

RCMP-GRC



ROYAL CANADIAN MOUNTED POLICE • GENDARMERIE ROYALE DU CANADA

Federal Policing Projects Review

Purpose

The purpose of this review was to assess the status of Proceeds of Crime and Money Laundering investigations across all of RCMP Federal Policing on projects Tiered between January 1, 2017 and December 31, 2018.

Methodology

This study includes Tier 1, 2, and 3 Federal Policing Financial Crime, Serious and Organized Crime, and Cyber Crime investigations that are either ongoing, in court, or concluded, since being tiered on January 1st 2017 up to and including December 31st, 2018. There were initially 145 projects in this dataset. Following an assessment, 13 were removed¹, leaving a total of 132 investigations that were thoroughly studied. The results in this report are based on information available in the Records Managements Systems (PROS (FTS²), PRIME, IIS (FTS)), O division's major case management system, and through response received from some investigators.

Through this review, additional aspects of the investigations were revealed and those findings and trends are included in this report.

Key Findings

- Even though money laundering is a current Federal Priority, out of 127 investigations³ in this dataset, only **30** investigations have pursued, or are pursuing a money laundering component.
 - 3 of these projects successfully laid money laundering charges.
 - 4 of these projects were concluded due to unforeseen circumstances
 - 23 projects are actively pursuing a money laundering charge
 - 97 projects did not consider a money laundering offence (76% of applicable files are not following the money to lay a ML charge, and ultimately miss out on the added potential to

¹ for being inapplicable, in that they were intelligence probes, information files (such as G7 security), or cases that were not accessible due to restricted access.

² Free Text Search

³ 5 cases were removed from the statistics on money laundering and proceeds of crime because they would not apply. These include certain cyber crime investigations, and war crime investigations.

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- identify hierarchies in crime organizations – 84% of SOC files, 53% of FC files, and 100% of Cyber files did not consider pursuing money laundering offence)
- 19 out of 127 considered a proceeds of crime investigation at the onset of the file.
 - This means, that they articulated that a plan to actively pursue a form of asset tracing, net worth analysis, or financial analysis in their initial ops plan or a later C237. A deeper look at these files showed that only 8 are actually conducting an asset tracing investigation⁴.
 - 5 active files have seized some offence related property during operations thus far, but there are still no current investigative actions denoting work examining financials⁵
 - 3 projects laid charges, and only offence related property was seized at takedown.
 - 3 projects concluded due to unforeseen circumstances.⁶
 - Out of the 132 investigations in this study, 53 cases were either concluded or in court with charges. 19 investigations successfully laid charges, and 34 investigations were concluded without charges due to a variety of issues.
 - Overall, the number of files tiered is commiserate with the size of divisions, except for C division. C division only tiered 9 investigations, and 3 were concluded without charges (1 with charges). Possible explanations could be the G7 summit and the ongoing border issues.
 - E division tiered 32 investigations, but 14 were opened to assist US authorities, primarily HSI, with some DEA and FBI files. 44% of their investigations have little to no chances at garnering success for Canada.
 - Of these, 20 are active, 1 file successfully laid charges, and 11 were concluded with no charges.
 - 4 of these concluded cases will see extradition to the US, while the other 7 were concluded due to other unforeseen circumstances, some due to American CI issues or American UCs.
 - O division have continued to attempt Proceeds of Crime investigations in line with the former IPOC model. There are 6 active Proceeds of crime investigations being conducted by financial crime members working alongside SOC investigations.

Statistics

Dataset breakdown of 132 investigations:

- 8 Cybercrime investigations (7 Tier 1, 1 Tier 2)
- 34 Financial Crime investigations (13 Tier 1, 17 Tier 2, 4 Tier 3)
- 90 Serious and Organized Crime investigations (29 Tier 1, 44 Tier 2, 17 Tier 3)
- 79 **Active** Investigations (6 Cyber, 28 FC, 45 SOC)
- 18 **Cases in Court** (2 cyber, 16 SOC)
- 34 **Concluded** investigations with no charges (6 FC, 29 SOC)
- 1 fully concluded investigation (guilty pleas) (V3: [REDACTED]), a Tier 3 human trafficking case)

⁴ 6 O division, 1 B division, 1 K division

⁵ This would include FINTRAC VIRs, net worth analysis, production orders, engagement of FAMG, etc.

