

***The National Initiative to
Combat Money Laundering:
Year Three Evaluation***

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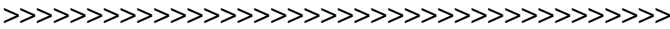
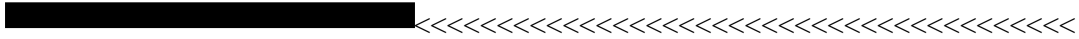


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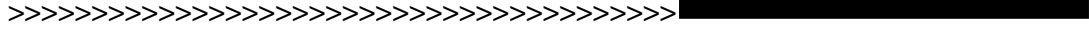
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Executive Summary

Canada’s *National Initiative to Combat Money Laundering* (MLI) was established in Spring 1999 in response to the growing threat posed by criminal organizations. The MLI responds to both the National Agenda on Organized Crime, which identified money laundering as a national priority, but also to address the legislative and regulatory shortcomings identified by the Financial Action Task Force (FATF) in its Mutual Evaluation Report on Canada in September 1997.

The MLI brings together personnel and resources from a variety of federal departments and agencies, including: the Department of Finance, Solicitor General Canada, the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC), the Royal Canadian Mounted Police (RCMP), the Canada Customs and Revenue Agency – Tax and Customs, Citizen and Immigration Canada, and the Department of Justice. At the onset of the Initiative, Treasury Board scheduled three and five-year evaluation processes into its terms of reference. An Evaluation Framework was subsequently developed to set out the structure and context for undertaking both reviews. This report discusses the results from the three-year evaluation of the Initiative’s implementation.

The purpose of this evaluation was to examine five aspects of the Initiative’s development and implementation process up to and including November 30, 2002, specifically: (a) each partner’s role; (b) the extent to which that role has been implemented and its subsequent performance; (c) the working relationships with respect to liaison and cooperation among the MLI partners; (d) the relevant issues concerning the operationalizing of Canada’s national and international commitments; and (e) the extent to which FINTRAC has been able to promote and monitor compliance, analyze data, and disclose designated information.

Utilizing such research methods as interviews, focus groups, document review, e-mail correspondence, in addition to media and literature reviews, evaluators gathered information from seven distinct sources, including: representatives from the seven Initiative partners; money laundering experts; stakeholders; reporting entities; the popular media and government press releases; selected literature; and relevant public documents. It is important to note that the MLI was affected by the 2001 terrorist attacks in the United States, which led to legislative and operational enhancements of the Initiative to address terrorist financing; however, it was decided by the Initiative partners to not include these terrorist financing enhancements as part of the year-three evaluation since any impacts were considered premature.

The evaluation process identified a number of issues that affected the progress of implementation. The events of 9/11, an extensive consultation process, and the realities of developing and implementing an electronic transaction reporting mechanism, among other factors, contributed to a number of delays in the implementation process, particularly with regards to the publication of the anti-money laundering Regulations.

Despite these delays, a solid foundation for Initiative success has been laid to date, and significant strides have been taken towards achieving the Initiative's legislative, regulatory, investigative, and enforcement goals. At this time, the final pieces of the legislative and regulatory regimes are in place, providing FINTRAC and enforcement agencies with the tools and procedures to facilitate investigation and compliance by reporting entities.

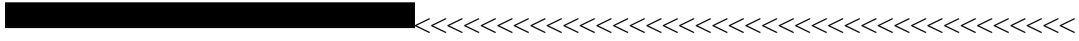
Each partner's intended role appears to have evolved as planned, and working relationships across the partnership were found to be supportive and focused on achieving common goals. Furthermore, the MLI partners indicated that the annual funding allotments had been received and were subsequently directed to Initiative-related activities.

FINTRAC, Canada's new financial intelligence agency, is operational and is making disclosures to the appropriate law enforcement agencies. Challenges, however, were cited with respect to: (a) opportunities to share information and expertise between FINTRAC and the other Initiative partners due to Canada's privacy and Charter requirements; and (b) the enhancement of communications some reporting entities.

