



Government of Canada

Gouvernement du Canada

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# FINTRAC

## Annual Report

### 2003



Financial Transactions and Reports Analysis Centre of Canada

Canada



## Our Mandate

The Centre was created in July 2000, to detect and deter money laundering by providing critical information to support the investigation and prosecution of money laundering offences. In December 2001, this mandate was expanded to include the detection and deterrence of terrorist activity financing.

More specifically, FINTRAC's mandate is to:

- receive and collect reports on suspicious and prescribed financial transactions, and other information relevant to money laundering and terrorist activity financing;
- receive reports on the cross-border movement of large amounts of currency or monetary instruments;
- analyze and assess the information it receives;
- provide law enforcement with financial intelligence that it suspects would be relevant to the investigation and prosecution of money laundering and terrorist activity financing offences, as well as to provide CSIS with financial intelligence that would be relevant to threats to the security of Canada;
- ensure that personal information under its control is protected from unauthorized disclosure;
- ensure compliance by financial institutions and other reporting entities with their obligations under the Act and regulations; and
- enhance public awareness and understanding of matters related to money laundering.

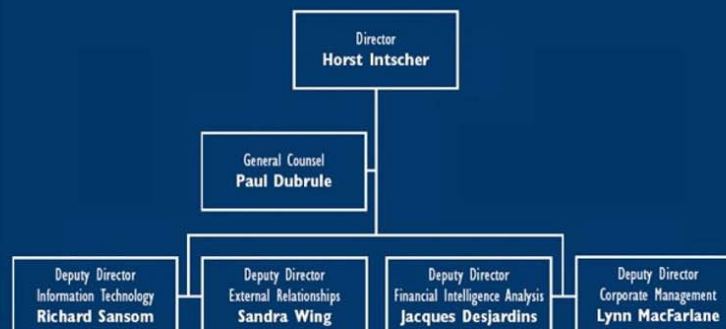
## Our Mission, Vision and Values

FINTRAC's Mission is to provide law enforcement and intelligence agencies with financial intelligence on money laundering, terrorist activity financing and threats to the security of Canada, while ensuring the protection of the information it holds.

Our Vision is to be a leader in providing timely and high quality financial intelligence in the global fight against money laundering and terrorist financing, and thereby contribute to the public safety of Canadians.

## We Value

- People
- Teamwork
- Integrity
- Excellence



# FINTRAC Business Process >>>

## > Receiving Information

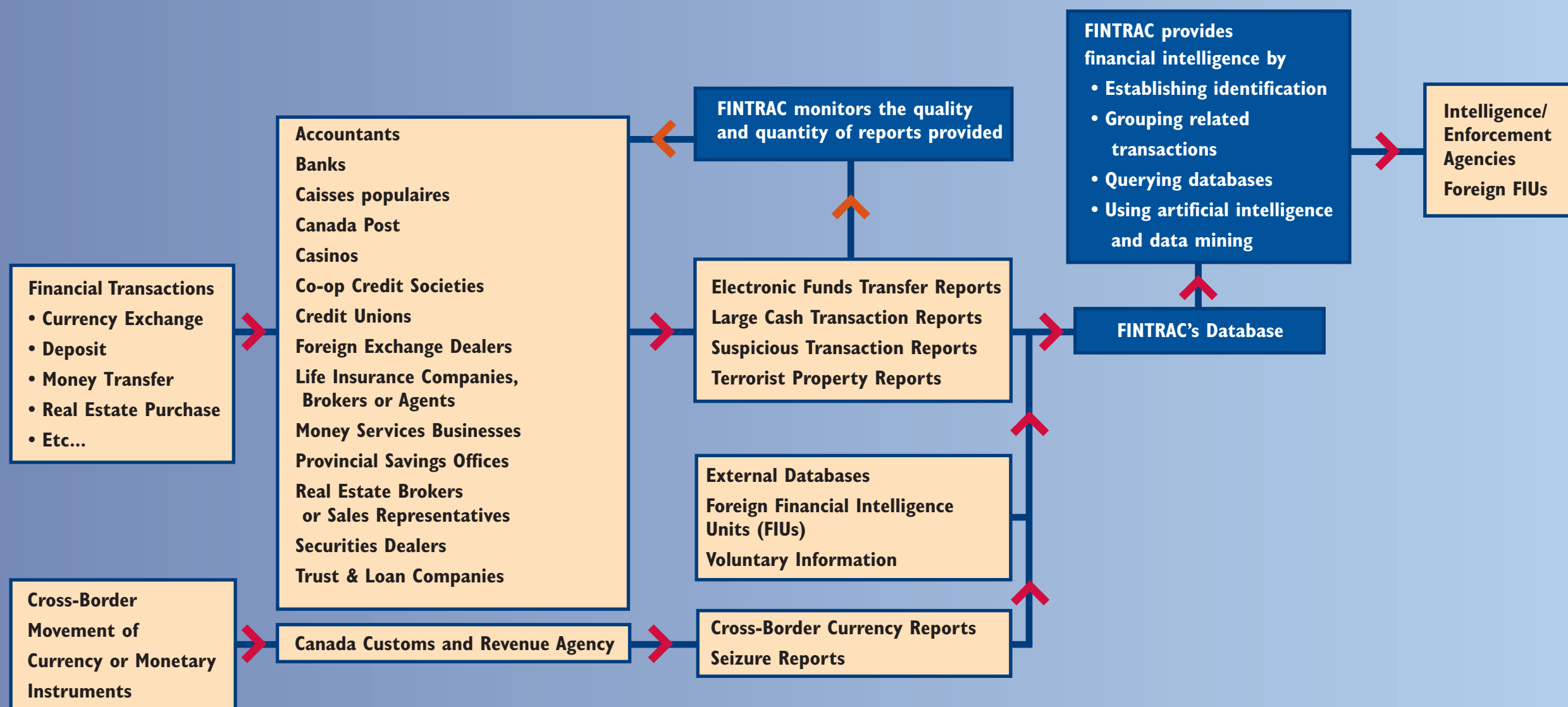
Information about financial transactions and other information is received from many different sectors.

## > Conducting Analysis

Reports are analysed, along with other information, to develop financial intelligence in order to detect money laundering and terrorist activity financing.

## > Disclosing Intelligence

Where appropriate, financial intelligence pertaining to suspected cases of money laundering, terrorist activity financing or threats to the security of Canada, is disclosed.





Financial Transactions and  
Reports Analysis  
Centre of Canada  
Ottawa, Canada K1P 1H7

Centre d'analyse des  
opérations et de déclarations  
financières du Canada  
Ottawa, Canada K1P 1H7

**Office of the Director**

**Cabinet du directeur**

September 30, 2003

The Honourable John Manley, P.C., M.P.  
Deputy Prime Minister and Minister of Finance  
L'Esplanade Laurier  
140 O'Connor Street  
21st Floor, East Tower  
Ottawa, Ontario  
K1A 0G5

Dear Minister:

Pursuant to Section 71(1) of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, I am pleased to present you with the second Annual Report for the Financial Transactions and Reports Analysis Centre of Canada. This report, which covers the period from April 1, 2002 until March 31, 2003, highlights the activities we have undertaken and the results we have achieved in our efforts to detect, deter and prevent money laundering and terrorist financing.

I look forward to building on this solid foundation as we continue to deliver financial intelligence in the fight against money laundering and terrorist financing.

Yours sincerely,

Horst Intscher

Director

Canada 

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# *Message from the Director*

**D**uring the past year, FINTRAC became a full-fledged financial intelligence unit (FIU) that makes an important contribution to the domestic and international fight against organized crime and terrorism. A number of milestone accomplishments were achieved during the year, including: bringing into force all transaction reporting streams mandated by legislation and regulations; achieving more than ninety-nine per cent electronic reporting of those transactions; firmly establishing a capacity for terrorist financing and money laundering analysis; and, delivering high-quality intelligence disclosures to law enforcement and national security agencies. By the end of the fiscal year, FINTRAC had made over one hundred intelligence disclosures to police and security agencies. About three out of four disclosures involved suspected money laundering, and the remaining cases related to suspicions of terrorist financing and other threats to national security. The monetary value of the suspect financial transactions disclosed stands at about \$460 million.

Money laundering and terrorist financing are complex activities. Their powerful corrosive and corruptive potential has led many countries to implement strong measures to detect these transactions, as a first step in mounting a deterrent response to the individuals and groups involved in such activities. Combating money laundering and terrorist financing aims at disrupting the groups engaged in these activities and seeks the forfeiture of the proceeds of their illicit activity. Achieving these objectives requires the sustained active engagement and strong collaborative effort of a range of actors, both public sector and private sector, including financial institutions and intermediaries, police and security agencies, prosecutors, and the courts.

FINTRAC is one element in this larger constellation of organizations committed to the fight against organized crime and terrorism. Because of the nature of its mandate and responsibility, FINTRAC's work is situated near the beginning of a process that starts with the reporting of transaction information by reporting entities and culminates with the prosecution of perpetrators and the forfeiture of assets. FINTRAC's role is to analyze



reported information, looking for those transactions and patterns that are suspected of being related to terrorist financing or money laundering and disclosing relevant cases as “intelligence”, or leads, to investigative bodies at the federal, provincial and municipal level. These investigative bodies, in turn, where appropriate, conduct investigations and, if warranted, bring charges against individuals involved in these activities. Because of the complexity of money laundering and terrorist financing cases, and the covert character of much of the activity related to these crimes, investigations can be time consuming and resource intensive, and the outcomes of this part of the process may not be visible for some time after a disclosure is made by FINTRAC.

In this year’s Annual Report we describe in some detail not only the nature of work we undertook during the past year, but also the results we achieved. We are proud of these accomplishments, and we look forward to continuing and expanding on them in the future. We are now contributing valuable intelligence to the broader effort to deter organized crime and terrorism. Feedback from recipients of our intelligence products has been very positive. As the start-up phase of our existence is now largely completed, we expect to dedicate our future efforts to expanding the range, the quality, and the number of the intelligence disclosures we make to law enforcement and security agencies.

Finally, I would like to express my great appreciation for the outstanding support FINTRAC has received from its partners in the financial sector, as well as from law enforcement and national security agencies. Without their valuable contribution, our successes would not have been possible.



Horst Intscher  
Director

# Who We Are

**Accurate and timely intelligence is key to the global fight against money laundering and terrorist financing. As Canada's financial intelligence unit, FINTRAC contributes a unique brand of intelligence to illuminate the money trail of criminals and terrorists and provides valuable information that assists police and other agencies in criminal investigations.**

**T**he Financial Transactions and Reports Analysis Centre of Canada, or FINTRAC, is Canada's FIU, a specialized agency created to receive, analyze, assess and disclose financial intelligence on suspected money laundering, terrorist activity financing, and threats to the security of Canada. Established in July 2000, the Centre is an integral part of our country's commitment to the fight against money laundering and terrorist activity financing.

