FINTRAC

Overview of Canada's Financial Intelligence Unit (FIU)

Money Transmitter Regulators Association Conference 2005

FINTRAC
Financial Transactions and Reports Analysis Centre of Canada
Centre d'analyse des opérations et déclarations financières du Canada

Canada

Overview

- Financial Transactions and Reports Analysis Centre of Canada Mandate
- The First 5 Years
- Money Service Businesses and the Act

FINTRAC'S Mandate

- Assist to detect and deter money-laundering and terrorist activity financing
- Collect, analyze and disclose financial intelligence
- Protect the personal information under its control from unauthorized disclosure
- Ensure compliance with legislative and regulatory requirements
- Enhance public awareness

Historical Overview

- 1991: Proceeds of Crime (Money Laundering) Act (PCMLA) passed
- 2000: PCMLA updated – mandatory transaction reporting and creation of FINTRAC
- 2001 (October): FINTRAC becomes operational
- 2001 (December): PCMLA becomes Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)
- 2003 (March): All mandatory reporting streams are in effect

About FINTRAC

- Independent Agency
- Reports to the Minister of Finance
- Headquarters - Ottawa
- Regional Offices – Vancouver, Toronto, & Montreal

Reporting Entities

- Banks
- Credit Unions
- Life Insurance companies, brokers and agents
- Securities dealers
- Foreign exchange dealers
- Money services businesses
- Casinos
- Accountants
- Real estate brokers or sales representatives

PC(ML)TFA Requirements

- Client Identification Requirements
- Record-Keeping Requirements
- Third Party Determination
- Reporting Requirements
- Compliance Regime

Reporting Requirements

- ML STRs – November 8, 2001
- TF STRs – June 12, 2002
- Terrorist Property Reports (TPRs) – June 12, 2002
- SWIFT International EFTRs (CAD $10,000 or more) – June 12, 2002
- Cross-border Currency Reports (CAD $10,000 or more) – January 6, 2003
- LCTRs (CAD $10,000 or more) – January 31, 2003
- Non-SWIFT International EFTRs (CAD $10,000 or more) – March 31, 2003

Requirements Specific to the MSB/FX Sector

- Must file reports with FINTRAC
  - STRs, TPRs, LCTRs and international EFTRs
- Client ID, Third Party Determination and Record-keeping requirements
- No registration or licensing requirement at this time
- Unregulated sector

What is an MSB/FX?

- Developed FINTRAC Interpretation Notice (FIN) to help entities determine whether they are engaged in the business of an MSB or FX:
  - Your business issues or redeems money orders, travellers' cheques or other similar negotiable instruments for more than CAD $1,000 with the same person on the same day;
  - You advertise (by means of newspaper, television, yellow pages, internet, any other media, or by an interior or exterior sign) the fact that you engage in the activity;
  - You hold a permit or licence related to the activity;
  - You are registered as someone carrying on the activity; or
  - You report the income of that activity as income from a separate business for tax purposes.

Compliance

- Ensure compliance through:
  - Awareness and outreach
  - Examinations
  - Non-compliance disclosures to law enforcement

Compliance Strategy

- Cooperative approach
- Risk management approach
  - Risk assessment
  - Focus on highest risk for non-compliance
  - Maximize coverage and presence
  - Obtain intelligence on compliance behavior
    - » VIRs; Compliance Questionnaires; Research
  - Exchange of information with regulators
- Disclosures to law enforcement when cooperative approach fails/large scale non-compliance

Relationships with Regulators

- FINTRAC has authority to enter into information sharing agreements with regulators
    - Minimize regulatory overlap
    - Minimize information gaps
- Have concluded 15 MOUs since mid-2004
- Share information with regulators relating to compliance
- Some regulators have incorporated AML & ATF verification within their examinations

Reporting Levels

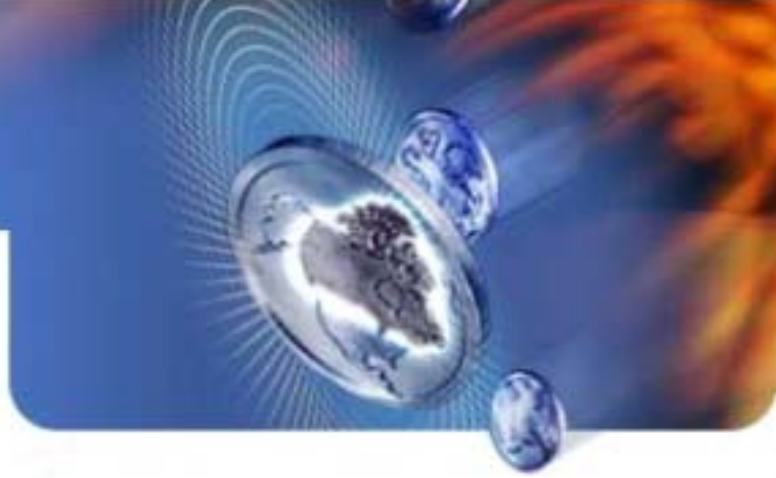
Activity Sector	STRs	LCTRS	EFTRs	TOTAL
Banks	20,312	8,163,070	10,336,023	**18,519,405**
Caisse Populaires	11,299	951,543	124,390	**1,087,232**
Casinos	1,582	84,339	N/A	**85,921**
MSB/FX	23,300	58,678	250,257	**332,235**
Savings & Credit Unions	10,801	293,631	16,558	**320,990**
Trust & Loan Companies	458	1,566	9,100,702	**9,102,726**
Other	735	5,773	95,591	**102,877**
Total	68,487	9,558,600	19,923,521	**29,551,386**

Results

- ML/ TF Disclosures
  - 2003-2004
    - $700 Million Cdn (up from $460 Million)
    - 197 cases disclosed
    - 149 suspected ML, 44 suspected TF, 4 suspected both
    - EFTRs included in 57% of our disclosures
- Non- Compliance
  - 4 disclosures

Non-Compliance

- Offences and Punishments
  - Failure to report suspicious transactions: up to CAD $2 million and/or 5 years
  - Failure to report a prescribed transaction: up to CAD $500,000 for the first offence, CAD $1million for subsequent offences
  - Failure to meet record keeping requirements: up to CAD $500,000 and/or 5 years



Jim Butcher

Acting Assistant Director

Reporting Entity Relationships

FINTRAC

www.fintrac.gc.ca