



“E” DIVISION

**RAC / DMT PROPOSAL
BUSINESS CASE (MAJOR)**

**Proposal for a
Provincial
Financial Integrity/ Crime Unit**

SUBMISSION DATE: January 22, 2018

ACRONYMS: None

DMT SPONSOR: Assistant Commissioner, ISOC - **Personal**

REQUESTING UNIT: E Division Federal Serious and Organized Crime

REQUEST: Proposal for a provincial financial integrity/crime unit.

DESCRIPTION OF THE REQUEST

Executive summary

The re-engineering of federal policing in 2013 established a focus on federal mandated investigations. This resulted in a situation wherein there are no provincial police resources tasked with the investigation of large frauds that do not fall within the federal mandate. Prior to re-engineering there were about 100 members and support staff investigating financial crime (across a number of mandates) in B.C.

Currently, Municipal and Provincial detachments do not have the capacity to investigate inter-detachment, interprovincial or international financial related crime. Likewise, existing provincial policing agencies are unable to devote resources to investigate fraud that fall outside the federal realm. This unit will investigate inter-municipal, interprovincial and international frauds in BC which would potentially include significant corporate or real estate fraud, identity theft, payment card fraud, fraudulent mass marketing, fraud which victimizes vulnerable members of society and investment frauds, as well as providing educational outreach to both fraud investigators and the general public. It will work in conjunction and complimentary to existing and as yet to be established Regulatory financial bodies.

This is a proposal for creation of a provincial financial integrity/crime unit comprising 38 members and support staff, at an approximate annual cost of \$7.7 million, with the province's 70% share approximately \$5.4 million, and an initial start-up cost of approximately \$825,000.

Background

E Division Commercial Crime section, like other white-collar crime sections across Canada, initially had a federal policing mandate. Federal policing responsibilities were taken away over time, and the section predominantly became a fraud investigation unit, which would be a provincial policing responsibility. In addition to investigating large frauds, the E Division Commercial Crime section provided support and advice to detachments in BC.

Comment [RWP1]: Intent was more than just fraud, to include money laundering an full spectrum of economic crime and

In January 2013, all RCMP federal resources in BC, including all members of E Division Commercial Crime Section, were amalgamated into E Division Federal Serious and Organized Crime. Twenty provincial positions from E Division Commercial Crime Section, historically tasked with investigating domestic political corruption, were also brought to the federal unit. These same positions remain within the federal unit as the Sensitive Investigations Unit and continue to investigate domestic political corruption.¹

Financial investigations are very complex in nature, involving large sums of money and many victims. Victims and offenders are often in different jurisdictions. Detachments and municipal police departments usually do not have the resources or expertise to conduct investigations of such multi-faceted offences, and detachment members are often restricted in expanding investigations beyond their municipal boundaries.

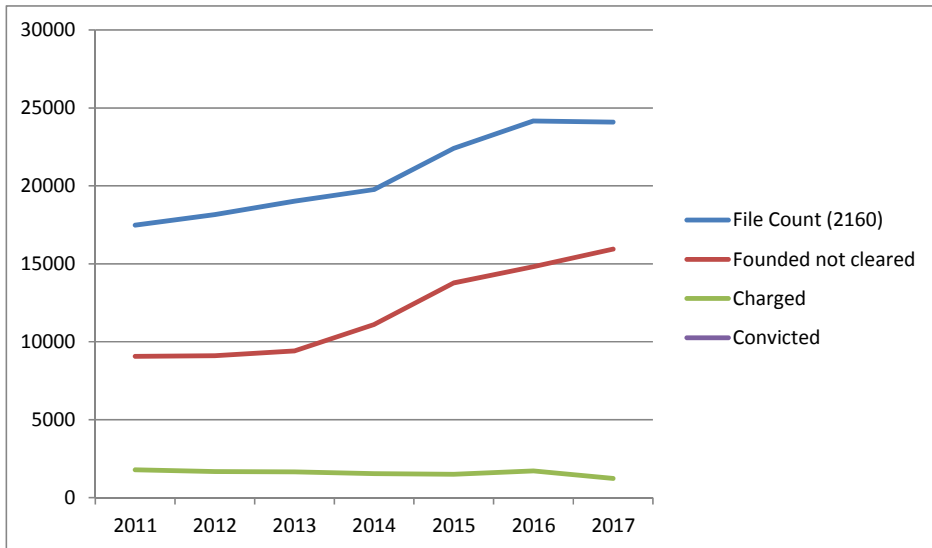
The 2015-2017 BC RCMP Performance Plan reported that there is a baseline decrease in crime rates.² However, there has been a 37.8% *increase* in annual fraud offences since 2011, with a sharp increase in not cleared cases since about the time of re-engineering. (See Appendix A for detailed statistics).