FINTRAC is an independent agency, operating at arm's length from the police, and other departments and governmental agencies to which it can provide financial intelligence, such as the Canadian Security Intelligence Service (CSIS), the Canada Customs and Revenue Agency (CCRA) and Citizenship and Immigration Canada (CIC).

The Centre reports to Parliament through the Minister of Finance, who is responsible for the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)* and its accompanying regulations. The Minister may direct FINTRAC on matters that materially affect public policy or the Centre's strategic direction. In addition, the Minister may enter into agreements with foreign governments for the exchange of information between FINTRAC and foreign FIUs and must approve the agreements FINTRAC enters into with foreign FIUs.

FINTRAC is headed by a Director, appointed by the Governor-in-Council, who has all the powers of a deputy head of a department, as well as those of a separate employer. The Director is required to report to the Minister of Finance, from time to time, on the exercise of these powers and the performance of duties authorized under the Act. However, the Director is prohibited by law from disclosing to the Minister any information that would directly or indirectly identify any individual who made a report to the Centre or who is the subject of a report to the Centre.



## Our Organization

As of March 2003, FINTRAC's workforce numbered 160 employees. A substantial percentage is located at headquarters in Ottawa, performing a broad range of operational, management and administrative functions. The balance of employees are located in Montreal, Toronto and Vancouver, Canada's main financial centres. Staff in these regional offices perform liaison and compliance functions.

## The Need for Financial Intelligence

In the 1980s, the world community realized that problems caused by organized crime in general, and money laundering in particular, could not be solved by individual countries working in isolation. To combat these criminal activities, there needed to be a global effort involving extensive international cooperation. FINTRAC's origins are rooted in this global effort.

This need for international cooperation to detect money laundering was reflected in the 1988 *United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (the Vienna Convention)*. Canada joined with other nations to sign this Convention. In 1989, at their Economic Summit, the leaders of the G7 countries established the Financial Action Task Force (FATF) on Money Laundering, with Canada as one of the founding members. The original purpose of the FATF was to spearhead international efforts against money laundering.

That same year, Canada enacted legislation under which the possession and laundering of proceeds of crime were made offences under the *Criminal Code*. In 1990, the FATF issued its Forty Recommendations on measures to be implemented by member countries to combat money laundering<sup>1</sup>. Then, in 1991, Canada enacted the *Proceeds of Crime (Money Laundering) Act*, which required many financial institutions to identify their customers and to maintain records.

<sup>1</sup> The FATF adopted the Forty Recommendations, its anti-money laundering standards, in 1990, and revised them in 1996. It undertook an extensive review of the Recommendations beginning in 2001, in order to update and strengthen the standards. The FATF announced the revised standards in June 2003. The new or enhanced requirements include: the identification by the financial entities of the beneficial owners such as the identification of persons owning or controlling companies, partnerships and trusts, and the extension of anti-money laundering obligations to non-financial entities - casinos, real estate agents, dealers in precious metals and stones, accountants, lawyers, notaries, trust and loan companies. The Department of Finance is reviewing the implications of the new standards on Canada's anti-money laundering and anti-terrorist financing regime and FINTRAC is an active partner in that review.

It was during this same period that some FATF members began to create FIUs. These specialized agencies collect, analyze and disclose financial intelligence about proceeds of crime and money laundering. In 1995, a number of these FIUs came together to form the Egmont Group, whose purpose is to provide an international forum for cooperation and exchange of information with member countries in support of their anti-money laundering regimes. The Group's goals were recently expanded to include combating terrorist activity financing.

In 1996, the FATF called on all member countries, including Canada, to require financial intermediaries to report suspicious transactions to a central FIU. That same year, Canada made a commitment to introduce a new regime to deal with money laundering. This commitment set the stage for FINTRAC, which, following the passage of the *Proceeds of Crime (Money Laundering) Act*, came into effect on July 5, 2000.

Over the next year and a half, the Centre worked vigorously to set up the organizational infrastructure and technology it needed to become operational in the fall of 2001. In December 2001, the *Proceeds of Crime (Money Laundering) Act* was renamed the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, and FINTRAC's mandate was amended to include the detection and deterrence of terrorist activity financing.

### **Canada's Anti-Money Laundering and Anti-Terrorist Financing Initiative**

FINTRAC occupies an important position in the constellation of organizations involved in Canada's fight against money laundering and terrorism. Each of these organizations has a particular relationship with FINTRAC. Due to the nature of its mandate, the Centre's work is situated at the beginning of a process that starts with the reports to FINTRAC by financial institutions and intermediaries. With the assistance of specialized automated tools, skilled staff analyze the reported transactions and information from other sources to extract financial intelligence that would be relevant to the investigation or prosecution of money laundering offences, terrorist activity financing offences, and threats to the security of Canada.

FINTRAC's core product is case-specific financial intelligence. When FINTRAC is satisfied that it has reasonable grounds to suspect that its information would be relevant to an investigation or prosecution, it discloses this financial intelligence to law enforcement and/or intelligence agencies. These agencies, where appropriate, conduct investigations, and if warranted, bring charges against the individuals involved. The recipients of the intelligence may include the Royal Canadian Mounted Police (RCMP), provincial and municipal police agencies, CSIS, CCRA, and CIC.

Money laundering and terrorist financing cases can be extremely complex, often involving many players implicated in transnational and covert illicit activity. The investigations are often time and resource intensive. For this reason, the time between FINTRAC's initial disclosure and the conclusion of an investigation can be quite lengthy.

In addition, FINTRAC has signed information exchange agreements with certain foreign FIUs worldwide, enabling it to provide financial intelligence to its counterparts that can be crucial to investigations of cases involving the international movement of funds. Equally, it can receive information from these FIUs, which is useful to its own analysis.

FINTRAC is also well situated to provide strategic intelligence about trends and typologies of money laundering and terrorist financing. Because money laundering and terrorist financing are almost always transnational in character, and because an important part of FINTRAC's role is to exchange information with like bodies in other countries, it is also well placed to provide a strategic overview from an international perspective.

FINTRAC is active in many initiatives aimed at fostering international cooperation at the policy level. Notable among these is its participation in the Egmont Group, where FINTRAC is engaged in the sharing of best practices and other activities designed to strengthen support for member countries' anti-money laundering and anti-terrorist financing regimes.



## What We Do

The essence of FINTRAC's business is to receive and analyze raw financial information and to disclose the resultant financial intelligence to law enforcement and national security agencies.

### *Receipt of Financial and Other Information*

The PCMLTFA and its accompanying regulations establish the legal obligation for financial institutions and intermediaries, referred to as reporting entities, to report certain kinds of transactions to FINTRAC. The Act also obliges anyone importing or exporting large sums of cash or monetary instruments to report these to CCRA. These reports are forwarded to FINTRAC.

#### **Who must report\***

- Financial entities (including banks, credit unions, caisses populaires, trust and loan companies and agents of the Crown that accept deposit liabilities);
- Life insurance companies, brokers or agents;
- Securities dealers, portfolio managers and investment counsellors who are provincially authorized;
- Persons engaged in the business of foreign exchange dealing;
- Money services businesses (including alternative remittance systems, such as Hawala, Hundi, Chitti, and others);
- Agents of the Crown when they sell money orders;
- Accountants and/or accounting firms (when carrying out certain activities on behalf of their clients);
- Real estate brokers or sales representatives (when carrying out certain activities on behalf of their clients);
- Casinos; and
- Individuals or entities when importing or exporting large amounts of currency or monetary instruments into or out of Canada.

\* On March 20th, 2003, regulations came into force repealing the provisions that subjected the legal profession to the reporting requirements set out in Part 1 of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*.

#### **What is reported**

- Suspicious transactions related to money laundering;
- Suspicious transactions related to terrorist financing;
- Possession or control of terrorist property;
- International electronic funds transfers of \$10,000 or more;
- Large cash transactions of \$10,000 or more; and
- Cross-border movements of \$10,000 or more in currency or monetary instruments.

FINTRAC is unique among the world's FIUs in that the legislation requires reporting entities to submit their reports *electronically* wherever possible. FINTRAC has secure internet-based systems in place to receive this information. Consequently, the millions of financial transaction reports provided to FINTRAC can be accessed, collated, and analyzed quickly. Such speed allows FINTRAC to identify and deal with any problems or reporting errors quickly, and greater accuracy results from eliminating the need to re-enter data. Ultimately, this means more timely analysis and disclosure of intelligence about suspected money laundering or terrorist activity financing, and threats to the security of Canada, facilitating the likelihood of a successful investigation and/or prosecution. This can be vital to a timely response by law enforcement and/or CSIS.

### *Analyzing Information*

The analysis of financial transactions and other information to identify suspected criminal activity is the essence of FINTRAC's work. The Centre conducts independent analysis of the information it receives, combining the skills of its analysts with a variety of methods and automated tools to detect suspected money laundering, terrorist financing, and threats to the security of Canada.

Specially designed technological tools sort through large quantities of data to isolate activity pointing to possible money laundering or terrorist activity financing. Analysts then apply their skills and judgment to examine the information and assess whether it meets the threshold for disclosure.

Analysts look for patterns of transactions that suggest the existence of unusual activity. Typically, the starting point is a report, or a series of reports, of financial transactions. Analysts then search through the Centre's database to see if there is any other information that has been reported related to the subject of the report. If so, they match this information with accessible information from other sources, including information provided voluntarily by law enforcement, intelligence agencies, foreign financial intelligence units, and the general public. Analysts also make use of publicly available information, commercial databases, and federal or provincial government databases maintained for the purpose of law enforcement, to which the Centre has access. Analysts use this information to discern any anomalies suggesting a suspicion of money laundering or terrorist activity financing.



With money laundering, the crime or crimes have already been committed and the analysts look for patterns that indicate attempts to disguise the illegal origin of funds. As an example, FINTRAC may receive reports on large cash deposits made by a particular small business. These reports by themselves would not be enough to trigger suspicion because many small businesses typically deal in high volumes of cash. However, FINTRAC may also receive reports showing that the same business also made suspicious cash deposits. Furthermore, analysts may determine that the business has made significant wire transfers each week to a bank in a foreign jurisdiction. In combination, these factors alert FINTRAC's analysts to take a closer look at the transactions, to try to identify other associates or networks.

Once it is established that there are reasonable grounds to suspect money laundering, FINTRAC must disclose to the appropriate police force. Similar circumstances could also lead to a disclosure to law enforcement and to CSIS based on reasonable grounds to suspect terrorist activity financing, and threats to the security of Canada. Terrorist financing may involve relatively small amounts of money, and terrorist groups may also obtain revenue through what appear to be legitimate means. An individual financial transaction or series of transactions may not seem significant by itself, but may become more significant when linked to additional information.

Terrorist financing is directed towards what may be an imminent act of terrorism. Speed is of the essence in providing relevant information to law enforcement and to CSIS. FINTRAC's analysts must, therefore, be able to zero in quickly on suspected cases and make the appropriate disclosures without delay. The receipt of reports on international electronic funds transfers and collaboration with FIUs in other countries are both important for analysts in their efforts to understand how terrorist networks finance their plans, and to piece together the money trail.





