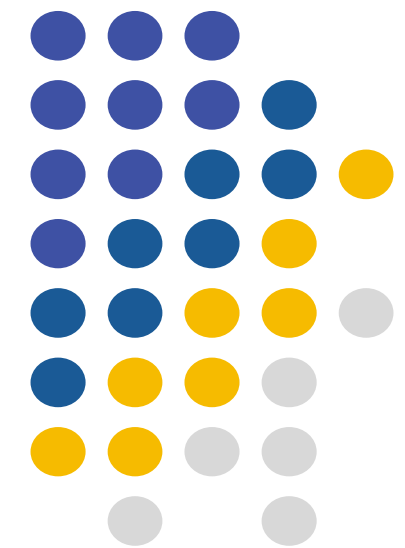


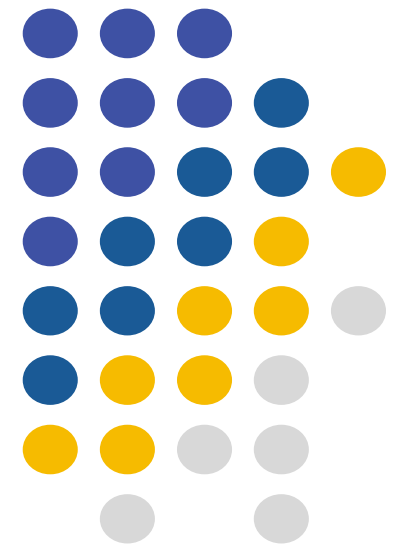
BC Compliance and Enforcement Anti-Money Laundering Fusion Centre



FOR DISCUSSION

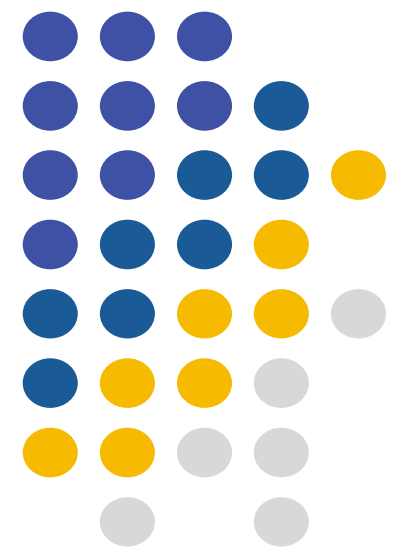
MAY 2019

Agenda



- Issue | 2 min
- Background | 3 min
- The BC C&E AML Fusion Centre | 15 min
- Discussion | Questions | 10 min

Issue

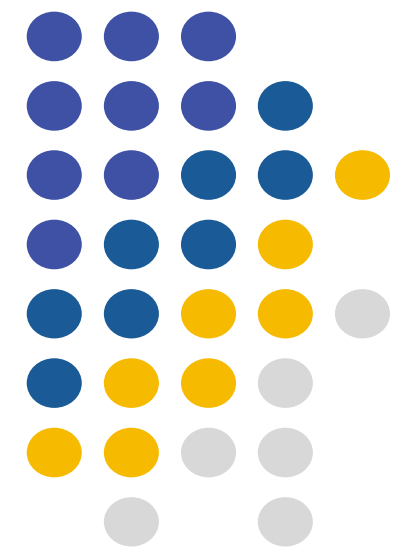


The opioid crisis, violence/public safety, money laundering, an unaffordable housing market, and eroding public trust are directly linked to organized crime and the expanding criminal economy in BC.

The criminal economy is not the problem of a single regulator or industry. Criminal enterprises are diversified.

Citizens of British Columbia need a **coordinated, collaborative regulator approach** to identify and respond to policies which enable money laundering and criminal organizations to operate.

