

SECURITY INTELLIGENCE REVIEW COMMITTEE

TOP SECRET//CEO
SIRC REVIEW 2016-01

CSIS's Investigation of Terrorist Financing

SUMMARY

- In this review, SIRC examined how CSIS investigates terrorists' use of financial mechanisms to fund threat-related activities. This review also sought to provide a general overview of financial intelligence (FININT), including the corresponding CSIS governance structure, CSIS's cooperation with domestic partners, CSIS's strategic initiatives with financial institutions (FIs), and a case study on terrorist financing.
- Overall, SIRC found that information exchanges between CSIS and FINTRAC complied with the CSIS Act and internal directives.
- SIRC recommended that, while the initiative aimed at increasing information-sharing with financial institutions may still be in its infancy, CSIS should take caution to ensure a whole of government approach, inclusive of all relevant stakeholders.
- SIRC recommended that CSIS update the DDO Directive to fully address issues concerning voluntary disclosures by FIs by elaborating clear parameters to govern the assessment as to whether the ingestion of unsolicited information into CSIS's operational database meets the "strictly necessary" legal threshold.

File No. 2800-205

ATIP version

dated: FEB 25 2019

Table of Contents

1	INTRODUCTION	3
2	METHODOLOGY	4
3	AN OVERVIEW OF FINANCIAL INTELLIGENCE.....	5
3.1	Broader Government of Canada and International Initiatives.....	6
4	OPERATIONAL AND ANALYTICAL CAPACITIES	8
4.1	8
4.2	Recent Tactical and Strategic Initiatives	8
4.3	Analysis and Cooperation with Key Government of Canada Partners	12
4.4	CSIS and FINTRAC	12
4.5	13
5	CONCLUSION.....	15

ATIP version

dated: FEB 25 2019

1 INTRODUCTION

Threat financing is the method by which threat actors (individuals or groups) finance their activities for terrorism, espionage or proliferation activities or other activities which represent a threat to the security of Canada. "Terrorist financing" more specifically, encompasses the raising, moving, using and storing funds for terrorism-related purposes. Terrorist financing also includes the use of tradecraft to obscure the source, destination, and ultimate use of funds.

CSIS approved a targeting authority

² Although the original purpose of the 2010 targeting authority was to allow CSIS to evaluate potential threat-related activity with a financial nexus not covered under existing authorities, financial intelligence has always been viewed as a useful investigative tool in all program areas

In this review, SIRC examined how CSIS investigates terrorists' use of financial mechanisms to fund threat-related activities. This review also sought to provide a general overview of financial intelligence (FININT), including the corresponding CSIS governance structure, CSIS's cooperation with domestic partners, CSIS's strategic initiatives, and a case study on terrorist financing. Underlying these issues, SIRC examined the methods that CSIS has been employing through collection efforts.

SIRC found that CSIS's investigation into threat financing activities was in compliance with the CSIS Act and Ministerial Direction. However, SIRC had concerns with one case which will be discussed in more detail in the review.

Still, looking forward, SIRC noted that there are some strategic initiatives that CSIS will need to approach with due diligence. Moreover, SIRC noted that CSIS should strengthen the governance framework around voluntary disclosures received

² This targeting authority was last renewed in

ATIP version

dated: FEB 25 2019

2 METHODOLOGY

This review examined corporate, operational, planning, policy and legal documents to understand how CSIS investigates threat financing activities and more broadly the use of FININT. SIRC held a number of meetings with various CSIS stakeholders,

These meetings provided SIRC with information necessary to the understanding of the various relationships that CSIS has with other Government of Canada partners and private sector entities.

The core review period for this study was October 1, 2014 to April 30, 2016; however, in order to provide a complete assessment, SIRC examined documentation and requested information that fell outside this period.

ATIP version

dated: FEB 25 2019

3 AN OVERVIEW OF FINANCIAL INTELLIGENCE

Although a targeting authority has been in place

Furthermore, since 2001, there have been only three convictions for terrorist financing in Canada.³ While this information suggests that terrorist financing investigations are not common;

FININT is a form of intelligence that is produced by collecting and analyzing financial and business information about individuals and entities. The information used to produce FININT originates from many sources,

Access to some of these information sources requires a federal court warrant; however, as will be discussed in this review, CSIS has also been obtaining some financial information without warrant powers.

