



Organized Crime

2007

Annual Report

Organized Crime in Canada

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Canada

2007 Annual Report

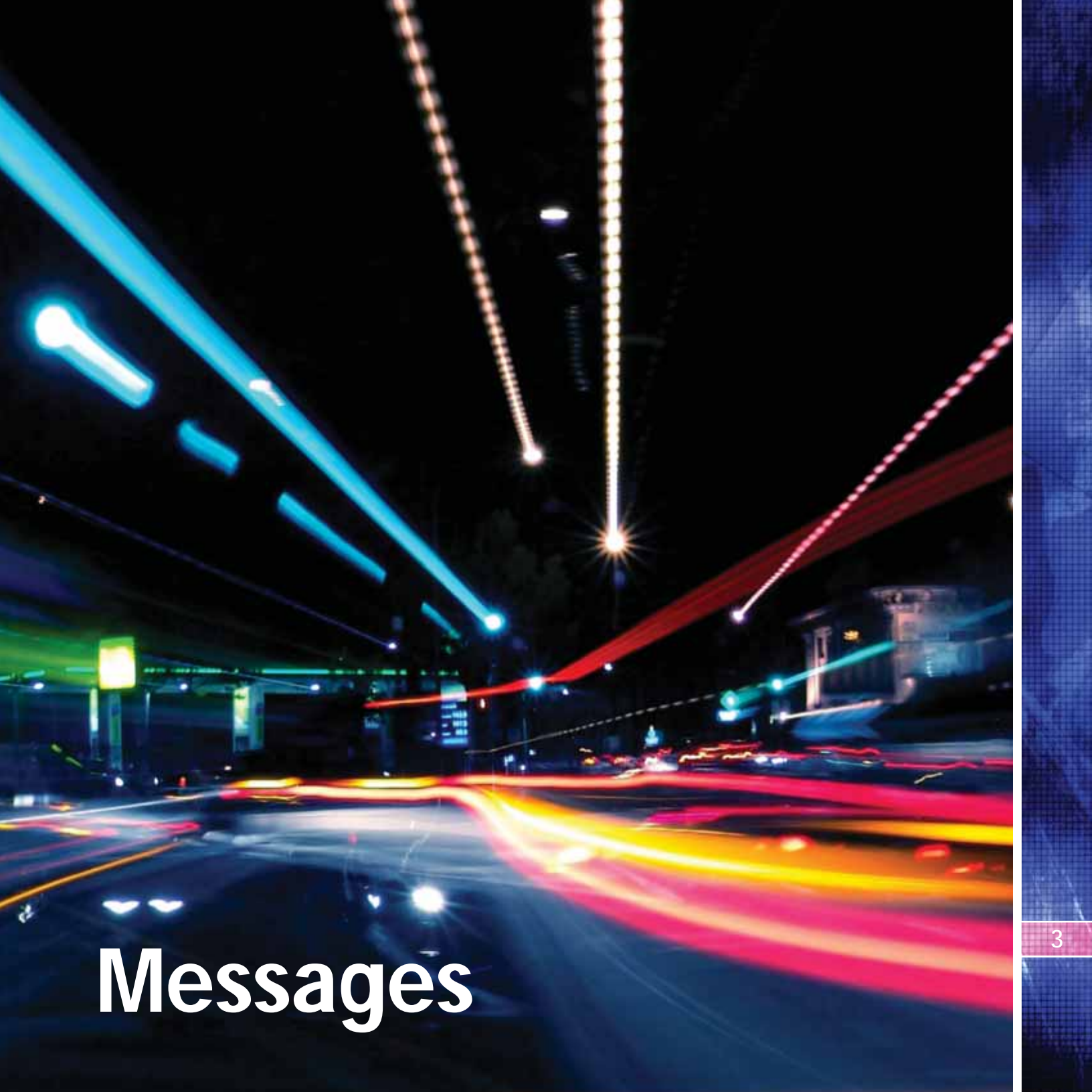
on Organized Crime in Canada

Research for this report concluded on 2007.07.06

: Organized Crime in Canada

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This publication is also available at the following Internet address:
www.cisc-scrs.gc.ca
Cat. # PS61-1/2007
ISBN: 978-0-662-69912-5
ISSN: 0839-6728
NCS-SNC 004



Messages



Message from the Chair

Criminal Intelligence Service Canada
RCMP Commissioner William J.S. Elliott

I am pleased to introduce the *2007 CISC Annual Report on Organized Crime in Canada*. This document provides the public with important information about the face of organized crime in our country.

Since its inception in 1970, Criminal Intelligence Service Canada has led the way in developing an integrated and intelligence-led approach to tackling organized crime nationwide. This approach means that law enforcement agencies work together at all levels – federal, provincial, territorial and municipal – to gather, exchange and assess criminal intelligence with the common goal of reducing the harm that criminal groups inflict on Canadian society.

The adage that “intelligence has no value if not shared” speaks directly to CISC’s reason for being. The success of CISC in meeting its mandate rests in the direct contribution of all member agencies and bureaus to a national body of knowledge on criminal intelligence.

This collective knowledge supports the development of municipal, provincial and national strategies that help law enforcement prevent, disrupt and dismantle organized crime. It also serves as the foundation for CISC intelligence products and services that assist senior government officials with policy development, and helps raise public awareness about the nature and extent of the Canadian organized crime threat.

To that end, the *2007 CISC Annual Report on Organized Crime in Canada* provides an overview of the current organized crime situation in this country, highlighting the threats posed by criminal groups as well as the characteristics and methods they employ in key criminal markets.

Public involvement has always been an important component of fighting crime. By sharing our knowledge of organized crime through this report, CISC continues to demonstrate its commitment to informing and educating Canadians. It is my sincere hope it will encourage further dialogue and ongoing support.



Message from the Director General

Criminal Intelligence Service Canada

Acting Director General Robert C. Fahlman

We all pay a price when organized crime is allowed to profit from illicit activities. We pay through increased taxes and higher prices on essential goods and services. We also pay through a diminished sense of safety and security in our homes and in our communities, and, of course, some pay directly as victims of crime.

In paying a price, we lose a measure of the freedom that is sacred to all Canadians.

Diminishing the cost that Canadians bear as a result of organized crime is one of the driving forces behind CISC. This is a task that presents a number of complex challenges to the Canadian law enforcement community. One such challenge is that criminal organizations increasingly operate within sophisticated networks that exploit technology to increase their profits while distancing themselves from their crimes.

However, just as we are faced with evolving threats, CISC itself continues to evolve by strengthening its partnerships, improving its technologies and developing new strategies to help law enforcement gain an advantage on organized crime.

CISC also continues to expand and improve its criminal intelligence knowledge base and its capacity to share this knowledge. This enables law enforcement to more effectively target criminal groups and to develop integrated enforcement actions that leverage the strengths of our member agencies.

The *2007 CISC Annual Report on Organized Crime in Canada* represents CISC's ongoing efforts to provide meaningful information to the public about the current state of organized crime and its effects on all communities throughout Canada.

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About CISC

About CISC

As the voice of the Canadian criminal intelligence community, the fundamental purpose of CISC is to facilitate the timely and effective production and exchange of criminal intelligence, while providing leadership and expertise to CISC member agencies in their efforts to detect, reduce and prevent organized and serious crime affecting Canada.