### Money Laundering

Money laundering is the process used to disguise the source of money or assets derived from criminal activity. Profit-motivated crimes span a variety of illegal activities from drug trafficking and smuggling to fraud, extortion and corruption. The scope of criminal proceeds is significant — estimated at some \$500 billion to \$1 trillion (U.S.) worldwide each year.

Money laundering facilitates corruption and can destabilize the economies of susceptible countries. It also compromises the integrity of legitimate financial systems and institutions, and gives organized crime the funds it needs to conduct further criminal activities. It is a global phenomenon, and the techniques used are numerous and can be very sophisticated. Technological advances in e-commerce, the global diversification of financial markets and new financial product developments provide further opportunities to launder illegal profit and obscure the money trail leading back to the underlying crime.

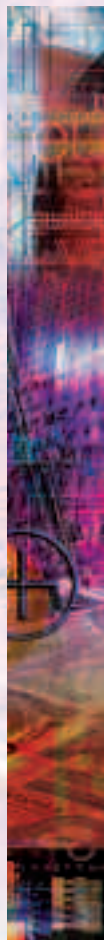
While the techniques for laundering funds vary considerably and are often highly intricate, there are generally three stages in the process: **placement**, which involves the introduction of proceeds of crime into the financial system; **layering**, which involves converting the proceeds of crime into another form and creating complex layers of financial transactions to disguise the audit trail and the source and ownership of funds (e.g. the buying and selling of stocks, commodities or property); and **integration**, which involves introducing the laundered proceeds back into the economy under a veil of legitimacy.

### Terrorist Financing

Terrorist activity financing may involve funds raised from legitimate sources, such as personal donations and profits from businesses and charitable organizations, as well as from criminal sources, such as the drug trade, the smuggling of weapons and other goods, fraud, kidnapping and extortion.

Terrorists use techniques like those of money launderers to evade authorities' attention and to protect the identity of their sponsors and of the ultimate beneficiaries of the funds. However, financial transactions associated with terrorist financing tend to be in smaller amounts than is the case with money laundering, and when terrorists raise funds from legitimate sources, the detection and tracking of these funds becomes more difficult.

To move their funds, terrorists use the formal banking system, informal value-transfer systems, Hawalas and Hundis and, the oldest method of asset-transfer, the physical transportation of cash, gold and other valuables through smuggling routes. FINTRAC's analysts are finding that in their disclosures to date, funds suspected of being used for terrorist financing activities are moved out of Canada through traditional banking centers to countries with major financial hubs, in what is likely an effort to conceal their final destination.



### Threats to the Security of Canada

FINTRAC's role is to provide CSIS with financial intelligence to assist that agency in fulfilling its mandate of investigating threats to the security of Canada. Threats to the security of Canada are defined in the *Canadian Security Intelligence Service Act* as:

- (a) espionage or sabotage that is against Canada or is detrimental to the interests of Canada or activities directed toward or in support of such espionage or sabotage;
- (b) foreign influenced activities within or relating to Canada that are detrimental to the interests of Canada and are clandestine or deceptive, or involve a threat to any person;
- (c) activities within or relating to Canada directed toward or in support of the threat or use of acts of serious violence against persons or property for the purpose of achieving a political, religious or ideological objective within Canada or a foreign state; and,
- (d) activities directed toward undermining by covert unlawful acts, or directed toward or intended ultimately to lead to the destruction or overthrow by violence of the constitutionally established system of government in Canada, but does not include lawful advocacy, protest or dissent, unless carried on in conjunction with any of the activities referred to in paragraphs (a) to (d).

### Disclosing Intelligence

FINTRAC's principal product is the intelligence resulting from its detailed analysis of the financial information it receives.

Following its assessment and analysis of all relevant information in its possession, FINTRAC must disclose designated information to the appropriate police force when it has reasonable grounds to suspect that this information would be relevant to the investigation or prosecution of a money laundering or a terrorist activity financing offence. FINTRAC must disclose to CSIS when it has reasonable grounds to suspect the information would be relevant to terrorist activity financing and threats to the security of Canada.

Designated information identifies individuals or entities and their transactions.

**Designated Information**

- Name of person(s) involved in the transaction(s)
- Address of person(s) involved in the transaction(s)
- Date of birth
- Citizenship
- Passport, record of landing or permanent resident card number
- Name, address of company(ies) involved in the transactions
- Name, address and type of business where the transaction(s) occurred
- Date and time of the transaction(s)
- Type and value of the transaction including the amount and type of currency or monetary instruments involved
- Transaction, transit and account number
- Name of importer or exporter in the case of importation or exportation of currency or monetary instruments

Once the threshold of reasonable grounds to suspect money laundering or terrorist financing is met, FINTRAC must also disclose such designated information to:

- The Canada Customs and Revenue Agency (CCRA), when the intelligence is also determined to be relevant to an offence of evading or attempting to evade federal taxes or duties; and,
- Citizenship and Immigration Canada (CIC), when the intelligence is also determined to be relevant to certain provisions of the *Immigration and Refugee Protection Act*.

FINTRAC may also disclose designated information to FIUs with which it has concluded a memorandum of understanding (MOU) providing for such exchange of information.

The initial disclosure of designated information can assist new or on-going investigations. If police or CSIS require further information, they must obtain a court order to gain access to FINTRAC's full analysis. These court orders are granted only for the purposes of investigations of money laundering, terrorist activity financing offences, or threats to national security.



### *Protecting Information*

FINTRAC must ensure that the information it is mandated to receive and hold is protected from unauthorized use and disclosure. The PCMLTFA sets out numerous provisions specifically designed to protect the privacy of individuals and defines the circumstances under which FINTRAC may disclose personal information. It also sets out stiff penalties for unauthorized use and disclosure.

### *Ensuring Compliance*

There are over 100,000 entities and individuals potentially subject to the obligations as set out in the PCMLTFA including reporting, record keeping, client identification and implementing a compliance regime. FINTRAC is responsible for ensuring they comply with these obligations. This is a very important part of its mandate, as complete and timely reporting ensures the flow of information that is critical to the effectiveness of its analysis. Compliance with record-keeping and client identification requirements ensures that the money trail exists, enabling law enforcement to pursue investigations where warranted.

FINTRAC believes the best compliance results flow from cooperation, and favours a cooperative approach with reporting entities. The Centre provides advice and assistance where needed and works constructively with reporting entities to make sure they understand their obligations.

In view of the huge number of reporting entities involved, FINTRAC's risk management approach focuses first on those entities identified as most likely to be in non-compliance, and then seeks to employ methods – ranging from providing more information and outreach to formal examinations – that are most appropriate to bringing about compliance. FINTRAC may, however, refer cases to law enforcement when the cooperative approach fails to result in satisfactory compliance. This could result in criminal charges and, depending on the offence, convictions resulting in up to five years imprisonment, a fine of up to \$500,000, or both.

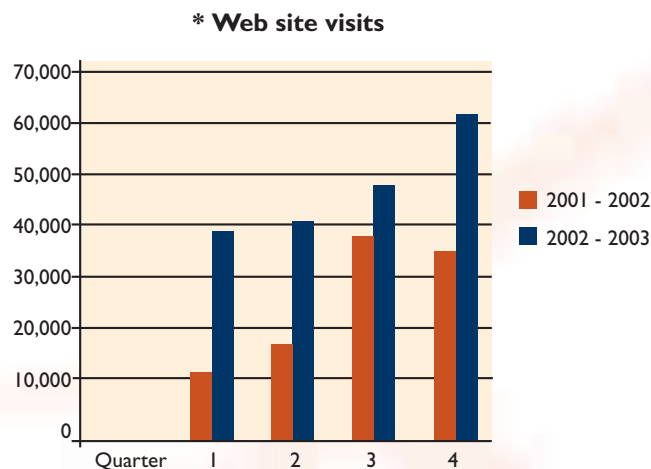
Because of their direct oversight responsibilities, federal and provincial regulatory bodies for many of the sectors subject to the PCMLTFA have a significant role to play in helping to promote compliance among the reporting entities under their authority. FINTRAC met with over 50 regulatory bodies in various sectors such as securities, real estate, banking, credit unions and caisses populaires, trust and loans, life insurance, casinos and the accounting profession, to initiate outreach approaches and other measures whereby regulators and FINTRAC can work together to further compliance. (Amendments to the PCMLTFA are required to permit the sharing of this compliance information. These are currently before Parliament).

### *Enhancing Public Awareness*

Part of FINTRAC's mandate is to make Canadians aware of the issues surrounding money laundering. To this end, FINTRAC produces pamphlets and other promotional materials and uses a number of other strategies to disseminate information. It also maintains a public website ([www.fintrac.gc.ca](http://www.fintrac.gc.ca)) and a toll-free number at 1-866-346-8722.

FINTRAC has conducted annual polling research for the last three years. The survey in 2002-2003 revealed a fairly high degree of awareness of money laundering, indicating that:

- 9 in 10 Canadians recognize the term money laundering;
- 42% of Canadians claim to have a good or very good understanding of money laundering;
- 81% of Canadians believe that money laundering has an impact on the Canadian economy; and
- 58% of Canadians associate money laundering with drug trafficking.



\* Includes web visits for reporting requirements.

# Our Results for 2002-2003

## In Full Production Mode

**F**INTRAC's 2002-2003 priorities reflected its determination, as a new FIU, to set, achieve and maintain high standards. We committed, through the application of state-of-the-art technology and through the diligence of highly qualified and dedicated staff, to facilitate the submission of financial transaction reports to us.

### Meeting Our Priorities for 2002-2003

- **High Quality Financial Intelligence**, as reflected in initiatives that directly contribute to our ability to deliver high quality financial intelligence.
- **Leadership in E-Government**, as expressed in our commitment to full electronic reporting and utilizing modern technology to fulfill our mandate.
- **Exemplary Employer**, as demonstrated through recruitment and retention with a focus on innovation, quality, continuous learning and teamwork.

Our results illustrate our success in these areas. The year 2002-2003 saw FINTRAC move from the building phase of its first year into full production mode. In April 2002, we were receiving just one category of financial transaction information (suspicious transaction reports) from reporting entities and we began to make disclosures of suspected cases of money laundering.

By the end of March 2003, we were receiving all categories of financial reports currently mandated at the rate of thousands of reports daily, totaling over 2 million for the year, and achieving more than 99% electronic reporting of those transactions. We had made over 100 disclosures to law enforcement and national security agencies. The value of the suspect financial transactions disclosed was approximately \$460 million.



Even as the work of adjusting vital parts of our organization to accommodate the transition from “building” to “producing” continued, we were able to deliver on our core business line - high quality financial intelligence. We worked with reporting entities to improve the quality and quantity of financial transaction reports sent to us for analysis. At the same time we made substantial progress in demonstrating the value of this product to law enforcement and national security agencies. We also became a full-fledged player on the international stage, joining the Egmont Group in June 2002.

Our efforts in these areas, and the results they have yielded, are set out here in detail.