⁶ Unforeseen circumstances are describe later within the report

Divisional breakdown of investigations:

Division	Number of Files	Tier 1	Tier 2	Tier 3	Active	Charges Laid (in court)	Concluded (no charges)
National Division	14	10	4	0	12	2	0
B Division	5	0	2	3	2	3	0
C Division	9	4	3	2	5	1	3
D Division	3	0	3	0	1	1	1
E Division	32	13	17	2	20	1	11
F Division	6	0	3	3	4	1	1
H Division	9	7	2	1	6	2	1
J Division	5	2	2	1	4	1	0
K Division	18	3	10	5	10	3	5
L Division	0	0	0	0	0	0	0
O Division	31	10	17	4	15	4	12
Total	132	49	63	21	79	19	34

A look into the 19 investigations with charges (in court⁷):

- 17 Serious and Organized Crime and 2 Cybercrime investigations⁸
- No financial crime investigations had charges in this time period (Jan 2017 to Dec 2018)
- **Three** cases had a money laundering charge (JTHUNDER, BROKEN, HELLBENDER)
- There were no proceeds of crime investigations undertaken in the cases with charges
- 11 cases had **offence related property** seizures at takedown, with minor proceeds of crime charges. **58%** ORP rate

A look into the 34 investigations that concluded with no charges:

- Various reasons these files were concluded due to unforeseen circumstances:
 - Case taken down by foreign authorities (7)
 - 5 of these investigations (4 E division, 1 ND) have extraditions(or soon to have) to the US, no charges in Canada⁹
 - 1 case could have had charges in Canada, but they were allowed to continue their criminal operations so that the HSI UCO can maintain the relationship.¹⁰
 - Problematic intercepts and reliance on them (1)

⁷ V3: Operational File - Current Status Unknown



- Entrapment concerns (1)
- American Agent or American UCO issues (4)
- All investigative avenues have been exhausted with no success. (In these cases, no financial investigation or FINTRAC VIRs) (9 cases)
- Resource Constraints (1)¹¹
- Agent not viable(1)¹²
- PPSC decision due to release of sensitive investigative techniques and source information (risk too high for the minor charges they could garner) PPSC also had *R. v. Jordan* concerns (1)¹³
- Double jeopardy issues (2 IMET cases)¹⁴
- CHS issues (3)
- Unknown reason (1)¹⁵
- Stay of Proceedings (2)¹⁶
- Evidence pointed to innocence (2 cases)

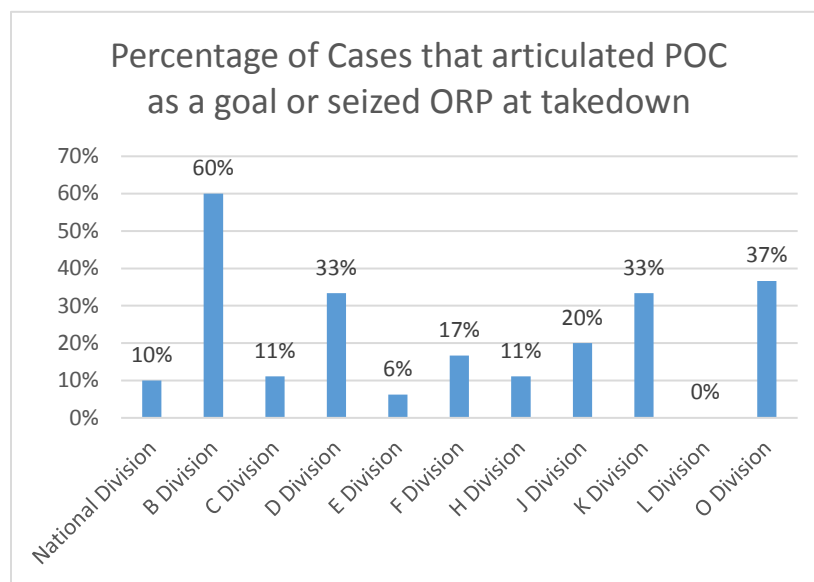
Proceeds of Crime and Money Laundering

When examining the investigations for Proceeds of Crime or Money Laundering components, 5 cases were removed from the total for a fair assessment as these cases would not have warranted a criminal asset forfeiture, money laundering or POC charge based on the type of offence or current status of those files.¹⁷