CISC consists of a Central Bureau in Ottawa that liaises with, and collects intelligence from, ten Provincial Bureaus that serve all of Canada's provinces and territories. The Provincial Bureaus operate independently while maintaining common standards in the delivery of their products and services.

Membership

CISC membership includes more than 380 law enforcement agencies across the country. These agencies supply criminal intelligence to their respective Provincial Bureaus for further analysis and dissemination. The Provincial Bureaus in turn provide their findings to Central Bureau for analysis and the creation of strategic criminal intelligence products and services at a national level.

ACIIS

CISC's member agencies collaborate in the exchange of criminal intelligence by contributing to the Automated Criminal Intelligence Information System (ACIIS), the Canadian law enforcement community's national criminal intelligence database on organized and serious crime. Central Bureau is the custodian of ACIIS, which it manages on behalf of, and in consultation with, all CISC member agencies.

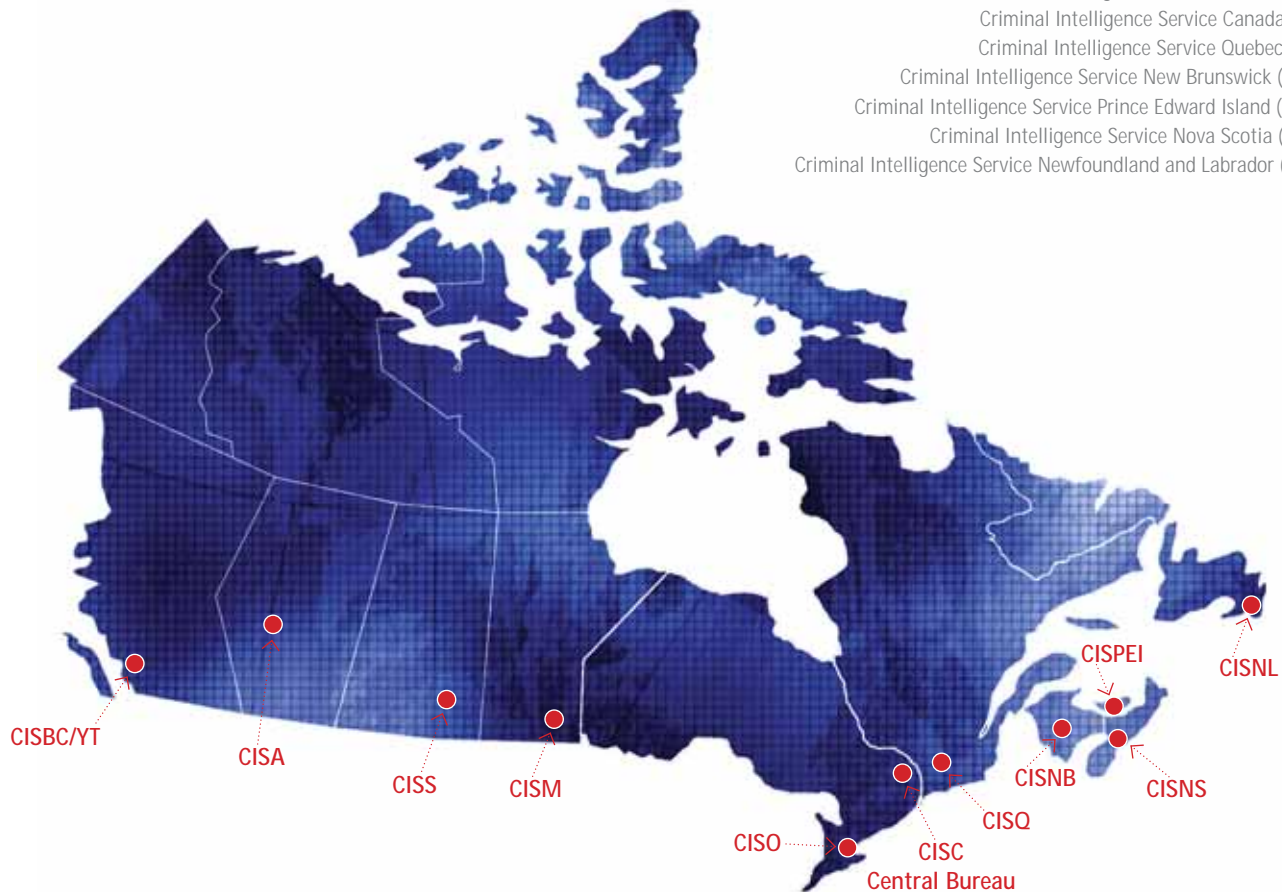
Governance

CISC is governed by the CISC National Executive Committee, which is comprised of 23 leaders from Canada's law enforcement community and chaired by the Commissioner of the RCMP. This Committee meets twice annually to review the operation of CISC and to decide on communal goals. The Director General of CISC, who heads Central Bureau, is Secretary to the National Executive Committee and coordinates the efforts of all Provincial Bureaus in providing criminal intelligence products and services.

Staff

The staff of Central Bureau consists of RCMP employees and secondments from other law enforcement agencies. Secondments at Central Bureau currently include: Canada Border Services Agency, Department of National Defence, Ontario Provincial Police, Ottawa Police Service, Service de Police de la Ville de Montréal and the Sûreté du Québec. CISC's Central Bureau receives administrative and financial support from the RCMP through its National Police Services, which provides essential front-line support services to the law enforcement community in Canada and abroad.

Criminal Intelligence Service British Columbia and Yukon (CISBC/YT)
 Criminal Intelligence Service Alberta (CISA)
 Criminal Intelligence Service Saskatchewan (CISS)
 Criminal Intelligence Service Manitoba (CISM)
 Criminal Intelligence Service Ontario (CISO)
 Criminal Intelligence Service Canada (CISC)
 Criminal Intelligence Service Quebec (CISQ)
 Criminal Intelligence Service New Brunswick (CISNB)
 Criminal Intelligence Service Prince Edward Island (CISPEI)
 Criminal Intelligence Service Nova Scotia (CISNS)
 Criminal Intelligence Service Newfoundland and Labrador (CISNL)



Introduction



Introduction

Organized crime is a tangled web, has no boundaries, and can only be addressed through national, provincial, municipal and territorial cooperation.

*Chief Robert Herman,
Thunder Bay Police Service*

The *2007 Annual Report on Organized Crime in Canada* aims to provide an overall strategic picture of organized crime in Canada and give an understanding of the numerous ways organized crime impacts the lives of Canadians. This report, the only comprehensive overview of organized crime in Canada available to the public, highlights a variety of criminal markets and the threats they pose to communities across the country.

Given that organized crime is increasingly complex and works to continuously insulate itself from detection, its impact and negative socio-economic effects are not always readily apparent. By discussing existing criminal markets and determining the criminal capabilities of crime groups, CISC aims to connect the far-reaching consequences of their criminal activity to the communities they target.