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¹ Over time, provincial and federal positions had become intertwined within the Sensitive Investigations Unit and Commercial Crime Section. In early 2017, the provincial positions were realigned to all fall within the Sensitive Investigations Unit. At the same time, the federal positions within Sensitive Investigations Unit were moved to federal policing responsibilities.

² 2015-2017 BC RCMP Performance Plan, p. 14-15. The 2018-2020 BC RCMP Performance Plan remains under development at the time of this business case.

Graph 1 – Uniform Crime Reporting – Fraud Based Offences (source: PRIME BC)



UCR statistics relating to financial crime based offences may apply to insurance fraud, credit card fraud, mass marketing fraud, investment fraud, fraudulent cheques, online scams (including email scams, data breaches and phishing), advance fee schemes, land title and real estate fraud, money laundering, theft and payment card fraud. These statistics would be understated due to the fact that victims are often reluctant to report fraud. A 2008 McMaster University study³ concluded that only 13% of identity frauds were reported to the police. The Canadian Anti-Fraud Centre estimates only 5% of mass marketing fraud is reported to them.

It is difficult to quantify the monetary impact of all types of financial crime in British Columbia. The Canadian Anti-Fraud Centre has reported that in 2014 there was a reported loss in British Columbia of \$5.6 million relating only to mass marketing financial crime.⁴ Using the above report rates, the monetary loss to financial crime in B.C. can be estimated to be \$43 - \$112 million annually. These estimates only include mass marketing financial crimes. There are other types of financial crime as noted above that would add to the amount of money taken away from the legitimate economy in B.C.

³ <http://merc.mcmaster.ca/measuring-identity-theft-canada-2008-consumer-survey/>

⁴ <http://www.antifraudcentre-centreantifraude.ca/reports-rapports/2014/ann-ann-eng.htm#a11>

Proposal

A new Provincial financial integrity/crime unit is proposed. Such a unit is essential to combat the burgeoning financial crime. The unit would be a resource for financial crime investigators in detachments and would enable the investigation of inter-detachment and interprovincial financial crimes which are outside the scope of federal policing mandates and beyond the capacity of the detachment. Reducing the impact of financial crime cannot be delivered by one organization alone. It will work with partners and stakeholders across the public sector and the wider economy, seeking to bring together the most effective range of knowledge, capabilities and skills to reduce the impact the financial crime to Canada. Critical to meeting the objectives, is that they are being intelligence lead, focus on identification, investigation, enforcement and disruption to ensure the optimal prevention of such crimes.

Comment [RWP2]: Understand Prevent, disrupt and conduct enforcement. Assess and react to Organized crime infiltration and coordinate with stakeholders to reduce vulnerability

Proposed mandate and strategic objectives

According to E Division policy⁵, the current “provincial mandate” for financial crime is “To investigate economic crimes of provincial significance when one or more of the following elements are present: organized crime involvement, substantial value of financial losses, high degree of criminal sophistication, requirement of special investigative expertise, provincial government as a victim, and/or satisfying public or provincial interest.”

A mandate for the proposed unit may also include: “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 criminal activity which would potentially 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.”

A provincial financial integrity/crime unit would also need to work with regulatory bodies and foreign agencies in joint investigations to protect local victims, public and private institutions and to prevent British Columbia from being a haven for criminals who would target victims in other jurisdictions. The proposed unit will be in a position to share intelligence and investigative strategies with other municipal, provincial and federal units on common money laundering and organized crime suspects engaged in financial crime activities.

Comment [RWP3]: Institutions and victim

Proposed strategic objectives are to (1) become an area of expertise and excellence in the investigation, disruption and conviction of complex financial crimes, and (2) to support detachment financial crime units and the financial crime investigation community by providing guidance.

⁵ <http://infoweb.rcmp-grc.gc.ca/rcmpmanuals/ediv/eng/om/3/general/om3-general.htm>

Recruitment and retention of employees

The proposed unit would recruit investigators with previous financial integrity/crime investigative experience and interest. Sources for recruitment would include detachment and municipal police financial crime/economic crime units, FSOC Financial Integrity, previous Commercial Crime and Proceeds of Crime members, and persons with accounting or banking backgrounds.

