



RCMP Anti-Money Laundering Strategy

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Executive Summary

Criminals and organized crime groups are motivated primarily by obtaining and maximizing profit through illicit and legal activities. Criminals operate under the same principles as legitimate businesses: they will conduct their activities as long as they continue to see profit.

By disrupting their ability to obtain and/or utilize the funds, law enforcement can limit the extent to which these organizations can grow. That said, disruption is not an easy task. Criminals use a variety of both rudimentary and sophisticated techniques to protect their funds, which make it difficult for law enforcement to take action against them. One of the most challenging is money laundering; a process by which criminals – from tax evaders to organized crime groups to terrorist financiers – conceal the true origin of their funds and re-introduce them into the economy as legitimate sources of income.

Unlike illicit drugs, human smuggling and other crimes in which the harmful effects are immediate and easily seen, money laundering is often viewed as a ‘victimless’ crime. However, this form of criminal activity provides the means for criminals to continue with their illegal, often violent, activities. Further, it negatively impacts the financial wellbeing of Canadians and the integrity of the Canadian economy and has the potential to tarnish Canada’s reputation internationally.

The harmful impact of money laundering on the Canadian economy can manifest itself in a variety of ways including: legitimate businesses struggling to compete against businesses financially backed by laundered funds; international banks and businesses choosing not to invest in Canada for fear of repercussions of doing business with entities tied to money laundering; and finally, concealing of significant revenues from taxation, placing an additional burden both on Canadians and Canadian businesses. Left unchecked, financial crimes such as money laundering have the ability to impact far more than individuals; they have the ability to threaten the economy as a whole.

While Canada’s open economy and stable financial and trade system has made it one of the most prosperous nations in the world, it is these same features that make it susceptible to high levels of money laundering. In fact, Canada’s economy is viewed as a soft target by domestic and international money launderers. Our key allies face similar challenges and are enacting comprehensive efforts to support their respective money laundering regimes. Similar action is required in this country. Measures are needed to ensure that Canada is not perceived or otherwise seen as a safe haven for this criminal activity.

Economic Integrity has been a strategic priority for the RCMP for over ten years. The focus has, and continues to be, the prevention, detection and disruption of crimes that affect the Canadian economy, including money laundering. However, the threat is constantly evolving and money laundering schemes are often complicated to investigate, requiring specialized resources (e.g. forensic accountants and members with a strong background and training in financial markets) and external partnerships. Given

the threat, and suspected size and scope of money laundering in Canada, the RCMP will continue to work with its partners to find ways to respond more effectively.

Specifically, the RCMP will enhance its efforts to combat money laundering by refocusing the organization's expertise and experience, as well as leveraging, where possible, the means and capabilities of our partners across Canada and internationally. The goal of this Strategy is for the RCMP to disrupt money laundering with a Canadian nexus using every tool at its disposal. This approach is in-line with, and part of, the wider RCMP Strategy to Combat Organized Crime, which is currently under development.

Defining the Threat

Individuals and criminal organizations rely on proceeds of crime (POC) to: sustain and expand criminal enterprises; penetrate and corrupt legitimate business sectors and communities; and, ultimately, thrive and accumulate additional wealth. To be 'successful', the individuals and criminal organizations must be able to conceal the true origin of the proceeds of crime by carrying out a series of covert financial transactions known as money laundering. Money laundering activities expand beyond 'traditional' crime groups and can include individuals who seek to hide legitimately-earned funds to evade taxation.

Money laundering has significant and diverse impacts on the integrity and reputation of a country's economy including: legitimate businesses struggle to compete with those that are financially backed by laundered funds; foreign investors could be more cautious when investing in businesses that are perceived or known to be involved in, or supported by, money laundering activities; and, laundered funds are concealed from taxation. Further, the international community can impose economic sanctions on states known to be at risk of significant money laundering. Together, these impacts can have longstanding negative implications on any legitimate economy.

Money laundering is a global problem with broad implications for the economies of every nation. In 2012, the United Nations Office on Drugs and Crimes estimated that the annual quantity of money laundered globally is 2 - 5% of global GDP, or between \$800 billion and \$2 trillion in current United States (US) dollars.¹

In Canada, there is currently no accurate estimate available on the total amount of proceeds of crime laundered in the country. RCMP case information indicates, however, that multi-million dollar laundering transactions are routinely carried out in Montreal, Toronto and Vancouver. Proceeds of crime laundered in Canada originate from domestic and foreign criminal enterprises. The Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) suspicious transaction analysis findings corroborate specific RCMP case information and identify even greater amounts.

One of the difficulties in analyzing the true scope of the problem in Canada is that the reporting and investigating agencies only have access to what is presented before them through actual investigations or intelligence information. There will always be a discrepancy between any estimate and the true number. With that said, several positive steps have been taken and a clearer picture of the true scope of money laundering in Canada is beginning to emerge. During development of the recently completed National Inherent Risk Assessment (NIRA) of money laundering activity in Canada, the Department of Finance, FINTRAC and the RCMP worked together and estimated that the amount laundered in Canada likely exceeds \$50 billion dollars annually.

¹ According to the UNODC, the estimated amount of money laundered globally each year is between 2 and 5 percent of global GDP (<http://www.unodc.org/unodc/en/money-laundering/globalization.html>). According to the World Bank, Canada's GDP for 2012 was \$1.821 trillion (<http://data.worldbank.org/country/canada>). Assuming that the amount of money laundered in Canada annually is consistent with the UNODC estimates of 2-5%, it is estimated that between \$36 and \$91 billion dollars were laundered in Canada in 2012.

