



# Financial Transactions and Reports Analysis Centre of Canada

2002-2003  
Estimates

Part III – Report on Plans and Priorities

Canada

## The Estimates Documents

Each year, the government prepares Estimates in support of its request to Parliament for authority to spend public monies. This request is formalized through the tabling of appropriation bills in Parliament. The Estimates, which are tabled in the House of Commons by the President of the Treasury Board, consist of three parts:

**Part I – The Government Expenditure Plan** provides an overview of federal spending and summarizes both the relationship of the key elements of the Main Estimates to the Expenditure Plan (as set out in the Budget).

**Part II – The Main Estimates** directly support the *Appropriation Act*. The Main Estimates identify the spending authorities (votes) and amounts to be included in subsequent appropriation bills. Parliament will be asked to approve these votes to enable the government to proceed with its spending plans. Parts I and II of the Estimates are tabled concurrently on or before 1 March.

**Part III – Departmental Expenditure Plans** which is divided into two components:

- (1) **Reports on Plans and Priorities (RPPs)** are individual expenditure plans for each department and agency (excluding Crown corporations). These reports provide increased levels of detail on a business line basis and contain information on objectives, initiatives and planned results, including links to related resource requirements over a three-year period. The RPPs also provide details on human resource requirements, major capital projects, grants and contributions, and net program costs. They are tabled in Parliament by the President of the Treasury Board on behalf of the ministers who preside over the departments and agencies identified in Schedules I, I.1 and II of the *Financial Administration Act*. These documents are tabled in the spring and referred to committees, which then report back to the House of Commons pursuant to Standing Order 81(4).
- (2) **Departmental Performance Reports (DPRs)** are individual department and agency accounts of accomplishments achieved against planned performance expectations as set out in respective RPPs. These Performance Reports, which cover the most recently completed fiscal year, are tabled in Parliament in the fall by the President of the Treasury Board on behalf of the ministers who preside over the departments and agencies identified in Schedules I, I.1 and II of the *Financial Administration Act*.

The Estimates, along with the Minister of Finance's Budget, reflect the government's annual budget planning and resource allocation priorities. In combination with the subsequent reporting of financial results in the Public Accounts and of accomplishments achieved in Departmental Performance Reports, this material helps Parliament hold the government to account for the allocation and management of public funds.

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Available in Canada through your local bookseller or by mail from Canadian Government Publishing (PWGSC)  
Ottawa, Canada K1A 0S9

Telephone: 1-800-635-7943  
Internet site: <http://publications.pwgsc.gc.ca>

Catalogue No. BT31-2/2003-III-112

ISBN 0-660-61782-X

# **Financial Transactions and Reports Analysis Centre of Canada**

## **Report on Plans and Priorities**

**For the years  
2002/2003 to 2004/2005**

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**Minister of Finance**

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# Messages

## Director's Message

On October 28, 2001, the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) became operational, a mere 16 months after the proclamation of its enabling legislation, the *Proceeds of Crime (Money Laundering) Act*.

The first phase of regulations, those setting the requirements for the reporting of suspicious transactions, came into force on November 8, 2001, and by the end of February 2002, FINTRAC had received some 1,719 suspicious transaction reports from a wide range of reporting entities.

During the past year, and indeed throughout the period since the *Act* was proclaimed, we have devoted our energies to the establishment of FINTRAC and making it operational. This has included designing the infrastructure, procuring the necessary technology, and developing systems for the acquisition and analysis of the data. Much attention was paid to identifying, recruiting and training first-rate staff for the new organization. Together with the Department of Finance, we worked to develop regulations and guidelines for reporting entities. Great care was taken to put in place measures to ensure the protection of the information entrusted to FINTRAC, including advanced IT security measures, state of the art physical security arrangements, a comprehensive security screening program for all employees and contractors, and the development of systems and procedures to monitor the effectiveness of those security arrangements.

The events of fall 2001 resulted in the Parliament of Canada passing the *Anti-Terrorism Act*. FINTRAC was given the additional accountability of searching through the transactions reported to it for any activity that might be suspected of being related to terrorist financing.

The coming year will be one of implementation and consolidation. Regulations will soon be enacted to require reporting to FINTRAC of international wire transfers, cross border currency movements and large cash transactions, as well as terrorist asset reports and reports of suspicions of terrorist financing transactions. These reporting streams will be phased in over the summer and autumn of 2002. At the same time, we will be putting in place an analytic capacity to search for terrorist financing, much like the capacity we have been developing to search for money laundering. With respect to both money laundering and terrorist financing, we expect to make important disclosures to law enforcement agencies and, in appropriate circumstances, to the Canadian Security Intelligence Service, Canada Customs and Revenue Agency and Citizenship and Immigration Canada. We will also continue our efforts to achieve enhancements in analysis, data acquisition and disclosure of information.

An important element of our work in 2002-03 will be in the area of compliance. The next phase of regulations will bring into effect the requirement for reporting entities to establish compliance programs, and we will work with the more than 180,000 entities subject to the *Act* to promote awareness of the reporting obligations and to facilitate the implementation of effective and efficient compliance programs and practices. We will also work closely with other regulatory

bodies in an effort to maximize the effectiveness of compliance measures with a minimum of duplication of effort.

The work of FINTRAC in the coming year will be guided by three overarching commitments.

First, we are determined to complete building a top-notch analytic capacity to track and analyze the data reported to us in search of those transactions that are suspected of being connected to money laundering or terrorist financing.

