



"E" Division Federal Serious and Organized Crime (FSOC)

Financial Integrity Program

Concept Paper:

Designated Provincial Financial Crimes Unit

February 15, 2019

Final Draft

- SPONSOR:** A/Commissioner **Personal Info** – OIC, Criminal Operations Federal, Investigative Services and Organized Crime (FISOC)
- AUTHORING UNIT:** E Division Federal Serious and Organized Crime (FSOC) Financial Integrity (FI)
- PURPOSE:** Initiate discussion around a designated Provincial Financial Crimes Unit to address provincial (BC) financial crime priorities: Money Laundering.

Introduction

From a comprehensive review of reports and information from myriad sources, as well as meetings and discussions on issues of money laundering in BC it is clear that there is damaging and ongoing impact to our financial systems and citizens. Also, a common theme or recommendation continues to emerge; the issue of money laundering in BC cannot be tackled by one agency or department alone. To successfully impact money laundering in BC, will require a combined and coordinated approach involving law enforcement, government, prosecutors, regulators, associations, public and private sectors and other professions.

This theory is supported by initial research on the issue as noted in part within reports from the Department of Finance (Canada), Transparency International and Financial Action Task Force.

A summation of recommendations include:

- Aligning policy, rules, legislation across sectors to detect, deter and address money laundering.
- The need for common reporting systems/requirements and analytics in place across sectors to detect and monitor key factors related to money laundering.
- Law enforcement, regulators and prosecution services working together as a team collaboratively with clear mandates/goals.
- A governance/oversight structure with authority/influence across sectors to improve response and effectiveness.

Problem

Currently there is no dedicated agency, team or department in place within BC to organize or lead a coordinated, collaborative and focused effort around the prevention, disruption and enforcement of provincial financial crime priorities in BC, in this case, addressing the money laundering crisis in the province.

The E Division (BC) Federal Serious and Organized Crime's (FSOC) Financial Integrity Program focuses on national priorities, ultimately governed by the RCMP's Federal Policing Directorate out of Ottawa. IE: FSOC investigations may address money laundering activities that occur in BC, but it will do when the criminality is multi-jurisdictional or international in scope. The next financial crimes policing enforcement strategy (within BC) would be individual Economic Crime Units within the province's municipal policing departments. These units typically focus on smaller scale financial crimes that impact their own jurisdictions, not typically focusing on or have the capacity to address regional and/or provincial level issues or priorities.

As noted, there is currently no agency to lead a coordinated and focused effort against money laundering in BC.

Solution

The creation of a dedicated Provincial Financial Crimes Unit for BC would be the most effective strategy in addressing the money laundering issues currently facing the province today. This unit would be responsible for identifying, engaging and bringing together various stakeholders (government, private, public, prosecution, associations and regulators) to organize and lead a coordinated/collaborative effort of addressing money laundering in BC. This unit would report through the E Division RCMP management to a provincial oversight body. The priorities and objectives of the unit would be aligned with that of the province. The team would be dedicated only to provincial objectives. The approach will be integrated, multi-faceted and multi-disciplined (ie detection, prevention, criminal, regulatory, policy). The RCMP's FSOC Financial Integrity Program is in the best position to organize and lead this provincial initiative given the units expertise and inevitable overlap in investigations.

Phases

There are many studies, reports and articles related to the issues of money laundering internationally, in Canada and in BC, with various recommendations and best practices that should not go unconsidered. However, when identifying a strategy to address a problem, it is important to have a clear picture of the actual problem. Drilling down, there is limited contemporary intelligence to paint a true picture of the scope of the issue of money laundering in BC. Also, when considering an enforcement action, it is essential to know the potential gaps, ie policy, rules, reporting requirements, sectors involved, real-estate, luxury items, trade based etc. Accordingly a phased approach to address the issue is proposed.

Note: It is difficult to put a timeline on any of the phases as this will depend on the number of resources allocated, the size and scope of the initiative, partner agencies involved and sponsors/ authorities supporting the initiative. High level time-lines are included as a reference for now.

Phase 1 Research and Intelligence (4-6 months).