A range of factors magnify the threat to Canada from money laundering including:

1. As a leading G6 economy with a stable financial and political system with strong privacy safeguards, Canada's financial sector has long been identified as a safe environment to invest. Criminals exploit the benefits of Canada's open financial system for efficient movements of finances;
2. As taxation rates in Canada are relatively high, it is a known practice for individuals and businesses to take steps to hide their legitimate or illegitimate funds from taxation. Money laundering schemes offer them a vehicle for such concealment; and
3. In comparison to the US, the United Kingdom (UK) and Australia, Canada's money laundering legislation does not offer as many tools to law enforcement to pursue investigations and, in some cases, does not provide as severe a penalty for money laundering crimes.

Understanding the Complexity of Money Laundering

Money laundering is a particularly challenging crime to investigate due to the inherently complex nature of how money can be moved between parties – both domestically and internationally. To launder large sums of illicit funds, criminals and criminal organizations utilize a wide range of schemes and techniques - some simple, others complex. Money laundering can effectively be carried out in any part of the economy where money can be placed, layered and re-integrated. As such, even regulated sectors (e.g. banks and casinos) are vulnerable to money laundering activities.

To further complicate the challenge, criminals and criminal organizations are typically very adaptive to volatility in their operations. Increased detection in one sector can push money launderers to use less-regulated financial sectors and products, a process known as 'displacement'. Common products and systems, such as ATM machines, virtual currencies, or even gift cards can become a means to conceal criminal proceeds, move funds to other jurisdictions, or provide anonymity, thereby increasing the challenge for law enforcement.

Street sales of illicit drugs or contraband goods generate large quantities of cash proceeds, which criminals must then manage. To dispose of the money, organized crime groups often smuggle bulk cash shipments across borders, to initiate international money laundering operations as

WHAT IS MONEY LAUNDERING?

Money laundering is the act of disguising the source of funds or assets in order to integrate them into the legitimate economy without compromising those benefiting from the proceeds.

Criminals who engage in this activity are varied, from organized crime groups concealing proceeds; to individuals hiding funds offshore to avoid paying taxes; and fundraisers moving funds abroad to support terrorist causes.

Money is laundered for either of two basic reasons: the source of the funds is evidence of their crime; or the money is vulnerable to seizure or taxation, and the originator seeks to conceal them. Money laundering is achieved through a three step method:

- 1) **Placement** – the originator enters the funds in the legitimate economy;
- 2) **Layering** - the origin of the funds are disguised through various means; and
- 3) **Integration** - the masked funds are returned to the legitimate economy for use by the originator.

RCMP Anti-Money Laundering Strategy

well as pay for more illegal goods. In Canada, the smuggling of cash proceeds of crime associated to drug trafficking in the Americas continues to present a challenge to law enforcement. For example, large cocaine cash proceeds shipments are often smuggled out of Canada to organized crime groups in source or transit countries (e.g. Mexico, Colombia, etc).

Recently, the financial sector, among other stakeholders, has expressed concern about the threat of trade-based money laundering, which involves disguising the proceeds of crime and moving these proceeds through international transaction of goods in an attempt to legitimize their illicit origins. This can be achieved by misrepresenting the price, quantity or quality of imports or exports, with the related payment effectively laundering the illegal funds, and possibly also defrauding the Canadian Government of appropriate revenue from duties, taxes and tariffs. Trade-based money laundering schemes are able to bypass reporting requirements by utilizing a third party (e.g., banks) to conduct trade transactions between two companies seeking to move or launder money. It is becoming increasingly clear that gaps in the international trade system exist and can be taken advantage of for money laundering purposes.

In addition to the movement of funds, criminals also invest in high-value goods such as automobiles, property, jewellery, etc., which can be used instead of monetary instruments in the money laundering process. In such schemes, the proceeds of criminal activities are used to purchase vehicles, which are then shipped to and sold in other jurisdictions. The payment for the cars shipped completes the money laundering process.

BULK CASH SMUGGLING



TRADE-BASED MONEY LAUNDERING

An individual (exporter) purchases \$2M in goods (with proceeds of crime) and declares the value of those goods at \$1M. A third party (importer) receives those goods at a foreign destination and sells them for \$2M, keeping the \$1M that was disguised in the transaction.

Money Laundering as a Professional Service

In recent years, criminals have come to rely increasingly on professional/third Party money launderers² to launder their proceeds of crime. Professional money launderers sell services that facilitate the illicit movement and laundering of proceeds of crime. The use of third-party money laundering professionals shields proceeds of crime from the original offenders ('predicate offender') and reduces the scrutiny of regulatory and law enforcement agencies on those people/groups. These individuals can be trained professionals, such as lawyers, notaries, accountants, financial industry advisors, real estate agents, goods traders or business owners; or facilitators operating informal value transfer systems³, ranging from hawala bankers⁴ to money service business employees and owners. These individuals are often exceptionally knowledgeable of the loopholes that exist in the financial system. They are able to facilitate the handling of large sums of illicit funds, increase the complexity of money laundering transactions, and improve the chances of success by using their knowledge of different financial and trade instruments and transactions methods.

Professional money launderers offer two broad categories of services to move large sums of funds. The

MARKET-BASED MONEY LAUNDERING

Criminals utilize complex stock market manipulation frauds, often referred to as 'pump and dumps', to take advantage of unsuspecting investors. These criminals bilk investors of their investments and launder the money through a complex web of investments and companies to disguise the true source of the funds. Initially, they acquire existing companies or establish new ones, which are listed on the stock markets, and solicit investment funds based on false representations. These funds are not used for their intended purpose, and the criminals launder the proceeds of crime through a network of transactions and investments which in turn provide benefit to the criminals. These complex schemes require the use of lawyers, accountants, stock brokers and stock promoters.

One example of such a scheme is Project KNETALS, in which the RCMP dismantled a major 'PONZI' scheme which defrauded investors between \$200-250 million. Some of the proceeds were laundered through a complex web of companies and accounts. This investigation resulted in a guilty verdict of two individuals for theft and fraud in February 2015. In addition, one of the accused was also convicted of laundering the proceeds of crime.