Improvements in cooperation and liaison with both domestic and international partners have facilitated the creation and expansion of integrated national and international intelligence networks, improving the flow of information and contributing to the development of enhanced intelligence databases. Furthermore, these networks and the subsequent flow of information will contribute to an enhanced knowledge base among Initiative partners to increase public awareness of the nature and impact of money laundering and contribute to their understanding of and appreciation for the National Initiative.

In terms of Canada's international commitments, the MLI has addressed most of the shortcomings identified in the 1997 FATF Mutual Evaluation, while at the same time respecting Canada's privacy and Charter requirements. The Initiative has made major contributions towards achieving full compliance with the FATF's *Forty Recommendations on Money Laundering* and is now fully compliant with 27 of the 28 key Recommendations. In addition, Canada continues to be actively involved in international anti-money laundering efforts, often assuming a leadership role at international meetings and within international fora.

The ultimate impacts of the Initiative hinge on the establishment and implementation of a comprehensive anti-money laundering regime that is based on strong cooperation with domestic and international partner agencies as well as Canadian citizens. ***Implementation is proceeding with a strong indication that the overall Initiative design will support the achievement of its objectives.***



- To what extent have Initiative resource levels been received and allocated as intended?
- To what extent is the Initiative organized appropriately to meet its objectives?
- To what extent has the Initiative contributed to increased understanding of and improved response to money laundering through strategic analysis?
- To what extent has the Initiative contributed to improved national and international liaison and cooperation with respect to money laundering?
- To what extent has the Initiative fulfilled Canada's national and international anti-money laundering commitments?
- To what extent has the Initiative increased public awareness of money laundering and support for efforts to combating it?
- To what extent have efforts to promote and monitor compliance with the PCMLTFA contributed to enhanced compliance and improved data for analysis?

1.3 Evaluation Design and Methodology

The Evaluation Framework included a *Program Logic Model*² that provides an overall view of the Initiative and its intended activities, outputs, and various outcomes. This evaluation examined, up to November 30, 2002, those **activities** in respect to *what was done and why*, as well as *the resources devoted to them*; reviewed the various **outputs** to determine, where possible, the efficiencies of the Initiative as defined in terms of *what has been accomplished*; and assessed, where possible, various **outcome** measures to determine *how well the activities were done*.

The evaluation methodology³ *focused* on seven distinct sources of information: representatives from the seven Initiative partners; money laundering experts⁴; stakeholders⁵; reporting entities⁶; the popular media; government press releases; selected literature; and, relevant public documents. The data/information gathered from these sources used a variety of methods, including: (a) document, media and literature reviews; (b) in-person and telephone interviews; (c) e-mail correspondence; and (d) focus groups.

² Shown in the *separate* Appendices document, Section 2.0

³ Further details on the evaluation design, data sources and methodology can be found in the *separate* Appendices document, Section Appendices 1.1 and 1.2.

⁴ **Experts**: individuals with expertise in money laundering, organized crime or financial sector issues.

⁵ **Stakeholders**: individuals external to the Partner representatives whose views would be relevant to understanding the implementation and impacts of the Initiative on various sectors.

⁶ **Reporting Entities**: A sampling of sectors (e.g., real estate, investment, banking, foreign exchange, and accounting) to ascertain their perceptions about the Initiative, its process of implementation, compliance, and any anticipated impacts they envision over both the short and long term.

suspicious transaction reporting system had not proved effective. The FATF recommended that Canada implement a mandatory suspicious transaction and cross-border currency movement reporting regime and establish a central financial intelligence unit (FIU) to manage the information gathered from the various aspects of this regime.

The MLI was put in place to address these shortcomings through the combined efforts of several federal departments and agencies --- Solicitor General Canada, the R.C.M.P., Justice Canada, the Canada Customs and Revenue Agency⁷, Citizenship and Immigration Canada and the Department of Finance. Shortly after the events of 9/11, the Initiative was expanded to include money laundering associated and terrorist financing and the necessary legislative and operational components added.