Secondly, we are committed to making useful, high quality disclosures to law enforcement and others to facilitate the investigation and prosecution of money laundering and the financing of terrorist activity and thereby make a strong contribution to the campaign against organized crime and terrorism.

Thirdly, we respect the privacy of the information reported to us under the statutory accountability given to us by Parliament, and we will continue to do our utmost to protect that information from unauthorized use and disclosure.

Money laundering and terrorism are frequently transnational in character and effective responses therefore also need to be international. Canada is a committed member of the international community combating organized crime and terrorism, and FINTRAC will strive to make an important contribution. To that end, we will participate actively in international fora addressing these matters, and will seek to enter into agreements to exchange information with appropriate foreign agencies like ours with a view to strengthening the intelligence we can provide to law enforcement and to increasing the global reach of law enforcement in fighting organized crime and terrorism.

Horst Intscher  
Director  
Financial Transactions and Reports Analysis Centre of Canada

# MANAGEMENT REPRESENTATION

## *Report on Plans and Priorities 2002-2003*

I submit, for tabling in Parliament, the 2002-2003 Report on Plans and Priorities (RPP) for the

Financial Transactions and Reports Analysis Centre of Canada

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To the best of my knowledge, the information:

- Accurately portrays the agency's accountability, priorities, strategies and planned results of the organization.
- Is consistent with the disclosure principles contained in the *Guidelines for Preparing a Report on Plans and Priorities*.
- Is comprehensive and accurate.
- Is based on sound underlying departmental information and management systems.

I am satisfied as to the quality assurance processes and procedures used for the RPP's production.

The Planning and Reporting Accountability Structure (PRAS) on which this document is based has been approved by Treasury Board Ministers and is the basis for accountability for the results achieved with the resources and authorities provided.

Name: \_\_\_\_\_

Date: \_\_\_\_\_

## Raison d'être

The Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) was established by the *Proceeds of Crime (Money Laundering) Act* (PCMLA) in July 2000 as part of the National Initiatives to Combat Money Laundering. The benefit to Canadians is the detection and deterrence of laundering of proceeds of crime.

In December 2001, Parliament enacted the *Anti-terrorism Act*, c. 41, Statutes of Canada, 2001. The benefit to Canadians is the detection and deterrence of the financing of terrorist activities.

As a result of the passage of the *Anti-terrorism Act*, FINTRAC was given new responsibilities. The Centre has met its immediate priority of establishing a basic capacity to analyze financial transaction reports to detect the financing of terrorist activities. Over the coming year, it will develop and implement a long-term capability to conduct this type of analysis. Specifically, FINTRAC will create a dedicated organizational unit to meet its expanded responsibilities and enhance its overall capacity to respond to the increasing volume of reporting.

FINTRAC also continues its important work on the detection and deterrence of money laundering. New regulations will come into force over the course of the 2002-2003 fiscal year in respect of international electronic funds transfers (EFTs) using SWIFT technology (April 2002), cross border currency export and import (June 2002), and large (\$10,000 or more) cash transactions and non-SWIFT international EFTs (November 2002).

## **Strategic Outcome 1    \$23,119,000**

### **Analysis and assessments of information to detect activities and behaviour involved in money laundering and terrorist financing**

Major changes from previous RPP

- Addition of terrorist financing to accountability

Priorities

- Acquire access to information from reporting entities as required by the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA)
- Expand current Information Technology (IT) infrastructure to receive reports on electronic funds transfers, cross-border currency reports and large cash transactions
- Enhance analytic systems to address both the money laundering and terrorist financing analytic requirements
- Acquire access to relevant information from law enforcement, public and commercial databases
- Refine analytic strategies, methodologies and systems, in line with the expansion of data and information sources
- Recruit, train and develop analysts to ensure a world-class cadre of officers
- Ensure compliance with the reporting, record keeping and client identification requirements set out in Part 1 of the PCMLTFA
- Develop a high level of understanding by reporting entities of their legislative obligations
- Expand outreach to reporting entities, national associations and self regulating organizations (SRO) to communicate the requirements of the PCMLTFA and regulations
- Develop effective processes for verifying the quality of reports received and identifying necessary follow-up
- Develop effective partnerships with regulators at the federal and provincial levels to ensure compliance with the legislation
- Identify reporting entities most in need of improving their compliance

Plans for delivering priorities

- Refine and operate analytic strategies, methodologies and processes
- Enhance systems to support acquisition and analysis of data and use management
- Develop guidelines to facilitate implementation of all legislative requirements, including the establishment of compliance regimes, by the reporting entities
- Provide targeted presentations, consultations and meetings with reporting entities covered by the PCMLTFA
- Implement a contact management system to facilitate contacts and compliance follow-up with reporting entities
- Manage the IT Help Desk to respond to the queries of reporting entities
- Monitor the reporting performance of the reporting entities (Quality Assurance Process) and follow-up, where necessary, by Compliance
- Establish agreements with other regulators to heighten the capability and capacity to monitor compliance.