The first phase would include collecting and conducting research related to money laundering in BC. This could include the findings of Dr Peter German's reports, engaging various sectors, experts, associations, regulators and academics on general and specific research topics related to money laundering in BC. The research component will also include engaging various policing and enforcement agencies provincially and nationally to develop a money laundering intelligence picture from existing holdings in addition to proactive targeted intelligence probes (ie suspect groups, targets, methods etc).

Results: A clear picture of the scope and complexity of the money laundering issue in BC. These findings will guide the structure, mandates and priorities of the designated provincial Financial Crimes Unit.

Phase 2 Unit/Strategy Planning (4-6 Months).

This phase will include ongoing consultation with RCMP management and the provincial oversight/governing body. Considering the findings in phase one, phase two will include:

- Detailed stakeholder analysis and engagement. Develop working groups to assess the problem in detail and identify high level concepts/strategies.
- Identifying an effective model for the designated Financial Crimes Unit:
 - With consideration given to an integrated intake/intelligence hub and investigative fusion teams (both including various stakeholders).
- Develop a detailed joint strategy to address money laundering in BC (considering criminal, regulatory and policy/legislation).
- Develop detailed mandate, strategies, priorities and deliverables.

Results: A documented proposal for a new Provincial Financial Crimes Unit. The proposal will outline the size and scope of the unit, the structure and framework around integration (ie hub and fusion teams), infrastructure requirements, high level operating procedures, communication protocols, expectations, mandates, priorities and funding requirements.

Phase 3 Concept to Delivery – Administrative (4-6 Months).

Should the proposal in phase two be approved, a detailed project plan will be developed to bring the team from concept to delivery. In consultation with established working groups and partners, all administrative aspects of unit delivery will be included in this phase.

Results: Delivery of the Provincial Financial Crimes Unit under FSOC-Financial Integrity. This includes an approved organizational structure, funding, all positions in place, infrastructure in place, equipment provided, policies, agreements and MOU's with partner agencies in place, operating and communication protocols in place, mandates/priorities, deliverables and reporting requirements established.

Note: Delivery does not include the HR aspect of actually filling the new positions. The recruiting process will be an ongoing process starting in phase 3 until positions are filled.

Phase 4 Delivery - Operations (4-6 Months).

Assuming that resources are now in place, or ongoing, operations will officially commence within this phase. This will include detection, prevention, engagement and enforcement strategies consistent with the mandate and priorities of the unit and province. This will also include ongoing reporting, issues management and process improvement.

Phase 5 Review/Assess/Communication – (Ongoing)

Ongoing process improvement strategies will be implemented within key processes. Review dates and milestones will be established in advance to measure results and to ensure objectives are being met. Correction and adjustments will be made accordingly. Assessments around productivity and performance will be ongoing within this initiative.

Established in phase two, communication and reporting strategies will be in place for key stakeholders.

Financials

It is difficult to provide costs to this initiative at this stage as there are still too many unknowns. Without knowing the true scope of the problem it is difficult to develop a strategy. Research into these areas and discussions with stakeholders will provide more insight into a meaningful response to the money laundering issues in BC. Should this concept be supported, more information on funding requirements would be presented (as noted in phase two).

Summary

To finalize this concept more research needs to be conducted to truly understand the money laundering issues in BC. Questions around cause and effect, scope and complexity, risks and challenges will need to be identified/answered before a meaningful strategy can be implemented. This will require inputs from academia, industry, public-private sectors, regulators and law enforcement. We do know however that whatever concept is employed will need to be integrated, coordinated and collaborative. The response has to be multifaceted and multi-disciplined, not just to enforce regulatory and legislative requirements but also to work collaboratively to address loop holes and influence policy across sectors. A designated provincial policing Financial Crimes Unit is best suited to lead such a response. The FSOC Financial Integrity Program (out of BC RCMP headquarters) currently has the infrastructure and expertise (money laundering, proceeds of crime, virtual currency) on site to support a new Provincial Financial Crimes Unit. The provincial unit will be focused and mandated only on provincial priorities, however will have access to federal resources and support (technical, legal, operational) as required as priorities, challenges and climates change. This is an important consideration not just at start up but also for the life of the initiative.