² "Third-party money launderers engage in the business of transferring funds on behalf of a third party, knowing that the funds are involved in illicit activity. Third-party money launderers use their relationships with financial institutions to provide criminal organizations access to the international financial system and lend an aura of legitimacy to the criminal actors who use their services. Some third-party money launderers explicitly market their services as a method for criminal networks to reduce transparency and circumvent financial institutions' anti-money laundering (AML)/countering the financing of terrorism (CFT) controls. Financial institutions that facilitate third-party money laundering activity allow criminals to circumvent AML/CFT controls both in the United States and internationally and thus provide a gateway to undermining the integrity of the financial system." (U.S. FINCEN)

³ A system, mechanism, or network of people that receives money for the purpose of making the funds, or an equivalent value payable to a third party in another geographic location.

⁴ Hawala is an informal value transfer system where a large number of 'money brokers' in numerous countries operate based on a system of trust. A scenario would be where arrangements are made in Canada to transfer money to an individual in India. The 'broker' in Canada would collect the money here and make contact with his/her counterpart in India and arrange for them to provide the requested funds to the end-client. Compensation to the contact in India could come in a variety of forms but is often accomplished by over-valuing trade goods transferred between the two 'brokers'.

first category involves the initial handling of funds, currency conversion operations and/or the international movement of funds (e.g. the placement stage). In Canada, as in many countries worldwide, it is known that organized crime entities rely heavily on the use of informal value transfer systems, ranging from money service businesses of all types and sizes to hawala-like transactions. Very quickly, however, illicit funds can be moved to formal banking systems and/or layered (e.g. the layering stage) through various schemes or methods such as trade-based laundering operations.

The second category of services involves the integration of funds into the legal economy (the integration stage). At this stage of laundering operations, trained professionals are used to purchase real estate and/or invest in businesses in Canada and/or abroad. These professionals also provide legal, fiscal and administrative services to the actual owners and beneficiaries of proceeds of crime. These services are critical to organized crime's ability to penetrate, control and, ultimately, profit from legitimate financial sectors in Canada.

Responding to the Threat

International Beginnings: The Financial Action Task Force on Money Laundering

Disrupting financial crimes and the financing of criminal activity has been the subject of considerable international attention for over a quarter century. In the 1980s, money laundering was identified as an international threat requiring a collaborative international response. The initial response was the adoption of the *United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances* (the "Vienna Convention") that in Canada led to the criminalization of money laundering under the *Criminal Code*.

Thereafter, G7 leaders endorsed the establishment of the *Financial Action Task Force on Money Laundering* (FATF) in 1989 to examine money laundering techniques and trends in an effort to combat money laundering. It provides a set of internationally endorsed global standards, commonly known as the "40 Recommendations", to member states with a baseline of activity necessary to demonstrate they are working to prevent money laundering and terrorist financing. All member states, Canada included, are evaluated against these recommendations to ensure compliance of their money laundering regime. Should states be continuously non-compliant, they are at risk of having financial sanctions imposed by FATF members.

Canada's Money Laundering Response

Canada's regime has undergone a number of changes since money laundering was first added to the *Criminal Code* in 1989. In 1991, the Government enacted its first legislation to address money laundering and the RCMP began its focused efforts by establishing dedicated Integrated Proceeds of Crime units. In 2000, the legislation was repealed, expanded and reintroduced as the *Proceeds of Crime (Money Laundering) Act* following recommendations in an FATF audit. The new Act expanded the scope, and created a mandatory reporting system for suspicious financial transactions, large cross-border currency transfer, and certain prescribed transactions.

The legislation also established FINTRAC to collect and analyze financial transaction reports and disclose pertinent information to law enforcement and intelligence agencies. The legislation was amended and renamed the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA) after the terrorist attacks in the United States in 2001 to assist the security intelligence community in detecting terrorist financing. Further amendments were introduced in 2006 and 2010 to cover additional financial sectors, such as casinos, money service businesses, dealers in precious metals and real estate developers. These amendments mandated more detailed reporting to FINTRAC when certain risk thresholds are exceeded or identified, introduced administrative and monetary penalties, and included tax evasion as a predicate offence to money laundering.

Despite the efforts to address the evolving threat environment through amendments to the regime, gaps remain. Of these, there are a number of issues that continue to be of primary interest to the RCMP. These include: amendments requiring lawyers and legal professionals (other than B.C. Notaries) to report to FINTRAC were appealed and eventually struck down by the Supreme Court of Canada; PCMLTFA amendments related to virtual currencies (e.g. Bitcoin) were only recently addressed in omnibus Bill C-31; however, it is not yet clear whether these revisions will effectively regulate this emerging technology. In addition, there will continue to be significant investigative and reporting challenges.

RCMP's Efforts to Counter Money Laundering

In 2012, the Federal Policing (FP) program restructured in order to address emerging threats more effectively by focussing resources and expertise on criminal organizations and their illicit activities. This necessitated a realignment of operational resources, eliminating traditional commodity/initiative based silos (e.g. drugs, fraud, marine, etc.) and providing the flexibility to assign resources based on priorities. Under the new model, priorities are driven, in large part, by key factors such as the impact of criminal activity on the social, economic and political well-being of Canada. With these key factors in mind, resources are allocated to combat the criminal threats deemed to be the highest risk to Canada. Under the re-engineered model, investigations are prioritized at the national level, with the highest priority cases, Tier 1 and 2, coordinated with accountability and oversight at RCMP National Headquarters.

Currently, the RCMP conducts a number of different types of money laundering investigations, including:

- as part of a broader ongoing, or follow-up to a major operation in which a proceeds of crime (e.g., cash, property, vehicles) component was identified at the outset; and,
- active assistance on Canadian soil to ongoing international investigations (most notably the U.S.).