Each year CISC highlights a particular aspect of organized crime to provide a more detailed picture of the specific impact of organized crime. In the 2006 Feature Focus on street gangs, CISC identified the relationship between 'guns and gangs.' Building on this issue, the 2007 Feature Focus concerns the illegal firearms market in Canada, a public safety and organized crime threat that affects both individual Canadians and our communities.



Dynamics & Methods of Organized Crime

Dynamics & Methods of Organized Crime

Organized Crime

CISC and its member agencies use the *Criminal Code of Canada* definition to identify and assess organized crime in Canada. In using this definition, all contributing agencies base their assessments on the same criteria. This enables the CISC community to produce the broadest and most accurate assessment of organized crime groups.

The *Criminal Code* (467.1) definition is as follows: “Criminal organization” means a group, however organized that

- (a) is composed of three or more persons in or outside of Canada; and
- (b) has as one of its main purposes or main activities the facilitation or commission of one or more serious offences that, if committed, would likely result in the direct or indirect receipt of a material benefit, including a financial benefit, by the group or by any of the persons who constitute the group.

It does not include a group of persons that forms randomly for the immediate commission of a single offence.

The Canadian criminal intelligence community identified approximately 950 organized crime groups in 2007, compared to an estimated 800 groups in 2006. These groups were found to operate in all communities, from major urban centres to rural areas. Wherever there is profit to be made, organized crime can be found.

While the overall number of organized crime groups has risen from last year, this is largely due to enhanced reporting and the efforts of the intelligence community to provide the most detailed and comprehensive assessment of organized crime possible.

Few communities realize how pervasive organized crime can be. Organized crime can be found in communities of all sizes, and its impact in the smaller, rural areas is often far more devastating than it is in the large urban centres.

*RCMP Assistant Commissioner
Steve Graham, Commanding
Officer J Division (New
Brunswick)*

Structures and Capabilities

The identified crime groups that operate in Canada are situated throughout the country and vary widely in organizational structure and criminal capabilities. There is no one structure of organized crime. Rather, groups range from highly structured hierarchical and familial organizations to loosely structured cells that align for a specific criminal activity. Many organized crime groups operate on a network basis, reaching out to individuals with specific skills and expertise necessary to facilitate criminal ventures.

The reduction of youth involvement in crime, both as victims and offenders, is necessary if we are to assist them in withstanding the pressures and influences of organized crime groups.

*RCMP Assistant Commissioner
Michel Séguin, Commanding
Officer O Division (Ontario)*

Only a small number of organized crime groups are capable of operating elaborate criminal operations. These groups are engaged in diverse and complex activities. For the most part, they operate out of the largest urban areas but have secondary operations or criminal influence in other cities or rural areas. These groups are distinguished by sophisticated operations, often involving importation, manufacture or distribution of a wide range of illicit commodities as well as the ability to commit complex frauds, money laundering or financial schemes.

In addition, many of these groups display the capability to target, coerce or employ individuals in legitimate business, professionals, such as lawyers and accountants, and other community members in order to facilitate their criminal activities. Many of these groups are difficult to target as they strategically insulate themselves from law enforcement. Despite the broad influence of these groups, their impact is not always visible to the public as they tend to be removed from daily criminal activity.

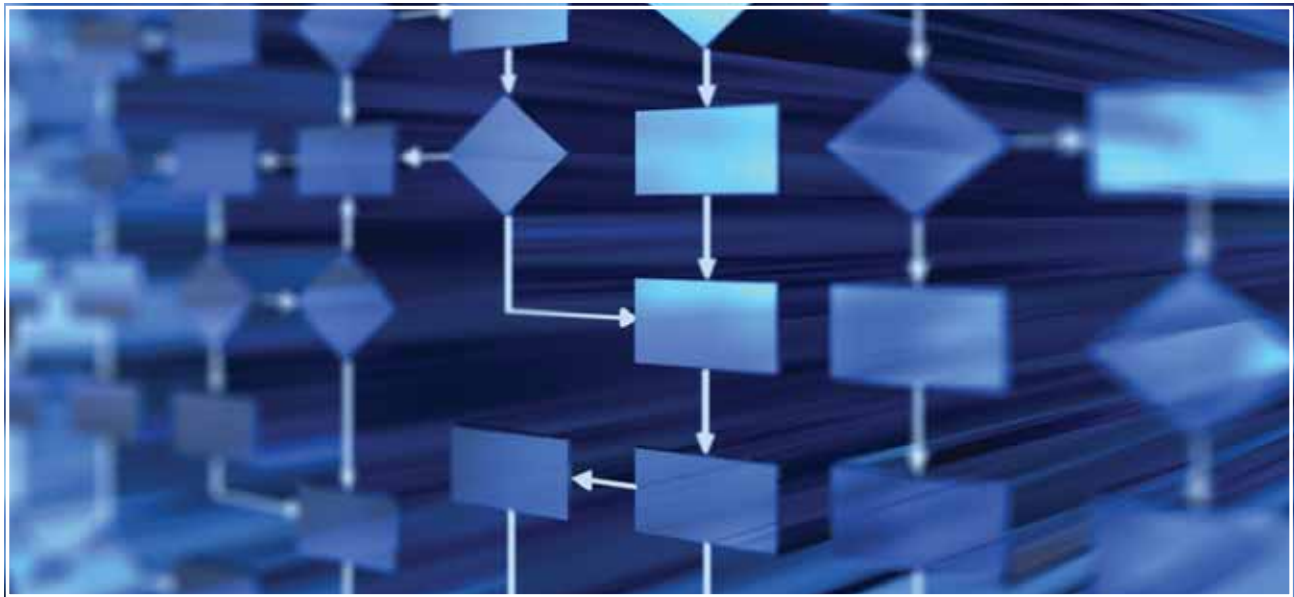
A significantly larger proportion of crime groups are distributors of contraband across the country, but are generally not capable of large-scale importation of contraband. In addition, many are involved in visible criminal activity such as drug trafficking, prostitution, vehicle theft and organized crime-related violence and intimidation. Due to a

lesser level of sophistication and criminal capability, these groups tend to be more visible to both law enforcement and the public than more sophisticated criminal groups.

The largest number of organized crime groups operate at a street level, often facilitating criminal activities for more capable groups. A number of these groups exist for limited periods of time, cooperate for specific criminal activities and then disband. However, some groups, such as the majority of street gangs, are highly visible to the public in part because of their tendency to use violence and intimidation in communities which has a direct impact on public safety.

Methods

Among the wide range of methods and practices used to commit criminal activities, almost all organized crime groups network or collaborate with other groups to facilitate criminality. For instance, crime groups may collaborate by combining funds to finance a large importation or production operation. It is also common for more sophisticated groups to regularly use smaller, less capable groups to distribute contraband. Few groups operate with no contact or collaboration with others.



Organized crime groups exploit Canada's borders to illegally move people and various types of contraband. In some instances, particularly at Canada's air and marine ports, this illegal movement may be assisted by a small number of criminally influenced individuals employed within the legitimate workforce. Certain border

area Aboriginal territories have been targeted by organized crime and exploited as either conduits for illegal cross-border contraband movement or as storage and distribution centres for these illegal commodities.

