

CANADA  
PROVINCE OF ONTARIO

{File number}

**SUPERIOR COURT OF JUSTICE**

**BETWEEN:**

**HER MAJESTY THE QUEEN**

**APPLICANT**

- And -

{Name of Defendant}

**DEFENDANT**

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**AFFIDAVIT**

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**Bank of Canada**

**The prevalence of counterfeiting in Canada and its impact on direct victims  
and society**

## **Introduction**

I, \_\_\_\_\_, make oath and swear that the following information is true.

1. I, \_\_\_\_\_ have been employed by the Bank of Canada for \_\_\_\_\_ and have held the position of \_\_\_\_\_ since \_\_\_\_\_. I am responsible for local delivery of the Bank of Canada's public currency education program, and I monitor local developments related to currency and counterfeiting activity.

2. I receive information continuously from the Bank of Canada, the RCMP, and other police services on counterfeiting trends in Canada and on the impact of counterfeiting on society. I also deal continuously with financial institutions, businesses, and consumers who are affected by counterfeiting and have to develop means to respond to it. I believe the information contained in this affidavit, which has been obtained from the previously mentioned sources, is true.

3. I will first provide information on the Bank of Canada's role in relation to Canada's economic welfare and the Bank's responsibility for bank notes. I will then outline the prevalence of counterfeiting in Canada and describe the impact of this offence on the direct victims and on society.

## **The Bank of Canada's role in the economic welfare of Canada**

4. The Bank of Canada is Canada's central bank. The Bank is a Crown corporation that operates with considerable autonomy. One of the Bank's fundamental purposes, as set forth in the preamble to the *Bank of Canada Act*, is "... to promote the economic and financial welfare of Canada."

5. The Bank of Canada promotes the economic and financial welfare of Canada through its activities in four main areas: monetary policy, currency, financial system stability, and funds management. The Bank is responsible for promoting the safety and efficiency of the financial system, maintaining low and stable inflation, and for the efficient management of government funds and public debt.

6. The Bank of Canada is not a commercial bank and does not provide regular banking services to the public.

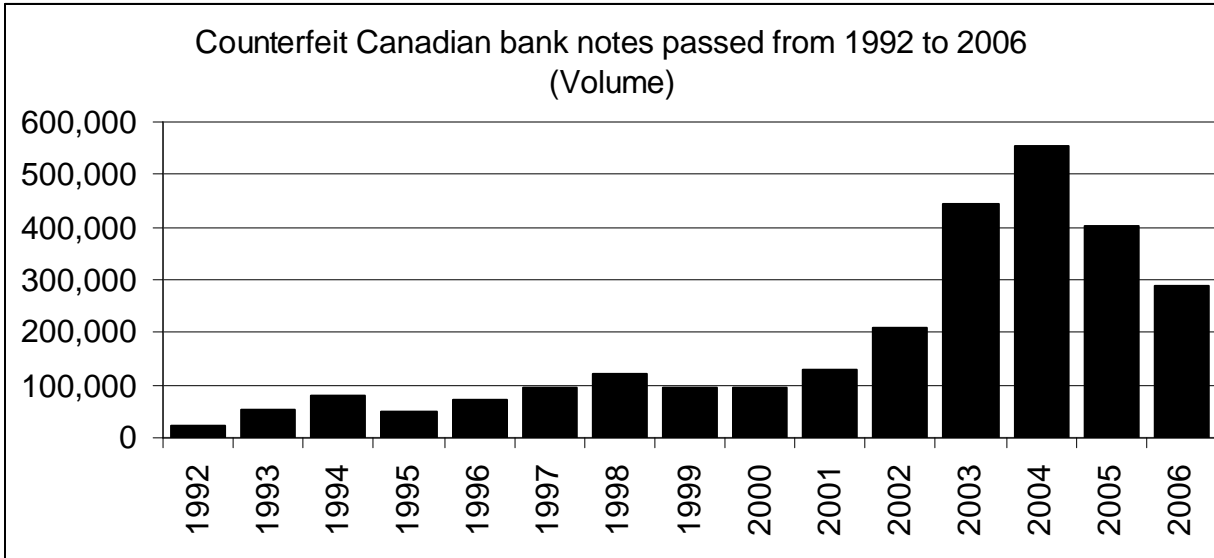
### **The Bank of Canada's responsibility for bank notes**

7. The Bank of Canada promotes the economic and financial welfare of Canada by conducting monetary policy to foster confidence in the value of money. The goal of monetary policy is to develop solid economic performance and raise living standards for Canadians by keeping inflation low, stable, and predictable. The Bank of Canada influences the economy by regulating the amount of money in circulation.