It is important to note that virtually every case involving the proceeds of crime includes money laundering activities, but the way they are approached varies across the country. For instance, in the majority of divisions, money laundering is usually not the *primary* focus of an investigation. Rather, investigations into money laundering are often undertaken in conjunction with another investigation,

such as drug trafficking. When a major organized crime investigation is started, consultations are held with financial crime investigators in order to identify how to pursue the money laundering side of the investigation, and an independent investigation can be instigated to pursue the movement of funds. This allows investigators to target the financial movement, while enhancing their limited resources through the joint use of investigative assets, such as surveillance teams.

This approach can be attributed to the money laundering provision in the Criminal Code (Section 462.31(1)) which provides the following definition of money laundering:

462.31 (1) Every one commits an offence who uses, transfers the possession of, sends or delivers to any person or place, transports, transmits, alters, disposes of or otherwise deals with, in any manner and by any means, any property or any proceeds of any property with intent to conceal or convert that property or those proceeds, **knowing or believing**⁵ that all or a part of that property or of those proceeds was obtained or derived directly or indirectly as a result of

- (a) the commission in Canada of a designated offence; or
- (b) an act or omission anywhere that, if it had occurred in Canada, would have constituted a designated offence.

This provision offers the ability to prosecute for money laundering where the accused cannot be tied directly to the predicate offense when it can be proven that they were ‘wilfully blind’⁶ to the presence of that original offence. However, the burden of evidence required to demonstrate wilful blindness has proven difficult to demonstrate and has limited the RCMP’s ability to successfully investigate and support prosecutions of 3rd party/professional money launderers whose tie to the predicate offense is tenuous.

RCMP’s law enforcement partners around the world, particularly the Five Eyes Law Enforcement Group (US, Australia, New Zealand and UK), are increasing their response to the current criminal environment in recognition of the negative impact it poses to the global economy, and its lynch-pin role in international criminal activity. This has included a shift in focus to high level targeted investigations, and efforts to strengthen their enforcement regimes by identifying methods to better establish wilful blindness, enhancing resources, improving cooperation and information sharing between countries and, when necessary, undertaking legislative amendments.

⁵ Emphasis to “knowing or believing” added.

⁶ Wilful blindness refers to the accused’s state of mind. The doctrine attributes “knowledge to a party whose strong suspicions have been aroused but who refrains from making enquiries to have those suspicions confirmed. The doctrine serves to override attempts to self-immunize against criminal liability by deliberately refusing to acquire actual knowledge” (R. v. Briscoe, 2008).

Present Challenges and Moving Forward

Investigating and disrupting money laundering is one of the more challenging activities undertaken by the RCMP. It is a highly complicated and internationally connected criminal activity. These challenges can largely be grouped within three fundamental areas.

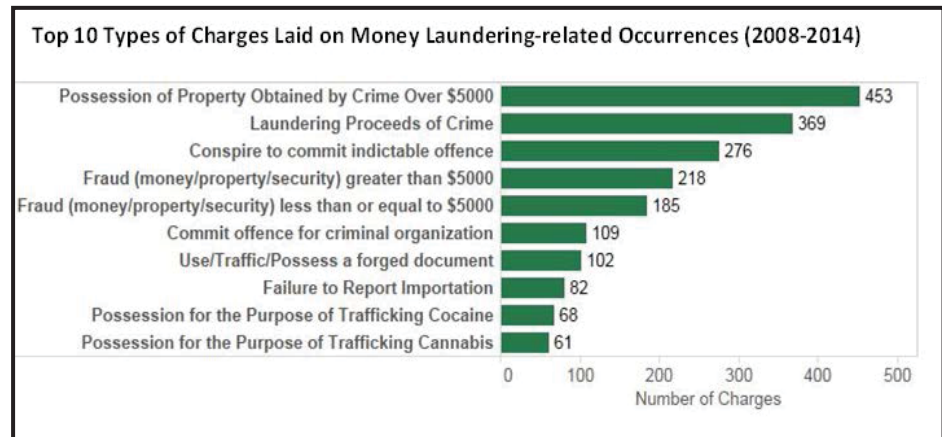
Challenge: Investigations and Prosecutions

The first set of challenges relates to obtaining the information required from key Government of Canada partners. The RCMP works in close collaboration with FINTRAC, which shares information with the RCMP based on suspicious activities they identify or on investigation-specific queries put forward by the RCMP.

Although the current legislative authorities allow for broad sharing of information between FINTRAC and law enforcement, the RCMP and FINTRAC continually seek ways to better leverage the information accessible by FINTRAC under the *PCMLTFA*. To this end, the RCMP should find ways to systematically inform FINTRAC of its priority issues and should seek to increase awareness internally of what FINTRAC is able to provide to investigators. Within the RCMP, there are often discrepancies with respect to the quality of information provided in the Voluntary Information Record (VIR) submitted to FINTRAC by law enforcement. One of the reasons appears to be the varying levels of familiarity that different investigators have with FINTRAC across the country. As investigators become more familiar with what FINTRAC can provide and the level of detail that FINTRAC requires in order to provide quality information in response to VIRs, the more beneficial the relationship will be between the two organizations.

The second set of challenges concerns the way that money laundering is investigated in Canada. First, money laundering

is rarely the principal focus of an investigation, but rather is usually part of the investigation of another designated offence (e.g. drug trafficking). This is due to both the skill set and time that it typically takes to undertake a money laundering investigation⁷, as well as the burden of evidence that officers are currently required to gather to prove the money laundering offense. This is especially problematic when



⁷ Money laundering investigations are typically complex in nature and require expertise that is not common in traditional policing investigations (e.g. Forensic Accounting). Further, the gathering of financial records for investigative purposes (e.g. tax records) through the courts can be a difficult and lengthy process.