The vast majority of organized crime groups use or exploit the legitimate economy to some degree. In this way, they are able to insulate their activities, launder proceeds of crime and commit financial crimes via a legitimate front. Both individuals and businesses are vulnerable to numerous targeted fraud schemes including telemarketing schemes and stock market manipulation. As well, legitimate business can unwittingly facilitate criminal activity by providing opportunities for the investment of proceeds of crime or to disguise illicit activities through techniques such as mixing counterfeit goods with legitimate shipments.

Technology is also being exploited by organized crime groups, particularly communication devices such as mobile wireless and personal digital assistants (e.g. Blackberries) that increase the speed of communication between individuals and groups. Communication devices also serve to insulate groups from law enforcement detection such as in the use of multiple, disposable cell phones. Moreover, these devices, as well as payment cards are vulnerable to identity theft and theft of financial information to commit fraud. Newer technologies such as voice over internet protocol (VoIP) and malicious software used to target individuals via the Internet are used by crime groups to facilitate large-scale frauds and thefts.





Socio-economic Harms of Organized Crime

Socio-economic Harms of Organized Crime

Organized crime activities can pose serious socio-economic harms that affect all regions of the country. These consequences may be direct and tangible, such as fraud or thefts, with effects that can be quantified in terms of monetary loss. Harms also encompass a range of intangible effects more difficult to quantify. For example, the loss of quality of life through victimization is difficult to measure or to compare objectively against a merchant's loss of business due to counterfeit goods.

In this section, a selection of key issues are presented in order to highlight how organized crime directly and indirectly affects Canadians' public safety, economic well being and sense of community.

Violence

Organized crime groups are capable of using violence, particularly involving illegal firearms, to promote and protect their criminal interests. In many instances, this violence is directed toward other criminal actors, but innocent victims are sometimes injured or killed. This violence can also be deliberately intended to intimidate or coerce individuals and communities, which is especially the case with many street gangs. In some communities, this public safety threat could be sustained over a period of time while in others this threat may be random and short term.

Illicit Drugs

The illicit drug trade engenders more criminal activity than any other criminal market. Activities within this market have led to assaults, homicides and property crimes which are driven by violence between traffickers over control of territory, individuals seeking money to purchase drugs and from individuals under the influence of illicit drugs. There are also a number of adverse health effects from illicit drug use including the spread of HIV/AIDS and other infectious diseases, drug

From our ongoing intelligence gathering and assessment of organized crime groups, we know that we need to be diligent and dedicated if we are to successfully address the illicit activities that impact Canadian citizens and society.

*RCMP Deputy Commissioner
Peter D. Martin, National Police
Services*

Organized crime is a major economic drain on many aspects of the Manitoba economy including insurance costs, policing, the justice system and even natural resource utility costs.

*RCMP Assistant Commissioner
H.D.M. Madill, Commanding
Officer D Division (Manitoba)*

addiction and prenatal developmental problems. Historically, illicit drug activity has contributed to a limited number of cases of corruption of public and private sector officials and professionals.



Marihuana Grow Operations

Marihuana grow operations pose a number of serious health and safety risks to those conducting the operations and to the surrounding community. A significant number of residential operations often use unsafe electrical diversions to steal electricity which strains power supplies and increases the prices for legitimate residences and businesses. Marihuana grow operations also often contain numerous fire hazards, including exposed live wires and volatile chemicals. Vapours from a variety of chemicals used to accelerate plant growth can also cause respiratory health problems. High levels of moulds and pollens can cause asthma, respiratory conditions and allergies in individuals who live or work in damaged residences, as well as to law enforcement, rescue workers and municipal officials. Competition between crime groups that engage in marihuana cultivation and the threat of crop theft continue to result in home invasions, assaults, homicides and booby trap-related injuries.

Methamphetamine

Methamphetamine is highly addictive and physically destructive to users. This drug can make users very aggressive, often resulting in violent behaviour. Although relatively easy to manufacture, the chemicals are highly toxic, corrosive and combustible during production. The drug can be produced in small amounts in kitchens or garages, while large amounts are manufactured in self-contained “laboratories.” Clandestine laboratory fires and explosions have occurred, causing serious public safety concerns. Chemical vapours from the manufacturing process can cause injury and death, as well as permeate the walls and carpets of buildings, making them uninhabitable. Additionally, discarded toxic chemicals can cause environmental damage and pose a threat to public health and safety. As a result, residences or businesses located near either the manufacturing or dumping sites can decline in property value.

Financial Crime

In contrast to illicit drugs, the primary harm from financial crime is economic, both to individual Canadians and the financial business community. Economic harms from payment card fraud and mortgage fraud are experienced almost exclusively by the payment card industry and financial institutions such as banks, credit unions and mortgage insurers. In contrast, individuals and investors largely face the direct economic harms resulting from mass marketing schemes (e.g. telemarketing fraud) and securities fraud (e.g. stock manipulation), which could potentially involve the loss of one's life savings. The Insurance Bureau of Canada states that insurance fraud continues to cost Canadians more than a billion dollars annually through insurance premiums, with \$541.9 million annually in vehicle theft-related insurance costs.



Money Laundering

Laundering and reinvestment of criminal proceeds in legitimate companies can undermine the legitimate economy. Money laundering typically involves the use of a range of financial services – deposit-taking institutions (e.g. banks), currency exchanges, securities traders, insurance companies and “shell” corporations – that can result in a chain reaction in which a number of institutions are subsequently affected, both domestically and internationally. As a result, specialized expertise is often necessary and individuals in key professions, such as lawyers, accountants and investment brokers, may knowingly or unknowingly assist the laundering process. Organized criminals are capable of manipulating financial systems and institutions, and corrupting some public and private sector officials to facilitate money laundering. This compromises the integrity of the financial institutions and results in loss of investor and public confidence.

To the public, illegal tobacco may seem relatively harmless, but the effects of its sale in Nova Scotia are far-reaching. The profits are frequently used to finance drug trafficking, purchase illegal weapons and otherwise finance organized criminal activity.

*RCMP Assistant Commissioner
Ian Atkins, Commanding Officer
H Division (Nova Scotia)*

International criminal groups regularly attempt to gain access to Canada to expand their trans-national criminal networks. The CBSA along with its partners employs a multiple border strategy in its efforts to “push out the border,” to screen high-risk individuals as well as goods before they arrive on Canadian soil.

*Caroline Melis, Director General,
Intelligence Directorate, Canada
Border Services Agency*

Contraband

A contraband market that illegally distributes a legal commodity, such as tobacco, often exists due to some degree of societal acceptance. However, these markets can significantly affect society, particularly through the loss of potential tax revenue. The business community is also affected as businesses that operate honestly are at a serious disadvantage in relation to those who illicitly sell contraband products at significantly lower prices. There are potentially major health concerns over the content and quality of contraband products, such as illegally manufactured alcohol, as serious health problems or death could result from its consumption.

Counterfeit Goods

Counterfeit products directly undermine government tax revenue and profits of legitimate industries. Poorly made or defective counterfeits may also cause consumers to blame the manufacturers of genuine products. Some counterfeit products can cause serious health and safety risks due to incorrect or non-existent legal labelling or regulations. For example, internationally, organized crime is involved in producing and trafficking pharmaceutical drug products that may closely resemble legitimate drugs yet may contain inactive or incorrect ingredients, improper dosages, sub-potent or super-potent ingredients or be contaminated. Currently, there is little evidence regarding organized crime distributing counterfeit pharmaceuticals in Canada; however, various other counterfeit goods are in circulation across the country.

