

Ministry of Attorney General

Money Laundering Review – Part 2

Terms of Reference

The Attorney General of British Columbia requires an independent expert to review and inquire into whether there is evidence of money laundering in British Columbia real estate, including industrial or residential construction; luxury car sales; and, horse racing. If there is an unaddressed, or inadequately addressed, issue of money laundering in any of these areas, the independent expert should inquire into the nature and extent of these issues, and the history of these issues, to deliver any relevant findings, data and analysis to government.

This review will respond to recommendations 45 and 47 of the German report, “Dirty Money”:

R45 – That the Province undertake research into allegations of organized crime penetration of the real estate industry

R47 – That the Province consider researching the vulnerability of the luxury car sector and the horse racing sector to organized crime

A parallel Ministry of Finance review assessing legislative and regulatory gaps that could contribute to systemic vulnerabilities, risks of money laundering and administrative non-compliance in the real estate and financial services sector is underway.

Scope:

The review by the independent expert will examine and, where appropriate, deliver findings related to the following:

1. Links between B.C. casino patrons demonstrating indicia of fraud or illegality, and real estate transactions

Identify any links between real estate activity and money laundering in B.C. casinos as identified in the “Dirty Money” report in order to identify the scale and patterns of real estate activity with transactions by casino patrons which demonstrate indicia of fraud or illegality.

2. Alleged issues of criminal activity and money laundering relating to real estate to determine the scale and scope of any actual problem

Advise government whether the following alleged issues can be confirmed to exist and, if so, the extent of the problem and any identifiable patterns in firms or individuals engaging in or facilitating the identified conduct:

- a. Evidence of money laundering in the B.C. real estate sector that has connections to criminal enterprises in B.C. or other countries;
- b. Use of lawyer’s trust accounts to avoid scrutiny of the source of funds in real estate transactions;
- c. Abuse of the builders’ liens system where, for the purposes of criminal activity, a builder’s lien is registered against a property as a money laundering or grey market loan

enforcement mechanism, not as a result of improvements done to a property for which payment is not received;

- d. Use of the industrial or residential construction industry as a means of laundering money for the purposes of criminal activity; and,
- e. Any other conduct in which there is an identifiable link between organized crime activities and real estate transactions in British Columbia.

If the alleged problems are confirmed to exist, make findings and deliver those to government.

3. Alleged issues of money laundering and organized crime in the horse racing industry and luxury car industry, as identified in the recommendations from Dr. German's "Dirty Money" report

Review records and contact individuals as required to identify current issues and, if necessary, make findings related to:

- a. Organized crime and money laundering activity in the horse racing industry; and,
- b. Organized crime and money laundering activity in the luxury car industry.

4. Lessons from specific case studies of large-scale international money laundering

In detail, consider already identified cases of alleged large-scale international money laundering, for example:

- a. PacNet (United States);
- b. China Critic Bank litigation against Shibiao Yan (China); and/or,
- c. Any other international cases identified by regulators, law enforcement or sources that could provide useful insights into current challenges.

Where appropriate, evaluate why proactive detection and prevention mechanisms failed and make findings or detail lessons learned that could be relevant in British Columbia.

5. The ability to identify and seize real property bought with proceeds of crime

Evaluate the ability of the Province to proactively detect and seize real property which is more likely than not purchased with the proceeds of, specifically, international or domestic white-collar crime including money laundering, tax evasion and fraud.

This shall include data and analysis related to evidence of purchases of real property using the proceeds of crime or for the purposes of criminal activity, particularly by individuals from international jurisdictions where Canada does not have extradition agreements (e.g. Iran, China).

6. Other issues

Through meetings and interviews with individuals during the review, identify and provide as much data and analysis as is practical to support findings related to any previously unidentified issues concerning organized crime and money laundering in the real estate market, and the horse racing and luxury car industries.

Protocol:

The independent expert and government can consider and recommend any modifications or additions to these terms of reference as the independent expert or the government may consider necessary and appropriate.

During this review, and if the independent expert identifies information that would, in the independent expert's opinion, constitute an offence, that information must be provided to an appropriate law enforcement body or other appropriate entity.

Reporting schedule:

The independent expert must report back to the Attorney General or his delegate regularly and as required on progress in the review, in the manner and format as may be required, and to the extent possible without compromising the review or any law enforcement investigations.

The independent expert should provide any interim findings or information of apparent illegal conduct to government or law enforcement as appropriate at the earliest possible stage.

Formal reporting to the Attorney General is to occur:

- November 30, 2018 – verbal update
- January 31, 2019 – mid-stage report
- March 29, 2019 – final report

The independent expert's final report will be released to the public in a timely fashion after it has been submitted to government.

Resources:

In order to complete this review, the independent expert may meet with any individual or organization willing to meet with him, or at the request of government, that will assist in addressing the areas of review.

The independent expert is able to retain additional resources or expertise to assist him/her in this review, within the terms of their contract with the ministry.

The independent expert is also expected to meet with the Expert Panel on Money Laundering in Real Estate.

Note:

It is inevitable, given the subject matter, that many issues of concern will have cross-ministry implications across two, three or even four ministries. Money laundering in the residential construction sector, for example, could result in non-payment of taxes and WorkSafeBC premiums, erosion of employment standards, violation of safety codes and criminal activity.

Both the Ministry of the Attorney General and the Ministry of Finance undertake to identify areas of overlapping concern as they arise and to direct their respective investigators to inform the Minister of

such concerns before incorporating into their findings to ensure each ministry's areas of responsibility are respected and acknowledged.