DIRTY MONEY
AML IN CANADA – SERIOUS BUSINESS OR WINDOW DRESSING

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The term is an amalgam of the words snow meaning purity as well as the cold Canadian climate and washing referring to money laundering.

https://en.wikipedia.org › wiki › Snow_washing
WHY LAUNDER?

• HIDE THE PAPER TRAIL
• MAKE DIRTY MONEY APPEAR CLEAN

• IN ORDER TO:
  1) BUY MORE PRODUCT, AND
  2) TAKE YOUR PROFITS
HOW TO LAUNDER MONEY

- There are no rule books – whatever works
- Stay ahead of the authorities
- Move to other methods when the ‘heat is on’
- Use nominees, sometimes called smurfs
- Structure transactions to hide their true intent
- Corrupt officials, bankers, etc.
- Have a legitimate cover story / job / business
WHY BE CONCERNED ABOUT MONEY LAUNDERING???
Organized Crime
What is Organized Crime?

- Migrant Trafficking
- Money Laundering
- Counterfeit Goods
- Cybercrime
- Ivory Trade
ORGANIZED CRIME TODAY

• TRANSNATIONAL

• LOOSE ALLIANCES

• NOT COMMODITY SPECIFIC

• LEGAL AND ILLEGAL ENTERPRISES
WHAT DOES ORGANIZED CRIME LOOK LIKE?
ORGANIZED CRIME IS VERSATILE

• OC MOVES FROM SECTOR TO SECTOR
  • Legal and Illegal Marijuana Industries

• MONEY SERVICE BUSINESSES

• LUXURY GOODS

• CRYPTOCURRENCY, FOREIGN CREDIT CARDS
Case Example –
Money Laundering & Vancouver
WHY VANCOUVER ???
Meeting point for Asia / North America - seaports, airport

Modern banking facilities, high tech

Access to US / Mexico

Ethnic diasporas

Established organized crime

Mild criminal sanctions

Difficulty investigating and prosecuting
WHY MONTREAL ???
DIRTY MONEY – PART 2

Turning the Tide - An Independent Review of Money Laundering in B.C. Real Estate, Luxury Vehicle Sales & Horse Racing

Peter M. German, QC, PhD

DIRTY MONEY

An Independent Review of Money Laundering in Lower Mainland Casinos conducted for the Attorney General of British Columbia

Peter M. German, QC
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- CASINOS
- REAL ESTATE
- LUXURY CARS
- HORSE RACING
THE CASINO PROBLEM

- ORGANIZED CRIME (OC) GENERATES HUGE AMOUNTS OF CASH
- OC MUST CLEAN ITS MONEY
- CASINOS ARE A CASH BASED INDUSTRY
EXAMPLES OF CASH FLOW TO CASINOS

**Project 1**
Cash Supply
- Cash generated from OC activities:
  - 30% OC
  - 50% Criminals
  - 20% Coerced (debtors)

**Organized Crime**

Sample Flow Diagram:
- Couriers used to move cash
- International Money Services Business (Unregistered)
- Loan Shark/Facilitator
- Bank Drafts
- Casino
- Cash, bank drafts used to buy in/play

**Project 2**
Cash Supply
- Sources of cash:
  - Company A
  - Company B

Sample Flow Diagram:
- Couriers used to move cash
- Cash
- Loan Shark/Facilitator
- Bank Drafts
- Casino
- Cash
- Bank Drafts
- Casino
- Cash
- Bank Drafts
- Casino
- Money from patron is transferred to bank account or where directed by loan shark/facilitator
VANCOUVER MODEL

• PROFESSOR JOHN LANGDALE, MACQUARRIE UNIV.