All of this has affected the pace of implementation and subsequently the timelines with which intended outcomes would start to occur consistent with original expectations. Consequently, it was decided by the Initiative partners that the year-three evaluation should examine the implementation process to date, with the focus on the original targets. This implementation review would then provide a sound benchmark from which progress during the final two years of the Initiative could be measured and analyzed.

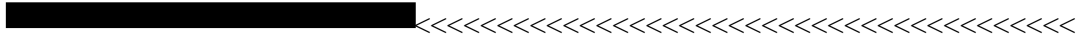
2.2 Initiative Objectives

The MLI was designed to achieve three distinct objectives:

1. To implement specific measures to detect and deter money laundering and facilitate the investigation and prosecution of money laundering offences.
2. To respond to the threat posed by organized crime by providing law enforcement officials with the information they need to deprive criminals of the proceeds of their criminal activities, while ensuring that appropriate safeguards are put in place to protect the privacy of persons with respect to personal information about themselves.
3. To assist in fulfilling Canada's international commitments to participate in the fight against transnational crime, particularly money laundering.

These objectives are to be addressed primarily through a legislative regime that includes four pillars: record keeping, client identification, reporting, and an internal compliance regime. In addition, a financial intelligence unit, FINTRAC, was established to collect, analyze, and assess all reports and information provided to it; disclose information to law enforcement and other agencies where money laundering is suspected; ensure that all reporting entities are compliant as designated under the legislative regime; and ensure protection of information in its possession.

⁷ Both Taxation and Customs



networks will result in better evidence gathered and then made available to support the adjudication process --- leading to increased seizures of proceeds of crime.

Finally, the MLI’s enhanced legislative framework, knowledge, networks, and investigative tools and techniques that respond to money laundering are intended to contribute to increased efficiency and effectiveness of the adjudication process. This will result in increased forfeitures of proceeds of crime, as well as the increased compliance with the related laws and regulatory requirements.

➤ **Intermediate Outcomes**

Arising from the successes achieved through the immediate outcomes, the Initiative fully expects to see a series of intermediate impacts surfacing, specifically: (a) the implementation of various international commitments including those to the FATF and other organizations; (b) a legislative regime that gets the job done while controlling for privacy and charter concerns; (c) a clear indication of public acceptance of the initiative; (d) the creation of an environment where money laundering and organized crime are not a significant threat; (e) an overall reduction in the profitability of crime; and finally, (f) without profit, the motive to commit crime disappears and hopefully the offender and their need for money laundering along with it.

➤ **Ultimate Outcomes**

The ultimate impacts of the Initiative hinge on the establishment and implementation of a comprehensive anti-money laundering regime that is based on strong cooperation with domestic and international partner agencies and financial institutions and intermediaries. If achieved, this will not only contribute to minimizing the operation of organized crime in Canada but also enhance the overall safety of Canadian society.

3.0 Design and Delivery

3.1 Partners and Resources

From the beginning, the Initiative has been multi-departmental in nature; currently under the lead of the Department of Finance working with six other federal government partners --- Solicitor General Canada (Sol. Gen.), the Royal Canadian Mounted Police (RCMP), the Canada Customs and Revenue Agency - Tax (the CCRA-T), the Canada Customs and Revenue Agency - Customs (the CCRA-C), Citizen and Immigration Canada (CIC), and the Department of Justice (DOJ).

Originally, the Department of the Solicitor General had the lead role and was key in the development of the proposal to establish the Initiative. However, concerns arose regarding the Solicitor General's proposed dual oversight role for the RCMP as an investigative body and FINTRAC as an analytical agency. As a result, the decision was made to transfer the lead role to Finance given its extensive responsibilities for regulating and dealing with the financial sector. The transfer of responsibility was officially completed in April/May 1999.