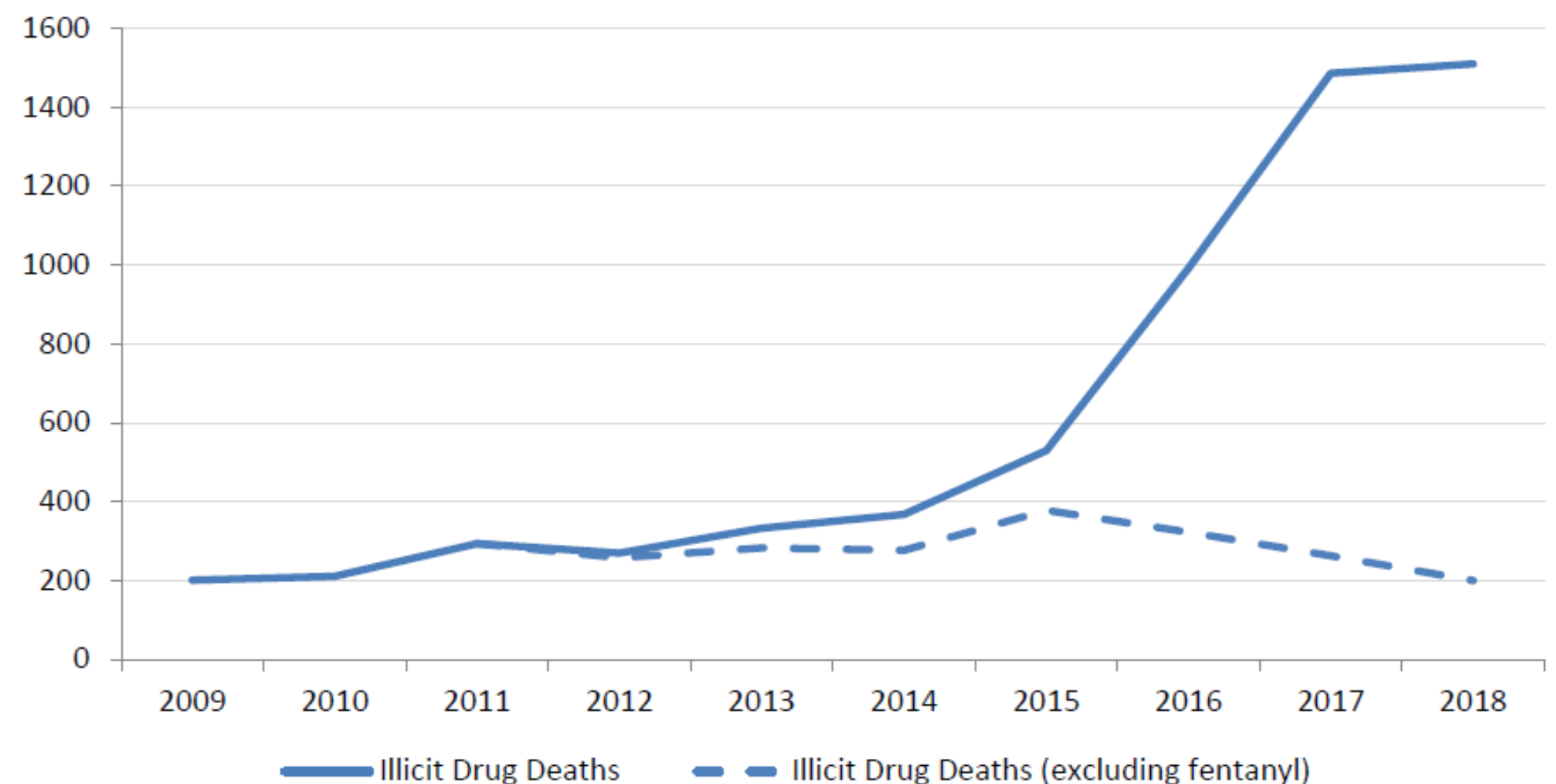
Background - Public Safety Costs



Opioid Crisis

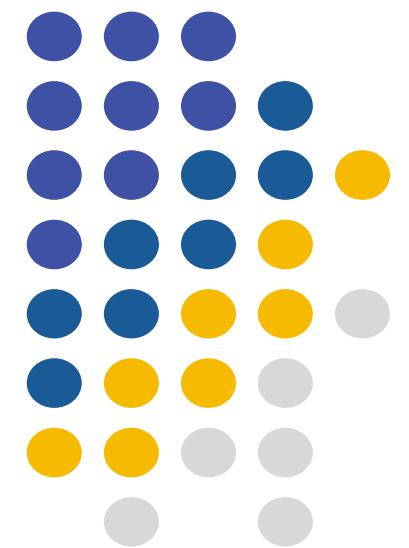
- 2018: 1489 Suspected illicit drug overdose deaths in BC
- 6,268 illicit overdoses in BC attended by ambulance in January- June 2018
- \$608 million total allocated on opioid crisis – 2019 Budget

Illicit Drug Overdose Deaths including and excluding Fentanyl,
2009-2018



Illicit Drug Overdose Deaths in BC – BC Coroners Service – March 19, 2019

Background - Public Safety Costs



Drug Crime

Controlled Drugs and Substances Act (CDSA) drug offences by violation for British Columbia:

- 2016: 5989 non-possession drug related offences
- 2017: 5719 non-possession drug related offences.

Unaffordable Housing Market

Median Net Vancouver Family Income 2017: **\$87,800** *(Statistics Canada)*

Median Greater Vancouver Single Family Detached Home Price 2017: **\$1,321,700** *(Real Estate Board Greater Vancouver)*

20% Down payment Required: **\$264,340**

Monthly Mortgage Amount (5yr variable, 3.45% Int., 25yr Amort.): **\$5,251.22**

71% of net monthly income goes to mortgage

Who is buying real estate?

Background

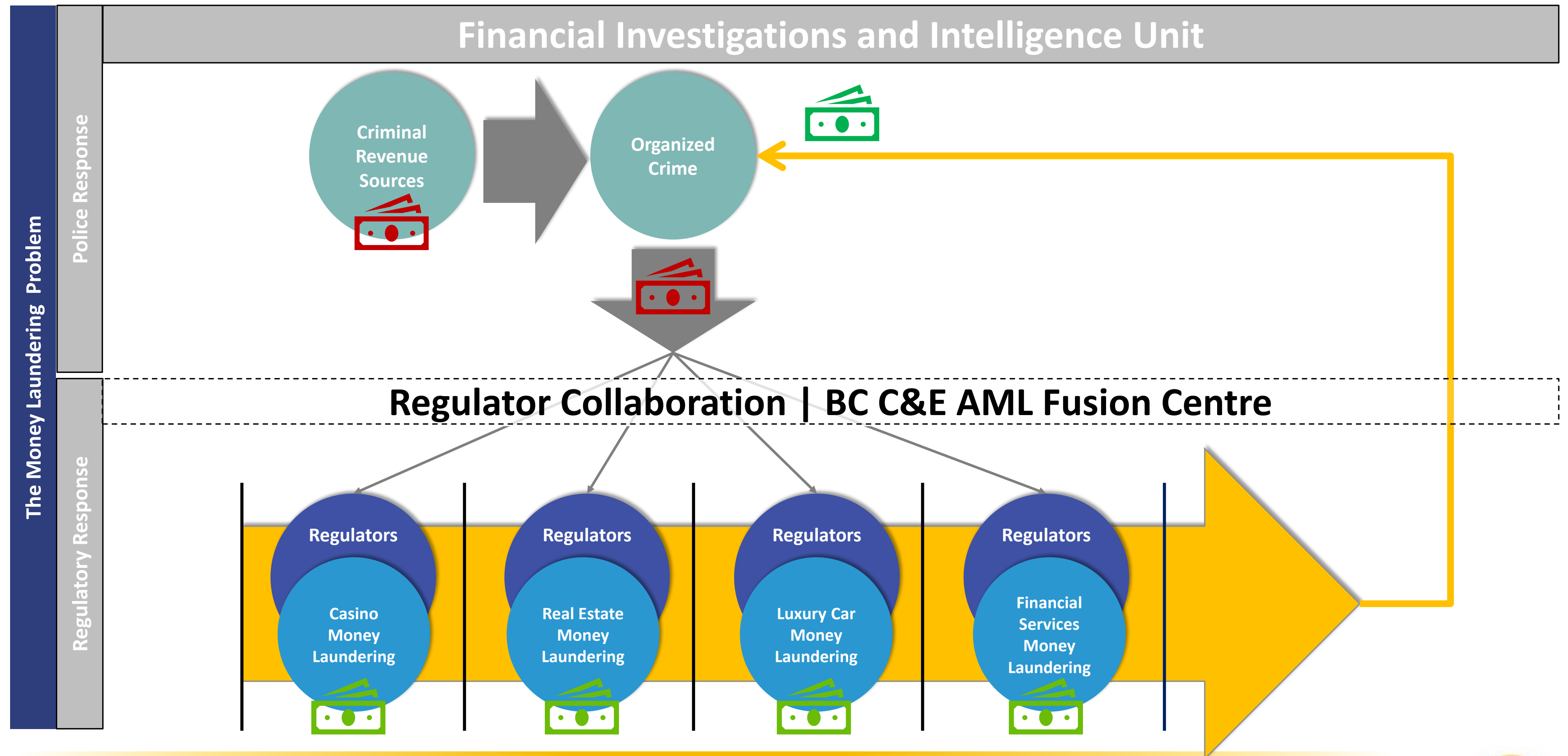
‘The nature of these allegations, that this money-laundering activity is actively influencing our real estate market and is connected to the sale of life-destroying fentanyl, underline the critical importance of addressing money laundering urgently and not ignoring it’

– Hon. David Eby, QC – Feb 17, 2019

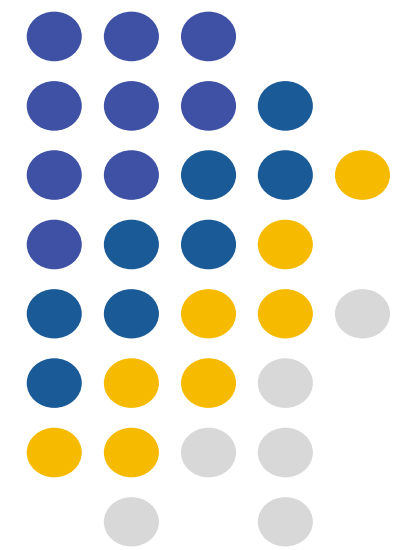
We are looking at the possibility of expanding the function of that unit [DPU] beyond just casinos to other types of enforcement related to money laundering as well,”