- Develop and implement a compliance risk management framework
- Elaborate and validate FINTRAC's compliance examination policies, processes and criteria
- Develop an examination plan for compliance
- Prepare to receive and process additional reporting streams as the regulations requiring such reports come into effect:
  - April 2002: electronic funds transfers (EFT) using SWIFT technology
  - June 2002: cross-border currency export and import
  - November 2002: large (\$10,000 or more) cash transactions and non-SWIFT EFT
- Develop mechanisms for risk management
- Develop analytic strategy for selecting cases with a higher probability of involvement in money laundering activities

#### Key partners or relationships with other organizations

- Law enforcement
- Attorneys General
- Canada Customs and Revenue Agency (CCRA)
- Canadian Security Intelligence Service (CSIS)
- Citizenship and Immigration Canada (CIC)
- Communications Security Establishment (CSE)
- Office of the Superintendent of Financial Institutions (OSFI) and provincial regulators of entities subject to the Act and Regulations
- Reporting entities, national associations and self regulating organizations (SRO)
- Technology vendors
- Technology associations

#### Major factors influencing the organization, including challenges and risks

- Large volume of transaction reports to be analyzed
- Money laundering activities becoming increasingly more sophisticated and continuing to evolve as new technology and opportunities arise
- Number of reporting entities (over 180,000) subject to the Act and Regulations demanding a cooperative approach with regulators and other stakeholders to ensure appropriate monitoring of compliance
- Gradual coming into force of regulations creating transitional challenges for the implementation of legislative requirements by reporting entities
- Security clearances for employees and contractors
- Analysis of terrorist financing will require new techniques and approaches with domestic and international partners
- Need to address the risks related to electronic reporting and the need to create redundancy and backup systems

#### Rationale for the choices made to respond to challenges and risks

- Add new analytic capability to detect patterns of unusual transactions
- Train and develop analysts

- Provide cost-effective means to ensure enhanced coverage of reporting entities
- Mitigate challenges and risks through the establishment of a compliance risk management process and through partnerships with other regulators
- Monitor reports received and supply timely feedback to ensure improvement in reporting
- Provide information to those involved in regulatory process on the steps IT must go through to develop and implement IT applications

Total resources allocated to priorities

- \$23,119,000

Monitoring to ensure priorities are on track

- Regular management reporting of report volumes and of files and cases being analyzed as well as of compliance issues and problems
- Use of a continuous quality improvement approach to collect relevant statistics such as
  - Number of reports received and the quality of these reports
  - Number and coverage of partnership agreements signed with other regulators
  - Examinations conducted by FINTRAC or other regulators and their results
  - Number of follow-ups and issues rectified
  - Number of willful non-compliance referrals to law enforcement by FINTRAC
- Use of detailed IT project plans and project management techniques
- Access control and audit systems to monitor access and use of information by employees
- Case-management system to monitor workload and effectiveness of analytic processes

## **Strategic Outcome 2    \$857,000**

**Determination that there are reasonable grounds to suspect that information about certain financial transactions would be relevant to the investigation and prosecution of a money laundering offence**

Major changes from previous RPP

- Addition of terrorist financing to accountability

Priorities

- Implement decision and review processes

Key partners or relationships with other organizations

- Law Enforcement
- Attorneys General
- CCRA
- CSIS
- CIC
- CSE
- Foreign financial intelligence units (FIUs)

Major factors influencing the organization, including challenges and risks

- Ensuring timely decisions

Rationale for the choices made to respond to challenges and risks

- Implement processes to enable review and decision-making on a regular basis, as well as on an as-needed basis for urgent cases

Total resources allocated to priorities

- \$857,000

Monitoring to ensure priorities are on track

- Reporting to Management of the number of cases under review and cases under consideration for disclosure
- Case management system to monitor workload and efficiency of processes
- Disclosure Committee record of the rationale to disclose designated information

## **Strategic Outcome 3    \$1,595,000**

### **Disclosure of designated information suspected to be relevant to the investigation or prosecution of a money laundering or terrorist financing offence**

#### Major changes from previous RPP

- Addition of ability to disclose information to police relevant to terrorist activity financing offences as well as the expansion of disclosure to include CSIS

#### Priorities

- Provide timely disclosures to appropriate agency
- Supply well targeted disclosures on money laundering and terrorist financing to appropriate police forces and/or intelligence forces
- Encourage and facilitate the receipt of voluntary information, particularly from law enforcement, to better target disclosures
- Obtain feedback on disclosures with a view to improving analysis and disclosures
- Develop tracking and data retention processes for information that has been disclosed
- Determine feasibility of techniques for electronic disclosure to law enforcement agencies

#### Plans for delivering priorities

- Operate disclosure process to determine appropriate recipient agencies
- Consult with recipient agencies on disclosure process
- Respond to production orders
- Meet with key law enforcement and other agencies such as CSIS, RCMP, Communications Security Establishment (CSE) to:
  - Encourage the sharing of voluntary information with FINTRAC
  - Confirm which law enforcement agencies are interested in receiving disclosures from FINTRAC, taking into consideration resources, dedicated proceeds of crime units and other factors
- Communicate with IT professionals of recipient agencies
- Expand case management and contact management systems

#### Key partners or relationships with other organizations

- Law Enforcement agencies at the municipal, provincial and national levels
- Law enforcement representative bodies such as the Canadian Association of Chiefs of Police
- Attorneys General
- CCRA
- CSIS
- CIC
- IT professionals of recipient agencies
- Foreign FIUs

#### Major factors influencing the organization, including challenges and risks

- Timeliness of disclosures, particularly those related to terrorist financing where prevention is an element
- Relevance to investigation and prosecution
- Limited knowledge of FINTRAC's accountability amongst law enforcement agencies
- Diversity of technical infrastructures among recipient agencies

Rationale for the choices made in respect of challenges and risks

- Consult with recipient agencies.
- Ensure feedback is taken into account to refine analytic processes and methodologies
- Enhance the voluntary information received from police
- Ensure FINTRAC's disclosures are targeted to the correct recipient
- Develop standard and flexible data management architecture