## **Enriching Our Analysis**

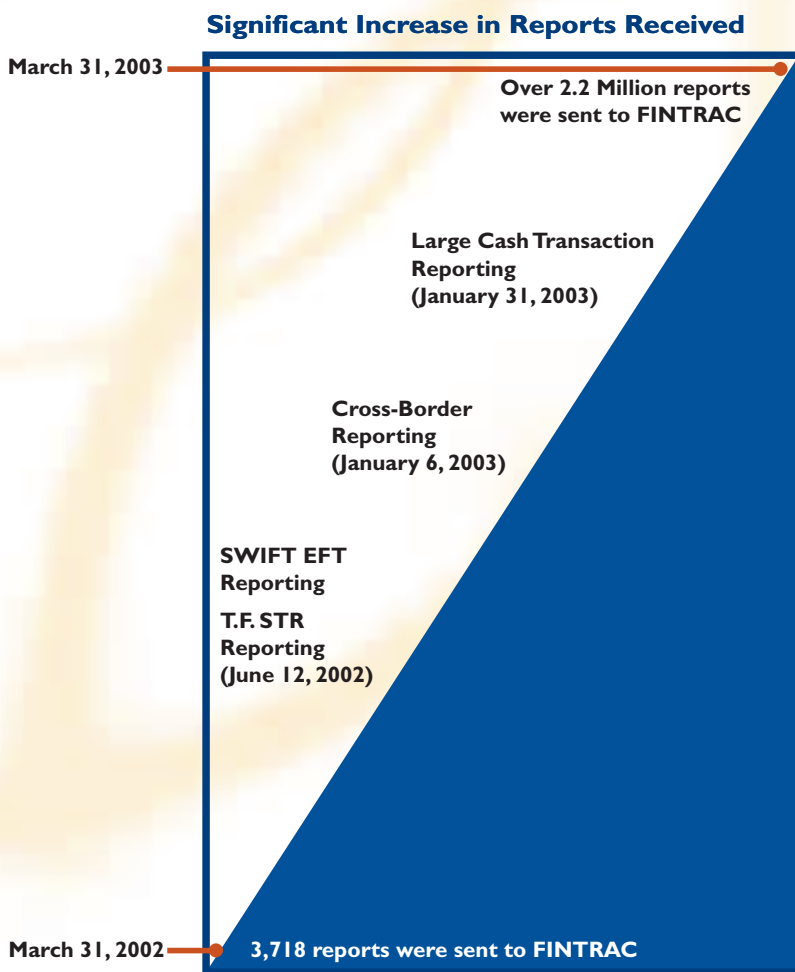
### *Enhancing Our Information Base*

The PCMLTFA and its accompanying regulations give FINTRAC access to the wide range of financial information it needs to be effective in its role. The first phase of these regulations, requiring the reporting of suspicious transactions related to money laundering to FINTRAC, came into force in November 2001.

In 2002-2003, the remaining phases of regulatory requirements came into effect, making it mandatory for the following types of reports to be provided:

- International SWIFT Electronic Funds Transfers (EFTs) of \$10,000 or more (June 12, 2002) and other EFTs of \$10,000 or more (March 31, 2003);
- Suspicious Transaction Reports related to Terrorist Financing Activities (T.FSTRs) (June 12, 2002);
- Terrorist Property Reports (June 12, 2002);
- Customs Seizure Reports (January 6, 2003);
- Cross Border Currency Reports (CBCRs) of \$10,000 or more (January 6, 2003); and
- Large Cash Transaction Reports (LCTRs) of \$10,000 or more (January 31, 2003).

With all mandated reporting on stream, our database increased exponentially. The immediate impact of the new reports was to enrich FINTRAC's analysis, enabling analysts to search a broader range of information in an effort to uncover money trails related to money laundering, terrorist financing, and threats to the security of Canada. FINTRAC continued to receive voluntary information from law enforcement, security agencies and the public. This can often provide a critical piece of the puzzle, at times completing a picture of what initially may have appeared to be a series of disconnected or loosely connected financial transactions. At this early stage in our operations, voluntary information has proven to be very useful and has aided in our ability to produce timely and relevant disclosures. The successful completion during 2002-2003, of an agreement to access the Canadian Police Information Center (CPIC), the national database used by all law enforcement agencies across Canada, has also assisted with our analysis. We have also begun negotiations with police agencies across the country to obtain access to other key law enforcement databases.



### *Meeting the IT Challenge*

During the past year, FINTRAC's reporting streams grew from a few dozen reports per day, **to over 5,700 reports<sup>2</sup> per day on average**, seven days a week, representing the full set of mandated reporting. These reports were submitted by a diverse group of reporting entities, ranging from Canada's major banks, with their thousands of branches and complex automated processes, to the home office setups of smaller reporting entities. Preparing for the phase-in of reporting streams was one of the most significant challenges that FINTRAC faced and met during 2002-2003. The task of establishing appropriate automated arrangements to receive each additional major reporting stream of thousands of financial transactions demanded considerable planning and expertise.

With the daily influx of large volumes of new financial transaction reports, it was vital to have the information technology systems in place to handle them. FINTRAC made certain that reporting entities were aware of their reporting obligations and, where possible, it facilitated the transmission of reports and provided tools for the preparation of reports.

FINTRAC worked with reporting entities to develop a range of facilities to accommodate both the major reporting entities' large processing systems and the low volume reporters. Specifically, it developed systems that would allow the large entities to produce huge volumes of reports automatically on a daily basis as a byproduct of their own systems. In so doing, it ensured that its computer systems were technically compatible with some of the most sophisticated computer centres in Canada. At the same time, it provided a user-friendly and fully secure facility for small business proprietors who would only occasionally report.

To enable small and medium-sized reporting entities to prepare reports and have them reviewed internally before sending them to FINTRAC, we also developed in-house, a FINTRAC Report Preparation Software (FRPS) package. This package can be downloaded from the Internet and saves reporting entities the costs of developing their own software. At the same time, FINTRAC benefits from improved data quality and a more efficient data transmission process. Its reporting page on the website was also improved and user manuals were provided online, as well as Helpdesk support to facilitate the use of this software package.

<sup>2</sup> As of the date of printing of this report, our automated process receives an average of 24,000 reports each day.



To achieve wide availability of service, we chose to use the Internet for report transmission. Special security measures have been implemented to ensure privacy protection of the information reported to us. To minimize the costs of international EFT reporting and to maximize electronic reporting, we adopted the data processing system used by the international banking community. With this approach, reports on international EFTs of \$10,000 or more are received automatically by FINTRAC at the end of each bank's processing day, and are downloaded on a daily basis into our database for analysis.

These reporting systems were designed in cooperation with the reporting community through a series of consultations and exchanges, from the Canadian Bankers Association to individual firms, and through seminars across the country with trade associations and individual members of each reporting entity sector. As well, several small and medium-sized firms volunteered to be part of a pilot test community to assess our report preparation software package. To receive the cross border currency reports and seizure reports, we worked closely with our colleagues at CCRA.

Thanks to these careful preparations and cooperative testing with major reporting entities, we met our IT challenge and achieved our goal of a streamlined, non-intrusive, highly secure and relatively easy to use data collection system for the 100,000 entities potentially subject to the reporting requirements. In total, we received over **2 million reports** in 2002-2003. By the end of the year, 98.4% of all suspicious transaction reports were received electronically, up from 95.2% in the previous year. Of the total number of reports of all types that we now receive, over 99% are in electronic form, putting us in the forefront among FIUs worldwide. Each day, our analytical database is updated, and the analytical processes are run in order to be ready for scrutiny of selected reports.

#### *Monitoring and Supporting Compliance – A Cooperative Approach*

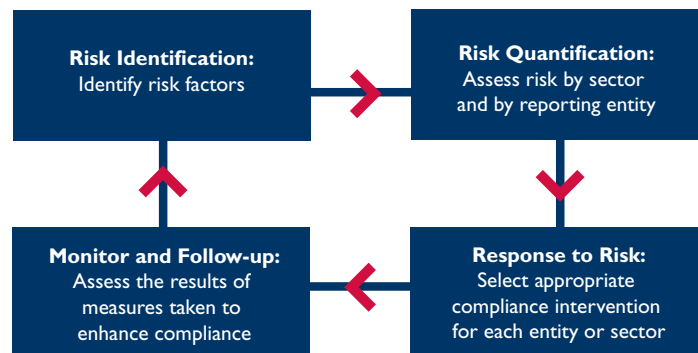
It is vital to ensure that FINTRAC receives these transaction reports and that they be of the highest quality possible. The Centre's compliance approach covers a range of activities, from increasing reporting entities' awareness of their obligations under the Act and accompanying regulations, to performing on-site examinations. FINTRAC is committed to working with reporting entities in a constructive and cooperative manner.

In 2002-2003, FINTRAC designed the foundation for its compliance strategy that includes:

- Monitoring compliance by putting appropriate mechanisms in place;
- Detecting and reducing reporting errors by developing quality assurance procedures;
- Assessing the risk of non-compliance by tracking the reporting behavior of all sectors; and,
- Supporting a range of verification approaches by developing procedures and tools, such as self-assessment questionnaires and on-site audits.

In 2002-2003, we developed a risk management framework for compliance. With this approach, the task is to identify sectors or entities where the risk of non-compliance is high, and then tailor our interventions to mitigate specific concerns.

#### Risk Management Framework to Ensure Compliance



To increase awareness of the obligation to comply with the PCMLTFA and to explain the requirements, we developed and issued a series of guidelines. Some of these provide broad guidance for all reporting entities, while others are tailored to specific sectors. Our guidelines provide a plain language overview of the requirements and are updated as required to address changes to the legislation, or areas where further clarification is needed. We have received positive feedback on the usefulness of these guidelines both from reporting entities and from foreign FIUs interested in best practices among the international FIU community.