The proposed unit would provide these investigators with an opportunity to retain and further enhance their skills and abilities through specialized training, networking with domestic and foreign partners and mentoring investigators throughout the division requiring assistance. Financial crime investigation training is available through courses sponsored by the RCMP, outside municipal agencies, professional associations and financial institutions. Members of the proposed unit would be in frequent contact with other financial crime investigators throughout Canada and the United States during the normal course of their investigations. These members would also be expected to coordinate and attend regular meetings with the detachment financial crime investigators and financial institution investigators to discuss current financial crime trends and investigative strategies. Members of the proposed unit would be encouraged to participate in associations such as the International Association of Financial Crime Investigators to establish contacts with domestic and foreign law enforcement and corporate investigators. The members would enhance their expertise, and share this expertise, when providing guidance to detachment investigators on cases that would remain with the detachments.

At onset, in staffing the proposed unit and to build necessary capacity, business cases may be made to retain (over-rank) newly promoted members of the proposed unit, within the proposed unit.

Housing the proposed unit within the Federal Financial Integrity unit will allow investigators in both units to leverage from each other's experience, knowledge and contacts. This would also allow for transfers to occur between the two units, providing a variety of work, within a related field, for the investigators. There would be additional promotional opportunities within the financial crime field for these investigators through the additional positions created. This would aid the long-term retention of experienced financial crime investigators and enhance capacity to deliver on mandates.

Although the majority of the positions within the proposed unit will need to be staffed with peace officer status members, consideration may be given to civilianizing several of these positions, such as the tech crime support or a detachment liaison/advisor position in order to retain expertise and reduce the expense of mandatory regular member training.

Anticipated outcomes and measures of success

By their nature, significant financial crimes take time to investigate and prosecute. A further significant outcome is the measure of public confidence in all components of the BC economy by ensuring the investigations related to money laundering, fraudulent activities in all public

Comment [RWP4]: There would be a delegation and direction letter from Province fencing funding, requiring staffing levels alignment with agreed upon mandate and performance metrics

Comment [RWP5]: Confidence in Real estate market as it relates to money laundering and fraud. Confidence in the integrity of public and private sector institutions through coordinated regulatory and criminal prevention and enforcement strategies

Crime trending down public and industry confidence up. Market confidence high

and private institutions do not go unchecked by Police. Confidence in the integrity of the BC economy is critical to long term sustainable international confidence in B.C. It will create an environment that will attract and allow to prosper the legitimate investment to secure a safe B.C. for the future.

Investigations coordinated with a typical financial crime investigation will take more than one year from receipt of the complaint to production of a report to Crown counsel, and a conviction may not follow until years later. Due to the timeframe of a typical financial crime investigation, financial crime clearance statistics will not be a true reflection of the proposed unit's immediate success.

Alternatively, success can be measured by the level and quality of investigations brought forward to Crown counsel. A simple measurement of reports to Crown counsel will not (alone) be reflective of the unit's success, due to the complexity of large financial crime investigations.

The Regional Director (Commercial Crime) for the Ministry of the Attorney General is an external client, and would be able to accurately assess the new unit's success by assessing the quality of reports to Crown counsel. While quality of reports to Crown is important, the best test remains in clearance rates, which show if complaints are unfounded or if charges are warranted.

Why the request is essential to the operations of the RCMP / how this request addresses provincial policing needs

The RCMP in BC is tasked with "providing a professional, efficient and effective police service committed to aiding in the administration of justice in the province."⁶ Citizens are increasingly being victimized by financial crime and the RCMP must be committed to providing policing services relating to these offences.

Why existing infrastructure is insufficient and ineffective

There are financial crime units in some detachments, but they are usually a subset of a major crime unit. Financial crime offences are normally considered to be non-violent, and are therefore deemed to be lower priorities. There are no existing provincial resources for financial crime investigation, and no provincial resources to coordinate financial crime investigations across different detachments and municipal police agencies.

Impact on municipalities / consultation with detachments

Members from seven detachment financial integrity/crime units were contacted to gauge their opinions on the impact following the dissolution of E Division Commercial Crime. Generally speaking, the units found investigations are becoming more complex, resulting in an increased

⁶ 2015-2017 BC RCMP Performance Plan, p. 9.

workload, and many complaints are being left uninvestigated. They feel the loss of the resources and expertise. A full description of their opinions may be found in Appendix B.