- Out of 127 investigations, 30 pursued or are pursuing a money laundering offence as a part of their operational goal. **23.6%** (16/34 Financial Crime 47%, 14/87 Serious and Organized Crime 16%, 0/6 Cyber)
 - Of the 79 Active investigations, 75 are included in the POC/ML stats
 - 23 active Investigations are considering a money laundering charge as part of their overall goal (15/28 financial Crime, 8/43 serious and organized crime, 0/6 cyber)
 - Financial Crime breakdown¹⁸: 3 IMET files, 9 pure ML(2 TBML, 1 darknet/bitcoin), 3 Frauds(mass marketing, romance scams, and identity theft)
 - 3 successfully laid a money laundering charge (in court)
 - 4 were concluded due to unforeseen circumstances
- 63 out of 127 investigations did not consider a proceeds of crime component at all. No mention of conducting a proceeds of crime investigation or seizing any assets, and no offence related property seizures yet. **50.4%** (3 CC, 12 FC, 48 SOC)
 - 5 of these cases are in the very early stages and might change their goals.

¹¹ V3: [REDACTED]
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- 12 of these cases concluded early due to unforeseen circumstances¹⁹
- Once these cases enter a takedown stage, there is a likelihood that offence related property will be seized and criminally forfeited, or handed over to a provincial civil forfeiture office.
- 19 out of 127 considered a proceeds of crime investigation at the onset of the file.
 - 8 active investigations are appropriately following the money (6 in O division)
 - While the initial plan aimed to conduct a proceeds of crime investigation, 5 of these are still active, but only offence related property (cash/vehicle seizures during various operations) is being mentioned, and no asset tracing investigation is actually taking place.
 - 3 that have made it to charges, only ended up with ORP.
 - 3 projects concluded early due to unforeseen circumstances
- 28 out of 127 investigations either articulated proceeds of crime as a goal, or forfeited offence related property.



Recommendations

- SOC files have the greatest chances of successfully obtaining money laundering charges. Evidence is already being gathered to prove predicate offenses that are profit-based crimes. Money laundering charges need to rely on predicate offences. (Drug Trafficking/Production, Outlaw Motorcycle Gangs, Human Smuggling, etc.) 84% of these investigations tiered since 2017 are not pursuing money laundering.
 - Efforts by NHQ should include coordination between senior management of SOC and FC:

¹⁹ The various ways in which a case was concluded due to unforeseen circumstances is outlined further in the report

- to come up with both a communication strategy with divisions to ensure leadership in the divisions to make ML/POC a priority;
- Discuss E and C division situations
- Make it a requirement on all investigations to at a minimum submit a VIR to FINTRAC on their cases when tiered.
- Additional and mandatory training for Federal policing members on simple FINTRAC disclosure assessment and VIR submissions²⁰ with some basic financial analysis should take place in addition to the POC courses.²¹
- In relation to Proceeds of Crime investigations, the IPOC model continues to prove beneficial, as O division are still attempting that route with 6 files. While working under an official IPOC model has been beneficial, the current strain on Financial Crime resources would be too burdensome to have an FC member assigned to each SOC project right now. As a possible solution, and one that would require some form of training or mentorship; there should always be 1 member dedicated to looking into a “follow the money” approach on any investigation, whether they be an analyst or a regular member. A focus on identifying assets could be made a requirement for Project tiering. Even if a full net worth analysis is not pursued, doing certain basic financial investigative techniques will identify assets, point to hierarchies, and show how the subjects are laundering their money.²² Ultimately, if charges are not approved by Crowns, then at least some identified assets can be handed over to Provincial civil forfeiture offices so that organized crime is profiting less.

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²⁰ Tendency is to submit VIRs on main targets, but should be expanded to family members, known associated professionals (lawyers, financial advisors, realtors), and known close associates(those involved in money drops)

²¹ Ideally this training would take place at DEPOT so that all members receive this training. Note that CM Chauvin is unaware of all the training that does take place at DEPOT.

²² This work would include submission of FINTRAC VIRs, examination of transactions, submissions of banking production orders and grid alerts.