Total resources allocated to priorities

- \$1,595,000

Monitoring to ensure priorities are on track

- Management reporting of disclosure volumes
- Implementation of feedback mechanism
- Updating of FINTRAC's law enforcement database as new information received
- Collection of operational statistics on voluntary information provided by law enforcement
- Detailed IT project plans and project management techniques

## **Strategic Outcome 4    \$1,124,000**

### **Establishment of relationships with domestic, foreign and international entities to increase knowledge of evolving money laundering and terrorist financing initiatives**

Major changes from previous RPP

- Addition of terrorist financing to accountability

Priorities

- Obtain membership in the Egmont Group (an informal organization of FIUs created to improve the exchange of information between FIUs, to improve expertise and to expand the capabilities of FIU staff)
- Establish working relationships with domestic entities, other Financial Intelligence Units (FIUs)
- Exchange appropriate information in accordance with Memoranda of Understanding (MOUs)
- Establish MOUs with law enforcement agencies to enable access to information
- Conclude MOUs for the exchange of information between FIUs with five priority countries
  - United States of America (US)
  - Belgium
  - Netherlands
  - Australia
  - United Kingdom (UK)
- Identify the next round of countries with whom MOUs should be sought
- Participate in the work of the Financial Action Task Force (FATF) and Caribbean Financial Action Task Force (CFATF)
- Participate in Canada-US fora dealing with terrorism and cross-border crime
- Develop a cooperative relationship with foreign FIUs to facilitate receipt of voluntary information
- Establish relationships with IT professionals in domestic, foreign and international entities

Plans for delivering priorities

- Complete questionnaire for Egmont membership and provide clarification where necessary for the evaluating body
- Promote FINTRAC's interests at FATF and CFATF Plenary and Sub-Committee meetings
- Promote FINTRAC's interests in Canada-US cross-border fora dealing with terrorism and cross-border crime
- Consult with domestic intelligence and law enforcement agencies
- Consult with foreign FIUs
- Enter into negotiations with countries identified and obtain Ministerial approval of proposed MOUs
- Prepare plan and criteria to identify priority countries for next round of MOUs

- Complement Egmont's Technical Assistance Guidelines by supporting the creation of new FIUs
- Exchange information with IT professionals in other FIUs in collaboration with Egmont IT technology community

#### Key partners or relationships with other organizations

- Departments of Finance, Solicitor General, Foreign Affairs and International Trade and Justice
- Major reporting entities and their associations
- Law enforcement IT professionals
- FIUs in Belgium, Netherlands, Australia, UK and US
- Egmont Group
- FATF
- CFATF
- Other government agencies and law enforcement agencies

#### Major factors influencing the organization, including challenges and risks

- Success in obtaining formal membership standing in the Egmont Group in June 2002
- Willingness and preparedness of other FIUs to conclude information sharing agreements

#### Rationale for the choices made to respond to challenges and risks

- Membership in the Egmont Group will be critical for opening doors to the international community
- Selection of FIUs in countries with which FINTRAC has a complementary regime and which will help us to analyze the highest risk areas
- Development of criteria to aid FINTRAC in targeting its efforts effectively

#### Total resources allocated to priorities

- \$1,124,000

#### Monitoring to ensure priorities are on track

- Monitoring of progress in negotiations with foreign FIUs
- Monitoring of activities in setting up relationships with domestic law enforcement agencies and other entities
- Explanation of how monitoring will proceed to ensure priorities are on track
- Detailed IT project plans and project management techniques

## **Strategic Outcome 5    \$1,558,000**

### **Enhanced public awareness and understanding of matters related to money laundering and terrorist financing including their effects on Canadian society**

#### Major changes from previous RPP

- Addition of terrorist financing to accountability requires the republishing of communications and outreach tools to the general public, reporting entities and other stakeholders

#### Priorities

- Prepare and produce communications/outreach material to inform the general public, reporting entities and other stakeholders of money laundering, the PCMLTFA and terrorist financing
- Media Relations – Engage in targeted media relations aimed at community publications, trade publications and law enforcement publications
- Report to Parliament, other government departments, international partners on FINTRAC's accountability, activities and objectives
- Evaluate communications activities

#### Plans for delivering priorities

- Brochures, fact sheets, bulletins, pamphlets
- Trade shows
- Advertising
- Website
- Media interviews, articles
- Surveys, public opinion polls
- Annual Report

#### Key partners or relationships with other organizations

- Departments of Finance, Solicitor General, Justice and the Privy Council Office
- CCRA
- OSFI

#### Major factors influencing the organization, including challenges and risks

- Events of 11 September 2001 and subsequent change in accountability presented communications challenges
- Heightened media/public awareness about FINTRAC, money laundering and terrorism changed a proactive media strategy into a reactive one
- Heightened international focus on money laundering and terrorist financing

#### Total resources allocated to priorities

- \$1,558,000

Monitoring to ensure priorities are on track

- Annual review of communications activities through stakeholder survey, web visit rate, polling and media analysis
- Detailed IT project plans and project management techniques

## **Strategic Outcome 6    \$12,777,000**

### **Creating a world-class workplace that values and recognizes the abilities and contributions of its employees and reflects the cultural and ethnic diversity of Canada**

#### Major changes from previous RPP

- Addition of terrorist financing to accountability

#### Priorities

- Recruit for talent
- Establish infrastructure to support money laundering and the addition of terrorist financing to FINTRAC's accountabilities
- Build security while protecting individual human rights and freedoms
- Evaluate FINTRAC and partners as part of on-going review
- Continue strategy to build a world-class innovative organization

