



Guidance Document for the *Precursor Control Regulations*

REQUIREMENTS AND RESPONSIBILITIES OF REGISTERED DEALERS OF CLASS B PRECURSORS

Aussi disponible en français

This document is one of a series of guidance documents written as a companion to the *Precursor Control Regulations* to provide guidance on meeting the regulatory requirements under these Regulations.

Other documents in this series include:

Application for Class A Precursor Licences
Application for Import, Export and Transit/Transshipment Permits
Application for Class B Precursor Registration
Requirements and Responsibilities of Licensed Dealers of Class A Precursors

To obtain these documents, or for further information about the *Precursor Control Regulations*, please contact the Precursor Chemical Section, Licences and Permits Division, Office of Controlled Substances (OCS), Drug Strategy and Controlled Substances (DSCS) Programme, Healthy Environments and Consumer Safety Branch (HECS), Health Canada:

Website: www.hc-sc.gc.ca/ocs-bsc

Tel.: (613) 946-1142

Fax: (613) 948-3585

1. PURPOSE

This document provides guidance on the regulatory requirements and the responsibilities of registered dealers under the *Precursor Control Regulations* (PCR) to produce for sale, import and/or export any Class B precursor, as set out in Part 2 of Schedule VI of the *Controlled Drugs and Substances Act* (CDSA).

2. BACKGROUND

Precursors are chemicals that are frequently diverted from legitimate activities to the illegal manufacture of drugs. In 1988, the United Nations addressed the problem of the diversion of precursors to illegal markets or uses by adopting provisions within the *Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances*. Canada signed this convention in 1990, committing itself to controlling the movement of precursors into, out of, and within Canada.

In 1997, Canada enacted provisions within the *Controlled Drugs and Substances Act* (CDSA) that allows for the control of precursors, and the establishment of regulations for their import, export, production, and distribution.

The *Precursor Control Regulations* (PCR) provide a regulatory framework that allows Canada to fulfill its international obligations with respect to the monitoring and control of precursors used in the production of illegal drugs. The regulatory provisions governing the registration and permit requirements for import, export, and production of Class B precursors will come into force on January 1, 2004.

3. SCOPE

This document was developed as a companion to the PCR. It provides guidance in meeting the regulatory requirements relating to Class B precursor registration applications. It is not intended to replace the PCR. The PCR shall, under all circumstances, take precedence over these guidelines, should any apparent confusion or inconsistencies arise.

4. DEFINITIONS

Many terms used in this document are defined in the *Controlled Drugs and Substances Act* and in the *Precursor Control Regulations*. Please refer to Section 2 of the Act and Section 1 of the Regulations.

5. GENERAL INFORMATION

Copies of the CDSA and the PCR can be obtained by visiting the Justice Canada website at <http://laws.justice.gc.ca/en/C-38.8/index.html>; by contacting Canadian Government Publishing, Communication Canada, Ottawa, Ontario, K1A 0S9; or by calling one of the following numbers: (819) 956-4800 or 1-800-635-7943.

General information on application for registration and subsequent amendments, including those which require prior approval, can be found in the guidance document, *Application for Class B Precursor Registration*. Copies of guidance documents and application forms can be obtained at the OCS website at www.hc-sc.gc.ca/ocs-bsc or by contacting that Office at (613) 946-1142.

6. SECURITY MEASURES

(Section 90 of PCR)

Registered dealers must take precautions to ensure the safety and security of the precursors at the site as well as to protect the registration certificate or export permit from loss or theft.

A registered dealer **may consider** the following options as a means of enhancing security; however, they are not mandatory:

- (i) electronic detection and alarm system;
- (ii) limiting unsupervised access to the area in which the Class B precursor activity takes place; and
- (iii) implementing procedures for guests, maintenance personnel, and non-employee service personnel.

7. RECORD KEEPING

(Section 85(4) of PCR)

The registered dealer must have internal controls to provide a reasonable assurance that all records pertaining to registered precursor activities are accurate and reliable.