Following this transfer, an interdepartmental group (Mandatory Suspicious Transaction Reporting (MSTR) Working Group) was established, involving all of the departments with Finance's lead to develop the legislative and regulatory framework for the Initiative. As well, a Transition Team was established to help set up the planned Financial Intelligence Unit. Subsequently, on July 5, 2000, the team officially became the **Financial Transactions and Reports Analysis Centre of Canada (FINTRAC)** and officials from this new agency took up their places at the Initiative table to contribute to its ongoing roles and activities.

➤ Resources

As shown in **Table 1**, the government allocated funds to each of the partner departments/agencies for a total of *\$143.708 M* over a five-year period.

Table 1: Initiative Resources by Department/Agency (\$)

Department/Agency In millions \$	1999- 2000	2000- 2001	2001- 2002	2002- 2003	2003- 2004	Total
Initiative Total	\$1.583	\$29.825	\$38.5	\$39.4	\$34.4	\$143.708
Finance	0.3	0.3	0.3	0.3	0.3	1.5
FINTRAC	0.983	19.5	25.4	26.3	21.3	93.483
RCMP	0	2.6	4.9	4.9	4.9	17.3
The CCRA	0	6.3	6.0	6.0	6.0	24.3
CIC	0	0.4	0.7	0.7	0.7	2.5
Justice ⁸	0.3	0.725	1.2	1.2	1.2	4.625

⁸ **Justice:** These figures do not include resources identified for the provision of direct legal services to FINTRAC, which will be requested by, and allocated directly to the Centre itself.

It is important to note that although resources were not assigned to Solicitor General Canada, it has continued its participation on an adjunct basis arising from both its leadership role within the *National Strategy to Combat Organized Crime* and its ongoing oversight responsibilities for the RCMP and CSIS.

The above allocations included funding for FTEs distributed across the partners as shown in **Table 2** below.

Table 2: Costing Implications

Department/ Agency	FTEs Allotted
Finance	2
Sol. Gen. Canada	0
FINTRAC	150
RCMP	34
The CCRA	
Customs	50
Taxation	24
CIC	5
Justice	9

3.2 Roles and Responsibilities

The Initiative designated various roles and responsibilities for each partner, building on the existing interests and practices each brought to the table. The Department of Finance has responsibility for all policy matters related to the PCMLTFA, and the development of the new FIU - FINTRAC. Each Initiative partner had direct input into legislative development through membership in the **Mandatory Suspicious Transaction Reporting (MSTR) Working Group**, the primary working body with cross-Initiative membership. The individual roles for each partner are summarized here.

➤ **Department of Finance**

The Department of Finance is responsible under the Initiative for leading and coordinating the development of anti-money laundering policy, including the *Proceeds of Crime (Money Laundering) Act* and Regulations. The department coordinates and participates in key domestic and international activities in support of the government’s commitments to combat money laundering. It heads the Canadian delegation to the Financial Action Task Force and to other international money laundering assemblies. The Department of Finance supports the Minister in his responsibility for FINTRAC and is responsible for the evaluation of the Initiative.

➤ **Solicitor General of Canada**

The Solicitor General’s national role with regards to organized crime and the priority of money laundering for the National Agenda necessitates an ongoing departmental role in the Initiative, even though lead responsibility for the MLI has been passed to the

Third, were the unpredicted terrorist attacks of September 11, 2001. The events of that day significantly changed the environment and focus for money laundering control and counter-terrorist financing measures across the world. In Canada, the MLI was expanded and adjusted to include terrorist financing practices. The statutory regime was modified and the roles of FINTRAC and each Initiative partner were adjusted accordingly. Once again, the need to get things right was clearly evident and the implementation slowed to meet the new requirements.

A **fourth** issue, security, affected directly on the time needed to develop the data management systems of FINTRAC; as these systems had to have sufficient security measures in place to protect information from the threats of hackers and others anxious to get at the various databases. This became even more paramount with the addition of terrorist financing responsibilities following 9/11.