Human Smuggling and Trafficking in Persons

Individuals smuggled into Canada bypass immigration laws and processes, and may have serious criminal records, posing a potential threat to public safety. Alternatively, trafficked women are often forced into the sex trade to work off debts or fees (e.g. for being smuggled and for housing) typically in the tens of thousands of dollars. The victims suffer physical and mental abuse including sexual assault, torture, starvation, servitude and death threats. There can also be significant health and social effects on Canadian society as victims often acquire, and can transmit, sexually transmitted and infectious diseases while working in the sex trade.



Criminal Markets

Criminal Markets

Organized crime is a profit-driven activity fuelled by actors who adapt to shifts in supply and demand, competition from other organized crime groups and law enforcement disruption. Across Canada, established and emerging organized crime groups undertake a complex range of criminal activities from local street-level distribution of illicit drugs to international production and distribution of counterfeit goods.

In this report, CISC highlights select key criminal markets that shape organized crime across Canada. The current criminal market landscape in Canada continues to be a fusion of evolving new trends and patterns with several key facets that remain consistent over time.

General

- Canada produces, imports, and serves as a transit country for illicit commodities. Some crime groups utilize international linkages; however, many criminal groups operate locally or within a province. Criminal groups continue to exploit border areas in the movement of illegal commodities.
- Successful law enforcement disruptions create temporary voids in criminal markets at local and regional levels, but are often market expansion opportunities for other well-placed crime groups.
- Many organized crime groups are involved in multiple criminal markets with cooperative criminal ventures. Where critical skills necessary to facilitate criminal activities are absent within a criminal group, skilled outsiders are recruited to provide this service.

Organized crime takes profits from the vulnerability of youth, seniors, the marginalized and the addicted.

*Chief Cal Johnston,
Regina Police Service*



Illicit Drugs

- The illicit drug market continues to be the primary criminal market in Canada in terms of estimated generated illicit revenue, the number of participating organized crime groups and the number of consumers. As a result, no single organized crime group dominates any specific illicit drug market, either nationally or regionally. Unchanged from 2006, approximately 80% of all crime groups in Canada are involved in this market, particularly as street-level traffickers. A smaller proportion of crime groups are active in more sophisticated operations such as wholesale distribution, importation and domestic production.

Marihuana

- Marihuana remains the most produced and abused illicit drug in Canada with a majority of organized crime groups, at all levels of criminal sophistication, involved in its cultivation, distribution and transportation. Large-scale marihuana grows are primarily located in British Columbia (B.C.), Ontario and Quebec. Marihuana exported to the United States, representing a small percentage of the overall U.S. domestic marihuana market, is exchanged in some instances for cocaine and other illicit goods.

Cocaine

- The demand for cocaine continues to be significant, particularly in urban centres across the country. Large-scale importation and inter-provincial distribution of cocaine are key activities for several of the most sophisticated organized crime groups. Cocaine enters Canada either directly from source countries in South America, particularly Colombia, or through transit countries such as the United States, Haiti, Jamaica and Mexico. Inter-provincial distribution is coordinated from primary hubs in B.C., Ontario and Quebec via personal and commercial vehicles, rail, post and commercial air.



Extremely addictive, deadly drugs such as crystal meth, heroin and crack cocaine damage individuals, their families and society.

*Chief Jim Chu,
Vancouver Police Department*

Drug trafficking is a principal source of revenue for most organized crime groups. A consequence to all individuals in our communities is the resulting physical, emotional, economic and social harms.

*RCMP Deputy Commissioner
P.Y. Bourduas, RCMP Federal
Services and Central Region*

Heroin

- The heroin market is limited with a small number of criminal groups involved in importation from Southern Asia, South-Eastern Asia and Colombia via a variety of smuggling methods. These drugs are distributed across the country by criminal groups operating at all levels of capability to a small, but well-established market.

Ecstasy

- Canada has become a source country for ecstasy with domestic production primarily centred in B.C. and Ontario. Canadian-produced ecstasy is exported to markets in the U.S., and to a lesser extent, Australia and Japan.

Methamphetamine

- Canada's methamphetamine market is predominantly supplied by domestic production with the largest concentration of production in B.C., with only a small number of crime groups exporting to the U.S. Continuing trends are the exportation of mixed shipments of marihuana and ecstasy with methamphetamine into the U.S. Some groups are intentionally or inadvertently lacing marihuana, cocaine and other synthetic drugs with methamphetamine for domestic distribution.



Financial Crime

- Financial crime is facilitated in some instances by either the theft of personal or financial data or by the fraudulent assumption of another's identity. This type of information is obtained through a variety of methods, including: simple mail or garbage theft, modification of point-of-sale terminals such as Interac devices, online data mining, compromising corporate data bases or through black market websites that sell stolen data from credit cards and driver's licenses.

Data mining is a technique used to search large-capacity databases that, relative to financial crime, assists in the acquisition of personal and financial information for fraudulent use.

Identity theft has become the crime wave of the new millennium on both sides of the Canada-U.S. border, leading to financial crimes that require no direct communication between victim and criminal.

*Commissioner Julian Fantino,
Ontario Provincial Police*

Mass Marketing Fraud

- VoIP and the use of disposable cell phones with chips containing different area codes provide more opportunity for mass marketing-related frauds while eliminating the need for "boiler rooms" with land lines. Criminal groups continue to use Canada as a base for telemarketing schemes and have been known to target countries such as the United States, United Kingdom, Australia, Germany, India, France and Morocco.

A "boiler room" refers to a location that is outfitted with desks and telephones, typically the central location for fraudulent telemarketing schemes.

Organized crime poses a threat to Canadian Forces operations. Whether it is drug dealers eroding the morale and effectiveness of our troops through the sale of illicit drugs, or groups attempting to steal specialized military equipment, the threat posed by organized crime cannot be ignored.

*Captain (Navy) Steve Moore,
Department of National Defence*

Mortgage Fraud

- Multiple criminal groups are involved in mortgage fraud, with estimated illicit profits ranging into the hundreds of millions of dollars annually. Mortgage fraud can involve the expertise of financial professionals to facilitate criminality. An emerging trend, crime groups target new Canadians, particularly individuals from their own ethnic community, to act as nominees on fraudulent mortgage loan applications.



Profits from criminal activities like drug trafficking are increasingly being funneled into legitimate businesses.

*Normand Proulx,
Director General, Sûreté du
Québec*

Securities Fraud

- Across Canada, illicit offshore investments, fraudulent high-yield investments and illegal market manipulation are commonly observed frauds. Online investor's brokerage accounts are vulnerable to theft and manipulation due to targeted Internet hijacking.

Fraudulent high-yield investment schemes generally offer or guarantee risk-free and impossibly high returns on investments.

Payment Card Fraud

- Most criminal groups involved in payment card fraud focus on lower-level aspects of the market, particularly skimming and trafficking financial data or using counterfeit cards to purchase goods. In 2006, according to the Canadian Bankers Association, credit card fraud losses increased 10% from 2005, totalling \$185.45 million, while fraud from debit card skimming increased approximately 34% to \$94.6 million.