7.1 Records that must be kept

- (i) A registered dealer must maintain records in the form of books, registers, or electronic data pertaining to Class B precursors brought into the site following import, produced for sale, or removed from the site for export.
- (ii) All records listed above must include the following for each precursor:
 - (a) name;
 - (b) quantity;
 - (c) type of activity; and
 - (d) the date of the activity.
- (iii) For imported Class B precursors, the registered dealer must record the name and address of the exporter, and the name of any country of transit or transshipment; and

- (iv) For exported Class B precursors, the registered dealer must record the name and address of the importer and the name of any country of transit or transshipment.

7.2 Location and Availability of Records

- (i) Either hard copy or electronic copy of all records must be kept at the site.
- (ii) The records and documents must be made readily available for inspection by an inspector at any time; and
- (iii) At any time during the life of the registration, Health Canada may request any records or documents dealing with the Class B precursors from the registered dealer. Registered dealers must provide the information upon request within the time periods specified.

7.3 Maintenance of Records

- (i) All records must be kept for at least **two years** after the information was recorded.

8. REPORTING

8.1 Loss or Theft *(Section 90 of PCR)*

In the case of the theft or the loss of a Class B precursor, which is in excess of the normal discrepancy caused by inventory counting error or other operational errors, or the loss or theft of a registration certificate, exemption certificate, or export permit, a registered dealer must provide notice of a loss or theft to:

- (i) the **appropriate police authority within 24 hours** after becoming aware of the occurrence; and
- (ii) the Office of Controlled Substances, in writing, **within 72 hours** after becoming aware of the occurrence, including confirmation that the police have been notified.

Note: This information must be submitted to the address stated in Section 11 of this document.

9. RETURN OF DOCUMENTS

(Sections 65 and 89 of PCR)

9.1 Original Certificate

A registered dealer must return the original certificate to OCS in the following circumstances:

- (i) Immediately after a renewed certificate takes effect;
- (ii) Within 30 days after the certificate is revoked or expires without being renewed; and
- (iii) With the application when applying for an amendment, if there are changes that pertain to the information indicated on the certificate. The registered dealer must keep a copy of the original certificate at the site until the amended certificate is received.

9.2 Other Documents

A registered dealer must return the original export permit, or exemption certificate to OCS within 30 days after such documents expire, or are revoked.

Note: The original documents stated in Section 9.1 and 9.2 of this document must be sent to the address stated in Section 11 of this document.

10. SUSPICIOUS TRANSACTIONS

(Section 86 of PCR)

The registered dealer is required to record all suspicious transactions, and is encouraged to report any such transactions to Health Canada or to the Royal Canadian Mounted Police (RCMP) National Chemical Diversion Program.

It is critical that registered dealers take reasonable measures to identify their customers, understand the normal and expected transactions conducted by those customers and, thereby, identify those transactions conducted by their customers that appear suspicious in nature. A list of indicators to assist a licensed dealer in the identification of suspicious transactions can be found in Appendix A.

10.1 Recording Suspicious Transactions

- (i) A registered dealer must record every transaction when there are reasonable grounds to suspect that the transaction is related to the diversion of the precursor to an illegal market or use.

- (ii) A suspicious transaction record should include the name, address, telephone number and position (in regard to the registered dealer) of the individual making the record, as well as:
 - (a) the identification of the other party to the transaction;
 - (b) details of the transaction, including date, time and type of transaction, and the name and quantity of the precursor; and
 - (c) a detailed description of the reasons for suspecting that the transaction involves the diversion of a precursor to an illegal market or use.

Note: Health Canada can request the record of suspicious transaction at any time.

10.2 Reporting Suspicious Transactions

(i) Health Canada

- (a) Health Canada is authorized to receive information provided voluntarily by a registered dealer, with regard to the recording of suspicious transactions.
- (b) Suspicious transactions may be communicated using the contact information stated in Section 11 of this document.

(ii) RCMP

- (a) The RCMP National Chemical Diversion Program continues to be successful due to the extensive participation and cooperation in the program by industry and law enforcement. Voluntary reporting and documentation of suspicious sales and movements of precursors and essential chemicals used in manufacturing of illegal drugs will allow police to continue detecting drug traffickers.
- (b) Suspicious transactions may be communicated to one of the national offices listed in Appendix B of this document.

Note: No criminal or civil proceedings will be brought against a registered dealer for recording or reporting a suspicious transaction in good faith.