A **final** issue related to staffing within FINTRAC. The privacy and security requirements of FINTRAC placed an added strain on completing the security checks on new employees in a timely manner.

4.1.1 Overall Use of Resources

As reported earlier, the government allocated funds totaling *\$143.708 M* over the first five years of the Initiative. Based on reports from each MLI partner, officials indicated that designated annual allotments had been received and were subsequently directed to Initiative-related activities. Please refer to the findings on each individual Initiative partner for further detail on their use of resources.

It should be pointed out that due to the delay in implementation, some partners used their FTEs to work on department/agency activities directly related to combating money laundering, including: ongoing investigations, policy development, staff training, procedure preparation, public education, and training for domestic and international groups involved with money laundering enforcement.

4.1.2 Legislative Development

The MLI operates on a foundation of legislative and regulatory authority developed under the lead of Finance.

Over the first three years, the development of the designated legislative regime has not been without challenges, some anticipated and others not. Right from the onset, it was clearly understood that the legislation needed to account for Charter issues and privacy concerns. These issues had to be factored into the various elements of the legislation, such as reporting, record and identity requirements, record storage, and information collection, analysis, and disclosure.

The legislation requires that FINTRAC act at ‘arm’s length’ from the agencies to which it is authorized to disclose. This was essential when it came to possible secondments,

partners reported undertaking speaking engagements and addressing national, regional and provincial associations, seminars, and conferences to get the word out about the Initiative.

FINTRAC, in particular, has a legislated mandate to inform the reporting entities and the public. The PCMLTFA identifies one of FINTRAC's functions as operating "to enhance public awareness and understanding of matters related to money laundering". The Act specifically enables FINTRAC to "undertake measures to inform" the public, reporting entities, and other stakeholders about, among other things, their obligations under the Act, and the nature and extent of money laundering in Canada.

FINTRAC has pursued this mandate through a variety of means. First and foremost has been via its external website, through which it has provided extensive Guidelines for reporting entities, advisories, technical documentation, links to other documentation - including its Annual Report, links to the legislation, and links to other sources of relevant information. In addition, the website provides access to its electronic and paper reporting forms.

FINTRAC's website, as well as fulfilling part of its commitment to the effective use of technology, is the most efficient way to make a large amount of up-to-date information readily available to the well over 100,000 reporting entities across Canada. The website also provides the general public with information on money laundering as well as information about FINTRAC, its mandate, and mission. By the end of November 2002, well over 218,000 visits had been made to the website.

FINTRAC has also implemented a toll-free telephone number and call centre, as well as an e-mail address for enquiries. In addition to giving numerous presentations to international, national, regional, and local conferences and workshops, it has an information booth, which it exhibits at various conferences. It has also prepared and circulated pamphlets, and posters, and although the events and decisions on and after September 11, 2001 made these obsolete. New ones are in the publication stage.

Finally, FINTRAC has placed articles in trade magazines, and provided assistance to national and provincial associations of reporting entities regarding the latter's attempts to inform their members about the requirements of the PCMLTFA.

Despite these efforts, there was still a belief from certain sectors interviewed that not enough had been done to get the word out to the public about the Initiative and in particular how it would impact on their daily activities. They agreed that FINTRAC's website was a sound venue for helping with compliance development and maintenance. However, many suggested that more traditional ways could have a greater impact when it came to informing the public, specifically: advertisements in the various media, posters, pamphlets, and billboard advertisements.

These approaches could include reference to FINTRAC's website as the ongoing source for Initiative information. It is acknowledged that, prior to pursuing such strategies, thorough market and cost analyses would need to be conducted, and effective

Some of the key reported outputs arising from this process up to November 30, 2002 included:

- 15,363 suspicious transaction reports;
- 946,794 international EFT reports through the SWIFT communications network from Canada's banks; and
- 50 disclosures to law enforcement agencies. Some disclosures have been made to more than one agency.