In an effort to improve its FININT and threat financing capacity and capabilities, CSIS has been working on a number of initiatives, such as collaborating with other Government of Canada agencies, tweaking its own governance model, making changes to policy,

³

ATIP version

dated: FEB 25 2019

3.1 Broader Government of Canada and International Initiatives

CSIS is one of numerous players responsible for investigating financial activities related to terrorist financing. Recent international action on terrorist financing has focused on the resourcing flows to the Islamic State (referred to herein as Daesh).⁴ In December 2015, the UN Security Council adopted resolution 2253 that expanded the Al-Qaida sanctions framework to include a focus on Daesh with further attention on states' obligations to address economic and financial resourcing of Daesh. Another effort is through the Global Coalition Against Daesh, a coalition of 67 members led by the US, which identified terrorist financing as one of its five lines of efforts; Canada has been involved in the Counter-Daesh Finance Group.

In addition, Canada also contributes to the Financial Action Task Force (FATF) – a policy-making body that examines the international financial system.⁵ The FATF is an inter-governmental organization composed of 37 members that was established in 1989 on the initiative of the G7.⁶ Led by the Department of Finance and comprised of eleven federal partners (including CSIS), Canada's Anti-Money Laundering/Anti-Terrorist Financing (AML/ATF) regime is governed by the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)* as well as other legislation such as the *Criminal Code*, *Income Tax Act*, and *Charities Registration (Security Information) Act*. CSIS contributes to the Interdepartmental National Risk Assessment Committee through participation in the Threat Resourcing Working Group. Led by Public Safety Canada, this working group, which includes participation from key agencies such as FINTRAC, CBSA, RCMP and CRA, provides an avenue for analysts with policy and operational expertise to meet regularly and discuss relevant policy issues, thereby enhancing coordination among partners.

ATIP version

FEB 2 5 2019

dated: _____

⁴

⁵ The current and primary functions of FATF are to set standards and promote effective implementation of legal, regulatory and operational measures to combat money laundering, terrorist financing and other threats to the integrity of the international financial system. FATF also monitors the progress of its members in implementing necessary measures, reviews money laundering and terrorist financing techniques and counter-measures through the Mutual Evaluation process, and promotes the adoption and implementation of appropriate measures globally.

⁶ Obligations to FATF are handled through Canada's Anti-Money Laundering/Anti-Terrorist Financing (AML/ATF) regime. Much of the information related to the AML/ATF regime is drawn from the 2016-05-17 presentation "Terrorist Financing: Brief to the Security Intelligence Review Committee".

Aside from the Threat Resourcing Working Group,

The quickly changing landscape of how organizations raise, move, use and store money for nefarious and threat-related purposes would benefit from a structure that could provide timely and relevant intelligence (actionable, tactical and strategic) to appropriate stakeholders that are in some way responsible for addressing and responding to such threats. SIRC sees the benefit of a whole-of-government approach to fulfill these objectives. For its part, CSIS has in place operational and analytical capacities to examine FININT and threat financing.

ATIP version

dated: FEB 25 2019

4 OPERATIONAL AND ANALYTICAL CAPACITIES

FININT can provide valuable information

As a result, a key component of FININT is what to do with the information once collected. CSIS has put into place a number of initiatives to enhance its FININT capabilities and capacities.

