

Minister of Finance



Ministre des Finances

Ottawa, Canada K1A 0G5

2011FIN353042

SEP 14 2011

Dr. Lukas Straumann
Executive Director
Bruno Manser Fonds
Socinstrasse 37
ch-4051 basel

Dear Dr. Straumann:

Thank you for your correspondence of July 1, 2011 regarding the possible laundering in Canada of proceeds of corruption from Malaysia.

Canada is an active participant in international initiatives to combat corruption and related illicit financial flows, including the G20 Anti-Corruption Action Plan.

Obligations imposed on the financial sector can be an effective tool to detect and prevent the use of the financial system to disguise and hide the proceeds of corruption and other similar crimes. As you may be aware, the Financial Action Task Force (FATF) is conducting a review of its international anti-money laundering and anti-terrorist financing standards. This review focuses in particular on standards on customer due diligence, politically exposed persons, beneficial ownership of corporations and other legal persons, transparency and international cooperation. In addition, in response to the call by the G20 Leaders, the FATF decided to give more priority to its on-going work to support anti-corruption efforts. Canada is actively participating in this review to ensure that the standards remain effective in addressing emerging money laundering and terrorist financing risks and trends.

Domestically, Canada has implemented a strong and comprehensive anti-money laundering and anti-terrorist financing regime that ranks in the top tier with respect to compliance with international standards. Canadian financial institutions and intermediaries are subject to comprehensive customer due diligence requirements and must report suspicious and prescribed transactions. They are also required by law to specifically conduct enhanced due diligence in respect of politically exposed persons.

Canada

The Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) was established under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*. As per this legislation, unlike financial intelligence units in many other countries, FINTRAC operates at arm's length from Canadian investigative and law enforcement agencies. This arm's length relationship was designed to protect the privacy of individual Canadians and their financial information.

FINTRAC does not undertake money laundering or terrorist financing investigations. It analyzes the information it receives and makes disclosures to other entities, including investigative bodies, where appropriate. The legislation sets out the kind of information FINTRAC can disclose, the circumstances under which FINTRAC can disclose this information, and to whom information can be disclosed, e.g., law enforcement and intelligence agencies, or foreign financial intelligence units.

By law, FINTRAC is not permitted to provide information on whether it has received reports about individuals or entities, and whether it has disclosed this information to law enforcement agencies. In this regard, I note that you have copied in your correspondence the Royal Canadian Mounted Police, which would be in a better position to comment on enforcement issues.

Thank you for communicating your concerns.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "James M. Flaherty". The signature is stylized and somewhat cursive.

James M. Flaherty