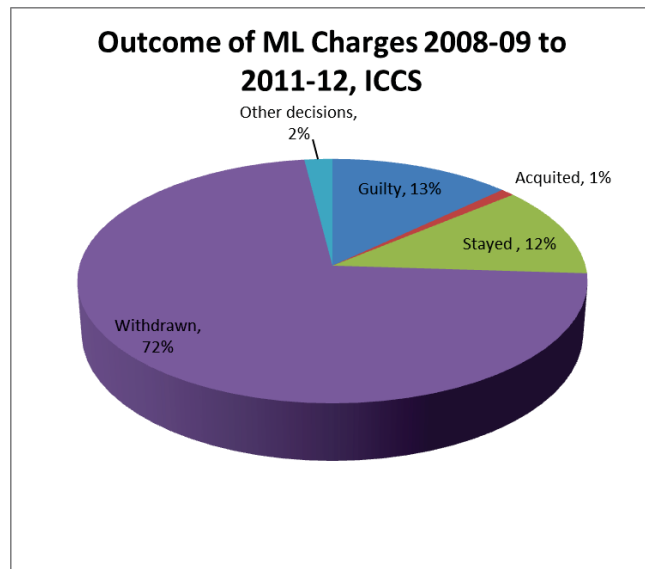
dealing with 3rd party/professional money launderers wherein the link to the predicate offense may not exist (as discussed above).

Further, the RCMP's money laundering investigation resources are under significant strain. The RCMP has not offered dedicated money laundering training since 2010, which has made it difficult to ensure that there are sufficient RCMP personnel with the skills needed to address new and emerging money laundering techniques. In addition, financial crime investigators are not solely dedicated to money laundering and are often required to contribute to other high priority criminal investigations that have a financial component (e.g. stock-market manipulation). Finally, shifts of resources to initiatives assessed as higher priority (e.g. High-Risk Travellers), has decreased the RCMP's ability to undertake and complete long-term, multi-year money laundering investigations.

Between 2008 and 2014, excluding British Columbia, the RCMP laid 1,923 charges from investigations that began as "laundering the proceeds of crime". Of those, 369 money laundering charges carried through from investigation to charge whereas the vast majority were 'shifted' to other offenses, most notably Possession of Property of Crime offenses. This demonstrates the difficulties associated with pursuing money laundering

cases in Canada. First, as has been noted, money laundering cases are often complicated and require a demonstration that the funds being investigated are tied to a criminal offense. Second, Canadian law offers other, often easier to pursue, avenues to investigate which offer similar sentences should a conviction be secured (e.g. Possession of Property Obtained by Crime).

Although partially outside the RCMP's control, the outcomes of money laundering charges are of concern. Although acquittal rates are low (1%), the number of cases either stayed or withdrawn is high (72%), particularly when compared to the number of successful prosecutions (13%). The low proportion of convictions can be attributed to the time, effort and expense associated with proving a money laundering offence as well as that they are almost always tied to a predicate offence (e.g. drug trafficking). In most cases in which the money laundering charges are stayed or withdrawn, alternate, easier-to-prove charges have been successful, such as Possession of Proceeds Obtained by Crime or Fraud. Although this is often an effective tool for plea bargains or to achieve greater cooperation from those charged, it is also likely a reflection that money laundering cases are inherently complex and difficult to prosecute for even the most experienced prosecutor.



RCMP Anti-Money Laundering Strategy

Challenge: RCMP Prioritization Process

Money laundering investigations receive varying degrees of priority and attention from National Headquarters, due largely to the Federal Policy (FP) Major Project Prioritization process. The process was developed with the objective of assigning resources to the highest priority investigations. The goal is to focus resources on investigations into criminality that causes significant harm to the economic, social and/or political integrity of Canada. Investigations of large-scale money laundering networks (in the order of tens of millions of dollars) or systemic money laundering vulnerabilities (such as corrupted insiders) would likely meet the high-priority investigation threshold.

Given that all organized crime groups utilize money laundering schemes to 'legitimize' their proceeds of crime, and many do so via the services of 'professional' money launderers, it is incumbent upon the RCMP to ensure that the financial element of investigations against these groups is included as part of the efforts to disrupt their criminal enterprise. By placing a priority on attacking those professionals (e.g. the lawyers and accountants that set-up the acquisition of offshore holdings) that facilitate the criminal activities, the RCMP can significantly reduce the ability of criminal organizations to prosper from their proceeds of crime.

Challenge: Data Collection and Analysis

The RCMP, as an organization, has always had challenges in the collection, interpretation and presentation of data. As a large police organization, with thousands of investigations undertaken every year, there is a wide range of data to analyse and interpret. Further, such analysis must rely on information that police officers themselves place in the RCMP's record management systems. Potential human error, combined with system limitations, makes it difficult to gauge accurately the impact of the RCMP's investigative efforts into money laundering nationally.

A more significant difficulty is the presentation of current investigative results and successes, both internally and to the RCMP's partners. Since the RCMP often lays charges for alternate offences (e.g., Possession of Proceeds of Crime) that do ultimately disrupt criminal organizations and money launderers, it is a challenge for the RCMP to demonstrate its successes both domestically and internationally, particularly to the FATF. As the RCMP undertakes more than 11,000 Proceeds of Crime investigations every year, it is cumbersome to isolate just those that were related to money laundering investigations. Although steps have been taken to address this data-gap by 'mining' the data in specific RCMP systems, it is currently difficult to accurately gauge how many money laundering investigations have resulted in the prosecution of 'easier' to prosecute charges. Painting an accurate picture of the RCMP's overall anti-money laundering activities is made even more difficult due to the high volume of charges that are stayed.

