



FINTRACs Role in International ML Investigations Case Studies

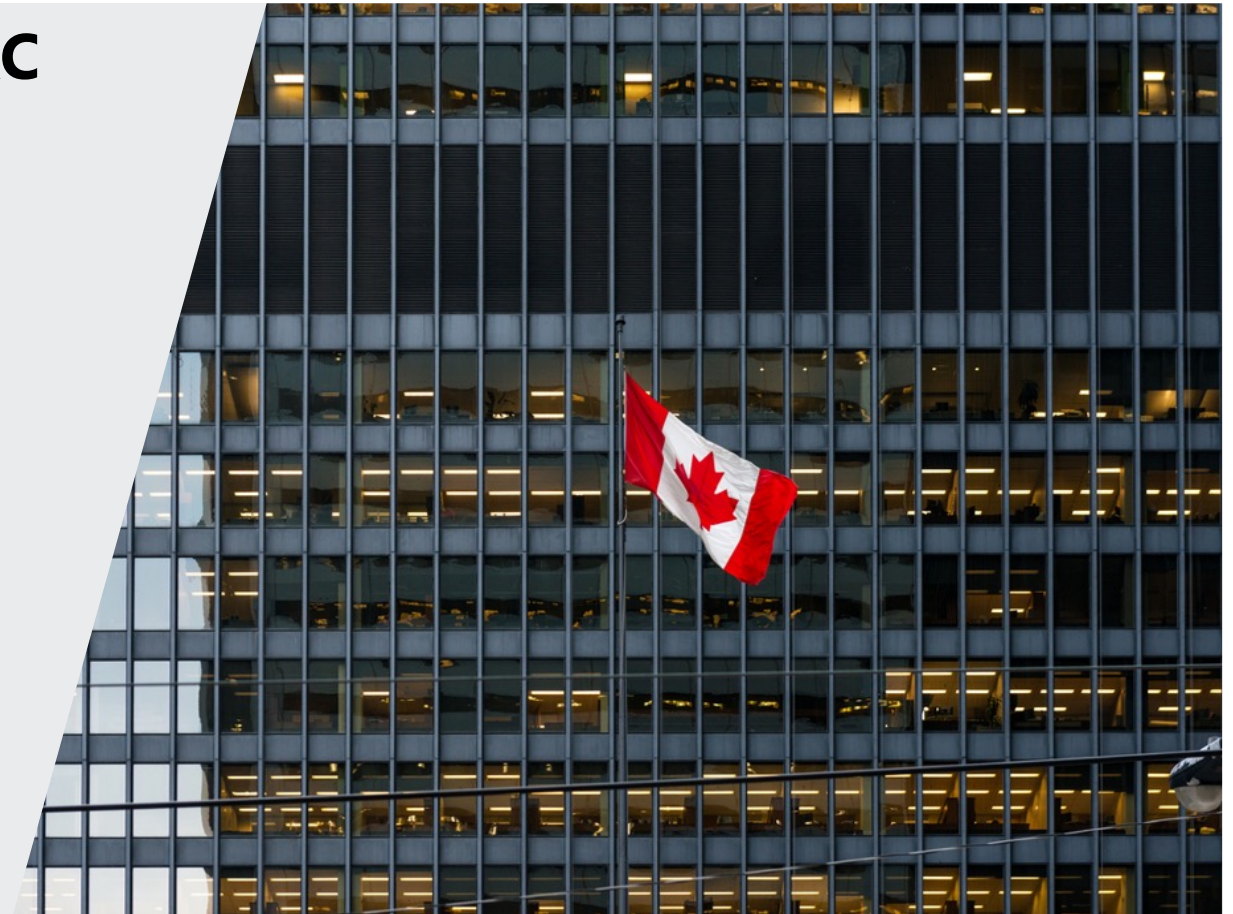
FINTRAC response to an FIUQ



Canada's Financial Intelligence Unit (FIU)

The Intelligence Sector of FINTRAC
operates as Canada's Financial
Intelligence Unit (FIU)

Mandate: to facilitate the
detection, prevention and
deterrence of money laundering
and the financing of terrorist
activities, while ensuring the
**protection of personal
information** under its control.