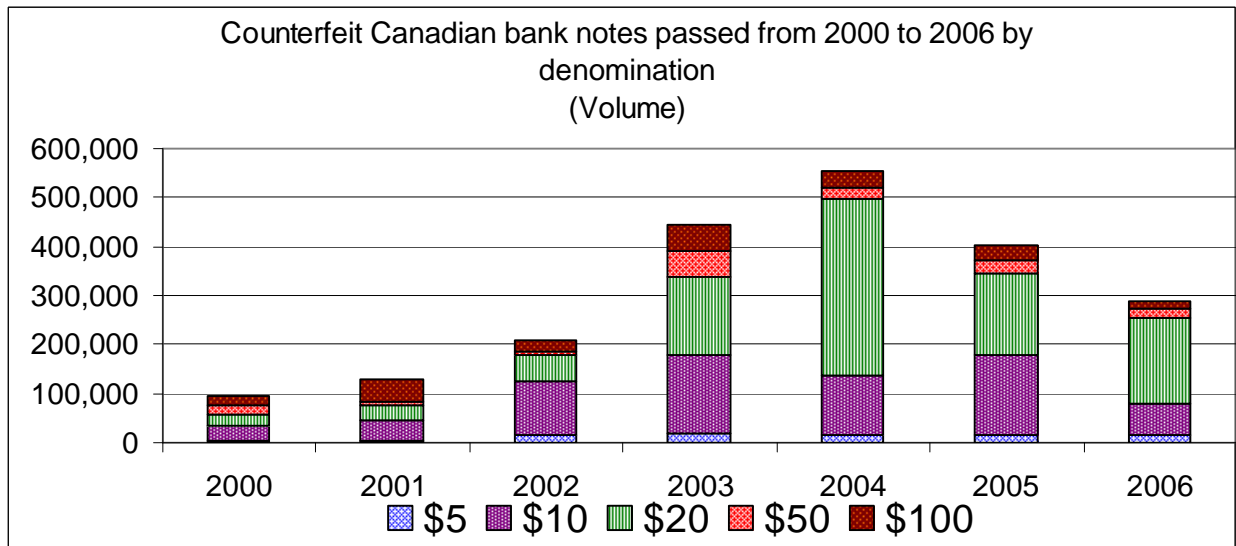
8. The Bank of Canada is the only body in Canada that can lawfully issue bank notes. The Bank is responsible for issuing quality bank notes that are readily accepted and secure against counterfeiting. The Bank is responsible for designing the notes (including their anti-counterfeiting features), distributing new notes, and replacing old notes. The Bank of Canada also ensures that the notes it issues are genuine and that the supply meets public demand.

### **The increasing prevalence of counterfeiting**

9. As a result of the technological innovation, counterfeiting no longer requires large stationary presses operated by skilled printers. Most counterfeiting is now done with inkjet printers and colour copiers. The number of counterfeit bank notes passed in Canada has risen dramatically over the past 14 years. While the rate of counterfeiting dropped marginally in 2006, the overall rate remains relatively high. The charts set out below have been drawn from figures compiled by the RCMP's Bureau for Counterfeit and Documents Examination, which receives all counterfeit notes seized in Canada, and the Bank's own figures. These charts illustrate that the number of counterfeit notes passed annually in Canada has increased just over 1,250% from 1992 to 2006.