A New Strategy for the RCMP

Given these challenges, and the continued threat, a new approach is needed to more effectively disrupt money laundering in Canada, as well as for reporting our successes both domestically and to our key

international partners. The primary goal of the Strategy is to ***provide the RCMP with the means to disrupt money laundering using every tool at our, and the Government of Canada's, disposal.***

To achieve this end, this Strategy proposes a shift in focus in the RCMP's money laundering approach that is in-line with the federal policing re-engineering model. This approach will not resolve the challenges the RCMP faces immediately. Rather it recognizes that a shift in focus must take place over the short, medium and longer terms and that targeted efforts should be focussed on where the RCMP will see the greatest advancement of this goal. The Strategy proposes targeted actions in two streams.

First Stream: Targeting Areas of Highest Risk

The first stream aims to resolve the challenges that the RCMP faces in money laundering investigations by enhancing existing capabilities and shifting focus to high risk areas that will have the greatest disruption effect. Central to this approach is the development of an initial risk assessment – building on the NIRA recently completed by Finance Canada⁸ – in collaboration with partners in the law enforcement, security and intelligence, and wider regulatory communities. This risk assessment will be used as a starting point and will: build on the vulnerabilities identified in the NIRA; identify areas of the highest risk; and identify areas where operational resources should be dedicated. The completed assessment would also provide RCMP investigators, who then engage the RCMP prioritization process, with the ability to strengthen their case and potentially raise the priority of investigations on professional money launderers.

Once the high risk areas are identified, criminal intelligence analysis would identify targets for investigation. In broad terms, the RCMP will rely on three types of intelligence analysis to help identify specific targets. First, strategic intelligence will assist in identifying future areas of concern, new money laundering techniques on the horizon and long-term trends that need attention. Operational intelligence will analyse its holdings to identify possible targets of investigation, and provide them to investigative

“We were most worried about the police finding our money, because that’s where we’re most vulnerable. It was the only way you could stop me. For the first time in my life, I went to jail broke.”

*Former professional launderer following conviction
and removal of his criminal assets*

⁸ The NIRA is an ‘inherent’ risk assessment that identifies threats and vulnerabilities in Canada that could be exploited by money launderers. It does not factor in controls that have been put in place by either the government (e.g. legislative amendments) or the private sector (e.g. internal programs designed to identify suspicious transactions). As such, the RCMP views the NIRA as a first step in building a comprehensive assessment of money laundering in Canada.

personnel. Finally, tactical intelligence will directly assist investigative efforts by guiding investigations to known, substantiated targets and providing better situational awareness for investigators.

In addition to focusing its criminal intelligence and investigative efforts, the RCMP will also engage with its partners throughout the Government of Canada to enhance the wider money laundering regime by ensuring that investigators have the tools and legal authority to pursue these high risk targets. Efforts will be undertaken to identify gaps in the existing regime, and suggest measures to address them. A key element will be changing the current mindset and narrative surrounding money laundering - which is currently considered to be primarily a financial issue, rather than a public safety issue. While the impact on the economy is certainly a major component, money laundering must also be considered to be a public safety issue, as it is directly linked to virtually all successful criminal activity.

Second Stream: Enhance Data Collection and Analysis

By 'shifting the narrative' and focussing on professional money launderers, the RCMP will be better placed to disrupt significant money laundering activities in Canada. However, the RCMP must also be able to collect, analyze and distribute information on these efforts internally and to our partners, in order to present RCMP successes, and to better identify high-risk areas for future investigations. The collection, analysis and distribution of this information will be an ongoing challenge for the RCMP, but one that must be mitigated in order to gauge measurable, defensible, strategic success.

In addition, it has been noted that there is a need to find ways to ensure that the RCMP's outcomes include results achieved by our provincial and international counterparts when the RCMP has played a role in the investigations. Just because an arrest is led by a provincial or local police force or in another country does not mean that the RCMP did not contribute to a successful disruption. Performance measures, both for individuals and the money laundering efforts more broadly, should be sought to reflect those successes.

Further, the RCMP will continue to work with its' international partners, particularly the FATF, to report a more comprehensive story. It should be noted that the stated objectives of the FATF are consistent with the objectives of the RCMP – to reduce the capability for criminal organizations to utilize the proceeds of crime by disrupting the channels that they have to transfer illegitimate funds into usable currency. In short, the ultimate goal for both the FATF and the RCMP is to disrupt the ability of criminals to launder money.

Implementing the Strategy

Federal re-engineering enables the RCMP to implement the most effective and efficient means of investigating crimes, including financial crimes, and permits the RCMP to respond when new priorities are identified by assigning resources to high priority areas simply and efficiently. As such, implementing this Strategy does not require significant restructuring or dramatic shifts in current practices.

To successfully implement this Strategy, the RCMP will need to ensure that the proper infrastructure (e.g. data, legislation, intelligence development and dissemination, training) is in place to support both the intelligence and operational activities of the organization. These measures will only be successful if money laundering investigations are given sufficient priority within the RCMP and information is shared in a timely and efficient manner. To accomplish these goals, the RCMP is committing to undertake a series of targeted actions where improvements can be introduced in order to realize improved results of anti-money laundering efforts. However, it must be recognized that while it is possible to implement action items in some areas in the immediate to short-term, many will require long-term commitments to achieve the necessary improvements. The targeted actions balance the need for immediate improvement with the long term necessity of a broader enhancement of Canada's money laundering regime. These targeted actions include:

First Stream: Targeting Areas of Highest Risk

1. Review how investigations involving money laundering are presented for RCMP Prioritization

With a view to address professional money launderers, it will be necessary to highlight the money laundering component of organized crime investigations. For this to be successful, projects that are submitted for review will need to better account for the money laundering component of their investigation and include the laundering link as a means of disrupting the group being investigated.

2. Enhance Access to Criminal Intelligence and Information

Investigators need relevant, accurate, complete and timely criminal intelligence and information to successfully investigate priority money laundering targets.