### **Guidelines published in 2002-2003**

Guideline 1: Backgrounder

Guideline 2: Suspicious Transactions

Guideline 3A: Submitting Suspicious Transactions Reports to FINTRAC Electronically

Guideline 3B: Submitting Suspicious Transactions Reports to FINTRAC by Paper

Guideline 4: Implementation of a Compliance Regime

Guideline 5: Submitting Terrorist Property Reports

Guideline 6: Record Keeping and Client Identification

- Life Insurance Companies, Brokers or Agents
- Legal Counsel<sup>3</sup>, Accountants and Real Estate Brokers or Sales Representatives
- Money Services Businesses
- Foreign Exchange Dealers
- Securities Dealers
- Casinos
- Financial Entities

Guideline 7A: Submitting Large Cash Transactions Reports to FINTRAC Electronically

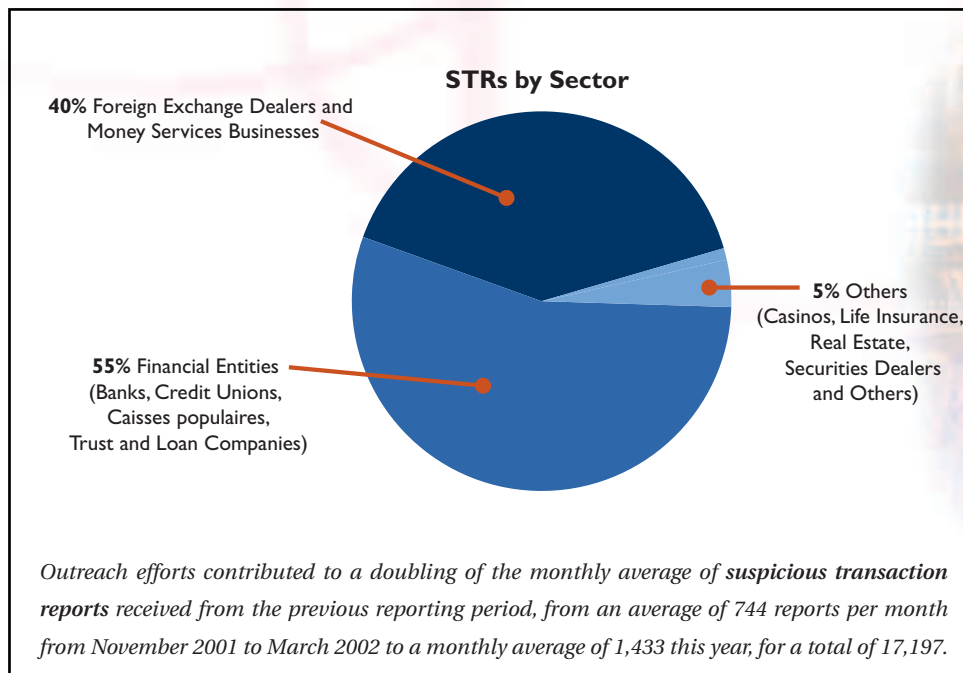
Guideline 7B: Submitting Large Cash Transactions Reports to FINTRAC by Paper

Guideline 8: Electronic Funds Transfers

To further ensure that reporting entities understand their obligations and the role they play in addressing the problem of money laundering and terrorist activity financing in Canada, we embarked on extensive outreach activities. In 2002-2003, this included over 400 presentations, site visits, media interviews, articles in industry journals, fact sheets and participation in trade shows and other industry conferences. Much of our outreach effort was, first, directed at providing consistent, uniform advice to reporting entities on issues arising from the application of the legislation and second, at establishing a process to address difficulties that might subsequently occur. We also engaged the services of a call centre to answer questions on our behalf, and provided this centre with the training and information required to do so. Throughout 2002-2003, they responded to more than 2,500 inquiries.

<sup>3</sup> This Guideline is being amended and will reflect that the PCMLTFA no longer applies to Legal Counsel.





Through consultations with federal and provincial regulators, FINTRAC set the stage in 2002-2003 for the development of agreements to permit the sharing of compliance-related information with supervisors of financial institutions and regulators of financial intermediaries covered by the legislation. These information-sharing agreements would complement efforts by regulators or supervisors to incorporate processes into their examinations, ensuring compliance with the legislation and, at the same time, minimizing the compliance burden on reporting entities. Sharing of certain compliance information requires amendments to the PCMLTFA. These are currently before Parliament.



## Delivering High Quality Financial Intelligence

### *Our Analysis*

Our experience to date indicates that analyzing financial transactions to uncover suspected money-laundering, terrorist activity financing, and threats to the security of Canada is a complex endeavor. Typically, groups and individuals involved in this kind of illicit activity are highly adept at covertly moving money through the global financial system, often using state-of-the-art technology and new, often undetected and complicated methods. FINTRAC's edge in uncovering these activities is its access to a significant range of financial transactions from a broad group of financial intermediaries, enabling its analysts to develop a more comprehensive picture and to piece together the different components of the money trail.

The challenge for us is to make the best possible use of the information in our holdings to achieve quality disclosures. For this reason, we have taken great care to bring on board a diverse group of highly skilled experts. Our analysts come from a wide range of backgrounds including forensic accounting, law, criminal investigation, intelligence analysis, banking and securities. With thousands of reports received daily, and with over 99% received electronically, our analysts require automated tools to maximize their access to this rich source of data.

Our technology experts developed automated tools to assist the analysts in sifting through the vast array of financial data. Working closely with our Financial Intelligence Analysis group, they created search and data-matching tools which allow analysts to pinpoint those reports that warrant detailed examination. As well, they continued their research into areas such as artificial intelligence, pattern recognition and other techniques to assist in this work. FINTRAC's efforts in this regard will continue to evolve, and indeed must evolve, to keep pace with the sophistication of the groups that are the subject of our analysis.

We focused our efforts in 2002-2003 on all aspects of our operations that contribute to our ability to undertake rigorous analysis, from receiving the required data to making it accessible for analysis. In so doing, we put in place a solid foundation that automatically receives reports, populates our data warehouse, and provides analysts with daily lists of new potential cases and tools to assist case selection and analysis. We actively sought advice and information from key players including the reporting entity community, law enforcement agencies, in particular the RCMP, the international FIU community and academia. We also worked with CSIS to obtain a broader understanding of terrorist activity financing in Canada and abroad, and threats to national security.

### *What We Are Seeing*

Even in this relatively early stage of our development as a financial intelligence unit, our analysts are observing distinctive patterns in both suspected money laundering and terrorist financing operations.

Money laundering cases tend to involve large transactions that move quickly through domestic and international financial networks. Terrorist activity financing cases tend to involve smaller amounts of money that are channeled through international financial centres. It is likely that this picture will continue to evolve as we work with greater volumes and scope of information made available to us.

### *Our Output in 2002-2003*

In 2002-2003, we produced a total of 103 disclosures of financial intelligence to law enforcement and national security agencies, comprising:

- 78 disclosures related to suspected money laundering;
- 24 disclosures related to suspected terrorist activity financing and other threats to the security of Canada; and
- 1 disclosure related to both suspected money laundering and suspected terrorist activity financing or threats to the security of Canada.

A number of factors are taken into consideration in determining the appropriate recipient(s) when disclosing to law enforcement or intelligence agencies. These include whether or not a particular agency has jurisdiction, undertakes proceeds of crime or terrorist activity financing investigations, and/or whether the agency might have provided voluntary information related to the disclosure.

In 2002-2003, FINTRAC made disclosures to 13 law enforcement agencies across the country, including the RCMP, as well as to CSIS and to CCRA. In addition, we began to extend our range internationally, making eight disclosures to foreign FIUs. In total, FINTRAC analysts uncovered suspect financial transactions valued at approximately \$460 million believed to be associated with money laundering and terrorist activity financing, and threats to the security of Canada.

About one quarter of the total number of disclosures related to terrorist financing and threats to the security of Canada. A major success for FINTRAC was the ability to have its terrorist financing analysis capacity up and running in a very short period of time – within six months of receiving its mandate and before the reporting requirements on terrorist activity financing came into effect. The Centre conducted a cross-Canada recruitment campaign in order to staff highly qualified people. We are grateful to CSIS, the RCMP and the Communications Security Establishment for their assistance and expertise in helping us, as we prepared to deliver on what has proven to be a critical part of our mandate.

#### *The Value of Our Intelligence Product*

FINTRAC's production of first class financial intelligence goes hand in hand with ensuring that the law enforcement and intelligence communities fully recognize the value and availability of that intelligence to their investigations. To communicate this, we undertook several consultations with CSIS and with law enforcement agencies across the country as a major focus of our activity in 2002-2003. CSIS provided us with a broader understanding of terrorist activity financing and threats to national security.



We also recognized the need to provide law enforcement agencies with a better sense of what lies behind the analytical process. To this end, we developed communication tools, including a video, to explain to investigating agencies how FINTRAC's financial intelligence can support their work. We also conducted information sessions across the country to describe the process to obtain access, through a court order, to information over and above the designated information provided in our disclosures. Over 140 presentations were delivered to law enforcement agencies and CSIS by our staff and legal counsel.

We also worked with law enforcement agencies to begin establishing formal and informal mechanisms to collect feedback from them on the utility of our product to their investigations. Such information is essential if we are to ensure that disclosures contribute effectively to new or ongoing money laundering and terrorist financing investigations. Through this process, we received suggestions from law enforcement about improving the presentation of the information contained in our disclosures and we are following up on these suggestions.

The ultimate success of Canada's anti-money laundering and anti-terrorist financing initiative will depend on the ability of FINTRAC and its law enforcement and security partners to work effectively together. In this past year, FINTRAC has achieved an excellent relationship with our partners in law enforcement and national security agencies. Feedback from these partners to date has been very positive. Our commitment to them is to continue to work with them to yield even greater results in our collective effort to combat money laundering and terrorist activity financing.

#### *Extending our International Engagement*

A significant accomplishment for FINTRAC in particular, and Canada more broadly, was our success in achieving a full role in the global effort to combat money laundering and terrorist activity financing. In 2002-2003, we developed both multilateral and bilateral relationships with foreign partner organizations that will be key, as we continue to build both our strategic and operational capacities.

In June 2002, FINTRAC became a member of the Egmont Group. This was an important milestone, and was the first step towards our negotiating agreements with FIUs in other countries for the bilateral exchange of information. FINTRAC contributes to the Egmont Group's program through its participation on three key working groups – Legal, Outreach, and Training and Communications – as well as on a sub-group on Information Technology collaboration.

Further major achievements include the successful conclusion of MOUs with Australia, Belgium, Mexico, the United Kingdom and the United States. The MOUs permit the exchange of financial intelligence between FINTRAC and its counterpart FIUs in these countries.

These agreements are an important step forward and have far reaching benefits. We now have access to a rich source of international financial intelligence which, coupled with our own data, will enhance our analysis and, hence, the quality of our disclosures. Further, these agreements also permit FINTRAC to make a direct international contribution to the prevention, detection and deterrence of money laundering and terrorist activity financing.

In this regard, our presence on the international front is already being noticed. We have received numerous queries from foreign FIUs, and for those with which we have an MOU, we were able to provide quality financial intelligence. To further enhance our analytical ability, we are currently engaged in negotiations with a number of other countries for the establishment of similar agreements.

#### **Information Exchange Agreements**

Under MOUs concluded in 2002-2003, FINTRAC is authorized to exchange information with the following FIUs:

- The Australian Transactions and Reports Analysis Centre (AUSTRAC)
- The Belgian Financial Intelligence Processing Unit (CTIF/CIF)
- Mexico's General Directorate for Transaction Investigations of the Secretariat of Finance and Public Credit (DGAIO)
- The United Kingdom's National Criminal Intelligence Service (NCIS)
- The United States of America's Financial Crimes Enforcement Network (FinCEN)

FINTRAC is a member of the Canadian delegation, headed by the Department of Finance, to the FATF on Money Laundering. As a member we contributed to the review of the FATF's Forty Recommendations to combat money laundering, as well as to discussions relating to the Eight Special Recommendations of the FATF on terrorist financing. These recommendations and their accompanying interpretive notes will largely shape the future global response to money laundering and terrorist financing.