Furthermore, the beginning of mutually cooperative relationships with foreign Financial Intelligence Units has occurred with five MOUs either signed or in the approval process.

➤ **RCMP**

The RCMP will receive a total of \$17.3 million in resources over the duration of the Initiative. Those resources include a total of 34 new FTEs --- 30 regular member positions distributed across the Proceeds of Crime program and 4 civilian analyst positions allocated to the Proceeds of Crime Branch at RCMP headquarters.

The RCMP's primary responsibility under the Initiative is to receive and assess disclosures from FINTRAC and investigate where warranted. Up to and including November 30, 2002, a total of **41 disclosures** had been received.

To date, the reviews by the RCMP concerning the quality of the disclosures have been mixed; however, it is too early in the Initiative to effectively evaluate the usefulness, timeliness, and comprehensiveness of FINTRAC's disclosures. Each IPOC unit's response is tied to various factors, such as the number of FINTRAC disclosures it has received, its investigator's experience, each unit's current volume of work and its relationships with its partners and clients (banks, casinos etc), and its ability to have the required resources to do an effective initial assessment of the disclosure.

Managing/tracking data with respect to each disclosure has created a new pressure on the RCMP. There is a clear need for data to be kept in a common database that can be efficiently accessed and tracked in a timely and accurate manner. The RCMP Proceeds of Crime Branch is aware of this need and is presently addressing this concern.

RECOMMENDATION

It is recommended that the RCMP implement an efficient, coordinated, and compatible tracking system for inputting, maintaining, and retrieving FINTRAC disclosure data. This should be undertaken in a timely manner to ensure that disclosure data is available for the five-year evaluation.

Those IPOC units receiving MLI resources that had yet to receive disclosures indicated that their designated FTEs undertook a variety of initiative-related activities throughout the implementation process, including:

up and enforcement action will be captured in the Integrated Customs Enforcement Systems (ICES) computer system. At the same time, all declarations and other relevant traveler, courier, and currency information are collected by Customs and forwarded to FINTRAC.

➤ **The CCRA – Taxation**

Under the Treasury Board approval, a total of \$9.1 million in funds were allocated to the CCRA-Tax over the first five years of the Initiative. A total of 24 investigators have been hired, trained, and disbursed to various regional offices where they work under the *Special Enforcement Program* located within the Investigations Directorate. In preparation for the first disclosures, the decision was made to have designated investigators participate in the various ongoing cases and audits currently underway in the division. This was seen as a way to sharpen investigation skills and enhance the readiness of the group.

By November 30, 2002, a total of **three** disclosures have been directed to the CCRA-Tax investigators. One came directly from FINTRAC, and the remaining two were secondary referrals from the RCMP. The CCRA investigators indicated that the quality of these disclosures was very good and the information was of sufficient caliber that they could be acted upon. Tax officials did verify that they intend to use their Audit Information Management System (AIMS) to track all inputs and results in relation to compliance actions under the Initiative.

From a training perspective, staff members have made 10 external and numerous internal presentations on the legislation and the role of the CCRA -Tax. It was reported that staff had attended 3 international meetings and undertaken a minimum of 5 consultations with stakeholders. In addition, officials have prepared a formal working paper on money laundering and typologies, plus a series of papers dealing with offshore banking, trusts, and incorporation in which money laundering has been discussed.

➤ **Citizenship and Immigration Canada**

The Department was allotted a total of \$2.5 million in resources over the term of the Initiative. These resources included funding for five FTEs. Department officials reported that the annual resources have been received and used to bolster the analytical expertise of its Organized Crime analysts. One leading analyst, currently occupying a full FTE, acts as project coordinator in the Organized Crime Division in the Intelligence Branch at CIC. That individual serves as a policy specialist in providing advice on money laundering to the field, the case analysts, and on the evaluation framework process.

