ACAMS Lunch and Learn – November 12th 2015

Detective Robert Hawkes #3134
Durham Regional Police Service – Provincial Asset Forfeiture Unit
Headlines Across Canada

Canadian banks helping clients bend rules to move money out of China

Canadian banks help Chinese flout their laws to get piece of ‘smurfing’ billions

Feds: Man laundered millions from 'grandmother scam'

Canadian Banks’ Money-Laundering Controls Failed
Canada’s banking regulator found 72 failures of anti-money-laundering controls between 2009 and 2014

Three Canadians arrested in $5-billion money-laundering scheme

MARKETS
Project Ice Castle

- This project targeted producers of methamphetamines.
- Two of the houses used for the production were owned by a Chinese National.
- Between the Chinese National and their designate (son) in Canada, there were over 13.8 million dollars in EFT’s from mainland China to accounts here in Canada.
- Transfers were at the $50,000.00 range which did not trigger a reaction in China (reporting condition is greater than $50,000 per person per calendar year).
Canada’s top banking regulator has found that money-laundering controls at the country’s banks failed on numerous occasions, according to a document obtained by The Wall Street Journal.

Between 2009 and 2014, the Office of the Superintendent of Financial Institutions logged 72 failures of anti-money-laundering controls at the country’s banks, according to an OSFI document released under the Canadian Access to Information Act.
Ontario Trends

- Bulk Cash Smuggling
- Real Estate
- Casinos
- Structuring (smurfing)
- Money Mules (Electronic structuring)
- High End Vehicles
- Foreign Investments (real estate)
- Private ATM’s
‘Dirty cash’ seizures on the rise as Ottawa cracks down on money laundering

Last year, border officials reported 1,429 seizures and confiscated $24.5 million of undeclared currency at the border, up almost 30 per cent since 2013.

Last October, Canadian border officials found duct taped packages of more than $1.3 million of undeclared currency in a truck at the Queenston-Lewiston bridge in southern Ontario. The cash was seized as suspected proceeds of crime.
Bulk Cash Seizures

- From January to April 2015 –
- Canada Border Services seized over $6.7 million dollars (undeclared money).
- $834,144 in Proceeds of Crime money
- Pearson Airport accounted for $2.9 million (undeclared) and $127,960 in Proceeds of Crime Money.
- Cash Seizures are on the rise in Municipal Police Investigations – profit motivated criminals finding it more difficult to integrate their ill gotten gains into financial entities. (Increased use of safety deposit boxes)
Real Estate

- Recent Cases have shown that persons engaged in profit motivated criminal activity are looking to integrate their profits into the new real estate market.

- Prospective buyers are buying new developments (not yet built); speculating on value upon completion.

- Ill gotten gains turn into what looks like legitimate funds through subsequent sale of property to another buyer. Profits from the sale are then incorporated into financial entities.
Project Rover

- Investigation related to drug trafficking and production
- Multiple parties arrested and charged
- Search Warrants provided police with investigative leads (real estate pamphlets) related to possible real estate purchases
- Nothing revealed through regular steps (land registry; FinTRAC; Grid Searches etc..)
- Follow ups and interviews revealed multiple purchases of new condo and new residential homes by two main targets.
- Over $2 million dollars in down payments and subsequent payments for properties.
Difficult Laundering Technique to Detect

- Use of Mortgage Brokers to purchase new developments; Condo’s and Residential Houses
- Mortgage Brokers not required to report to FinTRAC.
- Real estate agents; brokers and developers required to report but only $10,000 or more in cash used (STR’s/LTR’s).
- Persons supply mortgage broker with funds to purchase new developments.
- 80% of new condo’s must be sold/built and occupied before developer required to register properties.
- New houses not registered until property built and closing is complete.
Indicators for Realtors

- Foreign/non-resident purchasers; Capital Investment – non interest in living in purchased property
- Identification used is all foreign – difficult to verify
- Anonymous transaction – conducted by 3\textsuperscript{rd} party (lawyer); funds all provided through lawyers trust account
- Purchaser on closing date – provides significant amount of cash
- Large cash down payment; Balance financed through unusual source (offshore bank, shell company)
- Multiple properties in short time period
- Purchases property without inspecting it.
- Purchaser shows no interest/concern regarding risks, commissions and other transactions costs.
Structuring/Money Mules

- Multiple Persons Utilized for deposits into accounts
- Persons open multiple accounts (on line banks/smaller FI’s)
- Frequent deposits by wire transfers; e-mail transfers; deposits from smaller FI’s (such as Western Union/Money Marts/MSB’s)
- Large transfers out to 3rd party account

“Money Mules is a term used to describe persons recruited to launder illegal funds “
Money Laundering Indicators

- Customers who provide insufficient or suspicious information
- Efforts to avoid reporting or record keeping requirement
- Certain Funds Transfer Activities (many frequent wire/e-mail transfers of funds from multiple sources – inconsistent with profile)
- Activity inconsistent with customers listed employment or business
- Other Suspicious Customer Activity (currency refinement; frequent even numbered cash deposits; layering of accounts)
- Changes in Account Activity (increase in size/frequency of cash deposits)
QUESTIONS

A/Sgt. Robert Hawkes #3134
Durham Regional Police Service
Intelligence Branch
Team Leader – Provincial Asset Forfeiture Unit

robert.hawkes@opp.ca
3134@drps.ca
905-579-1520 Ext 5819