#### Plans for delivering priorities

- Identify key competencies for employees
- Brand ourselves as an exemplary employer in each recruitment phase
- Identify exemplary human resources practices that will build a foundation for being a distinctive employer
- Creation of office space for regional offices and terrorist financing, including the highest levels of physical security
- Recruit and train analysts for terrorist financing analysis
- Recruit and train additional employees to provide infrastructure support for terrorist financing analysis
- Provide solid funding and establish a culture that supports a continuous learning and development environment
- Design meaningful and responsive compensation strategies
- Design recruitment strategies that underscore FINTRAC's unique and important accountability
- Highlight commitment to a diverse workforce
- Develop and deliver a curriculum of professional training and learning opportunities
- Use indices in Evaluation Framework to develop corporate performance measurement
- Use state of the art information and web technology to deliver comprehensive and timely information to managers

#### Key partners or relationships with other organizations

- Royal Canadian Mounted Police
- Public Works and Government Services Canada (PWGSC)
- Treasury Board Secretariat
- Department of Finance
- OSFI

#### Major factors influencing the organization, including challenges and risks

- Particular/unique skill set being sought
- Competitive environment for employees with skills set
- Secure environment requiring heightened security clearance levels
- Unique accountability which may increase interest among prospective employees – conversely accountability may be viewed as a detriment (employee safety)
- Centre is subject to a review of its administration and operation – prospective employees may view this as a de-stabilizing factor regarding employment stability
- New organization with no history of performance to measure against and short time in operation
- FINTRAC as a separate employer
- Determination of appropriate systems to be installed given the wide variety and complexity of systems available

#### Rationale for the choices made to respond to challenges and risks

- Brand FINTRAC as an exemplary employer by underscoring what makes us distinctive, such as our unique accountability, solid learning investments and high intellectual capacity
- Build our own internal capacity to meet the unique skills set challenges by developing a curriculum of core training to develop those unique skills
- Implement evaluation framework in cooperation with partners in National Initiative to establish useful indicators to measure performance
- Determine ongoing information requirements of the organization and develop and implement human resources, personnel information management and other systems to meet managers' needs

#### Total resources allocated to priorities

- \$12,777,000

#### Monitoring to ensure priorities are on track

- Use of a performance management process, monitoring success rates in placing talent
- Undertake succession planning exercises to develop talent and to allow for an effective transition of human resources
- Analysis of reasons for employee departures and attrition rates
- Learning/development investments
- Monthly gathering of statistics and analysis in order to determine their usefulness over a period of time
- Use of project monitoring and scheduling to track progress and provide risk management information

# Organization

## Strategic Outcomes and Business Lines

Business Lines	Strategic Outcomes					Creating a world-class workplace	Total
	Analysis and assessments	Determination of reasonable grounds	Disclosure to law enforcement agencies	Establishment of relationships with other entities	Enhanced public awareness and understanding		
Detection and deterrence of money laundering	\$15,299,000	\$603,000	\$1,204,000	\$826,000	\$1,281,000	\$7,117,000	\$26,330,000
Detection and deterrence of the financing of terrorist activities	\$7,820,000	\$254,000	\$391,000	\$298,000	\$277,000	\$5,660,000	\$14,700,000
<b>Total</b>	<b>\$23,119,000</b>	<b>\$857,000</b>	<b>\$1,595,000</b>	<b>\$1,124,000</b>	<b>\$1,558,000</b>	<b>\$12,777,000</b>	<b>\$41,030,000</b>

## Background

### *Accountability, Role and Responsibilities*

The Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) was established by the *Proceeds of Crime (Money Laundering) Act (PCMLA)*, Chapter 17, Statutes of Canada 2000. The PCMLA has since become the PCMLTFA with the addition of the detection and deterrence of the financing of terrorist activities.

The key objectives of the Act are:

1. To implement specific measures to detect and deter money laundering and the financing of terrorist activities and to facilitate the investigation and prosecution of money laundering offences and terrorist activity financing 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 the appropriate safeguards are in place to protect personal privacy.
3. To assist in fulfilling Canada's international commitments in the fight against transnational organized crime and terrorist activity.

The Act:

1. establishes the Financial Transactions and Reports Analysis Centre of Canada;
2. requires a wide range of financial institutions and intermediaries to keep records, to identify clients and to report suspicious and prescribed financial transactions;

3. requires persons to declare the cross-border movement of large amounts of currency or monetary instruments to the Canada Customs and Revenue Agency (CCRA). These reports will be forwarded to FINTRAC;
4. provides authority to pass regulations concerning the nature and extent of record keeping, identification of clients and reporting to FINTRAC and to make additional business entities or activities subject to the Act;
5. provides a high degree of privacy protection of information provided to FINTRAC.

Along with the suspicious and prescribed financial transaction reports, the legislation enables FINTRAC to receive and use information that is voluntarily provided to FINTRAC, such as tips from law enforcement and other agencies as well as information from the public, about suspicions of money laundering or of the financing of terrorist activities.

The Minister of Finance is responsible for FINTRAC.

The legislation strikes a balance between safeguarding the rights of Canadians, protected by the *Charter of Rights and Freedoms*, and the needs of law enforcement in investigating money laundering offences and the financing of terrorist activities.