## **Sustaining Organizational Effectiveness**

### *Being an Exemplary Employer*

As a small, vibrant agency, we celebrate the strengths of our energetic and diversified workforce. Employees have shown time and again their commitment to our mandate. FINTRAC employees operate at a 100% capacity, allowing the Centre to accomplish its goals in its first full performance year. We believe that employees are one of our key strengths and we work diligently to ensure that we continue to nurture and promote a positive work environment.

#### **FINTRAC's workforce**

- 13% visible minorities
- Average age under 40
- Drawn equally from private and public sectors
- Highly qualified analysts from a wide range of professional backgrounds – forensic accounting, law, criminal investigation, intelligence analysis, banking and securities.

FINTRAC first and foremost is an analytic organization, and our "raison d'être" is the production of financial intelligence. Every individual within our organization makes an important contribution to this end. Our success as a financial intelligence unit depends on having a high-calibre, dynamic workforce that has the capacity to perform in a highly specialized and complex environment. We are committed to attracting, training and retaining the very best people from across the country.

### *Recruiting and Retaining*

FINTRAC is a knowledge-based organization where the need for individuals of integrity with the passion and the ability to look beyond accepted methodologies and common practices is essential. Recognizing this, we successfully developed a competency-based approach to human resources management, with priority being given to the specialized area of financial intelligence analysis. Input from our analysts has helped to identify the required competencies, including both professional and personal attributes. These competencies provide a foundation for the further development of our approaches to recruitment, learning and performance management.

Our recruitment activities were guided by our goal of substantially completing the building of the FINTRAC team. By March 31, 2003, we successfully filled 82%, or 160 of our positions.

Our overarching objective is to reinforce excellence by rewarding it in tangible ways. A key part of our comprehensive performance management process is to make every employee in FINTRAC, regardless of level, eligible to receive performance pay. By excellence, we mean a demonstrated and sustained performance measured in achievements and values relating to each employee's respective performance agreement. We constantly review our compensation strategies to ensure that we remain competitive with private and public sector employers.

### *Training*

According to the Conference Board of Canada, average industry investments in learning fall below 2%. In 2002-2003, FINTRAC invested some 4% of its payroll into learning, and it plans to double its commitment in the next fiscal year. Such an investment will be key to ensuring that our employees have the array of skills needed to perform their increasingly complex and demanding tasks. Ongoing training is critical to the organization if FINTRAC is to remain on the leading edge, ahead of the criminal and terrorist networks it seeks to expose. We require a continued commitment to ensure our management team has the leadership tools it needs to meet the challenge of spearheading such a charged and dedicated workforce. To this end, we also made significant progress in designing a leadership curriculum for all of our managers and supervisors. This will be put in place in the coming year.



### *Our Organization – From “Building” to “Doing”*

In the fall of 2002, FINTRAC launched an Organizational Effectiveness Review. A key focus of the review was to strengthen FINTRAC's ability to provide high-quality financial intelligence to law enforcement and intelligence agencies. It was also an opportunity to reflect on our experience to date and on how to build on our achievements. The resulting changes to the organization, which have been supported by employees, reflect a continuing commitment to excellence in fulfilling its mandate and mission.

By grouping all of FINTRAC's analytical functions under a single sector, the Financial Intelligence Analysis Sector, we strengthened our focus on disclosures, increased the solidity of our analytical capacity, and enhanced our ability to provide strategic intelligence on money laundering and terrorist activity financing. In response to the need to develop and maintain relations with a widening range of external players, we consolidated in one sector, External Relationships, all of the functions previously carried out in Policy, Public Affairs, Liaison and Compliance and the regional offices. Information Technology remains integral to our organization and is absolutely critical to being able to deliver on our mandate. Corporate Management is responsible for Finance, Administration, Human Resources, Planning and Security. Finally, FINTRAC's Legal Services unit continues to provide sound legal advice on issues affecting our work.

We recently developed the first FINTRAC Strategic Plan, a comprehensive document that will guide our activities and provide a roadmap for operational planning and priority setting. It was the culmination of a consultative process, spanning the year, which engaged staff at every level of the organization and led to the development of a refined business planning process in the organization.

The successful implementation of these initiatives marks FINTRAC's transition to being a mature organization, with established business processes and a full-fledged workforce. With our strategic plan in place, we are continuing to work towards achieving the highest standards of organizational excellence. We are moving forward on our internal audit plan, and are preparing for the audit by the Office of the Auditor General scheduled to begin in 2004. We will be continuously reviewing our practices to make sure that our development puts and keeps us at the forefront of modern management practices.

# Protection of Privacy

Privacy is one of the defining issues for FINTRAC that finds its roots in the PCMLTFA. The Act strikes a careful balance between the privacy rights of Canadians and the needs of law enforcement and national security agencies. The protection of privacy is a value that is an overarching and fundamental consideration in every aspect of our operations. The PCMLTFA upholds the principles outlined in the *Canadian Charter of Rights and Freedoms* and the *Privacy Act*, and it contains significant provisions specifically designed to protect the privacy of individuals as outlined in the accompanying table.


In keeping with the PCMLTFA, FINTRAC applies a high standard of privacy protection to the personal information under its control. A comprehensive set of practices, policies and procedures are in place for the protection of personal information. They include the application of the need-to-know principle, guiding principles for the handling of sensitive and classified information and diligent application of stringent measures surrounding the analysis and disclosure processes.

Our decision-making process subjects every suspicious case to rigorous analysis and review ensuring that designated information is only disclosed when the threshold for disclosure, as defined in the PCMLTFA, has been met. The protection of information is a paramount consideration in the decision to enter into an agreement with a foreign FIU for the exchange of information. In addition, as required by the PCMLTFA, these agreements contain specific provisions that commit those organizations to protect information and specifically, not to use the personal information disclosed to them for purposes other than the investigation or prosecution of money laundering and terrorist activity financing offences and substantially similar offences.

FINTRAC employees have similar obligations when it comes to safeguarding personal information. To promote the privacy of Canadians, the PCMLTFA contains a number of provisions relating to the protection of information and privacy, which specify the particular circumstances under which designated information may be disclosed. In any other case, the Centre is prohibited, as are its employees, from disclosing any report received or any information – other than that which is publicly available. Offences for unauthorized disclosure are serious and the penalties associated with such offences are significant and can be up to five years in jail, a fine of up to \$500,000, or both.

**To promote the privacy of Canadians, the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* contains the following provisions:**

- 40(a) FINTRAC is an independent agency acting at arm's length from law enforcement and other agencies that receive disclosures from FINTRAC.
- 40(c) FINTRAC must ensure that personal information under its control is protected from unauthorized disclosure.
- 53 The Director is prohibited from disclosing to the Minister of Finance any information that could directly or indirectly identify an individual who provided a report to FINTRAC or a person or entity about whom a report or information was provided.
- 54(b) FINTRAC may only collect information from public sources that it considers relevant to money laundering or terrorist financing.
- 54(b) and 66(2) To access law enforcement databases, FINTRAC must enter into agreements that state the nature of and limits with respect to the information that FINTRAC may collect from those databases.
- 54(d) and (e) Reports and information received or collected must be destroyed within a specified period.
- 55(1) Subject to exceptions in 55(3), 55.1, 56.1 and 65 and section 12 of the *Privacy Act*, FINTRAC cannot disclose any report it received or any information it collected – other than publicly available information.
- 55(2) FINTRAC's employees are subject to the same prohibitions as the Centre.
- 56.1 The Minister must sign or approve MOUs with an agency of a foreign state or international organization before any information can be disclosed by FINTRAC to the agency.
- The MOU must restrict the use of information and state that the information is to be treated in a confidential manner and must not be further disclosed without FINTRAC's express consent.
- 55(5.1), 55.1(2) and 56.1(4) FINTRAC must record in writing its reasons for disclosure.
- 58(2) FINTRAC cannot disclose information that would directly or indirectly identify either the provider of a report or information or the subject of a report or information received by FINTRAC.
- 59, 60, 60.1 and 61 Police and CSIS must get a court order to gain access to additional information held by FINTRAC. No one else can get this information.
- 71(2) Information on steps taken to protect privacy must be included in an annual report.
- 74-77 Offences and punishment for unauthorized disclosure can be up to 5 years in jail, a fine of up to \$500,000, or both.



All employees, as well as consultants and contractors, are required to undergo rigorous security screening processes including reliability and loyalty checks. This security screening process complements a robust selection process that, among other elements, assesses an individual's suitability to FINTRAC's particular working environment. Upon hiring, individuals receive a detailed and personalized security briefing and are advised of FINTRAC's high security environment, its security policies as well as its obligations to protect personal information. In the coming year, the Centre will be developing additional reference tools for staff regarding privacy-related policies and practices, and conducting privacy awareness sessions.

FINTRAC made a number of further enhancements with respect to personnel security. More than 90% of its staff now have a Level 3 (Top Secret) clearance. It is now moving to enhance the security awareness briefings for all new and existing staff that have access to sensitive systems in order to ensure that all their practices are consistent with the Government Security Policy and FINTRAC's Security Policy, thereby reducing the possibility of any inadvertent release of personal information.

To guard against unauthorized access to its facilities and electronic systems, FINTRAC employs a robust integrated security program that incorporates state-of-the-art technology including both smart cards and biometric technology to control, monitor and audit access. Reported information is housed in a highly secure facility, access to which is based on, and restricted by, the need-to-know principle.

In the past year, the Centre further strengthened the degree of physical security in place at its facilities, both in Ottawa and in the regions. Its program is subject to ongoing review that has resulted in enhancements and refinements that included providing additional training to the protective officers who are responsible for ensuring round-the-clock security in its facilities.

A Privacy Impact Assessment (PIA) was also initiated covering FINTRAC's receipt, analysis and disclosure of information processes. Its purpose is to ensure that privacy is considered throughout these activities, in accordance with the *Privacy Act*, and that risks to the protection of personal information, if any, are mitigated. Protection of information will also be the subject of an internal audit in 2003-2004. The resulting recommendations from both these processes will inform the further strengthening of FINTRAC's policies, procedures and practices in this critical area.



# *Our Priorities for 2003-2004*

**F**INTRAC is entering a new phase in its evolution – one marked not only by an increasing quantity and quality of disclosures, but also by the emergence of FINTRAC as a source of expertise on money laundering and terrorist activity financing. It will continue to capitalize on its experience and build on its information and its domestic and international partnerships. Ultimately, the value of its disclosures will be found in the extent to which they contribute to successful investigations of money laundering or terrorist financing. In the coming year, FINTRAC should begin to see some indications of the impact of its disclosures in uncovering the money trail associated with these criminal activities.

With all reporting requirements in force, 2003-2004 will be the first full year in which FINTRAC will receive all mandated reports. That, and its growing network of agreements with FIUs, quality of voluntary information, expanded access to law enforcement databases, enhanced automated tools and growing experience and skill in analysis will permit it to continue and expand the range and quality of the financial intelligence it delivers. It will also enable the Centre to contribute, with its international partners, to expanding the knowledge base and tools that are needed to keep pace with changing global patterns of money laundering and terrorist activity financing.