– Hon. David Eby, QC – May 3, 2019

CC&E Anti-Money Laundering (AML) Fusion Centre

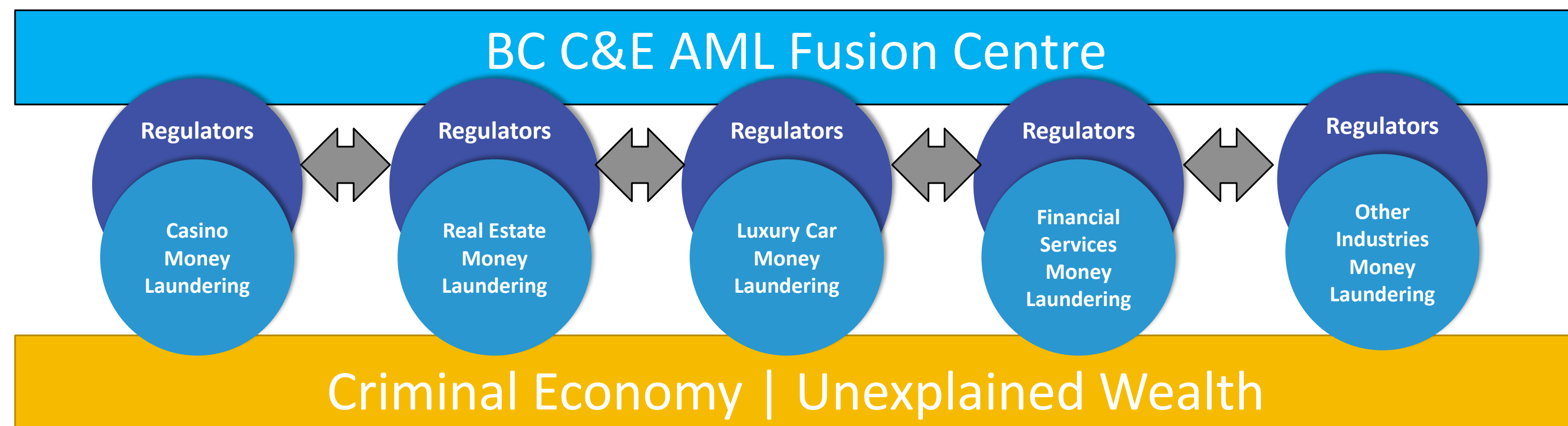


C&E Anti-Money Laundering (AML) Fusion Centre

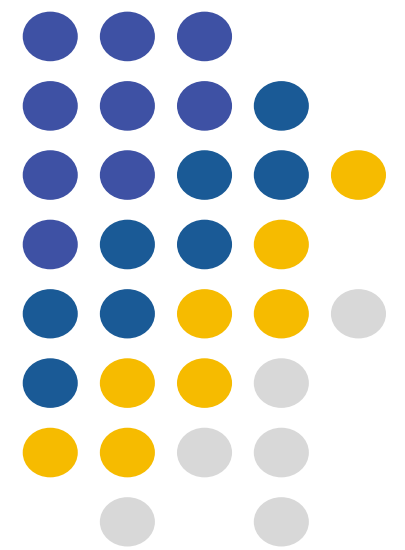


Vision: A C&E Anti-Money Laundering (AML) Fusion Centre that leads and supports a collaborative, integrated and coordinated regulator response focused on identifying and responding to:

- Money laundering,
- Unexplained wealth, and
- The Criminal Economy.



C&E Anti-Money Laundering (AML) Fusion Centre



Mission: The C&E AML Fusion Centre will enable BC regulatory organizations to become more accountable, informed and collaborative in their effort to disrupt the criminal economy in BC.



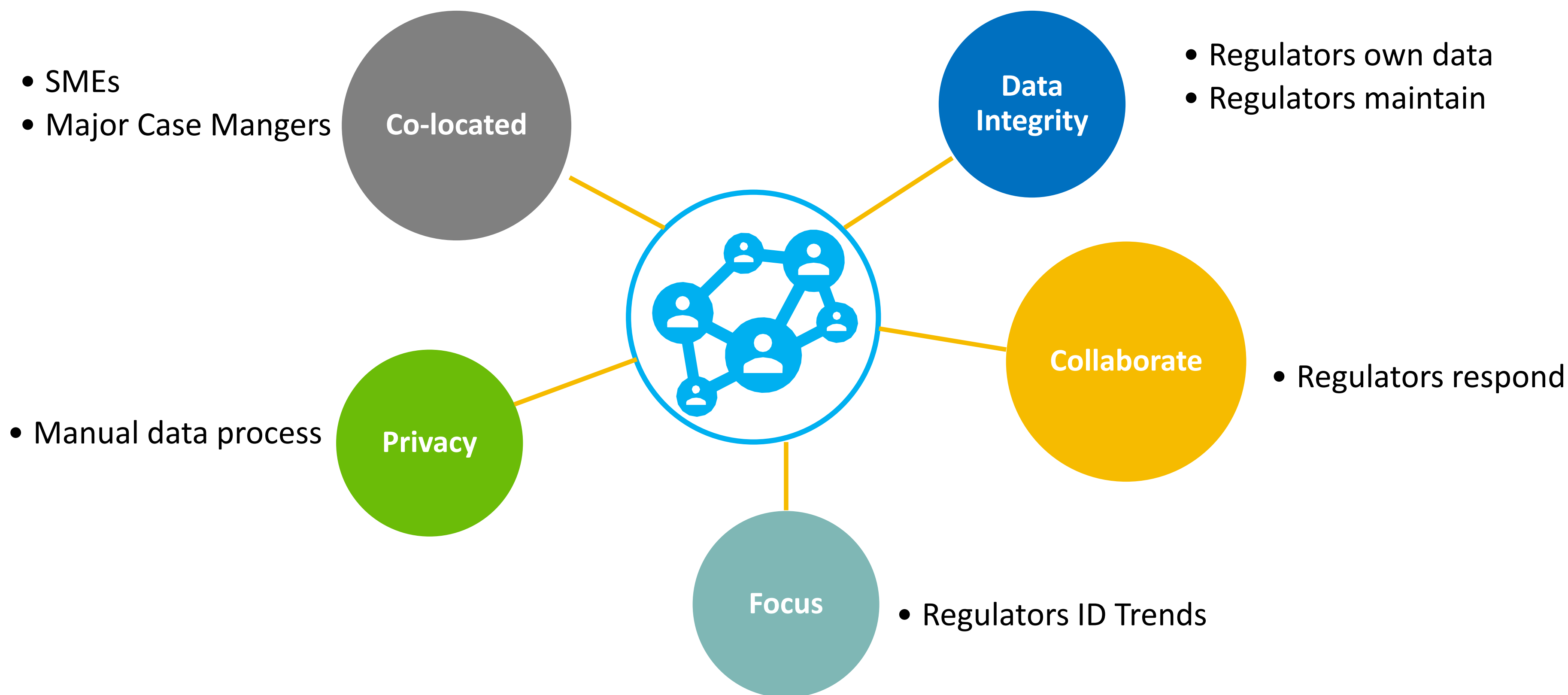
C&E Anti-Money Laundering (AML) Fusion Centre