Money Laundering

- The International Monetary Fund estimates that between \$22 and \$55 billion is laundered annually in Canada. Criminal groups will continue to manipulate Internet financial services, such as online payment systems and e-currencies as they can be highly secure, anonymous and operate outside the regulated banking system. In addition, crime groups will continue to insulate themselves through simpler laundering methods ranging from the use of cash-intensive businesses such as restaurants and casinos, to the purchase of luxury goods.



Cross-border human trafficking, both inter-provincially and internationally, for the purpose of prostitution is a major concern for us. We are also very committed to strengthening relationships with other police jurisdictions, including the U.S., to ensure an efficient response to human trafficking.

*Chief Mike Boyd,
Edmonton Police Service*

Human Smuggling and Trafficking in Persons

- Domestic criminal groups continue to operate as service providers for the transport and facilitation of human smuggling. A disproportionate number of illegal migrants remain in Canada compared to those that transit to the U.S., though several crime groups use Canada to smuggle migrants to the U.S. In Canada, trafficking in persons is known to exist in the form of sexual exploitation and domestic servitude. Several crime groups are also involved in domestic trafficking in persons: recruiting young women, transporting them throughout Canada and in some instances to the U.S., and exploiting them in the sex trade.

Intellectual Property Theft

- Counterfeit products, largely entertainment-based software, are estimated to generate multi-billions of dollars in illicit proceeds in Canada. Organized crime groups are using the Internet to purchase and sell counterfeit goods. Nationally, criminal groups active within this market are distributors, while fewer groups are involved in the manufacture or importation of counterfeit goods. Counterfeit goods infiltrate the legitimate supply chain often without the awareness of either the supplier or consumer.

Intellectual property theft generally falls under one of three categories: 1) violations of copyright, which includes the piracy and counterfeiting of digital media such as software, music, and movies; 2) violations of trademark, which involves the counterfeiting of brand names; and 3) theft of trade secrets, which includes the theft of proprietary information such as design templates and production schematics.



It is reasonable to believe that there will be future incidents of organized crime exploiting the vulnerabilities of this province's coastline to avoid enforcement pressures on the Canadian mainland.

*RCMP Assistant Commissioner
Gerry Lynch, Commanding Officer
B Division (Newfoundland and
Labrador)*

Vehicle Theft

- Montreal and Toronto remain the primary hubs of vehicle theft in Canada, with organized crime involvement in only a small portion of this market, compared to individualistic opportunistic crimes such as joy-riding. Criminal groups are involved in vehicle-related frauds including insurance write-offs and the sale of damaged vehicles, while some groups with higher capabilities based in B.C. and Ontario export stolen vehicles internationally. Other vehicle theft schemes include the manipulation of vehicle tracking systems and computerized ignition connectors that allow for keyless operation.





Feature Focus: The Illegal Firearms Market in Canada

Feature Focus: The Illegal Firearms Market in Canada

Introduction

The illicit firearms market in Canada is driven by both individual criminals and members of organized crime. Criminals require firearms to assist in their criminal endeavours, for personal protection, as well as to demonstrate status as observed in the case of street gang members. The illicit drug market tends to drive the demand for illicit firearms as it is highly competitive, extremely profitable and consequently fertile ground for violent disagreements between and within criminal organizations. Firearms used by members of criminal organizations must be acquired through illegal means as Canada's current legal acquisition and possession controls have been largely successful in preventing members of organized crime from purchasing legal weapons.

Organized crime is not simply a policing problem. It is a problem owned by all communities.

*RCMP Chief Superintendent
Randy Robar, Commanding
Officer L Division
(Prince Edward Island)*

Organized Crime Involvement

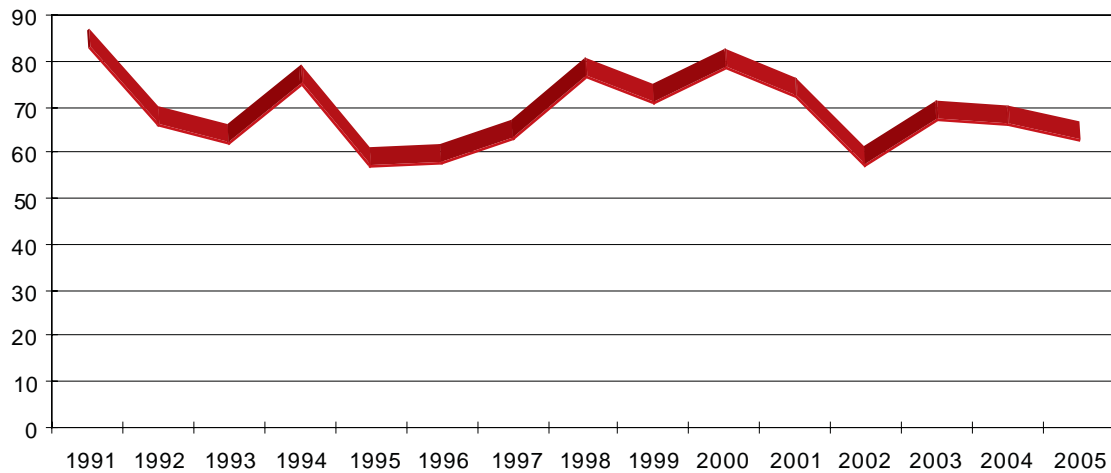
Most organized crime groups in Canada are known to be involved in this market; however, the involvement of the majority of criminals is normally limited to the purchase, use, or occasional random sale of illicit firearms to other criminals. There are fewer individual criminals or crime groups actively involved in either significant firearm acquisition or full-time wholesale retail distribution networks. While the illicit sale of a single firearm can be lucrative in comparison to its initial acquisition price, the overall annual supply-end of the market itself may not be profitable enough in comparison to other criminal markets, such as illicit drugs, to support sustained involvement. Thus, for some, it is only a secondary or tertiary profit-making endeavour.

The roles of criminal actors in the illicit firearms market are not well-defined. Although a small number of crime groups involvement may be more consistent and substantive, this type of involvement is not typical. Thus, at any given point in time, it may appear that different crime groups are playing a significant role within this market, but this may be short-term and only continue until a need is satisfied.

Violence

Many organized crime groups do not use firearm-related violence in the daily conduct of their criminal activities. In general, firearm-related violence is periodically used to deter real or perceived criminal market encroachment or maintain internal crime group discipline. In addition, violence has been used to intimidate individuals and communities. While it is typically not deliberate, this violence can harm innocent bystanders. Periods of firearm-related violence develop between members of rival crime groups, particularly street gangs, that can involve repeated firearm-related assaults and deaths that may continue in a retaliatory cycle. This cycle of violence tends to peak in intensity and subsequently decline, often due to targeted law enforcement intervention.

Percentage of Gang-Related Homicides That Involved a Firearm, 1991-2005



Source: Statistics Canada, Canadian Centre for Justice Statistics, 2005 Homicide Survey

Illicit Market Components

The major sources of illicit firearms in Canada are smuggled firearms and domestic theft. These have remained consistent sources over the recent years and will continue to be the major sources of illicit firearms in this country for the foreseeable future.