The Department has used part of the remaining FTEs to increase its capacity for analysis and to identify cases dealing with money laundering. For example, CIC has recruited a research officer, who surveys open source articles in the international press to enhance the Division's money laundering expertise. As well, the remaining eight analysts in the Organized Crime division now spend a portion of their time on cases involving money

➤ **Department of Justice**

In 1999-2000 and 2000-2001, Justice received compensation (\$300,000 and \$125,000 respectively) for the provision of legal advice to the FINTRAC Transition Team. This included advice from various groups within the Legal Operations Sector, such as Criminal Law Policy and the Federal Prosecution Service (FPS). In addition in 2000-2001, Justice received a further \$600,000 for development work related to the legislative development process, including input and advice on the drafting of regulations and further assistance to the Transition Team.

Beginning in 2001-2002 and beyond, the Federal Prosecution Service⁹ received \$1.2 million annually to cover nine FTEs. In terms of FPS allocations, the key regions receiving funding included Quebec (Montreal), Ontario (Toronto) and B.C. (Vancouver). As well, the Strategic Prosecution Policy Section at Headquarters (Ottawa) also received funding to provide a coordination function as well as input and advice on the drafting of regulations.

Throughout the first three years of the Initiative, FPS resources have been employed to: (a) support the development and implementation of the amended Act through the provision of training and legal advice; (b) continue to assist the Integrated Proceeds of Crime units in the ongoing border seizure and forfeiture files of suspicious monies; and (c) pursue ongoing proceeds of crime and money laundering prosecution activities. Since the amended Act has only been in force since February 2002 and the cross-border component came into force only on January 6, 2003, no prosecution cases have come to the FPS tied to the amended legislation. Despite that, there has been ongoing money laundering prosecutions associated with other Federal Acts.

Table 3 below shows various statistics related to the prosecution of money laundering files over the first three years of the MLI. These findings will also provide a baseline from which to make future comparisons at year five.

Table 3: In-house Money Laundering Files, Charges and Accused by Year¹⁰

YEAR	00/01	01/02	02/03
Active Files	35	48	56
Closed Files/To Be Closed	16	11	10
Number of Money Laundering Charges	167	196	242
Number of Accused (Charge based)	92	118	144

⁹ These figures do not include resources identified for the provision of direct legal services provided to FINTRAC.

¹⁰ Information relates to **Table 3**: (a) As of December 2002; (b) The information does not include money laundering files and charges being processed by Departmental Agents; and (c) not all money laundering related charges and files are captured, particularly old Narcotic Control Act associated prosecutions.

FINTRAC has developed the capability to receive reports electronically, which goes beyond the current practices for most FIUs. It operates at arm's length from law enforcement because of the Charter and privacy issues. At the same time, it has begun to make disclosures that are intended to enhance both ongoing and new investigations into money laundering.

Much of what was proposed in the original Initiative design is now in place, albeit after a longer implementation period than originally planned. During the review process it became evident that some anticipated immediate outcomes were starting to appear. However, it was still too early to draw any definitive conclusions about these outcomes based on the limited data available. The year-five study will be in a much better position to make those conclusions.

Nonetheless, the findings from this implementation review have contributed sufficiently that a number of conclusive statements can be made with respect to intended outcomes described at the beginning of this report.

1. To what extent have Initiative resource levels been received and allocated as intended?

- From the data gathered, it is apparent that the designated resources were received and subsequently used for activities directly related to the initiative.

2. To what extent is the Initiative organized appropriately to meet its objectives?

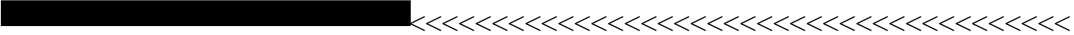
- Measures such as an appropriate legislative and regulatory regime to address financial transactions and the movement of currency across Canada's borders; the operationalization of FINTRAC; the fulfillment of international commitments; and appropriate safeguards to protect the privacy of persons have been put in place to help combat money laundering.
- Working linkages across Initiative partners are in place and initial feedback has shown that specific outputs (i.e., disclosures) for the most part are providing information that has merit and can potentially add to the investigation process.
- Over time, the information capacity of FINTRAC will increase substantially, thereby expanding its capacity to not only support but also generate money laundering investigations.