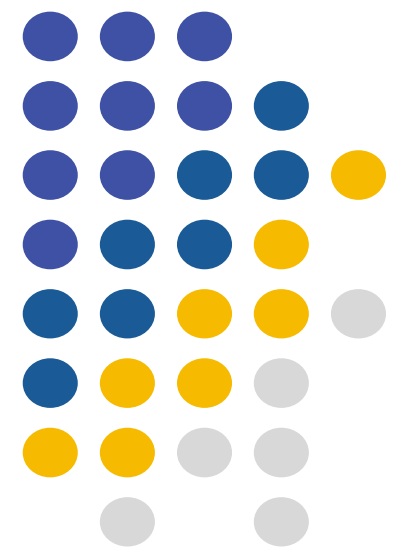
The BC C&E AML Fusion Centre will include:

- A centralized team managing de-identified data and confidential personal information through a central office, and
- Capacity to leverage the data and confidential personal information to provide evidence-informed:
 - A. coordinated enforcement responses, and
 - B. enhancements to legislation and policy frameworks.

The BC C&E AML Fusion Centre - Key Features



The BC C&E AML Fusion Centre - Key Features

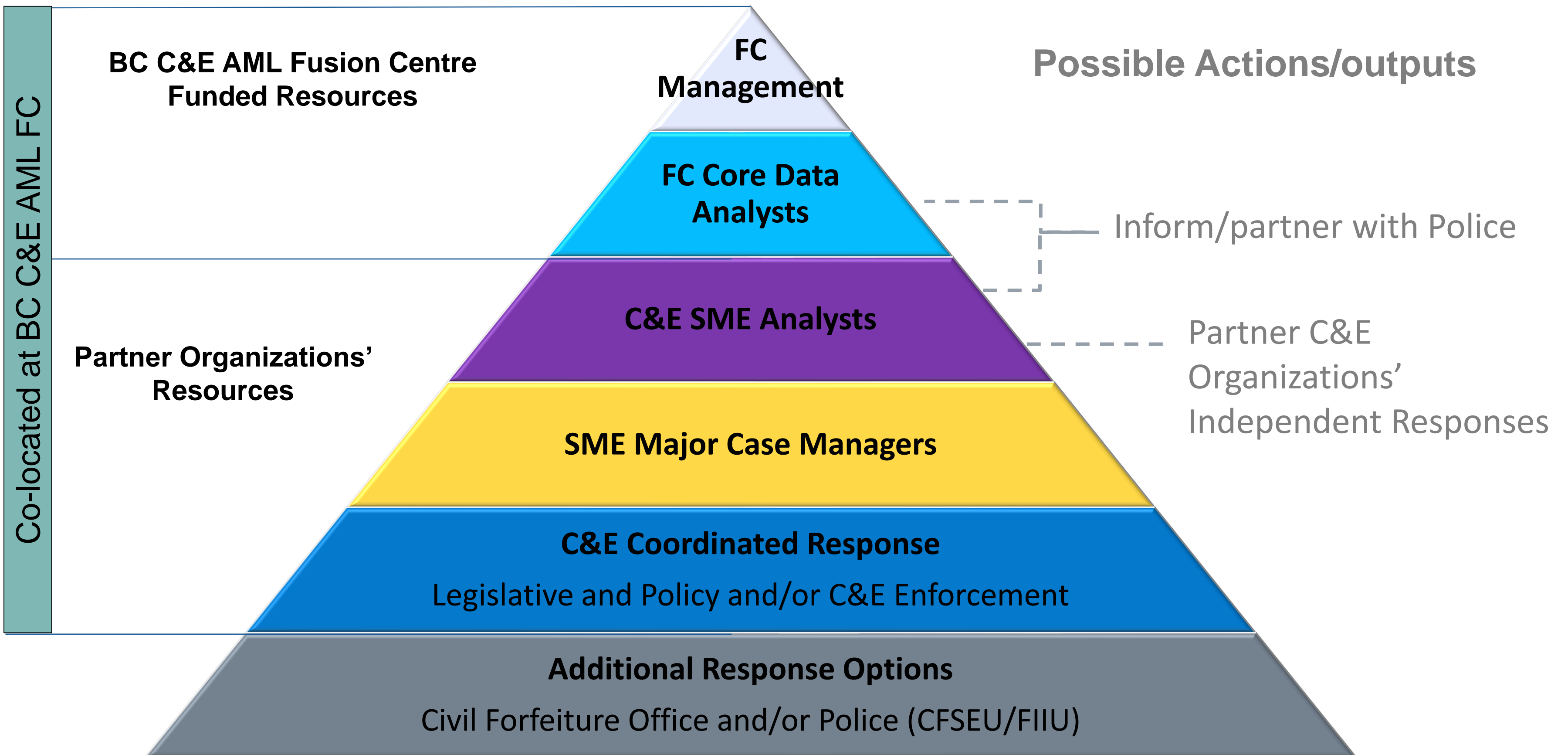


The proposed BC C&E AML Fusion Centre is **not**:

