

**MINISTRY OF PUBLIC SAFETY AND SOLICITOR GENERAL
AND
MINISTRY OF ATTORNEY GENERAL
JOINT BRIEFING NOTE**

PURPOSE: For INFORMATION of Mark Sieben, Deputy Solicitor General and Richard Fyfe, Q.C. Deputy Attorney General

ISSUE: Government has directed the Ministry of Public Safety and Solicitor General (PSSG), the Ministry of Finance (Finance), and the Ministry of Attorney General (AG) to examine options to combat money laundering in British Columbia including regulatory and criminal responses.

SUMMARY:

- Financial investigations are very complex in nature, involving large sums of money and many victims. Offenders often reside in jurisdictions distant from both the police investigators and the victims themselves.
- At the direction of government, Policing and Security Branch (PSB) requested a proposal from the RCMP that would enhance capability and capacity to investigate these crimes.
- The RCMP proposal recommends the creation of a unit capable of investigating a wide variety of financial crimes including money laundering. This team would be co-located within Federal Policing, Serious and Organized Crime (FSOC) located at the RCMP “E” Division Headquarters facility in Surrey.
- While supporting the RCMP proposal in principal, PSB has identified an alternative model that leverages the Combined Forces Special Enforcement Unit – BC (CFSEU-BC) as a province wide unit tasked with the prevention disruption and enforcement of organized crime groups and gangs.
- There is a further opportunity to impact Organized Crime including money laundering and other financial integrity crimes through the creation of an Economic Integrity Unit within CFSEU-BC. The creation of an Economic Integrity Unit (under either model will require approximately 25 police investigators plus support staff, at an approximate annual cost to the province of \$3.6 million.

BACKGROUND:

- In response to government direction, PSB asked the Provincial Police Force (The RCMP) for a proposal regarding the creation of a Provincial Economic Integrity Unit.
- The RCMP proposal recommends creation of a new Financial Integrity Unit that would provide substantial improvements to the current provincial capacity to protect the economy of British Columbia through the prevention, disruption, investigation, and prosecution of those who would exploit vulnerable institutions, markets and individuals.
- This additional unit would be co-located within the Federal Policing, Serious and Organized Crime (“FSOC) located at the RCMP “E” Division Headquarters facility in Surrey.

- The proposed mandate for the Financial Integrity Unit is *“To investigate inter-municipal, interprovincial and international financial crimes related to all manner of criminal offences that undermine the stability and integrity of the economy in BC. This may include significant corporate or real estate financial crime, identity theft, payment card financial crime, fraudulent mass marketing, financial crime which victimizes vulnerable members of society, and investment financial crimes, as well as providing educational outreach to both financial crime investigators and the general public.”*
- Financial investigations are very complex in nature, involving large sums of money and often having many victims. Offenders frequently reside in jurisdictions distant from both the police and the victims themselves. Financial transactions and the movement of funds must be tracked through institutions around the world and are always executed with many supporting complex judicial authorizations and often extra-territorial “mutual legal assistance treaties” (MLAT). These investigations are often hampered by countries whose political, financial, and legal infrastructure are less evolved than our own or have been designed to attract illegal offshore financial activity.
- The proposed unit would also be a resource for financial (criminal and regulatory) investigators throughout the province and would enable the investigation of cross jurisdictional financial crimes which is currently outside the scope of federal policing mandates.
- The proposed unit will work with partners and stakeholders across the public and private sectors, seeking to bring together the most effective range of knowledge, capabilities and skills to reduce the impact of financial crime on British Columbia.
- The proposed unit would be positioned to share intelligence and develop and implement shared investigative strategies with law enforcement partners, regulators and financial institutions against organized crime, white collar criminals, and suspected individuals and groups engaged in money laundering, and other financial integrity crime activities.

Alternative Strategy

- In analysing the RCMP proposal PSB identified an alternative strategy for consideration.
- Government has committed significant resources to combat organized crime, guns and gangs; mid and high level opioid trafficking, and illegal gaming.
- This responsibility for leading these critical initiatives has been assigned to the Combined Forces Special Enforcement Unit, BC (CFSEU-BC). CFSEU-BC is a province wide unit of investigative and support specialists tasked with the prevention, disruption and enforcement of organized crime groups and gangs. This fully integrated unit, which includes the Organised Crime Agency of BC (OCABC), is governed by a Board appointed under the BC Police Act.
- OCABC investigators, specialists and support staff operate under the CFSEU-BC umbrella but are employees of the Board rather than the RCMP. OCABC employees are not subject to RCMP transfer nor return to their home municipal police force at the end of their secondment period. This facilitates greater continuity of knowledge, experience and skills and creates a foundation from which CFSEU-BC leadership can position and retain highly specialized experts.

- There is a further opportunity to impact Organized Crime through the creation of an Economic Integrity Unit within CFSEU-BC.
- The movement and laundering of the proceeds of crime is central to high level organized crime group operations. Sophisticated domestic and foreign “White Collar” and organised criminals exploit British Columbia and Canadian institutions to launder, hide and invest illegally obtained or exported funds.
- An Economic Integrity Team working with provincial and federal regulatory agencies to conduct investigations against organized crime groups and criminals exploiting British Columbian public and private sector institutions. This would include money laundering and efforts to utilize the British Columbia real estate market to invest or shelter illicit funds.
- The creation of this unit within CFSEU-BC provides for immediate connectivity with all forms of organized crime operations and the sharing of intelligence and incorporation of other disciplines and expertise including financial professionals such as Forensic Auditors. Existing provincially funded support units would be available to the team thereby realizing efficiencies and economies of scale.
- CFSEU-BC would continue to be comprised of its current core expert teams designed to target the violence emerging from Organized Crime and Gangs as well as its enhanced teams which include firearms trafficking, opioid trafficking and illegal gaming.
- The existence of a team of economic integrity specialists would add another “stream” from which the province would be able to prevent, disrupt and conduct enforcement against financial integrity crime.

DISCUSSION:

- The RCMP FSOC model provides for establishing capacity for the investigation of a broad range of financial crimes. The co-location of the proposed unit with existing Federal Policing resources facilitates a centre for provincial expertise. Managing competing federal priorities can be managed by ensuring that the proposed new unit has clearly defined fenced funding and delegated responsibilities.
- The alternative model under CFSEU-BC provides more focussed investigative capacity to address organized criminal activity related to the economy of British Columbia. While it provides less overall capacity to the broader range of financial crimes, it has the collateral benefit of enhancing British Columbia’s own organized crime and gang agency (CFSEU-BC) in support of its continuing efforts.
- Both models are predicated on the existence of corresponding regulatory bodies concurrently addressing the challenge through non-criminal strategies and laws.
- With either option, completion of a refined business case and implementation plan is required. Subsequent implementation would range from 1 to 2 years depending on the model chosen. For example, the hiring of OCABC employees is much more immediate than the procurement and staffing of RCMP resources under the Provincial Policing Agreement. The former is a decision of the OCABC Board whereas the latter is subject to federal approval and competing federal priorities.

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- Funding for either model would be “fenced” and allocated to the Provincial Police Force with a clearly defined mandate and corresponding performance metrics assigned to the delegation.

OTHER MINISTRIES IMPACTED/CONSULTED:

- Consultation with the Ministry of the Attorney General and Ministry of Finance will be required to refine the model and business case.

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