Privacy Commissioner.

Safeguards Provided in the PC(ML)TFA

- Meeting the “reasonable grounds to suspect” threshold prior to disclosing;
- FINTRAC’s general immunity from compulsory processes;
- Exceptions to immunity: criminal proceedings related to money laundering, terrorist activity financing and *PC(ML)TFA* offences, production orders;
- Criminal offences for unauthorized disclosure.

MEDIA



RCMP charge Calgary man and woman in multi-million-dollar fraud investigation

RECIDIVIST NEIL ANDREW MCDONALD SENTENCED TO TWO YEARS IMPRISONMENT FOR FRAUD AND MONEY LAUNDERING

Anmore, B.C., developer fined for tax evasion



Public-Private Partnerships



#PROJECT PROTECT

Initiative began in January 2016
Reporting entities report suspicious transactions associated to human trafficking

#PROJECT CHAMELEON

Initiative began in June 2017
Reporting entities report suspicious transactions associated to romance scams

#PROJECT GUARDIAN

Initiative began in February 2018
Reporting entities report suspicious transactions associated to the drug trafficking of fentanyl

FINTRAC'S NEW INITIATIVES

Committed to supporting Canadian businesses through ongoing consultations and recent publications:

- First ever TF assessment
- New STR guidance
- Compliance Framework
- Voluntary self-declaration of non-compliance
- Assessment manual
- Revised Administrative Monetary Penalty (AMPs) policy



Compliance MOU

- Strengthen compliance in the real estate sector in British Columbia.
- Working together to identify and address money laundering risks in Real Estate Sector
- Enhance and coordinate oversight in the sector
- Reduce the burden on real estate businesses and help to protect Canadians and Canada's economy.