Once entered into the criminal market, an illicit firearm can be functional and in constant circulation for decades, potentially in the possession of numerous criminal owners. This means that there is currently a reservoir of crime guns in circulation that will continue to be utilized for future criminal activities. However, each year domestic firearm thefts occur and newly smuggled firearms are recovered by law enforcement which confirms that there is still a demand for new illicit firearms to supplement the existing market.



Regional Trends: Illicit Firearms Market

North (Yukon, Northwest Territories, Nunavut)

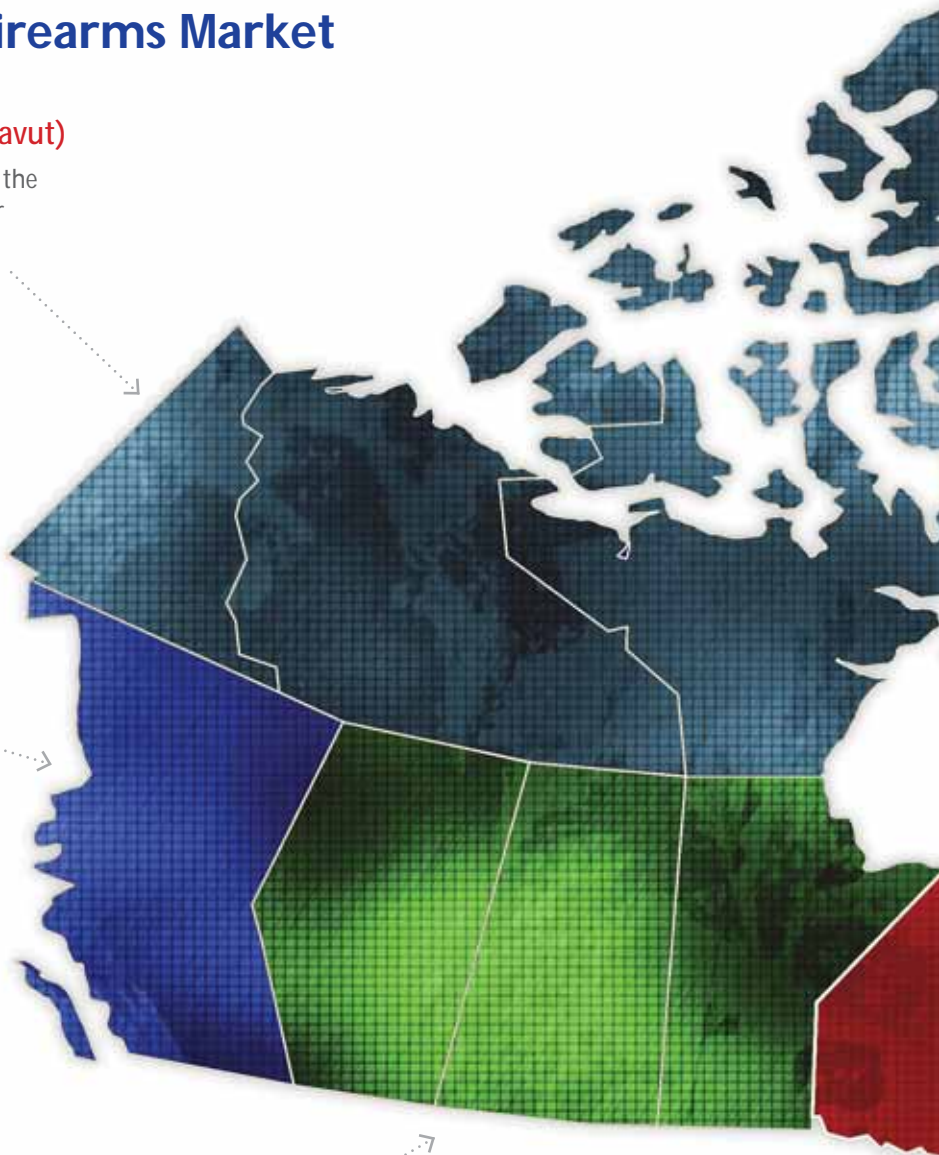
Long guns are the most common illegal firearm in the three territories for criminality, largely due to their availability in remote areas for hunting purposes.

Pacific (British Columbia)

Despite regional differences, handguns are the most common illegal firearm in most parts of British Columbia due to their ready availability. Smuggled handguns and restricted firearms that have not been re-registered are the largest category of recovered illicit firearms.

Prairie (Alberta, Saskatchewan, Manitoba)

In Alberta, handguns are the most commonly used illegal firearm, particularly by those involved in the illicit drug market. In Saskatchewan and Manitoba sawed-off long guns, which are older and often difficult to trace, are commonly used in the commission of criminal offences.





Quebec

Overall, long guns are the most commonly seized firearm in Quebec based on seizure statistics; however, handguns are more commonly used by criminal organizations. The vast majority of handgun seizures have been linked to street gangs.

Atlantic (New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador)

Long guns are the most common illegal gun throughout the Atlantic provinces, with the exception of urban areas (e.g. Halifax, NS and Saint John, NB) where handguns are more prevalent.

Ontario

In Ontario, both handguns and long guns are used throughout the province, although certain areas appear to favour one type over another. For example, in larger urban centres such as the Greater Toronto Area (GTA) handguns are more common, whereas long guns are more prevalent in some smaller urban and rural areas.

Smuggled Firearms

Smuggled firearms that cross the land border from the United States are a significant source of illegal firearms due in part to its geographic proximity and less restrictive gun control regulations. The ability of criminal entrepreneurs and organizations to smuggle firearms across the Canada-U.S. land border also appears to be greatly influenced by the physical geography between the ports of entry. A number of land border areas are particularly attractive due to the often rough and remote geographical nature of portions of this border area. There are also a multitude of remote unmanned border crossing locations that could be exploited for unauthorized surreptitious cross border movement.

There continue to be five primary sources or methods used by criminals or their organizations to acquire firearms from U.S. sources and divert them for subsequent smuggling attempts into Canada:

1. **Licensed U.S. Dealers:** A U.S. federally licensed firearms dealer who knowingly or unknowingly sells firearms to individuals who intend to either smuggle or resell firearms to individual criminals or organized crime.
2. **Straw Purchasers:** A person with illegal intent may use an accomplice, referred to as a straw purchaser, to legally acquire firearms from an U.S. retailer in order to hide his or her own identity. The straw purchaser never intends to actually own the firearms and turns them over to their co-conspirator for subsequent illegal movement and distribution.
3. **False Identification:** A person, whether prohibited or not, obtains false U.S. identification and uses it to purchase firearms with the intention of reselling or smuggling the weapons.
4. **Secondary U.S. Markets:** A person purchases firearms at a secondary market (e.g. a gun show, flea market, or through a private sale) with the intention of reselling or smuggling the weapons. Purchases from secondary



markets can be made with relative anonymity as they may involve unlicensed sellers who are not required to conduct background checks, or maintain firearms transaction records.

5. Theft: A person steals firearms from a lawful owner, a U.S. retailer, a conveyor (common or contract carrier) or from the mail system, with the intention of reselling or smuggling the weapons.