Consultation with Crown

The Deputy Director for the Ministry of the Attorney General was consulted during the preparation of this business plan pointed out that since *R v. Jordan* requires the “lens to be put on at the investigation stage,” that more comprehensive reports to Crown and disclosure packages will be required. A more fulsome description of his opinions may be found in Appendix C.

The Deputy Director also believes that his office would be able to respond effectively to the anticipated initial increase of work created by the proposed financial crime team. He anticipates eventually requesting additional resources to meet any increased file referrals from the newly created team.

Links to Divisional Performance Plan

The 2018-2020 BC RCMP Performance Plan is still under development as this business case is being completed, however “fiscal accountability, good governance, modernization, and mechanisms for the prevention and reduction of crime” are expected to be included in this plan.

The 2015-2017 BC RCMP Performance Plan listed a number of priorities that are directly linked to financial crime. In the priority of “Enhanced Public Safety,” targets for the RCMP included “BC RCMP will continue to reduce crime,⁷” “Continued downward trend in total *Criminal Code* crime rate in BC RCMP jurisdictions in BC,⁸” and “downward trend in crimes against vulnerable groups.⁹” Financial crime often targets vulnerable groups such as senior citizens. As stated earlier, not cleared financial crime complaints have risen in past years, in contrast to overall declining crime rates as reported in the Performance Plan.

In the priority of “Fiscal Accountability,” a target for the RCMP includes “Match the deployment of resources with demands for service.¹⁰” The escalation of not cleared financial crime complaints is not being met by a commensurate deployment of resources. Unmet demands for financial crime investigation may adversely affect the RCMP's reputation.

⁷ 2015-2017 BC RCMP Performance Plan, p. 9.

⁸ 2015-2017 BC RCMP Performance Plan, p. 14, bullet 3.

⁹ 2015-2017 BC RCMP Performance Plan, p. 20, bullet 3.

¹⁰ 2015-2017 BC RCMP Performance Plan, p. 24, final bullet.

In the priority of “Modernization,” a target for the RCMP includes “Increase efficiency of specialized operational and administrative services.”¹¹ Financial crime investigations demand a specialized service which is not being delivered.

EXTERNAL LINKS / STRATEGIC ALIGNMENT

How this proposal supports government priorities and advances public safety

In 2013 the BC Ministry of Justice published a Policing and Community Safety Plan. One of the “key community challenges” identified in the plan was senior safety and potential elder abuse: “In addition to elder abuse, participants raised the vulnerability of seniors as targets of crimes such as theft, financial crime and home invasion.”¹² The plan also addressed the demographic for financial crime: “Participants discussed the impact of unique demographic patterns on community safety and noted that different demographic compositions can bring diverse criminal activities into focus. Areas with younger demographics have criminal activity more centered on drugs and prostitution while areas with larger elderly populations see more criminal activities like financial crime, property crime and elder abuse.”¹³ The plan addressed a desire for the provincial government to provide stronger leadership, better coordination of services, and alignment of funding with key public safety priorities. As demographics shift to a more senior population these types of crime would be expected to increase. The mandate of the proposed unit includes targeting financial crime which victimizes vulnerable members of society.

The BC Government has been committing significant resources to Guns and Gangs, Opioids, Firearms, Gaming. In April 2016, the Province announced \$23M aimed towards gang violence, a portion of which bolstered CFSEU’s investigative and uniform teams (20 positions), supported existing programs, such as End Gang Life program, and established the Office of Crime Reduction and Gang Outreach. In April 2016, the Province provided \$4.3M to CFSEU-BC to create the Joint Illegal Gaming Investigation Team (JIGIT) comprised of 22 personnel. In September 2017, the Province announced \$31.3M over 3 years to support law enforcement efforts against the fentanyl crisis and firearms trafficking, allowing CFSEU-BC to form the Anti-Trafficking Task Force (ATTF). All these Teams are fully tasked with ongoing investigations and prosecutions aligned with increasing public safety and confidence in BC. They continue to be on mandate and focus in these critical areas of enforcement and disruption. There is a further opportunity in the creation of this Unit to attack Organized crime directly in financial crime and integrity space, removing a further area in the Province for them to operate.

Comment [RWP6]: Links to organized crime !!!!
International drug trafficking
Potentially terrorism financing ?

¹¹ 2015-2017 BC RCMP Performance Plan, p. 32, final bullet.
¹² 2013 BC Policing and Community Safety Plan, p. 51.
¹³ 2013 BC Policing and Community Safety Plan, p. 54.