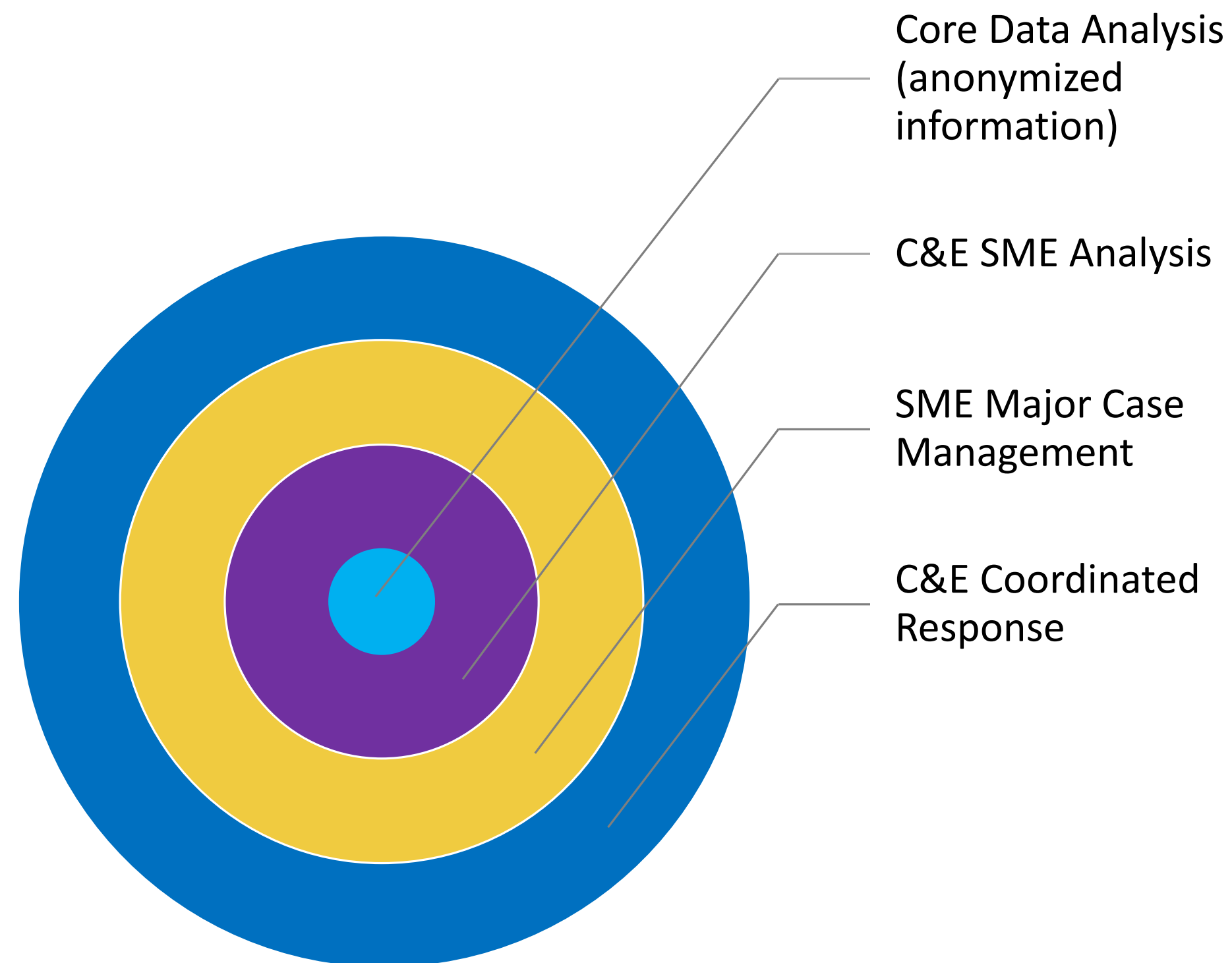
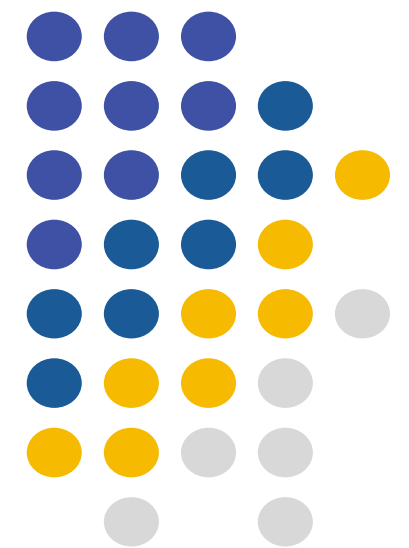
- An overarching regulator;
- A centralized database of personal information;
- A new enforcement or administrative agency;
- Focused on resolving regulatory non-compliance