FINTRAC's legislative accountability is to:

- collect, analyse, assess and, where appropriate, disclose information relevant to the investigation and prosecution of money laundering offences and the financing of terrorist activities;
- act at arm's length from law enforcement agencies and other entities (i.e. CCRA, Canadian Security Intelligence Service (CSIS) and the Department of Citizenship and Immigration (CIC)) to which it is authorised to disclose information;
- ensure that personal information under its control is protected from unauthorised disclosure;
- enhance public awareness and understanding of matters related to money laundering and the financing of terrorist activities; and
- ensure compliance with record keeping and reporting obligations.

Failure by reporting entities to report prescribed or suspicious financial transactions, as set out in the Act, can result in significant fines or jail terms. FINTRAC will work closely with reporting entities to support their efforts to implement a compliance regime to assist them in meeting their obligations under the Act and Regulations.

In operationalising the legislative accountability, FINTRAC has adopted the following principles. FINTRAC will:

- strive to become a centre of expertise in the analysis of financial and other data to identify suspicious transactions associated with money laundering activities and the financing of terrorist activities, and to enhance awareness and understanding of matters related to money laundering and the financing of terrorist activities.
- safeguard the personal privacy of individuals and protect their records from unauthorized disclosure.

- operate at arm's length from law enforcement agencies and other entities to which it is authorized to disclose information.
- develop relationships with domestic and international entities to obtain and exchange data, information, and knowledge.

### *FINTRAC Structure*

FINTRAC is headed by a Director appointed by Governor in Council to be the Chief Executive Officer of FINTRAC, with the rank and powers of a Deputy Head of a department. FINTRAC is comprised of seven functional areas: Legal Services; Money Laundering Analysis; Terrorist Financing Analysis; Policy, Planning and Public Affairs; Liaison and Compliance; Information Technology; Corporate Management. Each area is headed by a Deputy Director. The following provides an overview of the responsibilities and activities of each of the seven areas.

#### *Legal Services*

Legal services are provided to the Centre by the General Counsel and three Legal Counsels who are employees of the Department of Justice.

#### *Money Laundering Analysis*

Money Laundering Analysis is responsible for developing and implementing analysis frameworks and for analyzing financial data reported pursuant to the Act and Regulations together with other sources available to FINTRAC. This work is aimed at identifying potential money laundering cases, assessing general trends, patterns of activity, emerging risks as well as recommending disclosures to law enforcement and other national and international agencies in respect of money laundering.

#### *Terrorist Financing Analysis*

As a result of the *Anti-terrorism Act* provisions, the accountability for detecting and deterring the financing of terrorist activities means a new area is being developed for analyzing data received from reporting entities in respect of terrorist financing. More information on this area will be available in the Report on Plans and Priorities for 2003-2004.

#### *Policy, Planning and Public Affairs*

The Policy area is responsible for the identification of strategic policy issues to be addressed in legislation, regulations, guidelines and internal operating procedures such as disclosure policy and procedures. This area will develop a framework for establishing and maintaining international networks and multi-lateral relationships. Policy is also responsible for the establishment of Memoranda of Understanding (MOUs) with national, foreign and international organizations. Planning is responsible for the strategic planning function.

Through Public Affairs, FINTRAC will use a strategic communications approach to inform and educate its stakeholders and the general public on FINTRAC's activities in combating money laundering and the financing of terrorist activities in Canada and abroad. FINTRAC will also establish a web site to disseminate information to reporting entities and other stakeholder groups, and will create outreach products and training tools to assist Liaison and Compliance.

### *Liaison and Compliance*

Liaison is responsible for a key focus on fostering and managing positive relationships with reporting entities and law enforcement agencies.

Compliance has the responsibility of ensuring that reporting entities meet the requirements of the PCMLTFA. This section will work closely with reporting entities to support their efforts to implement a compliance regime that will assist them in meeting their obligations under the Act and Regulations.

### *Information Technology*

Information Technology has the responsibility for developing and applying information management and information technology methodologies that will support and advance FINTRAC's objectives. This area will design and implement procedures and controls to ensure and protect the safety and security of all information, while also ensuring the secure transmission of data between reporting entities and FINTRAC. It is also responsible for designing, maintaining and implementing database management systems and building and managing custom applications to meet internal and external end user requirements.

### *Corporate Management*

Corporate Management has the responsibility for Human Resources, Finance and Administration, Security and the Corporate Secretariat. Human Resources ensures that appropriate HR systems, policies and procedures are in place to promote FINTRAC as an employer of choice, to respect employee rights, and to foster organizational wellness.

The Finance and Administration area advises FINTRAC's Executive on all comptrollership and administrative aspects of strategic and operational planning and priorities. Security designs, manages and monitors policies and procedures to protect FINTRAC's premises and information systems, and provides secure access to employees and other authorised persons.

The Corporate Secretariat manages the *Access to Information and Privacy Acts* (ATIP) portfolio, FINTRAC's library and provides Secretariat coordination of several activities of FINTRAC, including the preparation of reporting requirements to Parliament and the maintenance of the correspondence tracking system.

During the 2002-2003 fiscal year, Corporate Management will have three priorities:

- Setting up the facilities and premises for carrying out the added accountability of deterring and detecting the financing of terrorist activities
- Ensuring the security of information held by FINTRAC as a result of receiving information from reporting entities
- Making FINTRAC an employer of choice

### *Security*

Given the sensitivity of the information under its control, FINTRAC takes security very seriously. Physical security of the premises is enhanced with an electronic alarm system, access control card readers and biometric technology devices. Computer assets are protected by high security firewalls and by 24/7 (24 hours per day, seven days per week) monitoring for unauthorized electronic intrusion. Human reception officers prevent access by unauthorized persons and premises are monitored 24/7 using both alarm systems and closed circuit video equipment.