4.1

4.2 Recent Tactical and Strategic Initiatives

ATIP version

dated: FEB 2 5 2019

TERRORIST FINANCING

STUDY 2016-01

TOP SECRET//CEO

ATIP version

dated: FEB 25 2019

9

CSIS informed SIRC that other agencies, such as FINTRAC, are aware of the initiative. **SIRC recommends that, while this initiative may still be in its infancy, CSIS should take caution to ensure a whole of government approach, inclusive of all relevant stakeholders.**

According to _____, all of the above-noted initiatives are seen as different phases of a larger strategic approach. ¹⁴ To this end, the CSIS Director asked that “a DDO directive be put in place with the necessary policy changes/additions to follow, to ensure that the Service abides by the “strictly necessary” principle

ATIP version

FEB 25 2019

dated: _____

¹⁴ DDO OPERATIONS MEETING 2016 - RECORD OF DECISIONS - February 9th and 10th, 2016

Meanwhile, CSIS has continued to receive disclosures
SIRC noted one particular instance where it believed that CSIS did not abide by
the “strictly necessary” principle when it ingested a disclosure in its
operational database

Following a formal correspondence on the legal opinion and Charter implications
pertaining to the above-noted ²⁰, SIRC met with
representatives to further discuss and clarify the “strictly necessary” principle in the
context of the reported transactions.

ATIP version

dated: FEB 25 2019

11

²⁰ See SIRC Question 453.00: CSIS Ingestion of Financial Information File No.: 1115-1 (October 07, 2016) and response by CSIS, November 30, 2016.

When financial transactions occur in these areas and are the [redacted] must determine whether to ingest the information in CSIS's operational database.²¹

SIRC found that the ingestion [redacted] requires additional direction to ensure that CSIS abides by the "strictly necessary" principle. As such, SIRC recommends that CSIS update the DDO Directive to fully address issues concerning [redacted] by elaborating clear parameters to govern the assessment as to whether the ingestion into CSIS's operational database meets the "strictly necessary" legal threshold.

4.3 Analysis and Cooperation with Key Government of Canada Partners

Through this role, CSIS provides advice to relevant Government of Canada partners (i.e., FINTRAC, RCMP, Public Safety and CBSA) on specific matters related to terrorist financing.

[redacted] Of equal importance, [redacted] were also provided to additional Government of Canada partners,

4.4 CSIS and FINTRAC

The relationship between CSIS and FINTRAC is perhaps one of the most important ones in relation to FININT and threat financing. The objective set out under the PCMLTFA is to detect and deter money laundering and the financing of terrorist activities, while facilitating the investigation and prosecution of these crimes by providing intelligence agencies and law enforcement officials with designated financial intelligence. All financial institutions (including casinos, money service businesses, real estate brokers, precious stone/metal dealers, etc.) are legally required to report to FINTRAC all financial transactions that meet certain thresholds or that simply appear suspicious to the reporting entity. CSIS describes its relationship with FINTRAC as the most important in terms of terrorist financing.²⁴ According to [redacted], CSIS and FINTRAC have a robust information-sharing arrangement in place. A key component of that arrangement is the MOU between [redacted]

²¹ Meeting with ER&L and [redacted] – January 19, 2017.

²⁴ Briefing with [redacted] PowerPoint Presentation on Terrorist Financing. 2016-05-18.

ATIP version

dated: FEB 25 2019

FINTRAC and CSIS on the collection of information that has been in effect since June 2010.

FINTRAC generates proactive disclosures of financial activities that meet its disclosure threshold.

The reports sent by FINTRAC cover a variety of transactions.

For its part, CSIS can also request information from FINTRAC

CSIS sends information to FINTRAC through Voluntary Information Records (VIR) that contain information in accordance with section 2 of the CSIS Act.

Given the importance of the relationship between CSIS and FINTRAC, SIRC reviewed all information-sharing between the two organizations during the review period. Overall, **SIRC found that information exchanges between CSIS and FINTRAC complied with the CSIS Act and internal directives.**

4.5

ATIP version

dated: FEB 25 2019

TERRORIST FINANCING

STUDY 2016-01

TOP SECRET//CEO

ATIP version

dated: FEB 25 2019

14

5 CONCLUSION

This review set out to describe threat financing, FININT and how CSIS is placing itself in order to deal with the associated challenges and opportunities. SIRC found that CSIS's investigation into threat financing activities was in compliance with the CSIS Act and Ministerial Direction, but SIRC had concerns with one case. SIRC noted that CSIS should strengthen the governance framework around voluntary disclosures received

ATIP version

FEB 25 2019

dated: _____