11.

ADDRESS

**Precursor Chemical Section
Licences and Permits Division
Office of Controlled Substances
DSCS/HECS
Health Canada
A.L. 3502A
123 Slater Street, 2nd Floor
Ottawa, ON K1A 1B9**

Telephone: (613) 946-1142

Fax: (613) 948-3585

Appendix A

INDICATORS OF SUSPICIOUS ACTIVITIES

The following list of indicators will assist a licensed dealer to identify suspicious transactions:

1. New customer or identity unknown.
2. Cash payment, even for large purchases.
3. Pick-up of chemicals by own transportation.
4. Readiness to pay a higher price.
5. Ordering of chemicals by persons unlikely to need them.
6. Personal appearance.
7. Request for delivery by air freight.
8. Irregular manners, attitude and behaviour (i.e., “money is no problem”).
9. Orders to unknown companies that cannot be easily traced.
10. Using a private house or PO box number as the address from which the order is made.
11. Irregular ordering and quantities.
12. Requests for small packages even if it is indicated for industrial use, or no labels are used.
13. Indications of intended use not consistent with chemical(s) ordered.
14. Delivery by a dubious route.
15. Failure to provide information (i.e., telephone number, address, federal or provincial tax numbers, etc.).
16. Absence of business stationary.
17. Reluctance to supply a written order.
18. Orders for more than one precursor or essential chemical, and orders to several companies to avoid detection.
19. Orders to well-known companies, but delivery is requested to a specific person and alternate address.
20. Orders to companies unable to provide usual business acumen.
21. Orders for chemicals where delivery or routine exceeds costs of products.
22. Exports to countries where there is no manufacturing for the chemicals ordered.
23. Orders from abroad where payment is not consistent with transactions from that part of the world.
24. Delivery by unusual modes of transportation.
25. Dubious countries of destination.
26. Same inquiry after being refused, comes in through another channel or attempts to purchase through a competitor.
27. Insisting on a direct delivery.
28. Ordering by unknown American citizens.
29. Assorted inquiries or orders of subject chemicals.
30. Unusual quantities of other products (may be a new synthesis).
31. May set up a phony bank account, answering service, fax, post office box, computer fax modem ordering.

32. Tells chemical company that he/she is making perfume.
33. Will not fill out a company contact information sheet.

There may be legitimate explanations for a purchase that represents one or more of these factors. This list is presented as a guide to assist licensed dealers and their employees as to which transactions may be suspicious.

Appendix B

LIST OF RCMP NATIONAL CHEMICAL DIVERSION PROGRAM CO-ORDINATORS

Ontario

Royal Canadian Mounted Police
Federal Services, "O" Division
130 Dufferin Avenue
London, Ontario
N6A 5R2

Attn: Cpl. Brent Hill
NCO I/C Chemical Diversion Program
Tel.: (905) 876-9848
Cell: (905) 302-0369
Fax: (519) 640-7255

Quebec

Royal Canadian Mounted Police
"C" Division
4225 Dorchester
Westmount, Quebec
H3Z 1V5

Attn: Cpl. Raymond Martell
NCO I/C Chemical Diversion Program
Tel.: (514) 939-8326
Fax: (514) 283-0824

British Columbia

Royal Canadian Mounted Police
Drug Enforcement Branch, "E" Division
657 West 37th Avenue
Vancouver, British Columbia
V5Z 1K6

Attn: Cpl. Wayne Pride
NCO I/C Chemical Diversion Program
Tel.: (604) 264-2919
Fax: (604) 264-2201

Alberta

Royal Canadian Mounted Police
"K" Division
Edmonton, Alberta
T5G 2T4

Attn: Cpl. Harold Trupish
NCO I/C Chemical Diversion Program
Tel.: (780) 412-5533
Fax.: (780) 412-5579

Elsewhere in Canada

Royal Canadian Mounted Police
Drugs and Organized Crime Branch
National Chemical Diversion Program
1200 Vanier Parkway
Ottawa, Ontario
K0A 0R2

Attn: Sgt. Doug Culver
National Co-ordinator
Tel.: (613) 993-8241
Fax: (613) 993-5454