As a young organization, FINTRAC will need to maintain a focus on its outreach initiatives. To continue the flow of quality financial transaction information, it must work closely with reporting entities and regulators to enhance the level and the quality of the reports that are required from all sectors. To ensure that the value of its financial intelligence is recognized, it must continue its efforts to promote its product for the law enforcement and security community.

As well, FINTRAC will need to be cognizant of and responsive to developments in the broader policy environment. The revised anti-money laundering standards of the FATE, together with legislative initiatives already in progress, could have a significant impact on its operations. This evolution will continue and the organization will need to be flexible to meet challenges ahead.

Our three major priorities for the coming year reflect and address these challenges.

1. **Deliver high quality financial intelligence to law enforcement and intelligence agencies:** Timely and high quality financial intelligence analysis and disclosures that are widely accepted and used by law enforcement and intelligence agencies.
2. **Establish a comprehensive risk-based compliance program:** A cooperative program that enhances compliance by reporting entities, resulting in higher levels and quality of reporting and appropriate record keeping and client identification practices.
3. **Provide partners with strategic information on money laundering and terrorist financing:** Strategic intelligence, advice and analysis that enhance awareness and understanding of money laundering and terrorist financing and inform the development of effective counter-strategies.

### **Deliver High Quality Financial Intelligence**

Disclosures are FINTRAC's core product and will always be a key focus of its energy and resources. In 2003-2004, with all reporting streams online and an estimated **9 million reports a year** included in the data set being analyzed, FINTRAC will concentrate on further increasing its analytic capacity and enhancing the quality of its disclosures. This will be achieved through a combination of investments in its people and technology, the implementation of its compliance strategy, as well as a concerted effort to enhance its relationships with domestic and international partners.

Domestically, it intends to negotiate access to government databases maintained for law enforcement purposes. Internationally, continued emphasis will be placed on building relationships with its counterparts in the international community of FIUs. Specifically, FINTRAC expects to conclude MOUs with a significant number of foreign FIUs.

To increase the speed and precision with which analysts are able to detect patterns of suspected money laundering and terrorist activity financing, FINTRAC will pursue information technology initiatives that will enhance potential case identification. Its focus will be on strengthening automated selection and matching techniques and developing effective data mining techniques. Data quality improvements will also be achieved through the use of data cleansing software.

Equally important will be FINTRAC's implementation of an enhanced learning curriculum for its analysts. Through workshops and other learning opportunities, analysts will expand their knowledge and skills in intelligence and financial analysis.

The Centre will energetically pursue further outreach initiatives with law enforcement and national security agencies to enhance awareness of its product, to obtain feedback and to ensure a coordinated approach to measuring results.

### **Establish a Comprehensive Risk-Based Compliance Program**

Part of FINTRAC's mandate is to ensure compliance by reporting entities with their obligations under the PCMLTFA. The vast majority of reporting entities wish to comply voluntarily with their obligations, and FINTRAC has taken the approach that compliance relies as much on working with reporting entities through its national awareness, outreach and assistance program, as it does on enforcing compliance through an on-site examination program. Its priority for 2003-2004 will be to implement the comprehensive risk-based compliance program that was developed in the previous year.

We will continue to offer guidance to reporting entities regarding their obligations to establish a compliance regime, keep records, identify clients and report to FINTRAC. Opportunities to increase awareness among reporting entities of their obligations will be sought where possible through: enhancing the information available on FINTRAC's website; updating the current series of guidelines and creating new ones where appropriate; participating in industry seminars and conferences; publishing and distributing pamphlets to reporting entities to assist them in meeting their obligations.

FINTRAC will continue to refine its process for providing advice and interpretation on the application of the legislation by establishing mechanisms to engage reporting entities and ensure a nationally consistent approach in responding to inquiries received from reporting entities.

The Centre will implement the compliance risk management framework. Using this framework, it will identify risks for non-compliance with the legislative obligations, develop the risk assessments for all sectors, monitor risk on an on-going basis, develop strategies to enhance compliance either through more awareness or through examinations and identify reporting entities for whom follow-up action is necessary in order to ensure compliance.

Finally, FINTRAC will continue to explore, with regulators at the federal and provincial levels, various avenues by which they can assist the Centre in promoting and ensuring compliance, including participation in outreach efforts.

### **Provide Strategic Information on Money Laundering and Terrorist Financing**

As Canada's FIU, FINTRAC is uniquely situated to provide law enforcement and intelligence agencies with an appreciation of some broad trends and emerging developments related to money laundering and terrorist activity financing. Unlike any other agency in the country, we have access to various types of financial transactions from a broad range of financial institutions and intermediaries. We are able to mine this data, and in particular the data contained in our financial intelligence disclosures, to detect trends and patterns elsewhere. This, coupled with strategic information provided by law enforcement and national security agencies, other government departments and agencies, as well as information provided by foreign FIUs, allows us to develop a deeper insight into this criminal activity.

We are able to share strategic-level information more freely than tactical information. This enables us to contribute to the general knowledge of money laundering and terrorist financing, as well as help other agencies in specific aspects of their own research. We can examine specific financial patterns of criminal and terrorist groups against the broader background of all the financial data reported to us to aid in the development of strategies to disrupt these groups.

To fulfill this role, FINTRAC will focus on increasing its capacity to produce strategic-level analysis of the financial information it receives, and sharing that analysis with domestic and international partners.

Through active participation in the Egmont Group and other international groups, FINTRAC will contribute expert advice and perspective from a Canadian vantage point, as well as enhance its own understanding and expertise.



# Appendix 1

## Financial Statements

### Management's Responsibility for the Financial Statements

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2003 and all information contained in this report rests with Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) management.

These statements, which include amounts based on management's best estimates as determined through experience and judgement, have been prepared in accordance with Treasury Board Accounting Standards based upon Canadian generally accepted accounting principles. Readers of these statements are cautioned that the financial statements are not necessarily complete; certain assets, liabilities and expenses are only recorded at a government-wide level at this time. These statements should be read within the context of the significant accounting policies set out in the Notes.

Management has developed and maintains books, records, internal controls and management practices, designed to provide reasonable assurance that the Government's assets are safeguarded and controlled, resources are managed economically and efficiently in the attainment of corporate objectives, and that transactions are in accordance with the *Financial Administration Act* and regulations as well as FINTRAC policies and statutory requirements.



Horst Intscher  
Director  
FINTRAC



Lynn MacFarlane  
Deputy Director  
Corporate Management



**Statement of Financial Position** (unaudited)

As at March 31

	2003	2002
<b>ASSETS</b>		
<b>Financial Assets</b>		
Accounts Receivable (note 5)	\$ 1,236,512	\$ 470,578
<b>Non-financial Assets</b>		
Capital assets (note 4)	23,634,813	19,505,678
<b>TOTAL ASSETS</b>	<b>\$ 24,871,325</b>	<b>\$19,976,256</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (note 5)	2,289,979	3,304,199
Accrued compensation (note 6)	1,440,390	1,032,816
	3,730,369	4,337,015
<b>NET ASSETS</b>	<b>21,140,956</b>	<b>15,639,241</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 24,871,325</b>	<b>\$19,976,256</b>

Commitments and Contingencies (notes 7 and 8)

*The accompanying notes are an integral part of these financial statements.*

Approved by:



Horst Intscher

Director

FINTRAC

## Statement of Operations and Net Assets (unaudited)

For the year ended March 31

	2003	2002
<b>Operating Expenses</b>		
Salaries and employee benefits	\$ 15,968,668	\$ 9,876,282
Amortization	7,736,521	1,249,227
Professional and special services	7,406,392	5,468,044
Rentals	2,617,655	1,288,902
Transportation and telecommunications	2,058,839	1,305,462
Repairs and maintenance	1,280,006	1,652,411
Utilities, materials and supplies	613,687	789,348
Information	235,781	230,256
<b>Net Cost of Operations</b>	<b>\$ 37,917,549</b>	<b>\$21,859,932</b>
Net Assets, beginning of year	15,639,241	4,577,367
Net Cost of Operations	(37,917,549)	(21,859,932)
Services provided without charge	1,106,465	500,000
Net Cash Provided by Government	42,312,799	32,421,806
<b>Net Assets, end of year</b>	<b>\$ 21,140,956</b>	<b>\$15,639,241</b>

*The accompanying notes are an integral part of these financial statements.*



**Statement of Cash Flow** *(unaudited)*

For the year ended March 31

	2003	2002
<b>Operating Activities</b>		
Net Cost of Operations	\$ 37,917,549	\$ 21,859,932
<b>Non-Cash items included in cost of operations</b>		
Amortization of capital assets	(7,736,521)	(1,249,227)
Services provided without charge	(1,106,465)	(500,000)
<b>Statement of Financial Position adjustments</b>		
Change in accounts payable and accrued liabilities	1,014,220	(3,304,199)
Change in accrued compensation	(407,574)	(786,931)
Change in receivables	765,934	470,578
Cash provided by operating activities	30,447,143	16,490,153
<b>Investing Activities</b>		
Acquisitions of Capital Assets	11,865,656	15,931,653
Cash provided by investing activities	11,865,656	15,931,653
<b>Net Cash provided by Government</b>	<b>\$ 42,312,799</b>	<b>\$ 32,421,806</b>

*The accompanying notes are an integral part of these financial statements.*



## Notes to the Financial Statements (unaudited)

For the year ended March 31, 2003

### 1. Authority and Objectives

The Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) was established through the *Proceeds of Crime (Money Laundering) Act* in July 2000 as part of the National Initiative to Combat Money Laundering. This legislation established FINTRAC as a government agency and separate employer, named in Schedule 1.1 of the *Financial Administration Act*. Originally, the key objectives for FINTRAC were the detection and deterrence of laundering of proceeds of crime. However, with the enactment of the *Anti-terrorism Act* in December 2001, FINTRAC was given additional responsibilities and government funding to detect the financing of terrorist activities. FINTRAC fulfills its responsibilities by collecting, analyzing, assessing and, where appropriate, disclosing information relevant to the investigation and prosecution of money laundering offences and the financing of terrorist activities.

### 2. Summary of Significant Accounting Policies

#### (a) Basis of preparation

These financial statements have been prepared on an accrual basis of accounting in accordance with Treasury Board Accounting Standards. These Standards are based on generally accepted accounting principles in Canada. The primary source of the accounting principles is from the recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants supplemented by the recommendations of the Accounting Standards Board of the Canadian Institute of Chartered Accountants for situations not covered by the Public Sector Accounting Board. Readers of these statements are cautioned that the introduction of accrual accounting at the departmental level is evolutionary. Not all assets, liabilities and expenses applicable to a department are recorded at the departmental level at this time. For example, any unfunded portion of FINTRAC's liability for future employee benefits under the Public Service Superannuation Plan is not recorded in FINTRAC's financial statements. As such, the financial statements are not necessarily complete. The accompanying notes provide additional detail and should be read with care. All such assets, liabilities and expenses are recorded at a government-wide level in the financial statements of the Government of Canada.



