

HORST INTSCHER PRESENTATION

Good morning and thank you very much for this opportunity to speak to you. It's a great pleasure for me, and an honour really, to be part of this distinguished panel and I have great respect for the collected wisdom and experience of the co-members of my panel. In part, I have to say that because, of course, they are also going to be the largest consumers of my product and so I have to be nice to them. I see that the stickys here that say breathe and slow are -- are still here, so I don't know if they're meant for me or whether they were left behind by a previous speaker. If we're not overwhelmed by the technology, there should be slides -- yes, there are -- slides appearing on one of the screens that will follow along with the presentation that I'm about to give you.

FINTRAC's business is financial information which we analyze and provide to investigative bodies. To provide information, though, we first have to get it and our effectiveness will depend on the quantity and the quality and the timeliness of the information that we receive and ultimately share and disclose. To be effective in our jobs we need to use the most advanced technology and to remain effective we will need to

continue to upgrade that technology. The people whose transactions we seek to track, namely, money launders and terrorists, can access sophisticated technologies. We must be able to do the same and better.

This slide outlines what I'll be covering in my presentation. I'll open with some observations on the sharing of law enforcement and national security information and how FINTRAC fits into that. Then I'll outline some of the key distinctive features of FINTRAC and I'll explain our methods and approach to collecting and analyzing financial data. I will also describe what information we can disclose to our partners. And finally, I'll share some general thoughts about the importance of information sharing in the fight against terrorism.

I think all of us in this room agree that information sharing is key to the effective investigation and prosecution of organized crime and terrorism. This sounds easier than it really is in practice though. To be really effective in this area I think we need to meet a few criteria. First, we need to have good information and we need to identify the information gaps and seek ways to close those gaps.

Second, we need only -- we need not only share,

but we need to share efficiently and in a timely manner. This means, among other things, making more and better use of technology to gather, assess, store, and disseminate that information.

Thirdly, each of us involved in this field is governed by our own respective mandates and legal restrictions. That means we need to be able quickly and efficiently to navigate lawfully through all these restrictions to share what we can share, and with whom we can share it, and to protect what we must protect.

Fourthly, not only must we find the fastest legal way to share information, but we must also ensure that we do so in a secure fashion to prevent the leakage or inadvertent disclosure of some of that very sensitive information.

Meeting all these conditions requires investment and technology and information management systems. Remember those information gaps I just mentioned earlier? Well, FINTRAC was created to close one of them, namely, the lack of financial transaction intelligence. I'd like to tell you a bit about us.

We are still a relatively new organization. FINTRAC was legally established in July, 2000, and became operational in October, 2001. We began

receiving suspicious transaction reports in early December. Our initial mandate focused on anti-money laundering, however, following the tragic events of September 11th, the government expanded FINTRAC's mandate to cover terrorist financing activities, as well. Being the new kid on the block has had some advantages. It has enabled us to benefit from the experience of other countries and their financial intelligence units, especially those of the United States and Australia, as well as some others. Our legislation draws from those experiences, but it also incorporates some important distinctive features.

First, FINTRAC is established as an analytic intelligence body. It is not an investigative body. It exists solely for the purpose of generating intelligence for those investigative bodies. Information sharing, therefore, is fundamental to our purpose and to our mission.

Second, FINTRAC is required to operate at arms length and independently from law enforcement and intelligence agencies.

Third, we have a mandate to collect financial information from a wide array of financial institutions and other sources. Possibly the widest range of any

FIU that is a body like ours anywhere in the world.

Fourth, our legislation requires very comprehensive reporting in terms of financial transactions. I'll go into detail about sources and types of information in the slides that follow.

Another key feature is that because of the need to operate at arms length, investigative bodies do not have direct access to our databases. Before we can disclose any information to law enforcement or intelligence services, we must conduct an analysis and determine whether the information meets the test of reasonable grounds to suspect that it would be relevant to a money laundering or to a terrorist financing investigation or prosecution. In this way, the legislation strikes a balance between safeguarding individual rights to privacy while providing law enforcement and intelligence agencies with information critical to their efforts to combat crime and terrorism.

Next slide. The next four slides deal with our sources, types and flow of information. Let me begin with our sources. They fall into what we would say are five categories. The first is what are called reporting entities. These are the financial

institutions and other sources that have a mandatory requirement to submit reports. I'll outline what these are in a minute.

Second, and of particular interest in this room, are law enforcement and intelligence agencies. They can voluntarily provide information to FINTRAC on such matters as current terrorist financing or money laundering investigations and thereby help our analysts make useful cross linkages. FINTRAC is permitted to enter agreements to access databases maintained for law enforcement purposes.

Third, FINTRAC can do its own search of commercial and public databases.

