

Merchants Against Money Laundering

A Presentation by the Integrated
Proceeds of Crime Section of the
RCMP

Kevin Rakhra
Emily Li
Cpl. Dave Reece

Merchants Against Money Laundering Program

- A campaign created to link levels of the government, the police and the business community in a willing partnership to fight organized crime.
- Educate the business community and associated entities about money laundering and law



Integrated
Proceeds of
Crime
(IPOC)



MERCHANTS
AGAINST
MONEY
LAUNDERING



Goals of Campaign

- Help prevent businesses from unintentionally participating in money laundering
- Encourage you and your staff to report suspicious transactions

Phases of Money Laundering

➤ **PLACEMENT**

- Layering
- Integration

\$1,000,180 USD. Wt: 23
kilos



Weight of \$1,000,000 in bills:

- \$1,000 2.2 pounds
- \$100 22 pounds
- \$50 44 pounds
- \$20 110 pounds
- \$10 220 pounds
- \$5 440 pounds
- 1 bill = 1 gram



500 Euro Banknote



➤ Highest Value currency
(200, 500)

➤ $\frac{1}{4}$ of 500 Euro produced
currently in Spain

➤ Reduces Volume

How Are You Directly Affected?

➤ Competition

- Unlimited venture capital for a business funded by drugs
- No need to generate profit when cleaning money



➤ Public Safety

- Drug gang related violence

How Are You Directly Affected?

- Reputation and Integrity of your own Business
- Crooks push legitimate customers away
- Crooks attract Crooks
- Police come knocking