• FACILITATE LAUNDERING DRUG PROCEEDS

• FACILITATE MOVING MONEY OUT OF CHINA

• OC CLIPS ITS TICKET AT BOTH ENDS, USING UNDERGROUND BANKERS / MONEY SERVICE BUSINESSES

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LUXURY VEHICLES

• USE AS CRIME VEHICLES

• EXPONENTIAL RISE IN VALUE SINCE 2000

• INTERNATIONAL TRADE IN STOLEN VEHICLES

• AS A TOOL FOR MONEY LAUNDERING

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REAL ESTATE - OVERVIEW

• CONFLUENCE OF FOUR STREAMS
  • Legal Money
  • Dirty (Criminal) Money
  • Capital Flight
  • Underground Economy

• OVERSEAS BUYERS

• GATEKEEPERS

• OPAQUE OWNERSHIP
RED FLAGS / TYPOLOGIES

• Purchase by Nominees
• Unfinanced Purchases
• Private Lending
• Unusual Interest Rates
• Quickly Discharged Mortgages
• Flipping
• Over / Undervalued
• Buying Spree

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NOMINEES / OVERSEAS BUYERS

- NOMINEES - Student, Homemaker, Unemployed
  - 3% - 33,292 in 20 Years

- SERVICE ADDRESSES -
  - Post Office Box – 71,000
  - Residents using Offshore Addresses
  - Offshore Residents using Canadian Addresses
  - $16.12 Billion outside BC
  - 1/5th in High Risk Jurisdictions / 25 - Trade Sanctions

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The International Response
UN CONVENTIONS

• DRUGS – VIENNA - 1998
• ORGANIZED CRIME – UNCTOC - 2000
• CORRUPTION – UNCAC - 2003
INTERNATIONAL ORGANIZATIONS

- UNCAC / World Bank / IMF
- G-7 - Financial Action Task Force (FATF)
- Organization For Co-operation & Economic Development (OECD)
- Regional Bodies
- NGO’S – eg/ Transparency International (TI)
FINANCIAL INTELLIGENCE UNITS

• Referred to as FIUs
• All nations are expected to have an FIU
• Egmont Group
• Some FIUs are within law enforcement, others in gov’t departments
• Reporting Requirements on Businesses
  - Large Cash Transactions, etc.
  - Suspicious Transactions
ACCOUNTANTS & LAWYERS ‘At Risk’ Professions

- REPRESENTATION - KYC
- ACCEPTANCE OF CASH
- LAWYER TRUST ACCOUNTS
- WILFUL BLINDNESS
Corruption of Foreign Officials Act

Accounting

4 (1) Every person commits an offence who, for the purpose of bribing a foreign public official in order to obtain or retain an advantage in the course of business or for the purpose of hiding that bribery,

• (a) establishes or maintains accounts which do not appear in any of the books and records that they are required to keep in accordance with applicable accounting and auditing standards;
• (b) makes transactions that are not recorded in those books and records or that are inadequately identified in them;
• (c) records non-existent expenditures in those books and records;
• (d) enters liabilities with incorrect identification of their object in those books and records;
• (e) knowingly uses false documents; or
• (f) intentionally destroys accounting books and records earlier than permitted by law.

Punishment

(2) Every person who contravenes subsection (1) is guilty of an indictable offence and liable to imprisonment for a term of not more than 14 years.
What Governments Can Do
‘WHACK A MOLE’ EFFECT

• Tip Line

• Other Forms of Money Laundering
  • Luxury Goods –
    • Boats, Auction Houses, Colleges,
      Crypto, Foreign Credit Cards

• Hopscotch Reporting In Canada

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FEDERAL

• CRIMINAL CODE OFFENCES
• DISCLOSURE
• RCMP
• FINTRAC
• LAWYERS
• PORTS
• UNIVERSAL CASH REPORTING
• GEOGRAPHIC TARGETING ORDERS
PROVINCIAL

• INDEPENDENT REGULATORS WITH TEETH
• ENHANCED CRIMINAL / CIVIL FORFEITURE
• TRANSPARENT PUBLIC LAND AND CORPORATE REGISTRIES
• DEDICATED UNIT OR SFO
• UNREGULATED SECTORS - LICENSING
MUNICIPAL GOVERNMENTS

• CORRUPTION POTENTIAL IN LARGE AND SMALL MUNICIPALITIES

• MONEY LAUNDERING VULNERABILITIES
  • Internal and External Facing

• INTERNAL
  • Real Estate, Procurement, Cash Receipts

• EXTERNAL
  • Bylaw regulation
QUESTIONS?