Fourth, are international sources. These are mainly other countries' financial intelligence units, but they can also include certain international bodies.

Finally, the general public can provide invaluable leads on suspicious terrorist -- sorry, leads on suspicious terrorist financing or money laundering activities, and, in fact, they have already begun to do so.

By the term "reporting entities" we mean financial entities, such as banks, credit unions, trust and loan companies. Also covered by the legislation are life

insurance companies, brokers and agents, securities dealers, foreign exchange dealers, money transmitters, legal counsel in some few remaining jurisdictions, accountants, real estate brokers and casinos. As I mentioned, these sources are required by legislation to report suspicious transactions and certain other transactions prescribed in regulations.

Next slide. The reporting entities are required to submit to us reports on suspicious transactions, as well as on any terrorist property held by them. Once the necessary regulations are in place later this year, they will further be required to report large cash transactions of \$10,000 or more, international wire transfers of \$10,000 or more, and also later in this year, travelers entering and leaving Canada will be required to report cross border movements of currency or monetary instruments in excess of \$10,000. This information will be transmitted to us by the Canada Customs and Revenue Agency electronically, we hope.

Many types of tips or leads are voluntarily provided by sources I mentioned earlier; law enforcement and intelligence agencies, other government departments, members of the public, and foreign and financial intelligence units.

Next slide. Okay. There are well over one hundred thousand entities and persons subject to the reporting requirements of our Act. This implies a huge flow of information that must be received, categorized, analyzed and acted upon speedily. Logically, therefore, we chose from the outset to require electronic rather than paper reporting. This was a more ambitious undertaking than it first seemed at first blush. Many and varied technologies are used to manage information. As well, technology is used by large banks having hundreds of reportable transactions daily are not relevant to a single person or business making reports only once or twice a year. The challenge for us was to develop a range of mechanisms to fit various levels of reporting and to be compatible with a variety of data management technologies already in use by reporting entities and to ensure that the information could be transmitted securely. I'm happy to say that to date 95% of our reports have been submitted to us electronically and that ratio is improving daily.

The benefits are not restricted to speed and the ease with which reports may be submitted because information enters the database in a structured form,

it can be sifted using key indicators and can be available for analysis within a few minutes of its having been sent by the reporting entity. In many other jurisdictions the time elapsed between the filing a report and that information being available in a database can be measured in days, weeks, or even months. Our speed and accuracy will be valuable to everyone involved. They will be particularly useful in cases of suspected terrorist financing where early discovery may help prevent terrorist acts, perhaps even more important in prosecution.

One of the successes of our organization has been to marry human brain power and state of the art technology in a way that gives FINTRAC an analytical capacity that I believe is unsurpassed among bodies like ours among other FIUs. On the human side we have taken care to recruit our analytical team from a wide range of disciplines, including forensic accounting, economics, public administration, law enforcement, policy development, intelligence analysis, information technology, and finance. This allows many different skills as to be brought to bear on the complex analytical work that has to be done.

On the technology side, the powerful and

sophisticated systems at our disposal are capable of quickly scanning large volumes of transaction reports to pinpoint unusual patterns that may indicate illegal activity. Our analytic team then subjects these computer detected anomalies to further analysis and tests looking for cross linkages and determining from the patterns and information that have emerged whether a reasonable suspicion of money laundering and/or terrorist financing exists.

Once FINTRAC has information it reasonably suspects is relevant to a money laundering or terrorist financing investigation, it must make a disclosure of key information to the appropriate law enforcement body and/or to CSIS. In some cases that information can also be disclosed to CCRA and to CIC. The decision to make such disclosures is taken only after a thorough case analysis. This comprises the results distilled from the relevant databases and other sources of information and the conclusions drawn about the nature of the suspected criminal activity. The key information FINTRAC provides on initial disclosure includes identities of parties, transactions, the institution making the transactions, names, addresses and account numbers, and complex linkages among groups,

multiple accounts, and multiple transactions. This information, though significant, is not the whole of FINTRAC's analysis. The remainder is available through court order once the investigative body has decided to proceed. This requirement falls from the *Charter of Rights and Freedoms* and is embodied in our legislation which acts as a safeguard to protect personal information.

Terrorism raises the stakes partly because it concerns our fundamental security, and partly because terrorist acts may be anticipated and prevented if we discover, analyze, and disclose the information in time. In the fight against terrorism the flow of intelligence in and out of FINTRAC and the speed of the flow become particularly vital. Voluntary information provided by law enforcement and intelligence agencies, as well as by international partners, is key.

FINTRAC's technological choices ensure we believe that we can effectively, efficiently, and securely share our information. We will build on our partnerships, we will continue to increase our databases and our analytical capacity, and to improve our technology. I can assure you that we are committed to providing timely and useful information to our

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partners. Thank you.