10. The following chart illustrates the number of counterfeit notes passed in Canada by denomination from 2000 to 2006.



11. The growth in counterfeiting from 1992 to 2006 can also be illustrated in the following way:

a. Volume:

- 1992 : 21,200 counterfeits passed
- 2006 : 287,100 counterfeits passed (increase of 1,250% from 1992)

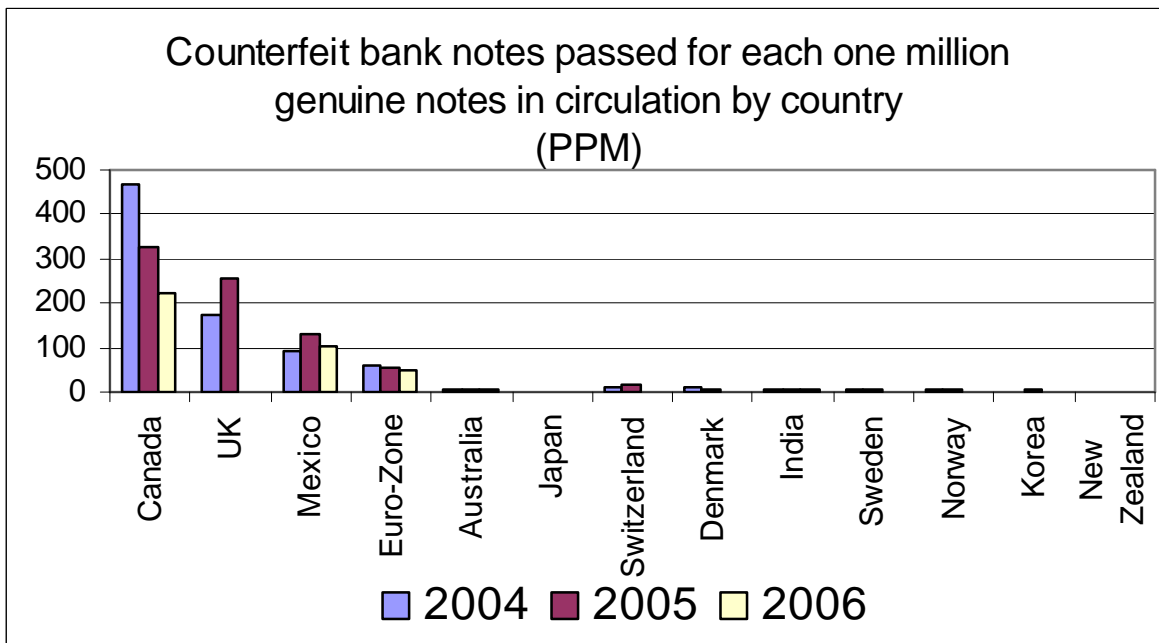
b. Value:

- 1992: \$575 thousand in counterfeits passed
- 2006: \$6.7 million in counterfeits passed (increase of 1,065% from 1992)

By comparison the volume of genuine bank notes in circulation increased 39% from 1992 to 2006, and the population of Canada increased 15% from 1992 to 2006 (Source: Statistics Canada).

### Comparison of counterfeiting in Canada with that in other countries

12. While the drop in counterfeiting rates from 2004 to 2006 has been very encouraging, the counterfeiting of Canadian bank notes remains very high by international standards. The following chart illustrates how few countries have experienced counterfeiting levels that come even close to those experienced in Canada from 2004 to 2006.



\*The above chart was compiled from information made publicly available by the central banks of various countries. The information reported varies in the calculation of fiscal years and is therefore not directly comparable in many cases.

## **The impact of counterfeiting on the direct victims**

### **a. No reimbursement**

13. Victims of credit-card fraud are usually protected from direct financial loss by the card's issuer if they have observed the card issuer's rules of use. In contrast, the Bank of Canada, like all other central banks in the world, provides no financial protection for a person who accepts a counterfeit bank note. All central banks, including the Bank of Canada, have concluded that providing reimbursement would act as an incentive that would inevitably increase counterfeiting activity.

### **b. Counterfeiting losses can have substantial impact on individuals and businesses**

14. The loss resulting from a single counterfeit note can be substantial for an individual on a fixed income or for a small retailer with limited revenue. Counterfeiting losses can also have a strong negative impact on larger businesses. Grocers, for example, operate on narrow margins of as little as 1% -2%. A grocer must sell \$5,000-\$10,000 worth of goods to recoup the loss from a single \$100 counterfeit bank note. These losses lead to increased prices that are ultimately borne by the consumer.