Domestically Sourced Firearms

Domestically sourced firearms are mainly derived from residential and commercial thefts; however, other sources include: firearms that have not been re-registered, unregistered and deactivated firearms, as well as diversions from the legitimate industry.

Street gangs have evolved from local gangs into sophisticated and highly resourceful criminal organizations that require law enforcement to take an intelligence-led, investigative approach to combat them.

*Chief William Blair,
Toronto Police Service*

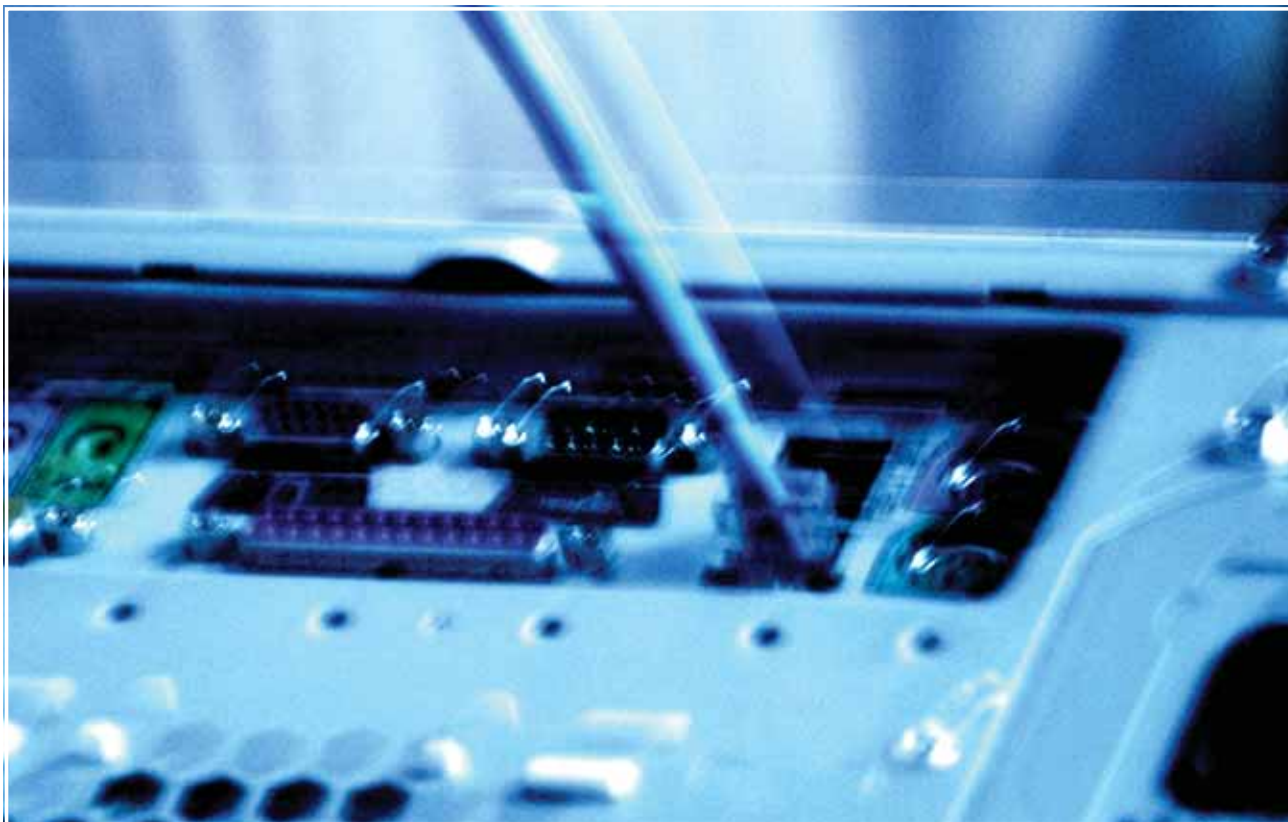
The Canadian Police Information Centre (CPIC) has maintained records pertaining to stolen or missing firearms since 1974. Currently, there are approximately 85,000 firearms recorded in the system, of which approximately 44,000 are classified as restricted firearms (e.g. handguns). It is unknown as to how many of these firearms are, or could become part of the domestic illicit firearms market in Canada. However, law enforcement regularly recovers missing or stolen firearms. Domestically sourced firearms are primarily obtained from residential, and to a lesser extent, commercial break-and-enters and members of organized crime are known to identify and target legitimate firearms owners, in particular those with large collections.

Not all restricted firearms that were previously registered were re-registered under the current system for a variety of reasons. For example, an individual who has inherited firearms from a deceased family member may not be aware of the need to re-register them. Should these guns be stolen in a break-and-enter, they could potentially end up as part of the illicit domestic firearms market in Canada. In certain parts of the country, firearms that have

not been re-registered are often linked to various crimes and tend to be in the possession of individuals who are not the original registered owner.

The term “deactivated firearm” is often used to describe a firearm that has been permanently modified in a manner that prevents it from discharging projectiles. There have been cases whereby firearms reported as deactivated were either never actually deactivated or could easily be reactivated after merely a few adjustments.

Technology has had an impact on this criminal market as the Internet has become an alternate source of illicit firearms and firearm parts for both consumers and criminals. The Internet has been exploited to acquire firearm parts that would later be shipped via post and courier, assembled and then sold to individual criminals or members of organized crime. In addition, there are websites that instruct people how to build guns.





Conclusion

Illicit firearms will continue to be a desired commodity by organized crime to protect their involvement in other criminal activities, particularly the illegal drug trade. The sources of these firearms in Canada, largely from domestic thefts or those smuggled from the U.S., have remained consistent over a number of years. Nevertheless, fluctuations in the relative importance of each source will vary geographically across Canada and over different periods of time.

As firearms are a reusable commodity, there currently is a reservoir of illegal firearms in Canada that has been built-up over the last few decades that will continue to fuel firearm-related incidents in the foreseeable future.



Looking to the Future

Looking to the Future

CISC is dedicated to informing the public on current and emerging organized crime issues. An informed public is better able to understand the threat posed by organized crime activities and the harms they represent. Organized crime does not operate within confined boundaries, but exists and conducts illicit business within urban centres as well as rural communities. In some instances, these crime groups could not continue to function without the compliance of individuals within the legitimate economy. It is hoped that an informed public will continue to be a willing and active partner, working cooperatively with the law enforcement community to combat organized crime.

The CISC Annual Report offers Canadians an opportunity to become better informed and aware of how pervasive and insidious a threat organized crime poses to our country, to our province and to our communities.

*RCMP Deputy Commissioner
Bill Sweeney, Northwest Region*

CISC is the criminal intelligence organization that represents the entire Canadian law enforcement community. Consequently, it is in a unique position to enhance the level of coordination and intelligence sharing within this community to enable integrated intelligence-led policing. In addition, the ongoing sharing of intelligence facilitates CISC's continued commitment to provide the public with a national law enforcement overview of organized crime. The CISC network will continue its coordinated efforts to assess organized crime in the context of the criminal marketplace in order to most effectively combat current and emerging organized crime threats.