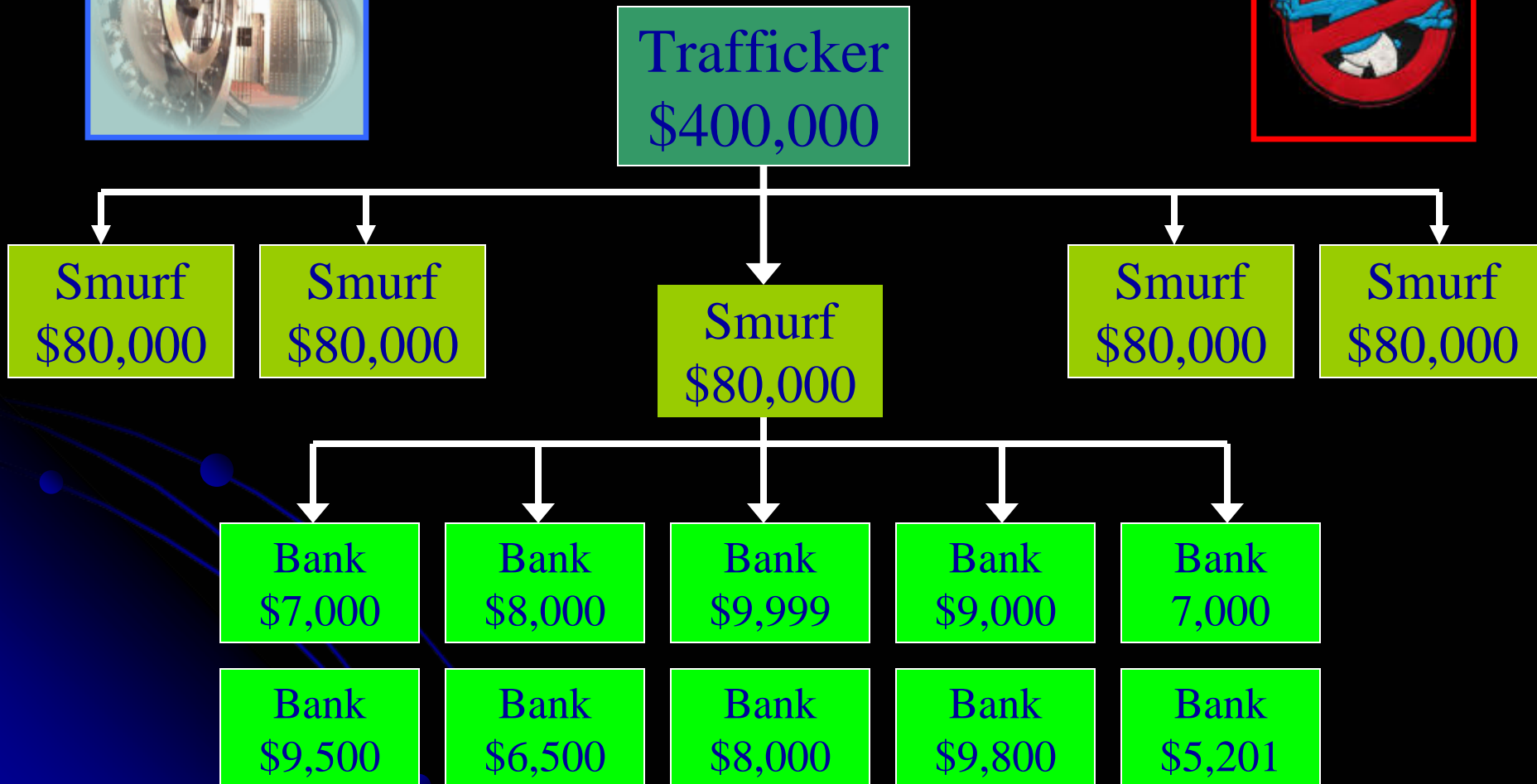


Willful Blindness



- Aware or very suspicious that the source of money is from illegal activities
- Ignore red flags for the sake of profit
- Unaware of consequences

Smurfing



Assets Purchased with Bulk Cash



- Purchase of big ticket items such as cars, boats, planes, real estate and other recreational vehicles.
- Often, the launderer will distance themselves by registering the asset in a friend's name.

Legitimate Business/Commingling of Funds



- **Criminals invest in businesses that handle high cash transactions such as restaurants, night clubs, white label ATMs, etc.**
- **They mix illicit funds with those of the legitimate businesses.**

Methods of Money Laundering

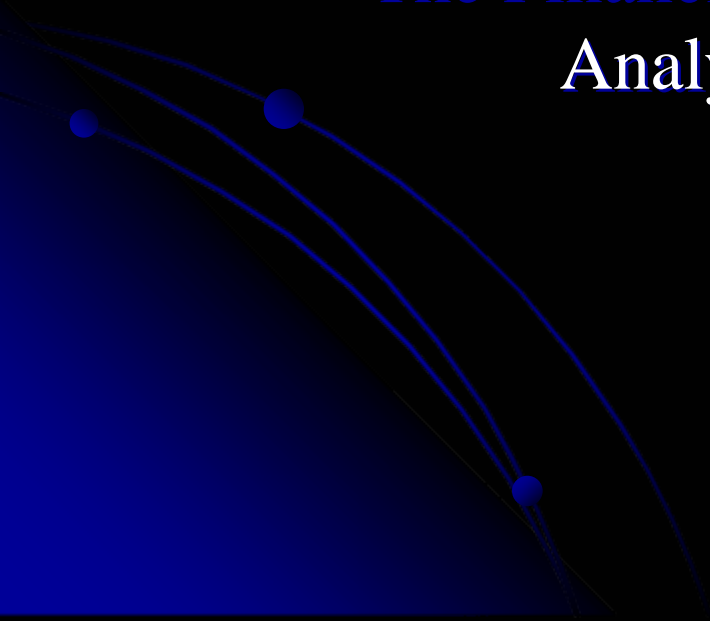
- **Money Services and Currency Exchanges**
- Other services : sale of money orders, cashiers cheques, and travellers cheques.



FINTRAC



The Financial Transactions and Reports
Analysis Centre of Canada

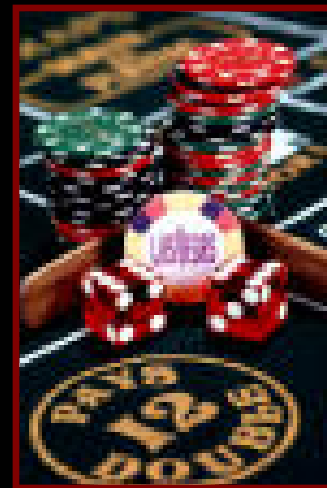
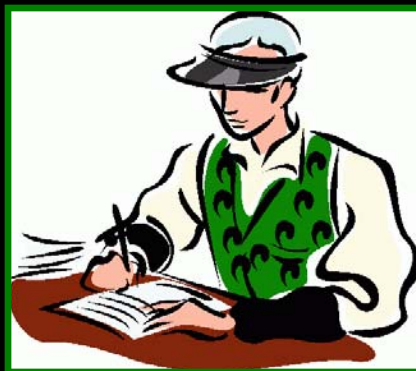


Who are they and Why?

- Federal Government Agency, under the department of Finance
- FINTRAC: financial intelligence (Independent / Confidential)



Who Must Report to FINTRAC?