The RCMP will direct strategic and tactical collection efforts to address existing criminal intelligence and information gaps on money laundering offenders and techniques. In doing so, the RCMP will work closely with key law enforcement agencies in Canada and abroad. Suspicious financial transaction reports provide valuable strategic and operational insight into money laundering operations in Canada. In this regard, FINTRAC will continue to be a key intelligence and information sharing partner.

The cross-border movement of payments for illicit goods and services and the repatriation of crime profits is an important aspect of money laundering operations today. Furthermore, there is evidence of an increase in the use of international trade-based money laundering as a means of laundering and moving proceeds. As a result, the Canada Border Services Agency (CBSA) will be a key partner going forward.

3. Leverage the RCMP's Trusted Partners

The RCMP has developed relationships with trusted partners throughout the financial sector (e.g. through the National Critical Infrastructure Team). **V2: Police Investigative Technique**

4. Develop and Implement a Money Laundering Training Program

Federal Policing Training and the Federal Coordination Centre (FCC) have been without a dedicated money laundering training program since 2010, making it difficult for investigators and intelligence analysts to keep up-to-date on money laundering methods and risk areas as well as to train and develop new specialists in money laundering. The RCMP will determine the feasibility of developing a new training program based on best practices from our international allies and other police forces within Canada. Such a course could be offered at the Canada Police College or by Federal Policing (FP) Training, with additional online training material provided through Agora. Further, consideration will be given to extending training materials/courses to representatives from the Public Prosecutions Service of Canada (PPSC), the CBSA, FINTRAC and other partners.

In the interim, to ensure expertise is maintained in money laundering methods, consideration should be given to sending select members to existing money laundering training programs and workshops offered by partners (e.g. the United States Drug Enforcement Agency).

5. Ensure Collaboration Between Divisions

Federal Policing Criminal Operations (FPCO) will aim to enhance inter-divisional collaboration by ensuring that divisions and NHQ meet on a regular basis to discuss Tier 1 and Tier 2 investigations. It will also ensure that divisions have the opportunity to discuss evolving investigations that may become Tier 1 or 2 investigations or that may have inter-provincial links. . Improving this communication will allow divisions to be aware of what is occurring around them, and to ensure that files can be appropriately shared between divisions in case a target moves geographic locations.

6. Develop Money Laundering Operational Working Group Focused on Professional Money Launderers

FPCO will also seek to develop an Intergovernmental Money Laundering Operational Working Group to share information on major money laundering cases, particularly those of high level money laundering targets, and share the expertise of partners. Similar working groups have proven to be very successful in other areas of RCMP investigation in which the nature of the criminal activity is complex, and where other departments and agencies have an important role to play in disrupting the activity. This working group would focus on: current investigations of mutual interest; operational information sharing between partners; how to better leverage various legislative powers to bring to bear against identified targets; and coordinating future targets.

7. Consensus Building within the Public Safety Portfolio

In order to appropriately shift the money laundering narrative to an essential public safety consideration, efforts must be taken by RCMP Federal Policing Strategic Policy to coordinate the understanding and thinking of the Public Safety portfolio agencies that have money laundering responsibilities, specifically CSIS, CBSA and Public Safety Canada. The RCMP will continue to leverage the Public Safety-led Threat Resourcing Working Group to establish and carry out this agenda.

8. Pursue Opportunities for Active Collaboration on Investigations

RCMP Federal Policing is not the only enforcement player with a mandate to combat organized crime and the associated anti-money laundering component. Since the goal of the RCMP will be to focus on high-risk areas to Canada, including professional money launderers, other partner agencies with similar mandates could also be focusing on similar targets and areas (e.g. CRA, CBSA, local law enforcement). The RCMP must pursue opportunities to work directly with these other organizations to increase cooperation and information sharing, bring more resources to bear on shared investigative priorities, and reduce overlap ('deconfliction'). Collaboration also provides opportunities for greater successes, given that our partners have different assets that can be leveraged in pursuit of these investigations. This includes revisiting options to embed RCMP personnel at Canada Revenue Agency (CRA) and CBSA, as well as embedding key investigators from these organizations in the RCMP's money laundering investigative teams.

9. Develop a Money Laundering Intelligence Working Group

This working group would be developed with participation from the key partners (e.g. FINTRAC, CBSA, etc.) to discuss intelligence gaps and potential targets for intelligence collection and analysis using all of the Government of Canada's intelligence holdings. This working group would require strategic and tactical risk assessments specifically on money laundering to promote active intelligence targeting. If intelligence gaps are identified, action plans to close those gaps will be developed and shared with operational personnel.

10. Direct Engagement with Leaders in the Financial Sector

Although the Canadian Financial Sector, specifically the major Canadian banks, have not been implicated in any significant money laundering activities, evidence suggests that they have not been forward leaning in the fight against money laundering. Given that professional money launderers seek to identify loop-holes in the financial system, it is important that Canadian banks are actively encouraged to work with the RCMP and its partners (specifically FINTRAC) to identify new methods being used to circumvent the legislative mechanisms designed to prevent money laundering.

11. Share Criminal Intelligence/Information on Potential Targets with Police of Local Jurisdiction

While the RCMP Federal Policing Program will endeavor to focus on areas of highest risk, it does not have the resources to investigate every case identified or reported. When the RCMP is provided with or collects information that suggests money laundering is taking place in an area where it does not have the resources to investigate, or where it is identified as low risk, the RCMP will continue to ensure that the appropriate information is shared with police of local jurisdiction. Further, the RCMP will ensure that records of these occurrences are accounted for and are kept as indicators of the organizations contribution to disrupting money laundering.