### *(b) Parliamentary Appropriations*

FINTRAC is financed by the Government of Canada through Parliamentary appropriations. Appropriations provided to FINTRAC do not parallel financial reporting according to generally accepted accounting principles. They are based in a large part on cash flow requirements. Consequently, items recognized in the statement of operations and the statement of financial position are not necessarily the same as those provided through appropriations from Parliament. Note 9 to these financial statements provides a high-level reconciliation between the two bases of reporting as well as information regarding the source and disposition of these authorities.

### *(c) Consolidated Revenue Fund*

All departments and agencies, including FINTRAC, operate within the Consolidated Revenue Fund (CRF). The CRF is administered by the Receiver General for Canada. All cash receipts are deposited to the CRF and all cash disbursements made by FINTRAC are paid from the CRF. Net cash provided by government is the difference between all cash receipts and all cash disbursements including transactions between departments.

### *(d) Expenses*

FINTRAC records expenses when the underlying transaction or event giving rise to the expense occurred, subject to the following:

- Employee termination benefits are expensed by FINTRAC in the year they are paid. Any accrual of these benefits is recognized in the consolidated financial statements of the Government of Canada.
- Vacation and overtime amounts are expensed in the year that the entitlement occurs.
- Environmental liabilities are not recognized in FINTRAC's books of accounts but are recognized in the consolidated financial statements of the Government of Canada.

*(e) Capital assets*

All assets treated as capital assets under Public Sector Accounting Board Recommendations plus leasehold improvements, having an initial cost of \$5,000 or more, are recorded at their acquisition cost. Bulk asset purchases with a total cost of \$5,000 or more are also capitalized. The capitalization of software and leasehold improvements has been done on a prospective basis from April 1, 2001. FINTRAC amortizes capital assets on a straight-line basis over the estimated useful life of the capital asset as follows:

<b>Asset Class</b>	<b>Amortization Period</b>
Machinery and equipment	5 years
Office furniture	10 years
Informatics hardware	3 years
Informatics software	3 years
Leasehold improvements	lesser of remaining lease term and 10 years

*(f) Contributions to Public Service Superannuation Plan*

FINTRAC's eligible employees participate in the Public Service Superannuation Plan administered by the Government of Canada. Both the employees and FINTRAC contribute to the cost of the Plan. FINTRAC's contribution in the year was \$1,619,459. Contributions by FINTRAC in respect of current service are expensed in the year in which the contributions are made. Actuarial surpluses or deficiencies are not recorded in FINTRAC's books but are recognized in the consolidated financial statements of the Government of Canada.

*(g) Services provided without charge by other government departments*

Services provided without charge by other government departments are recorded as operating expenses by FINTRAC. Services without charge represent contributions covering employer's share of employees' insurance premiums paid by Treasury Board Secretariat. A corresponding amount is credited directly to Net Assets.



#### (h) Foreign currency transactions

Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates of exchange in effect at the time of those transactions. Assets and liabilities denominated in foreign currencies are translated using exchange rates in effect on March 31st.

### 3. Measurement Uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant item where estimates are used is amortization of capital assets.

### 4. Capital Assets

	Cost as at April 1, 2002	Net Additions	Cost as at March 31, 2003	Accumulated Amortization	Net Book Value At March 31, 2003	Net Book Value At April 1, 2002
Machinery and equipment	1,041,834	268,460	1,310,294	412,921	897,373	897,886
Office Furniture	1,369,621	1,244,564	2,614,185	324,906	2,289,279	1,268,749
Informatics Hardware	13,597,496	2,473,251	16,070,747	6,707,238	9,363,509	11,914,298
Informatics Software	5,393,481	3,212,454	8,605,935	2,345,915	6,260,020	5,027,706
Leasehold Improvements	410,024	4,651,009	5,061,033	236,401	4,824,632	397,039
	21,812,456	11,849,738	33,662,194	10,027,381	23,634,813	19,505,678

Amortization expense for the year ended March 31, 2003 is \$7,736,521.

### 5. Related Party Transactions

FINTRAC is related in terms of common ownership to all Government of Canada departments and Crown Corporations. FINTRAC enters into transactions with these entities in the normal course of business and on normal trade terms. FINTRAC has expenses of \$11,041,333 incurred from transactions in the normal course of business with other government departments during the year.



The accounts receivable and accounts payable with other government departments and unrelated external parties are as follows:

	2003	2002
<b>Accounts Receivable:</b>		
Other Government Departments	\$1,063,237	\$ 470,578
External Parties	173,275	-
<b>Total</b>	<b>\$1,236,512</b>	<b>\$ 470,578</b>

<b>Accounts Payable:</b>		
External Parties	2,107,774	2,153,752
Other Government Departments	182,205	1,150,447
<b>Total</b>	<b>\$ 2,289,979</b>	<b>\$3,304,199</b>

## 6. Accrued Compensation

One of the features of FINTRAC's total compensation approach is performance pay. This approach incorporates a component based on promoting skill development and encouraging high performance levels by allowing employees to move within a salary band based on achievement of performance-based agreements. These performance-based agreements form part of the comprehensive Performance Management Program. Accrued compensation includes regular salaries, benefits and accrued vacation, together with performance pay that has been earned by employees but not paid out at year-end.

## 7. Commitments

FINTRAC has entered into lease agreements for office space in 5 locations across Canada. The minimum aggregate annual payments for future fiscal years are as follows:

	2003	2002
2003-2004	\$ 2,353,190	\$ 1,568,470
2004-2005	2,275,922	1,481,659
2005-2006	1,139,876	869,187
2006-2007	324,897	431,706
2007-2008	115,825	-
<b>Total</b>	<b>\$ 6,209,710</b>	<b>\$ 4,351,022</b>

## 8. Contingencies

In the normal course of its operations, FINTRAC may become involved in various legal actions. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded on the government's consolidated financial statements. These estimated liabilities are not recognized on FINTRAC's financial statement as a liability until the amount of the liability is firmly established.

## 9. Parliamentary Appropriations

FINTRAC receives its funding through Parliamentary appropriations, which is based primarily on cash flow requirements. Items recognized on the Statement of Operations and Net Assets in one year may be funded through Parliamentary appropriations in prior and future years. Accordingly, FINTRAC has different Net Cost of Operations for the year on a government-funding basis than on Canadian generally accepted accounting principles. These differences are reconciled below.

### *(a) Reconciliation of the net cost of operations to total Parliamentary appropriations used:*

	2003	2002
Net Cost of Operations	\$ 37,917,549	\$ 21,859,932
Adjustments for items not affecting appropriations:		
Less: Amortization	(7,736,521)	(1,249,227)
Vacation and Compensatory Time	(94,487)	( 280,880)
Services provided without charge	(1,106,465)	( 500,000)
	28,980,076	19,829,825
Adjustments for items affecting appropriations:		
Add: Capital acquisitions	11,865,656	15,931,653
<b>Total Parliamentary appropriations used</b>	<b>\$ 40,845,732</b>	<b>\$ 35,761,478</b>

*(b) Reconciliation of Parliamentary appropriations voted to Parliamentary appropriations used:*

	2003	2002
<hr/>		
Parliamentary appropriations – voted:		
Vote 30, 30(a) and 30(b)-Operating expenditures	\$ 39,783,406	\$ 34,455,524
Statutory contributions to employee benefit plans	2,374,573	1,321,085
Spending of proceeds from the disposal of surplus		
Crown assets	12,306	-
	<hr/>	<hr/>
	\$ 42,170,285	35,776,609
Less: Lapsed appropriation – operating	(1,324,553)	( 15,131)
<b>Total Parliamentary appropriations used</b>	<hr/> <b>\$ 40,845,732</b>	<hr/> <b>\$ 35,761,478</b>



# Appendix 2

## Glossary of terms and acronyms

### **CCRA**

Canada Customs and Revenue Agency – an agency of the Government of Canada that administers tax laws for the Government of Canada and for most of the provinces and territories, and that provides all customs services.

### **CIC**

Citizenship and Immigration Canada – a federal government department that administers the *Immigration and Refugee Protection Act*.

### **Cross Border Currency Report (CBCR)**

A report that must be filed by a person entering or leaving Canada advising that the person is carrying large sums of currency or monetary instruments (\$10,000 or more), or by a person mailing or sending such large sums into or out of Canada.

### **CSIS**

Canadian Security Intelligence Service – Canada's national security agency that has the mandate to investigate and report on threats to the security of Canada.

### **Customs Seizure Report**

A report filed with FINTRAC by a CCRA officer who seizes cash or monetary instruments for which a Cross Border Currency Report should have been filed but was not. The report indicates the circumstances of the seizure.

### **Egmont Group of Financial Intelligence Units (FIU)**

An international group of FIUs founded in 1995, which work together in an informal organization to provide a forum for FIUs to improve support for their respective national anti-money laundering and anti-terrorist financing programs.



#### **Electronic Funds Transfer (EFT) Report**

A report that a reporting entity must file with FINTRAC in respect of a transmission of instructions for the transfer of a sum of \$10,000 or more out of or into Canada, through any electronic, magnetic or optical device, telephone instrument or computer.

#### **Financial Action Task Force (FATF)**

An inter-governmental body, established by the G-7 Summit in 1989, whose purpose is the development and promotion of policies, both at national and international levels, to combat money laundering. At a special plenary meeting held in October 2001, FATF's mandate was expanded to include the combating of terrorist financing.

#### **Large Cash Transaction Report (LCTR)**

A report that a reporting entity must file with FINTRAC when it receives \$10,000 or more in cash in the course of a single transaction; or when it receives two or more cash amounts totaling \$10,000 or more that it knows were made within 24 consecutive hours of each other by or on behalf of the same individual or entity.

#### **Privacy Impact Assessment (PIA)**

An assessment that each federal department and agency is required to carry out regarding the impact of its operations on the obligations imposed by the *Privacy Act* for the protection of personal information.

#### **Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)**

This statute establishes FINTRAC to collect, analyze, assess and disclose financial information with respect to money laundering and terrorist financing. Originally enacted as the *Proceeds of Crime (Money Laundering) Act* in June 2000, it was amended in December 2001, to add combating terrorist financing to FINTRAC's mandate.

#### **RCMP**

Royal Canadian Mounted Police - Canada's national police force.

#### **Suspicious Transaction Report (STR)**

A report that a reporting entity must file with FINTRAC in respect of a financial transaction that occurs in the course of its activities and for which there are reasonable grounds to suspect that the transaction is related to the commission of a money laundering or terrorist activity financing offence.



### **SWIFT**

The Society for Worldwide Financial Telecommunication, a cooperative owned by the international banking community that operates a global data processing system for the transmission of financial messages.

### **Terrorist Property Report (TPR)**

A report that a reporting entity must file with FINTRAC when it has in its possession or control property that it knows is owned or controlled by or on behalf of a terrorist group. This includes information about any transaction or proposed transaction relating to that property. This report is triggered by a requirement in the *Criminal Code* that has the reporting of such situations to the RCMP and CSIS.