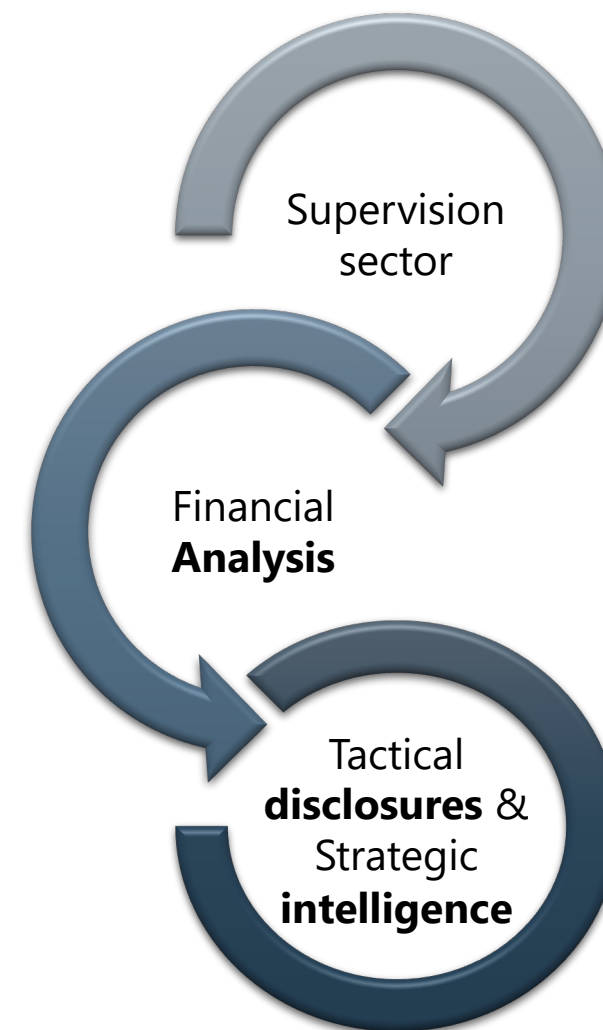
FINTRAC at a glance:

Supervision sector

- Ensure reporting entities comply with their legal obligations.
- Receive financial transaction reports from reporting entities.

Intelligence sector

- Analyze information and disclose resulting financial intelligence to partners.
- Develop strategic-level products on ML/TF trends & patterns as well as assessments on groups, countries, gaps, etc.



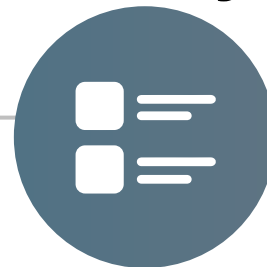


Tactical Financial Intelligence Analysis at FINTRAC



Receiving

- ✓ Transactions Reports & CBSA Reports
- ✓ VIRs & FIUQs
- ✓ Intelligence Reports & Media



Analysing & Assessing



FINTRAC Database



Police & Security
Databases



Publicly Available
Information



Disclosing

- Law Enforcement
- National security agencies
- International Financial Intelligence Units (FIUs)
- Intelligence agencies