12. Focus on Modernizing Canada's Money Laundering Regime

Federal Policing Strategic Policy will advocate for a review of Canada's Money Laundering regime, and seek support for this review from a new policy-focused interdepartmental working group or through existing federal governance on money laundering (e.g., Finance Canada-led Anti-Money Laundering Interdepartmental Working Group). The review should include an assessment of the legislative powers of our closest allies to situate Canada's regime within a wider continuum. Specific areas for review should include:

- 1) Enhancing FINTRAC's ability to share and disclose information to law enforcement and intelligence partners;
- 2) Determine if there are more effective ways to demonstrate willful blindness to improve Canada's ability to take action against 3rd party/professional money launderers;
- 3) Review the predicate offence wording as it relates to money laundering in the *Criminal Code*;
- 4) Review of legislation to identify if there are opportunities to obtain increased access to tax information on suspects;
- 5) Assess the feasibility of increasing the potential range of punishments for money laundering offences to increase the likelihood that the charges for such offences will be pursued by PPSC. Engagement efforts would then center on finding ways to mitigate current gaps, either through amendments to the legislation or new powers for law enforcement.

In addition, once a number of investigations have been undertaken the group could assess strategic threats, vulnerabilities and risks to identify policy-level threat mitigation measures for the entire financial sector.

13. Improve Information Sharing and Feedback with Industry Partners

Industry partners are key to the RCMP's efforts of identifying and disrupting money laundering. Industry has been sharing information with the RCMP, but is not always aware of how the RCMP is using this information and if it has any value. The RCMP (FCC) will implement a feedback cycle with trusted industry partners, to inform them of the importance of their information, and provide feedback on its utility to ongoing investigations or situational awareness. Additionally, the "Public/Private Sector Consultation Committee", which meets semi-annually to discuss money laundering, could be used as a forum to improve feedback and information sharing.

14. Engage with PPSC to Ensure Consistency of Approach

Due to the nature of money laundering, prosecutors across the country have differing approaches to prosecution, which can complicate efforts for investigators dealing with the often multi-jurisdictional nature of these investigations. Federal Policing Strategic Policy and FCC will engage with PPSC to identify how to develop a consistent approach to these prosecutions across the country, and to collectively identify how to proceed with direct money laundering investigations and dealing with the challenges of proving related criminal activity.

15. Engage in Joint Operations (Intelligence and Investigations)

Given the international nature of money laundering, it will be essential for FPCO and the National Intelligence Coordination Centre (NICC) to partner with international allies to carry out joint operations into money laundering. The goal of these investigations should fit with the overall purpose of the Strategy – to disrupt money laundering by all possible means. As such, partner resources should be leveraged, and advantage taken of legislative capabilities of different states. Joint operations will be key going forward to disrupt the international scope of this activity. Should it be more feasible to lay money laundering charges in one country instead of another, the RCMP should be supportive of this approach.

16. Increase Criminal Intelligence Sharing for Investigations Involving Canada

The RCMP, primarily through its divisions, will also take a more active role in supporting our international partners regarding investigative events that occur in Canada, such as money pickups, by petitioning our partners for additional intelligence and information on such operations. The aim will be to advance investigations in Canada, while ensuring that information obtained from partners can be utilized and that disclosure laws are respected.

Second Stream: Enhance Data Collection and Analysis

Given that the success of any strategy is measured in terms of results, the RCMP will seek to ensure that it captures all of the data relevant to anti-money laundering successes. Further, by better utilizing the data at its disposal, the RCMP can generate additional intelligence, which will in turn lead to improved operational results. Targeted actions related to data collection and analysis will include:

17. Continue to Leverage Existing Data Reporting Systems and Capacities

RCMP Operational Information Management (OIM) currently uses a variety of data collection platforms in order to collect and keep track of ongoing investigations and other RCMP efforts. However, these systems are not necessarily mutually compatible, nor do all analysts have equal access to the systems. The RCMP is undertaking efforts to identify measures to improve data mining capabilities between these various platforms, in order to provide a long term solution to data analysis efforts.

18. Develop Analytic Capacity to Leverage External Data

OIM is seeking to develop a system that will allow them to automate the intake of external data from key partners (e.g., FINTRAC, Securities Commissions, Canadian Anti-Fraud Centre (CAFC), private sector companies). Such a system would automatically extract and format relevant data and place it into RCMP operational holdings. Once formatted, the information would provide the RCMP with the ability to better identify patterns linked to existing investigations and between data sets disclosed to the RCMP. It would also provide a method to link data elements together (e.g. account numbers) to support existing investigations or start new investigations based on various seemingly disparate reports of criminal activity.

19. Ensure Consistency of Money Laundering Data Input

In order for the RCMP to properly relate its 'story', it is essential that steps be taken to standardize the way money laundering investigations are input into recording systems, and that a consistent approach is adopted to separating out proceeds of crime/fraud charges to facilitate data analysis. Discussions will be held among the divisions, FPCO and OIM regarding how this can be established and implemented within existing systems.

Other Considerations:

20. Identify how to Adequately Share Credit for Successes when Reporting on Joint Operations

As the number of joint, international, investigations increase, reporting the successes of these investigations will be a challenge. In order that the efforts of all participating states are respected, and that the greater disruption as a result of an international investigations is also adequately related, Strategic Policy personnel will engage with international counterparts, both through FATF and direct negotiations, to identify how reporting will be implemented for these particular cases.

Conclusion

Taken together, the targeted actions identified in this Strategy will form the basis for developing a new approach to deal with money laundering and place the RCMP in a position where it can identify and seek the tools needed to better investigate and enforce its anti-money laundering efforts. Further, by 'flipping the narrative' and placing a renewed focus on attacking the professional money launderers, the RCMP Federal Policing Program, along with its key partners, will be in a better position to take action against criminal organizations in the one area that can have the largest disruption effect – their ability to profit from and/or reinvest their illicit proceeds. Lastly, by improving its ability to collect and analyze statistics, the RCMP will be in a position to tell the full breadth of its anti-money laundering story.