Links to obligations under contracts

According to the 2012 BC Provincial Police Service Agreement¹⁴, the police service agreement between the Government of BC and the RCMP to provide a professional, cost effective policing model that is responsive to the Province. Responsibilities include to “preserve the peace, protect life and property, prevent crime and offences against the laws of Canada and the laws in force in the Province, apprehend criminals, offenders...”¹⁵ The agreement also states that: “Contract policing is recognized as an increasingly effective national policing model to address the cross-jurisdictional (i.e., municipal, provincial, territorial, national and international) and evolving nature of crime....”¹⁶

BACKGROUND / CONTEXT

Trends (files that have not been investigated)

Large detachment economic crime sections were consulted during the preparation of this report. Pressures continue in a variety of areas related to large scale fraud that fall short of the Federal mandate, but if unchecked will present fertile opportunities for Organized Crime to exploit.

Dependencies on other units

No dependencies are foreseen. Technical and administrative support is built into the model.

Human resource plan

At the time of the Federal re purposing of E Division Commercial Crime, there were about 83 members and support staff in Surrey and 6 members and one Public Service staff in each of Kelowna and Victoria. This initial proposal a request is for a staff of 38:

- 3 Management: 1 Detective Inspector, 2 Staff Sergeants
- 21 Investigation teams (x3) each: 3 Sergeants, 6 Corporals, 12 Constables
- 3 Intake and mentoring: 1 Sergeant, 2 Corporal to triage files and to provide advice to detachments across the province regarding complex financial crime investigations.

¹⁴ Schedule A, Province of British Columbia Provincial Police Service Agreement, April 1, 2012 - <http://www2.gov.bc.ca/assets/gov/law-crime-and-justice/criminal-justice/police/publications/agreements/police-agreement-provincial-2012.pdf>

¹⁵ *ibid*, p. 15.

¹⁶ *ibid*, p. 5.

- 4 Tech crime support: 1 Corporal (for data breach investigations, cyber crime investigation and analysis of seized electronic storage devices)
- 7 Support: 1 Sergeant supervisor, 1 open source analyst (AS-01); 1 intelligence analyst (ADM-05/ES-05), 1 Public Service (CR-04) and a small major case management unit: 1 information systems application specialist (AS-03/ADM-03), 1 information processor (CR-04), 1 prosecutorial and disclosure facilitator (ADM-02/AS-02).

The rank structure leans toward more senior investigators. This is necessary due to the nature of the work being more specialized, technical, and requiring knowledgeable advice.

Description of capital requested

It is estimated that the cost for the proposed unit would be \$7.5 - \$8.2 million annually through the next five fiscal years.

Current establishment

There is no current establishment.

Organization chart

It is proposed that the new unit would report within Federal Serious and Organized Crime – Financial Integrity through Investigative Services and Organized Crime (ISOC). See Appendix E for a proposed organization chart. This placement would allow the new unit to share intelligence, expertise and training with the federal Financial Integrity unit.

Policy

Consistent with E Division policy¹⁷, the investigation of financial crime will remain the primary responsibility of the RCMP detachment or police force of jurisdiction.

Oversight and governance

The proposed unit will follow established major case management principles and will follow existing memoranda of understanding with the Ministry of the Attorney General with respect to disclosure and the production of reports to Crown counsel. Officers and Staff Sergeants in the proposed unit must be accredited team commanders. Analytical work will require communication with the Real Time Information Centre and CISBC/YT, but there will be no oversight or reporting lines. There is no existing oversight body.

Comment [RWP7]: Delegation letter and agreed upon mandate alignment and performance

¹⁷ <http://infoweb.rcmp-grc.gc.ca/rcmpmanuals/ediv/eng/om/3/general/om3-general.htm>

Tracking of both financial expenditures via a letter of delegation will maintain the fiscal accountability, operational mandate can be maintained by same process.

OPTIONS AND ALTERNATIVES

Option 1 – Recommended with supporting rationale – unit of 38 investigators / support staff

If the proposal is accepted, the proposed unit will investigate major inter-detachment, interprovincial and international financial crimes.

The proposed unit would instantly be a resource to detachment financial crime units and would instantly bring together detachments throughout BC to prioritize large-scale financial crimes. The proposed unit would further develop its members into subject matter experts through specific training, networking and mentoring.