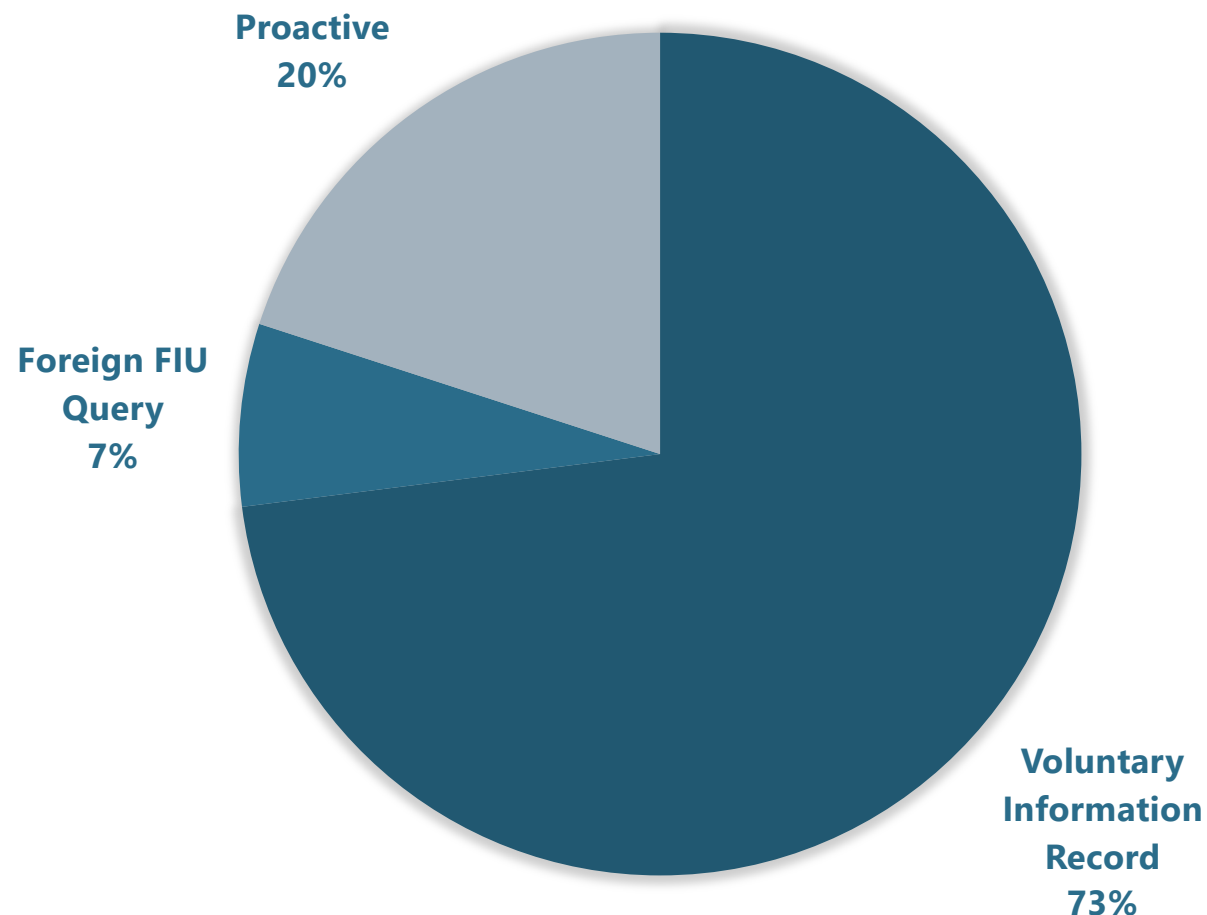
What Triggers a FINTRAC disclosure?

Voluntary Information Records (VIRs):

- Submitted by our partners or the public.
- Provision of information is entirely voluntary.

Financial Intelligence Unit Queries (FIUQs):

- Submitted by our international partners.
- Assist with an investigation that may have a link to Canada.

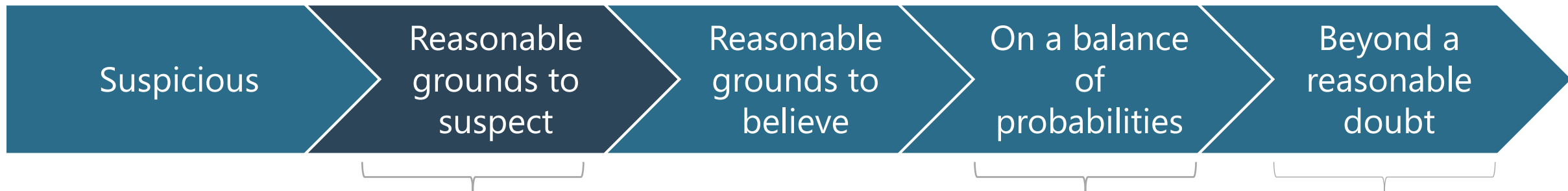




FINTRAC's Disclosure Threshold

Lower certainty

Higher certainty



"Reasonable grounds to suspect" information in the disclosure would be "relevant to investigating or prosecuting a money laundering offence or a terrorist activity financing offence"
s.55(3) PCMLTFA

Civil standard
of proof

Criminal
standard of proof



Case Study 1 – FIU ML-Related Spontaneous Disclosure and FINTRAC ML Disclosure

FIU Information:

- Provided summary of STRs submitted by financial institution in their jurisdiction reporting 90 suspicious wire transfers, totalling approx. 2.5 million USD over a period of 5 years
- Wires involved entity sanctioned by US OFAC due to operation in jurisdiction associated with Russian defence sector (illegal procurement of goods from the United States)
- Included among the wires were several transfers to an entity in Canada, as well as other entities in Hong Kong and China
- Total value of wires between sanctioned entity and Canadian entity was approx. 75,500 USD

FINTRAC Information:

- Canadian entity and related individuals/businesses have been previously subjects of CBSA investigation due to suspected illegal export of dual-use/military goods to Russian end-users
- EFTs between the Canadian entity, sanctioned entity and entities in Hong Kong and China identified in FIU report
- EFTs between additional Canadian entities and entities in Hong Kong and China
- STRs identifying Canadian entity as conducting activity consistent with known typology of “**Russian and Eastern European laundromat scheme**”
- STRs describing wires by Canadian entity post-sanctions involving Russia

Outcome: ML-related FINTRAC intelligence disclosures describing suspected illegal procurement network operating in Canada to CBSA, RCMP, and foreign FIUs.



Case Study 1 - Outcome

Canada disrupts attempt to export banned materials to Russia



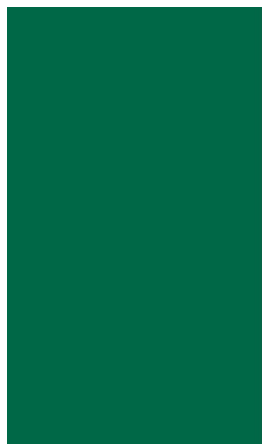
By **Stewart Bell** • Global News

Posted August 2, 2022 6:41 pm • Updated August 3, 2022 7:43 am





Case Study 2 – FINTRAC response to FIU Query



Query received from FIU Mexico

Suspect predicate offence: Money Laundering, Embezzlement, Public Corruption

Query Info: Public official in Mexico alleged to have used his position to improperly embezzle approx. \$150 million USD from the accounts of a public institution he led. Public official was suspected by FIU Mexico to have used family in Canada to hide some ill gotten funds.

FINTRAC disclosure – key findings

- **Unusual transactions by family members of public official:** large cash deposits by family members in Canada, not commensurate with their stated occupation (ex. Student).
- **Wire transfers to Canada previously unknown to FIU Mexico:** large transfers by public official from third party countries to family members in Canada and transfers by additional individuals/entities to family members in Canada. Useful to FIU Mexico in tracking international flow of funds.





Case Study 2 – Outcomes

FIU

COLLABORATION



COLLABORACION

on Anti-Corruption Efforts

FINTRAC's financial intelligence was recognized by FIU Mexico in relation to an investigation by Mexican authorities of public corruption, tax fraud, and money laundering.

“

The disclosure package received from FINTRAC was very timely and useful to identify and stop the flow of illicit money in a high-level scheme related to corruption in Mexico. The cooperation shown between FINTRAC and UIF (Mexican FIU) in this case is an excellent example of what can be achieved through international collaboration, and today, those responsible are under arrest facing criminal charges.

”

– Financial Intelligence Unit of Mexico



CHARGES

Based on media reporting, “the Attorney General’s Office [Mexico] announced it had arrested Gerardo Sosa Castelán over money laundering charges” and Sosa Castelán has been charged with “carrying out transactions with illegally obtained resources, embezzlement, and tax fraud”.



DETAILS OF THE INVESTIGATION

Gerardo Sosa Castelán, President of the Board of Trustees of the Autonomous University of the State of Hidalgo (UAEH) and a former member of the Mexican Congress, had become the subject of an investigation by Mexican authorities in May 2019, after irregularities in accounts held by the university and Sosa Castelán were uncovered by FIU Mexico.

As described by FIU Mexico in media reporting, the UAEH is under investigation for alleged money laundering pertaining to the unusual transfer to the benefit of their accounts of **more than \$150 million USD** from Switzerland.

As part of this investigation, it is alleged that Sosa Castelán established a money laundering network wherein he directed the establishment of multiple front companies that were subsequently hired by the UAEH and received fund transfers. The flow of funds in this case involved individuals and entities associated to Sosa Castelán in several countries, including Canada.

PARTNERS





Questions/Comments?

Thank you!

