• Transnational organized crime benefits from the unique environment of British Columbia.

• It has leveraged gaps in the Canadian criminal justice system.

• In BC, alliances have been seen between Mainland Chinese, Iranian and Mexican OC, and domestic outlaw bikers and other gangs.

• Illicit money flows into Vancouver from China, Iran, Mexico and other countries, coalescing with the proceeds of domestic drug trafficking and other crimes.
PRIVATE MORTGAGE LENDERS

- Private mortgage lenders are a growing segment of the market and vulnerable to money laundering.
- They are not reporting entities to FinTRAC and there is little visibility of their beneficial owners, source of funds or lending practices.
- Currently 90,000, or 9% of residential mortgages, are held by 18,570 private lenders, with 80% of the lenders being corporate entities.
- Although foreign banks are not permitted to engage in mortgage lending, unregulated lenders from outside Canada can register mortgages against BC property.
The use of nominees, or straw buyers, in real estate transactions is commonplace and is exploited by beneficial owners, including criminals engaged in money laundering.

3% of B.C. titles (33,292 in 20 years) are held by persons whose occupation is listed as student, homemaker, or unemployed.

Approximately 25% had clear title. These tend to be expensive houses, with 88 houses over $10 million.
OVERSEAS OWNERS

• 13,678 residential properties, with an aggregate value of $16.12 billion, are owned by individuals or entities with service addresses outside Canada, a fifth of which are in high-risk jurisdictions for money laundering.

• A total of 25 properties with an aggregate value of $34.5 million have owners with addresses in countries subject to trade sanctions.

• 20 properties registered in the British Virgin Islands are owned by shell companies, with full anonymity of directors and beneficial owners.

• Opaque service addresses, including post office boxes (71,000) and lawyer offices (2,000), are common as there is no requirement in BC for owners to list their principal or work address, as a service address
• The combination of opaque ownership structures and all-cash purchases increases the ML risk considerably, particularly when a nominee or offshore buyer is involved.

• Purchases of residences without financing account for 29%-38% of purchases by companies, 58% of purchases by registered trusts, 20%-28% of purchases by nominees, and 32%-40% by offshore buyers.
• Reporting of suspicious transactions to FinTRAC, by realtors has been dismal for years.

• The use of Geographic Targeting Orders in the U.S. has assisted greatly with ensuring greater transparency in real estate developments and purchases.

• The absence of standardized data fields and prompts make LTSA data difficult to use for analytical purposes. It currently includes properties registered to “superdad”, ‘funemployed’, ‘wannabe ski bum’, ‘domestic diva’, ‘trophy wife’, and ‘launderer’.
• Private mortgages can be used as a debt enforcement tool by organized crime, seeking to leverage the legal system for its own purposes.

• Builders liens are particularly vulnerable because a creditor can register a lien without the consent of the titleholder.
• Lawyers are the ‘black hole’ of real estate and of money movement generally.

• With no visibility by law enforcement on what enters and leaves a lawyer’s trust account, many investigations are stymied.

• Lawyers acting in real estate transactions are particularly vulnerable to being used as conduits for dirty money and must enquire into the source of funds when closing funds are wired into their trust accounts from foreign destinations.
• Exempted by SCC *Federation* decision from reporting to FinTRAC
• Canada criticized by FATF and others
• SCC did not close the door on reporting
• Waiting for Ottawa to develop a remedy
• Workarounds / blinds used in other common law countries
• Reporting of basic financial information imperative
• Lawyers as realtors
• Lawyers vs. Notaries (who do report)
OTHER VULNERABLE SECTORS IDENTIFIED

• Watercraft
• Auction Houses
• Fisheries Quotas
• Public and Private Colleges
• Cryptocurrency
• Foreign Credit Cards
• Universal cash reporting over a certain threshold avoids the need to constantly reassess sectors and effectively prevents OC and the underground economy from seeking the unregulated path of least resistance.

• As a supplement to universal cash reporting, Geographic Tracking Orders allow authorities to target a certain sector, in a specific geographic area, such as Greater Vancouver.
The federal government has created an AML bureaucracy which is focused on compliance. It has not infused equivalent resources into enforcement and prosecution.

FinTRAC is an outlier among international FIUs because it is not a law enforcement agency and does not permit police to work in its offices, due to privacy concerns.

Many reporting entities are critical of FinTRAC due to the absence of tangible results for the hundreds of thousands of reports it houses.

Unless its intel is readily available to law enforcement and security agencies, FinTRAC becomes simply a collector of information.