### *FINTRAC as an employer of choice*

Employees of FINTRAC are connected to an accountability that touches all Canadians – the safety of our communities. FINTRAC embraces its status as a distinctive and exemplary employer by adapting and generating practices that allow it to attract and retain employees who are dedicated to eliminating criminal money-laundering activities and to fighting the financing of terrorist activities.

To ensure that employees possess the competencies to deliver strategic analytical information, FINTRAC is committed to cultivating a continuous learning environment that encourages excellence and values intellectual capital. A key initiative in FINTRAC's learning investment strategy is the development of a curriculum of professional training and learning opportunities leading to the designation of financial intelligence analyst.

Of equal importance is FINTRAC's obligation to ensure that the personal information in its possession is protected from any unauthorized disclosure. FINTRAC will continue to seek employees with high ethical standards who are capable of meeting and maintaining high security screening demands while undertaking their work in a highly secure environment, using leading-edge technology.

FINTRAC will continue to promote creative and compassionate solutions to build a high-performing organization and a small, but highly effective, workforce that is dynamic, dedicated and knowledgeable and that is representative of Canadian society.

## Centre Planned Spending

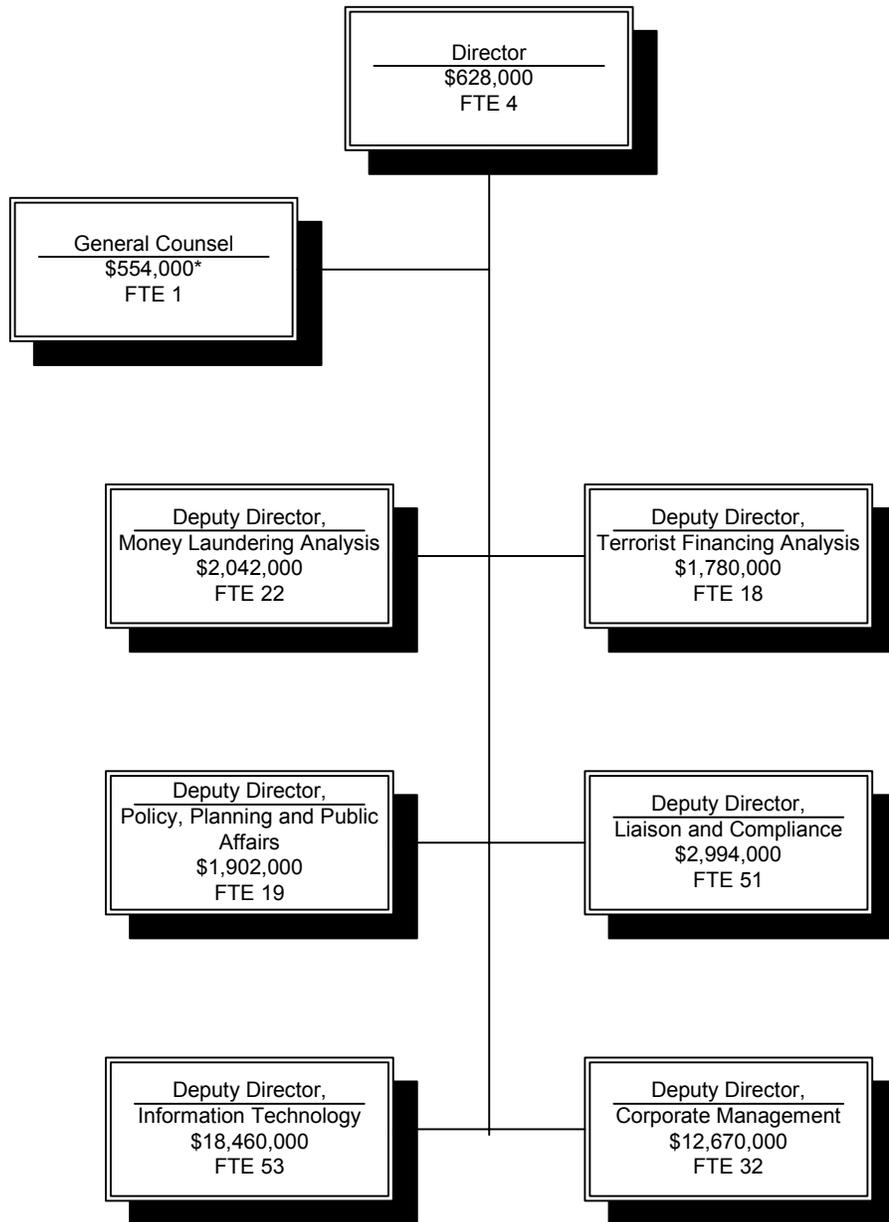
(\$ millions)	Forecast Spending 2001-2002	<b>Planned Spending 2002-2003</b>	Planned Spending 2003-2004	Planned Spending 2004-2005
Detection and deterrence of laundering of proceeds of crime	22.5	<b>26.3</b>	21.3	15.0
Detection and deterrence of the financing of terrorist activities *	0.0	14.7	9.5	9.5
<b>Budgetary Main Estimates (gross)</b>	22.5	<b>41.0</b>	30.8	24.5
Less: Respendable revenue	0.0	<b>0.0</b>	0.0	0.0
<b>Total Main Estimates</b>	22.5	<b>41.0</b>	30.8	24.5
<b>Adjustments **</b>	13.0	<b>0.0</b>	0.0	(8.7)
<b>Net Planned Spending</b>	35.5***	<b>41.0</b>	30.8	15.8
Plus: Cost of services received without charge	0.5	<b>1.1</b>	1.1	1.1
<b>Net Cost of Program</b>	36.0	<b>42.1</b>	31.9	16.9
<b>Full Time Equivalent</b>	<b>135</b>	<b>200</b>	<b>200</b>	<b>200</b>