## **The impact of counterfeiting on society at large**

### **a. Bank notes are vital to the economy – almost a 100% increase in value in 14 years**

15. Bank notes are a vital method of payment for goods and services and are essential to Canada's economic well-being. Notwithstanding the increase in credit and debit payments, the value of bank notes in circulation in Canada has increased from an annual average of \$23.1 billion in 1992 to \$45.3 billion in 2006. Counterfeiting causes not only financial loss to the direct victims, but seriously undermines the confidence that Canadians must have in their bank notes to maintain a vibrant economy. As J. Reilly stated in *R. v. Haldane*, [2001] O.J. No. 5161 (Sup. Ct.) at paragraph 17:

Counterfeit money constitutes a very serious threat to the community, from the economy of the community to the economy of the country, particularly now when it can be produced relatively easily, although the government does try to keep one step ahead.

## **b. The effect of the loss of confidence by some businesses in bank notes**

16. In the months leading up to a seizure in July of 2001, a single counterfeiting operation in Windsor, Ontario put approximately 63,000 counterfeit \$100 notes into circulation. Although this is a sizable amount, the number of counterfeit \$100 notes in circulation was still small compared with the 163,000,000 genuine \$100 notes in circulation. This meant that for every 10,000 genuine notes, there were only about 4 counterfeits.

17. Nevertheless, the potential loss to businesses from accepting a counterfeit note was seen as substantial. As a result, shortly after stories of the counterfeit \$100 bills hit the media, approximately 15% of retail businesses in the Windsor-Toronto-Montreal corridor posted signs indicating they would not accept either \$50 or \$100 bills. Other retailers soon posted similar signs right across Canada.

18. As of 2006, retailers across Canada still refuse to accept large-denomination bills even though the rate of counterfeiting for \$100 bills has dropped significantly since 2001. Large retail franchises that have refused higher-denomination bills in the recent past include grocery chains, coffee shops, fast-food restaurants, and video stores.

19. Surveys conducted for the Bank of Canada indicate that approximately 5% of businesses in Canada currently refuse to accept one or more denominations of bank notes.

## **c. Ultimately, we all pay for the increased costs to the Bank of Canada**

20. The Bank of Canada's earnings from currency production and distribution are remitted to the Government of Canada. Therefore, increased costs to the Bank from counterfeiting effectively end up being paid by all of us. The Bank of Canada has devoted substantial resources to respond to the growth in counterfeiting and its increased social impact. The Bank's multi-year strategy to combat counterfeiting emphasizes:

- enhancing the security features in new bank notes,
- expanding procedures to detect and remove more counterfeit notes from circulation,

- monitoring and analyzing counterfeiting activity,
- expanding programs to teach businesses, the public, and law enforcement how to detect counterfeit currency, and
- developing initiatives to support law enforcement's efforts to deter counterfeiting.

21. The Bank spent close to \$29.2 million from 1997 to 2006 to develop and issue the new *Canadian Journey* series bank notes. In addition, these new notes cost approximately 40% more (9 cents as opposed to 6.5 cents) per bill to manufacture because of the enhanced security features.

22. These higher costs represent only a portion of the total increase in costs caused by counterfeiting. The Bank's spending for all the costs related to the currency function – increased communications, education and training, and so forth – have risen from \$66 million in 2001 to \$123 million in 2006, when four new denominations were issued. The Bank plans to spend over \$20 million on research and development for the next generation of bank notes.

#### **d. Financial losses from increased costs for law enforcement and businesses**

23. Finally, the additional resources needed to respond to counterfeiting have also had a substantial financial impact on law enforcement, businesses, and the financial sector. For example, one major police force in Canada, now dedicates four full-time police officers to collecting counterfeit notes and related evidence from victims of counterfeiting.

#### **e. Further information**

24. Further information may be obtained by contacting the affiant or the:

Bank Note Communication and Compliance Team  
Bank of Canada  
234 Wellington Street  
Ottawa, Ontario K1A 0G9  
Telephone (toll-free in North America): 1 888 513-8212  
E-mail: [education@bankofcanada.ca](mailto:education@bankofcanada.ca)



**SWORN TO** at \_\_\_\_\_

Province of \_\_\_\_\_

this {X} day of {Month}, 2007,

before me

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Signature

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Commissioner for taking oaths in  
and for the province of Ontario

{File number}

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