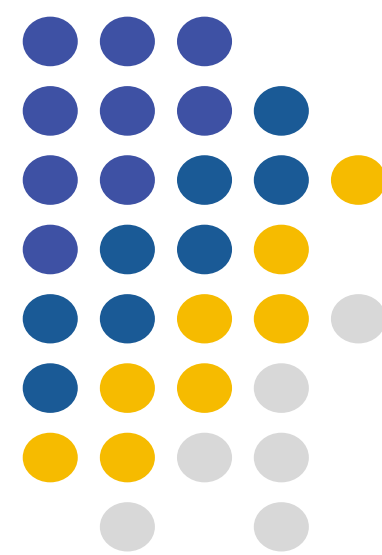
The BC C&E AML Fusion Centre



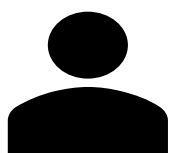
The BC C&E AML Fusion Centre



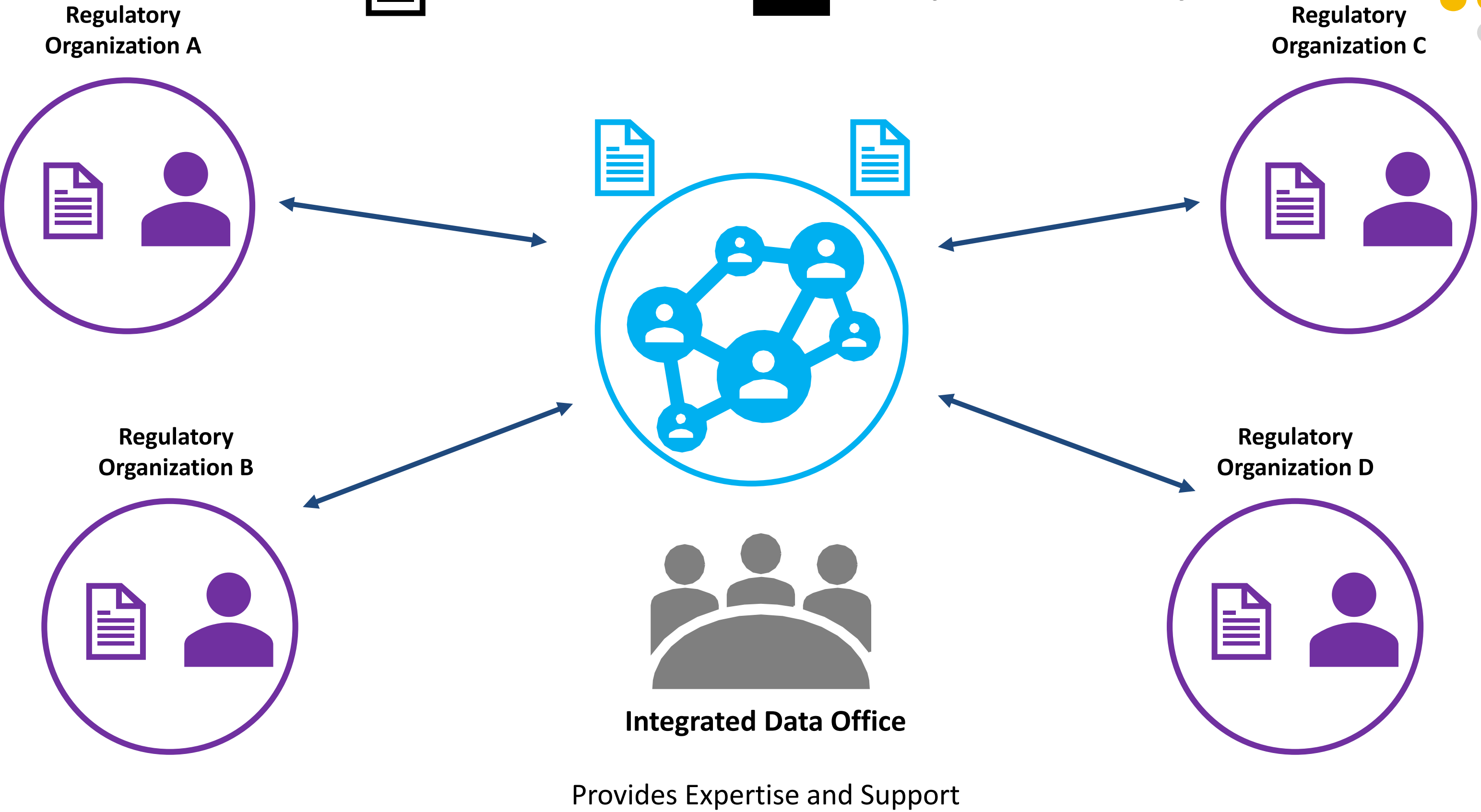
The BC C&E AML Fusion Centre



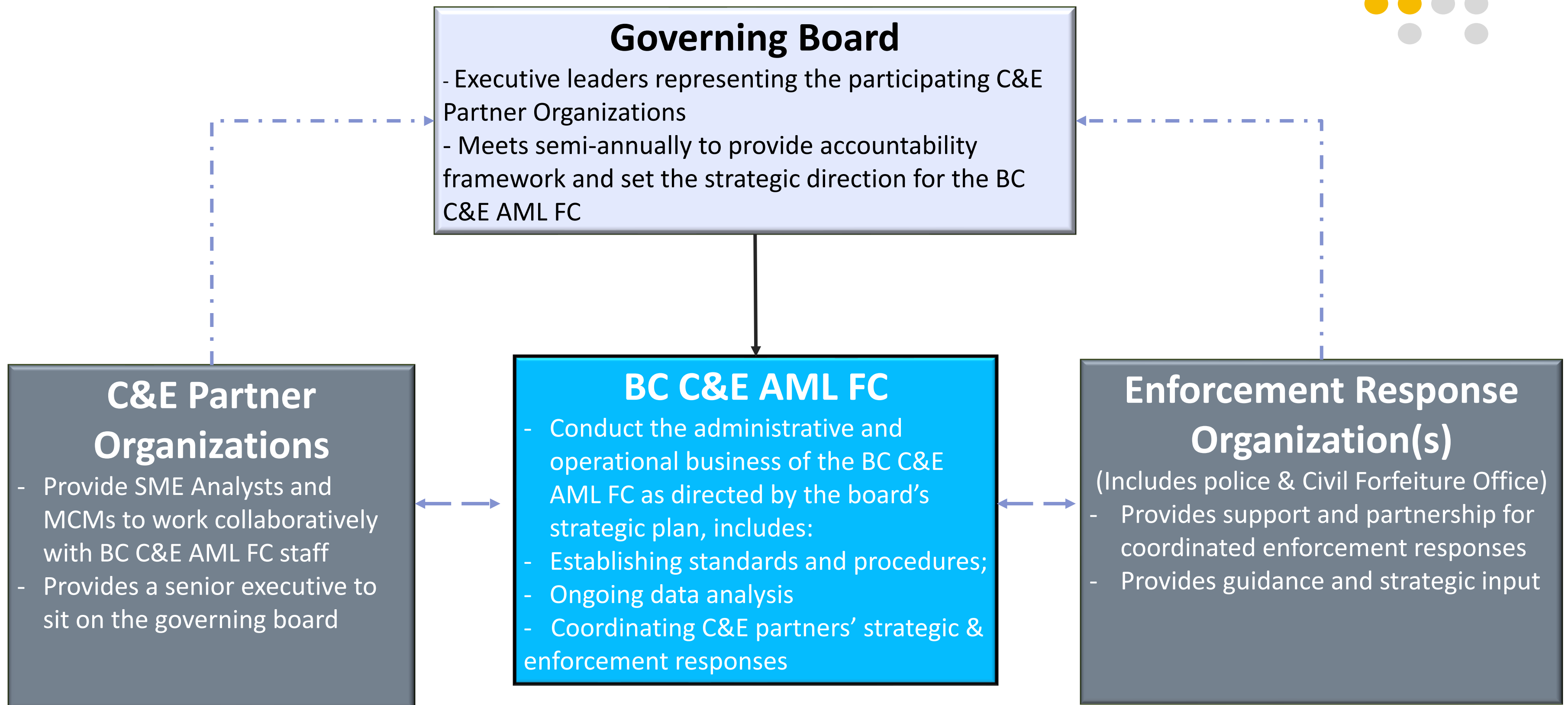
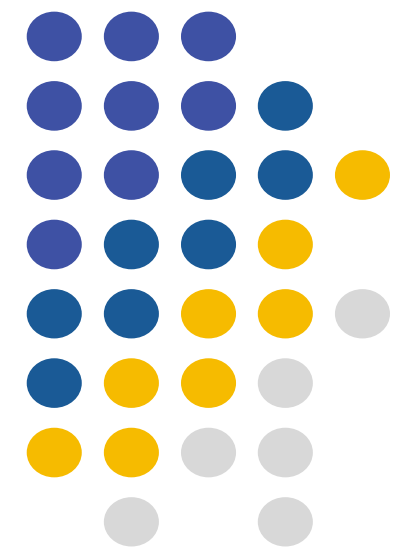
= Data & Records



= Subject Matter Analysts



The BC C&E AML Fusion Centre - Governance of Model



The BC C&E AML Fusion Centre - Potential Partners

Regulatory organizations involved in the housing sector:

- Land Title and Survey Authority of British Columbia
- BC Assessment
- BC Registries and Online Services

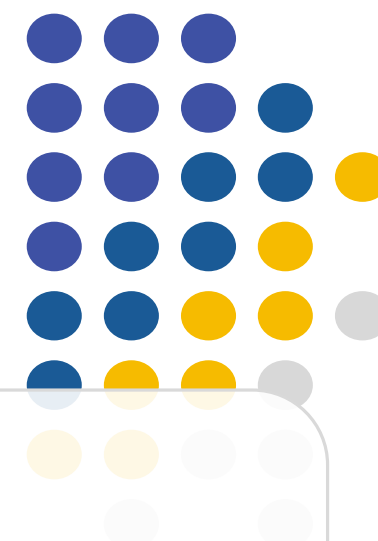


Regulatory organizations involved in the automotive sector:

- Insurance Corporation of British Columbia
- Office of the Superintendent of Motor vehicles
- Motor Vehicle Sales Authority



The BC C&E AML Fusion Centre - Phased Approach



Conceptual Trial (6-9 months)

- Initial Sector Partner (Housing)
- Determine data needs and costs
- Cabinet Submission

Expansion (9-12 Months)

- Add Regulator Partners
- Refine data needs
- Evaluate technical solutions

Full Implementation (18-24 Months Total)

- Refine approach
- Fully funded model

The BC C&E AML Fusion Centre



RISKS

- **Insufficient Resources**
- **Lack of Regulator Engagement**
- **Privacy fears undermine process**



OUTCOMES

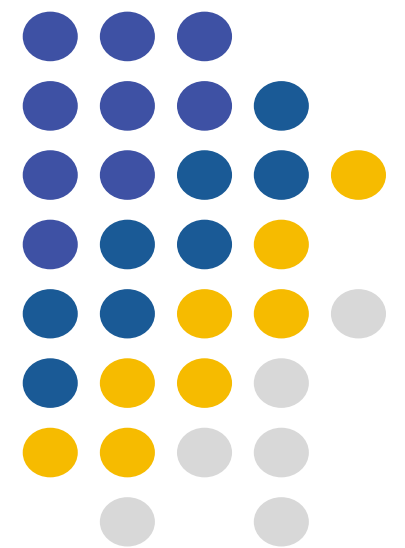
- **Stronger, evidence based regulation**
- **Effective regulator response**
- **Increased public trust**
- **Increased public safety**
- **Efficient use of limit resources**
- **Understanding of regulatory issues**
- **Collaboration with Police and Regulators**
- **Strategic response to money laundering, unexplained wealth, organized crime**



BENEFITS

- **Metrics determined through regulatory engagement**

Business As Usual/Take No Action



- Regulators continue to operate independently.
- No collaboration or review of regulatory trends.
- Continue to work with Federal partners on ad-hoc basis.