- Financial Institutions
- Life Insurance
- Securities Dealers
- Foreign Exchange Dealers

- Money Services Businesses
- Accountants
- Casinos
- Real Estate Brokers

Reporting Requirements

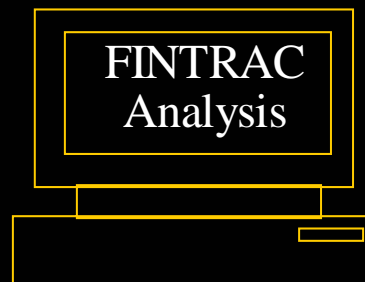
- Suspicious Transactions (any \$ amount)
- Large Cash Transactions (\$10,000+)
- Electronic Funds Transfer Reports (\$10,000+)
- Cross-border Transactions (\$10,000+)
- Terrorist Financing



FINTRAC Information Flow

Reports & Information

- P Reporting Entities
- P Law Enforcement
- P Government
- P FIUs
- P Public
- P Public & Private Database



DISCLOSURE of
designated
information to the
appropriate
agency



FINTRAC

- Criminal networks are using FINTRAC's name to attempt to collect fees.

- **FINTRAC DOES NOT:**
 - investigate
 - charge fees of any kind.
 - freeze or seize funds.
 - issue clearance certificates

Registration

- **Requirement** to register applies to all money services businesses in Canada
- **Money service businesses** include:
 - foreign exchange dealing
 - remitting or transmitting funds by any means or through any person, entity or electronic funds transfer network; or
 - issuing or redeeming money orders, traveller's cheques or other similar negotiable instruments except for cheques payable to a named person or entity.
- To Register: **www.fintrac.gc.ca**

How to Report a Suspicious Transaction?

- **Electronic:** www.fintrac.gc.ca
- **Law Enforcement:** Report directly to law enforcement (RCMP - IPOC Fax: 604-264-2304)
- **No liability** *sustained by anyone reporting information that they believe may be relevant to money laundering. (462.47 CC)*

FINTRAC

- Failure to report suspicious transaction:
- Conviction up too **5 years imprisonment**
- Fine up to **\$2,000,000**

- Failure to report large cash transaction:
- Conviction, fine up to **\$500,000** for first offence
- **\$1,000,000** for subsequent offences.



How can you help Stop Money Laundering?



Signs to look for:

- Accepting large amounts of cash in payment for product could result in criminal liability.
- If in a cash business, attempt to source the cash before accepting larger amounts



Scenario

What would you do and WHY?



- A Customer comes into your BMW Dealership and chooses a specific color, options, model. The next day, a different person comes in a buy that exact car.
- The 2nd person is reluctant to provide ID, explain the source of cash and has small domination for an item worth thousands of dollars.



Scenario



- A regular customer that you know for a long time comes into your jewellery store.
- You know this customer, working as a server at a restaurant.
- Decides to buy ten diamond rings with cash.
- You ask him the source of his cash, and he says his wife gave it to him.

Common Explanations

Of the Origin of Money

I got it from...

- The casino
- Inheritance
- My life savings
- Sold the car for cash
- Contracting
- Hiding it from spouse
- Wedding Gift
- Avoiding Income Taxes



...But does this add up?

Ask yourself these questions

- How well do I know this customer?
- Does the transaction make sense considering the customer's profile?
- Do I fully understand the transaction the customer wishes to complete?
- Am I comfortable with this transaction?
- Is this the usual method for conducting this type of business transaction?

Establish a Compliance Regime

- **Know Your Customers**
- Ensure that your **employees** know what to do when they encounter a suspicious transaction
- **Voluntarily Report** Suspicious Transactions to FINTRAC and/or the Police

When contacting authorities:

- Date, time, and location of the transaction.
- Name, age, address, telephone number, description of the person(s)
- Amount
- Personal Information
- The circumstances, details, and events that raised your suspicion.

Currency Hidden in Second Gas Tank – BMW \$430,000



Negative Impact on Business and Society



Criminal Operations

- By not watching for the signs and taking action, this helps to allow criminal organizations to profit from their proceeds of crime and expand their operations and finance more audacious criminal activity
- Competition and the reputation of your own business



Summary

- What is Money Laundering
- Methods of Money Laundering
- FINTRAC
- What is the impact on you
- What can you do?



THE END



Luxury SUV...\$50,000

Custom Wheels...\$5000

Custom Stereo...\$3000

Seizing it from a Drug
Dealer... Priceless



Contact Us

Kevin Rakhra

Tel: 604.264.3363

Cell: 604.219.5118

E-mail:

- kevindeep.rakhra@rcmp-grc.gc.ca

Cpl. D.A. (Dave) Reece

Tel: 604.264.3016

Cell: 604.833.6516

E-mail:

dave.reece@rcmp-grc.gc.ca