\*Reflects the addition of detection and deterrence of terrorist financing to FINTRAC's accountability in the *Anti-Terrorism Act*, Ch. 41, Statutes of Canada, 2001

\*\* Adjustments in 2001-2002 are to accommodate approvals obtained since the Main Estimates and are to include Budget initiatives, Supplementary Estimates etc. Adjustments for 2004-2005 are funds being held pending approval of Evaluation of National Initiatives

\*\*\* Reflects the best forecast of total net planned spending to the end of the fiscal year.

# Accountability



\*Does not include 4 FTEs provided by the Department of Justice, funded by FINTRAC.

## Annexes

### Net Cost of Program for the Estimates Year

(\$ millions)	Total
Net Planned Spending (Main Estimates plus Adjustments)	41.0
<i>Plus: Services Received without Charge</i>	
Accommodation provided by Public Works and Government Services Canada	0
Contributions covering employer's share of employees' insurance premiums and expenditures paid by TBS	1.1
Worker's compensation coverage provided by Human Resources Development Canada	0
Salary and associated expenditures of legal services provided by Justice Canada	0
2002-2003 Net Cost of Program	42.1

### National Initiatives to Combat Money Laundering

The National Initiatives to Combat Money Laundering (the National Initiatives) reflects a coordinated and collaborative project involving a number of critical partners. Federal partners are the Royal Canadian Mounted Police (RCMP), the Canadian Customs and Revenue Agency (CCRA), the Canadian Security Intelligence Service (CSIS), the Department of Justice, the Department of Citizenship and Immigration and the Department of Finance.

In an effort to guide the current and future development and monitoring of the National Initiatives, the Department of Finance led in the preparation of a comprehensive evaluation framework.

An evaluation of the effectiveness of the National Initiatives will take place during the 2002-2003 fiscal year.

The first Annual Report of the Financial Transactions and Reports Analysis Centre of Canada will be submitted to the Minister of Finance for tabling in each House of Parliament in the fall of 2002.

The *Proceeds of Crime (Money Laundering) and Terrorism Financing Act* (PCMLTFA) requires that administration and operation of the Act be reviewed within five years after the coming into force of section 72 of the Act, which occurred on 5 July 2000. A committee of Parliament will carry out the review and recommend to Parliament any amendments to the Act or its administration that the committee deems necessary.

**Collective Initiative**

<b>Collective Initiative</b>	<b>List of Partners</b>	<b>Money allocated to Partners (\$thousands) 2002-2003</b>	<b>Planned Results</b>
National Initiatives to Combat Money Laundering	<ul style="list-style-type: none"> <li>• Department of Finance</li> <li>• Department of Justice</li> <li>• Canada Customs and Revenue Agency</li> <li>• Citizenship and Immigration Canada</li> <li>• Royal Canadian Mounted Police</li> </ul>	<ul style="list-style-type: none"> <li>• 300</li> <li>• 1,200</li> <li>• 6,000</li> <li>• 700</li> <li>• 4,900</li> </ul>	<ul style="list-style-type: none"> <li>• support Canada's anti-money laundering commitments</li> <li>• increase in prosecutions related to organized crime</li> <li>• cross-border currency reporting and increased tax and duty evasion investigations</li> <li>• denying the use of Canadian territory to money launderers</li> <li>• increased investigations of organized crime</li> </ul>

## **Other Information available on the Internet**

**Proceeds of Crime (Money Laundering) Regulations – Consultation Paper, December 1999**  
[http://www.fin.gc.ca/toce/1999/monlaun\\_e.html](http://www.fin.gc.ca/toce/1999/monlaun_e.html)

***Proceeds of Crime (Money Laundering) Act, Ch. 17, Statutes of Canada, 2000***  
[http://www.parl.gc.ca/36/2/parlbus/chambus/house/bills/government/C-22/C-22\\_4/C-22\\_cover-E.html](http://www.parl.gc.ca/36/2/parlbus/chambus/house/bills/government/C-22/C-22_4/C-22_cover-E.html)

**An Act to amend the *Proceeds of Crime (Money Laundering) Act*, Bill S-16.**  
[http://www.parl.gc.ca/37/1/parlbus/chambus/house/bills/government/S-16/S-16\\_1/90125bE.html](http://www.parl.gc.ca/37/1/parlbus/chambus/house/bills/government/S-16/S-16_1/90125bE.html)

***Anti-Terrorism Act, Chapter 41, Statutes of Canada, 2001***  
[http://www.parl.gc.ca/37/1/parlbus/chambus/house/bills/government/C-36/C-36\\_4/C-36\\_cover-E.html](http://www.parl.gc.ca/37/1/parlbus/chambus/house/bills/government/C-36/C-36_4/C-36_cover-E.html)

**Proceeds of Crime (Money Laundering) Regulations**  
[http://www.fintrac.gc.ca/reg/1\\_e.asp](http://www.fintrac.gc.ca/reg/1_e.asp)

**Guidelines for Reporting**  
[http://www.fintrac.gc.ca/publications/guide/guide\\_e.asp](http://www.fintrac.gc.ca/publications/guide/guide_e.asp)

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