RISKS

- Rely on POJ/FIU alone, straining resources
- Criminal economy continues to exploit regulatory loopholes, grows
- ML/illicit activities continues at current baselines

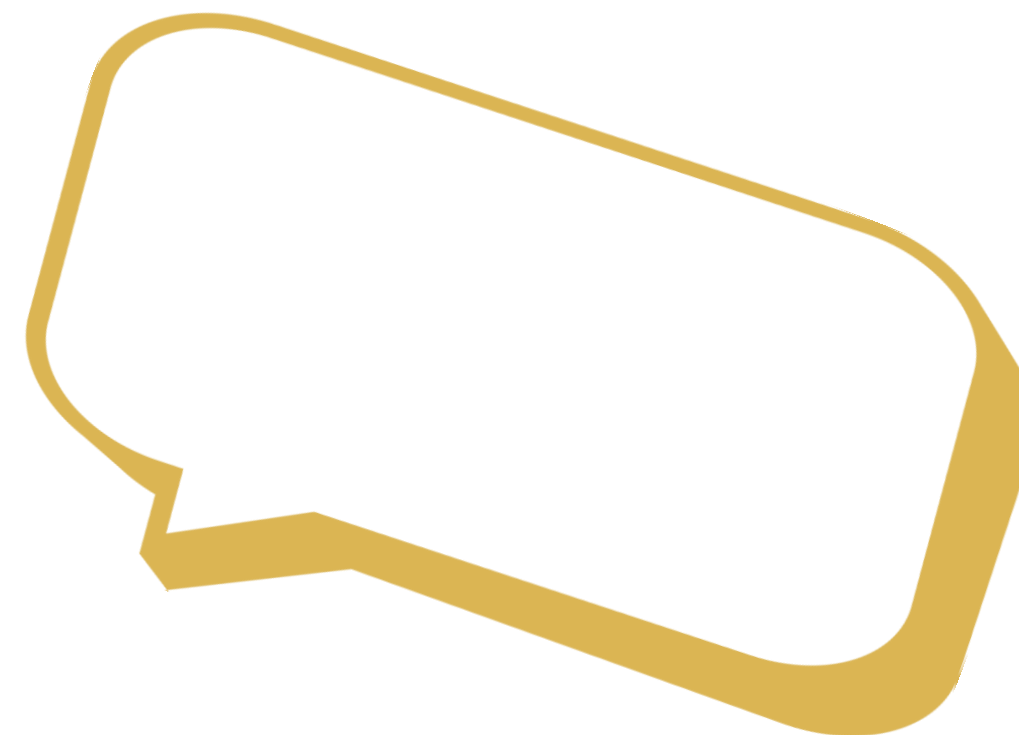
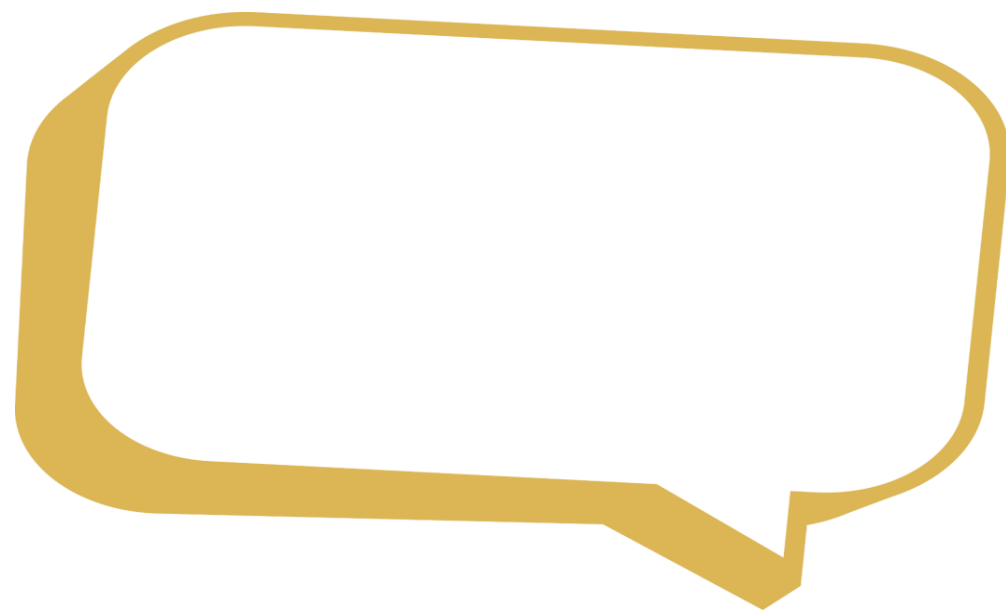
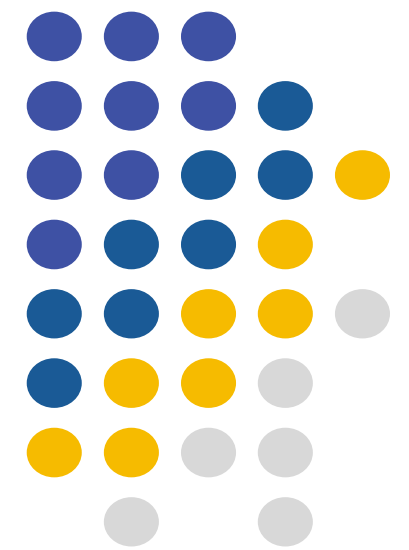
OUTCOMES

- Public perception of ineffective gov/regulation continues
- Public safety remains at current levels
- Response to ML is the focus over prevention