The new unit is not intended to replace each detachment's responsibility to investigate financial crime within the bounds of their jurisdiction.

Capacity will quickly be reached. Investigations will be time-consuming and manpower-intensive. The volume of financial crimes is greater than the proposed unit would be able to handle. There continues to be a reality that all financial crimes cannot be investigated.

Option 2 – Recover 38 existing provincially-funded positions

Identify 38 existing provincially-funded positions from elsewhere in the RCMP to comprise the new unit.

Option 3 – Two-member centre of expertise

Two positions (one Sergeant, one Corporal) to provide advice to detachments across the province regarding complex financial crime investigations.

Option 4 – Status quo

If the proposal is not accepted, major inter-detachment, interprovincial and international financial crimes will remain in a gap of offences that will not be investigated. There is no capacity by detachment financial crime units or Federal Serious and Organized Crime to enable these to be investigated.

COSTS AND PROJECTED IMPACT FOR RECOMMENDED OPTION

Fiscal Year	Total Salary & Allowance Costs	Total Operating Costs	Total One-time Start-up/Capital	Total Direct Costs	Total Indirect Costs	Grand Total
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2018/19	3,868,019	934,500	825,000	5,627,519	2,534,276	8,161,895
2019/20	3,961,075	934,500		4,895,575	2,597,633	7,493,208
2020/21	4,056,411	934,500		4,990,911	2,651,457	7,642,368
2021/22	4,154,085	934,500		5,088,585	2,709,092	7,797,677
2022/23	4,254,154	934,500		5,188,654	2,767,252	7,955,906

Detailed calculations are in Appendix F.

In this analysis, it is anticipated that the 38 employees will be housed within Green Timbers.

RISK ASSESSMENT

Outline of risk / Risk of not selecting the preferred option

The inability of the RCMP to effectively investigate financial crime has recently been brought to the attention of the media, public, provincial and municipal governments, and other partners. If the proposal is not accepted, major financial crimes will continue to not be investigated and public confidence, the economic integrity, and international reputation of BC will be undermined by the infiltration and exploitation of BC by Organized Crime.

Mitigation strategies

If the proposal is not accepted, a possible mitigation would be to direct detachments to have more robust financial crime units, and for those financial crime units to include a high degree of cooperation with other financial crime units and the financial crime investigation community. However, detachments are already taxed for resources, and financial crime offences are by their nature multijurisdictional. This approach would not be successful without coordination by senior management.

ANTICIPATED ORGANIZATIONAL IMPACTS, AND IMPLEMENTATION STRATEGY

Who will be affected positively and negatively

Financial crime victims in British Columbia will see a benefit. Although criminal convictions seldom result in restitution, it is important to them that justice be done.

International relations may improve, since the province is increasingly becoming a safe haven for suspects operating in BC who target foreign residents.

Investigators within the province's detachments will benefit from the reduction in files assumed by the proposed unit and from the guidance received from the proposed unit.

There may be a negative impact to units that lose members to the proposed new unit. It is expected that high-quality workers be sought for the proposed unit.

Project lead

The project lead will be Superintendent **Personal**, Officer in Charge, E Division Federal Serious and Organized Crime – Operations and Financial Integrity.

Defined milestones

Within the first two weeks of the proposed unit's inception there should be a meeting with all major financial crime detachments and a triage of current complaints to determine which of the files has the greatest impact. An intake protocol should be created, and investigations can begin. Since complex investigations will take at least one year until a report to Crown counsel can be created, there would be a one-year milestone for cases to be put to Crown.

Level of rollout (low profile or high profile)

A low profile rollout is proposed. There is no need for media attention. Detachments can be advised, and participation can be revitalized with partners in the financial crime investigation community. There have been regular meetings in the past to bring together different agencies, detachments and other stakeholders (e.g., the banking community, the financial crime interagency group hosted by the BC Securities Commission, inter-detachment financial crime target prioritization meetings).

Measurement and evaluation for proposal's outputs and outcomes

It is proposed that after one year of operation there be a managerial review focusing on external clients (e.g., Crown, detachment financial crime units) to gauge the progress of the new unit. The effectiveness of the new unit can more effectively be assessed after two years.

PROPOSED COMMITTEE MINUTE

RECOMMENDATION:

THAT RAC/ DMT support the creation of a provincial financial crime unit.

This business case has been reviewed and is recommended (or approved) by:

Personal Info, Assistant Commissioner

Date:

Deputy Criminal Operations Officer, Federal

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