There is evidence that suggests the overall Initiative design will support the achievement of its objectives.

3. To what extent has the Initiative contributed to improved international and national liaison and cooperation with respect to money laundering?

- Attendance at international conferences and subject matter forums has contributed to the perception of Canada's commitment to combating money laundering worldwide.
- Recently, a member of the Department of Finance was appointed to chair

There is no doubt that the Initiative has contributed to improved liaison and cooperation to combat money laundering.



knowledge about money laundering and (b) the development of indicators for assessing the impact and scope of money laundering.

7. To what extent have efforts to promote and monitor compliance with the PCMLTFA contributed to enhanced compliance and improved data for analysis?

Compliance monitoring is not yet fully underway, but initial efforts are enhancing the quality of reports as well as the impetus for reporting entities to be compliant.

- Since the Regulations are not yet fully in force, the direct monitoring of compliance is in place with the exception of on-site evaluations.
- The proposed Bill C-17 (*Public Safety Act*), if passed, will enhance FINTRAC’s ability to have various regulatory bodies assist with the compliance monitoring process.
- FINTRAC is now starting to emphasize quality in addition to completeness of the reports filed by the reporting entities.
- *Outreach efforts* by FINTRAC liaison personnel have served to highlight the importance of compliance to reporting entities and this no doubt contributes to the subsequent quality of the data reported.
- FINTRAC’s practice of *following-up* with each reporting entity when compliance issues have been identified will serve as a compliance check in some cases. For example, compliance issues have been identified with over 90 reporting entities and, in most cases, the issues were rectified after one contact.

4.2.2 International Commitments

In April 1990, the FATF issued a report outlining Forty Recommendations that form a framework for combating anti-money laundering at both a domestic and international level. They provide a set of counter-measures against money laundering covering the criminal justice system and law enforcement, the financial system and its regulation, and international cooperation. Of the Forty Recommendations, 28 are considered key.

Canada’s achievement of full compliance with 27 out of the 28 Key FATF Recommendations is a direct outcome of the MLI.

The regular FATF mutual evaluation and self-assessment *processes* focuses on the extent to which individual members have met the FATF anti-money laundering standards. In the FATF’s 2001-2002 Annual Report, it was reported that Canada had achieved full compliance with 27 of the 28 Key Recommendations.

The following **Table 4** shows where Canada has progressed since the first series of Mutual Evaluations completed in 1999-2000. A full summary of Canada’s progression towards compliance can be found in a separate *Appendices document, Section 5.0*



5.0 Conclusions

Each partner's intended role appears to have evolved as planned. Implementation is proceeding with a strong indication that the overall Initiative design will support the achievement of its objectives. With disclosures just beginning, follow-up investigations, prosecutions, and adjudications have not taken place and will have to await the year-five evaluation results to determine the degree of progress that has ensued.

Working relationships were examined and, for the most part, were found to be supportive and focused on achieving common goals. At the same time, concerns were raised with respect to opportunities to share information and expertise between FINTRAC and the other Initiative agencies. Canada's Charter of Rights and Freedoms along with the *Privacy Act* have created an environment where FINTRAC must operate in an 'arm's length' relationship with its enforcement partners. To what extent this will impact on anticipated outcomes over the longer term is not yet clear and will have to await the results of the year-five assessment.

Despite the delays in implementation, ***a solid foundation for Initiative success has been laid to date***. Some achievements are beginning to emerge, particularly with respect to international commitments and the degree to which FINTRAC has emerged as an organization capable of achieving its mandate. This bodes well for demonstrating success in the achievement of the Initiative's overall objectives in 2004-2005.