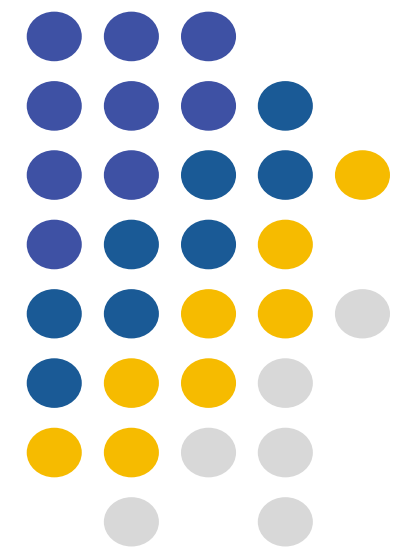
BENEFITS

- No cost to government

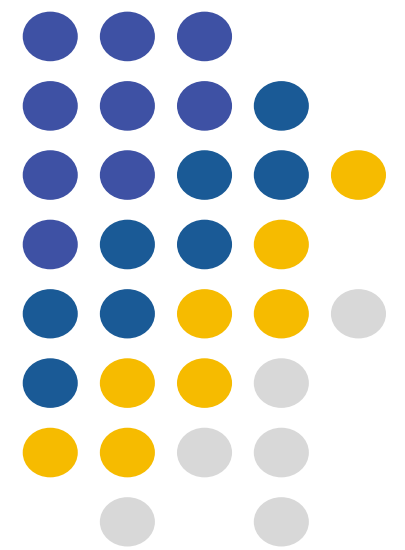
Roundtable Discussions | Questions



APPENDIX



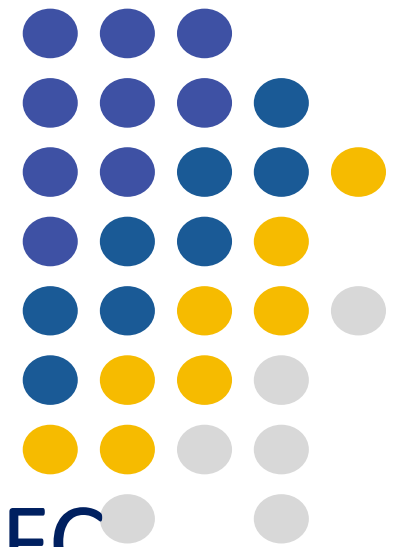
Phase 1: Conceptual Trial



1. Obtain approval for engagement.
2. Identify regulators interested in participating in model long term.
3. Identify regulators interested in participating in a trial (Housing Sector) and look to co-create fusion centre to meet regulator needs.
4. Identify a potential owner for the centre (i.e. independent office or housed).
5. Identify and index relevant data sets of interest with initial trial partners.
6. Cabinet Submission
7. Cost and secure funding for the initial trail (minimum staff, consultants).
8. Hire relevant staff and/or contractors.
9. Begin initial trial.

PHASE 1 TIMELINE: 6-9 months

Phase 2: Expansion

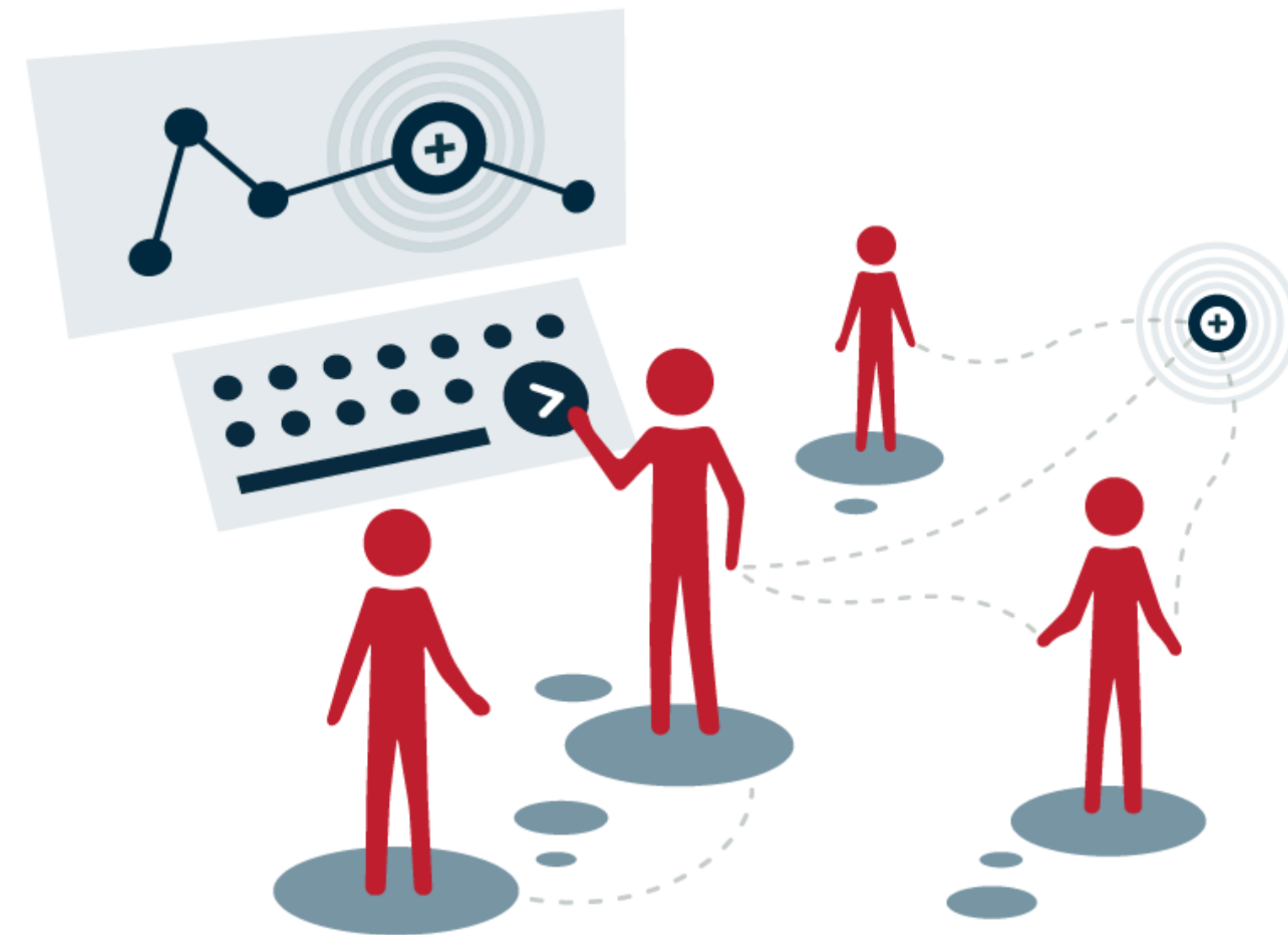


1. Identify additional C&E partners and data sets of interest
2. Determine cost of additional C&E partners joining the BC C&E AML FC
3. Evaluate a technical solution options based on trial
4. Secure additional funding
5. Hire additional staff/contractors and procure required equipment

PHASE 2 TIMELINE: 9-12 months

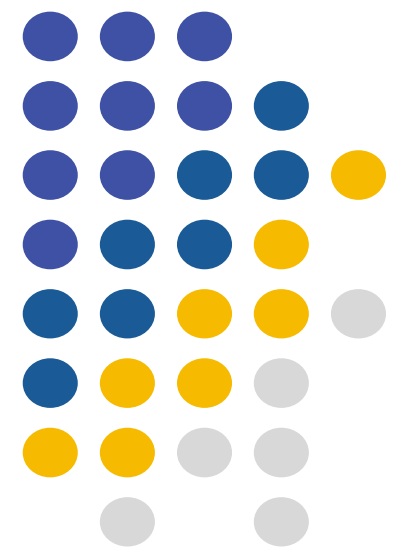
Phase 3: Full Implementation

1. Permanently fund and resource the model
2. Bring in additional partners and resources as needed
3. Continuous evaluation to adapt and enhance the BC C&E AML FC model as needed



**PHASE 1-3 TOTAL TIMELINE:
18-24 months**

Citations



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