

A background image showing a business meeting. Several people are gathered around a table, looking at a tablet and various financial documents. One person is pointing at the tablet, while others are holding pens over documents. The documents feature various financial charts, including pie charts and bar graphs, with labels like 'ACTUAL SUMMARY', 'FINANCIAL', 'SAVINGS GOAL', and 'RESULTS'.

Canada's response to proposed US tariffs

Impacts on and considerations for Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) reporting entities

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Proposed US and Canadian tariffs

Due to the recent political developments between Canada and the United States, it is critical to understand the potential impact on Canada's economy and the impact of Canada's response to the proposed tariffs on FINTRAC regulated reporting entities (REs). Although tariffs are changing daily, it is crucial not to underestimate their significance and the substantial impacts they have on each sector.

United States

25% tariff on most Canadian goods

applies to all sectors, industries and products, with a reduced 10% tariff on Canadian energy products like oil and natural gas.

*No tariffs on goods that claim and qualify for U.S.-Mexico-Canada Agreement (USMCA) preference

10% tariff

on energy resources from Canada.

Impacts \$30 billion

worth of imported Canadian products.

24% of US GDP

is from international trade.



Canada

25% tariff on US goods

Applies to beer, wine, bourbon, vegetables, fruits, fruit juices, perfume, clothing, shoes, major consumer products, materials.

Non-tariffs

on critical minerals, energy, government procurement and other partnerships.

Impacts \$155 billion

worth of imported US products.

67% of Canada's GDP

is from international trade.



Canada's investment in its anti-money laundering and sanctions regime

To demonstrate Canada's commitment to border security and to avoid potential tariffs from the US, the federal government has committed to investing over \$1.3 billion to improve border security, appointing a Fentanyl Czar, expansion of the definition of terrorist groups to include cartels, and co-launching of a Canada-US task force to combat organized crime, fentanyl and money laundering. Tariffs aside, these measures will help Canadians and communities lead safer lives.

Increased Border Security

- \$1.3 billion investment to enhance border security
- New legislative requirements for port owners to assist Canada Border Services Agency (CBSA) with export inspections
- Increased surveillance of imports and exports through Canadian ports
- Measures to reduce flow of illegal migrants, illicit drugs, activity and funds across the border

Sanctions Amendments

- Terrorist list is expanded to include cartels to enable the Royal Canadian Mounted Police's (RCMP) ability to tackle the cartels' illicit activities.
- Cártel del Golfo, Cártel de Sinaloa, La Familia Michoacana Cáteles Unidos, La Mara Salvatrucha, Tren de Aragua, and Cártel de Jalisco Nueva Generación

Fentanyl CZAR

- Appointment of Kevin Brosseau as Czar to work with US counterparts to improve collaboration and efficiency in reducing the flow of fentanyl over the border, creating a single point of contact for decision-making

Canada-US Task Force

- Joint task force aimed at combatting organized crime, illegal production and distribution of fentanyl, and money laundering
- Improved information sharing capabilities between Canadian and US officials and international counterparts

Joint Operational Intelligence Cell (JOIC)

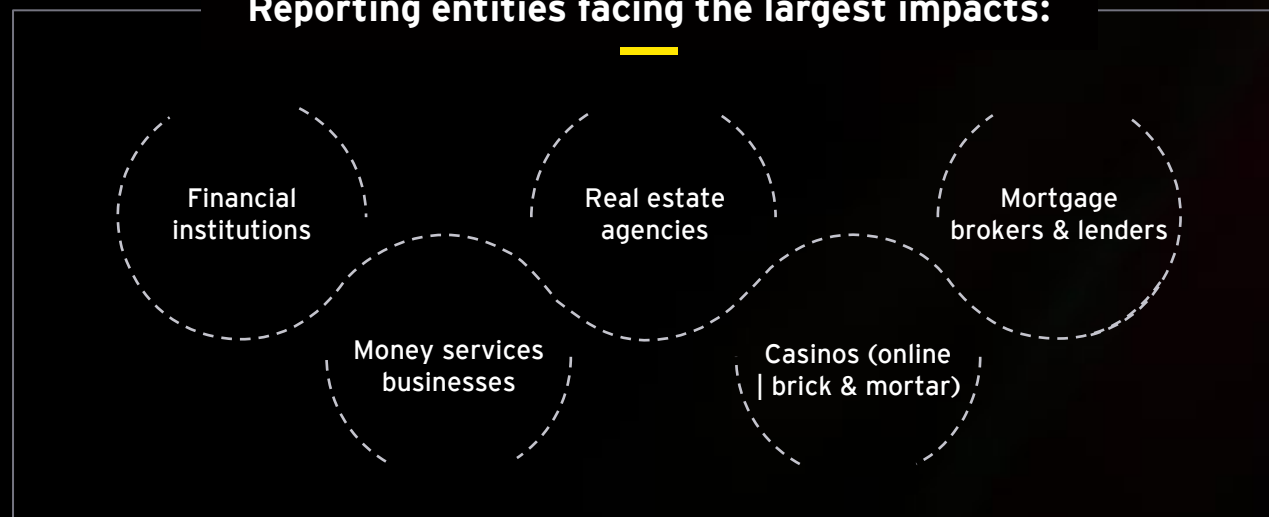
- On March 3, 2025, the Government of Canada launched the JOIC which brings together Canadian law enforcement and security agencies to enhance border protection.
- Representatives from the RCMP, CBSA, Public Safety Canada, Communications Security Establishment Canada, Canadian Security Intelligence Service (CSIS), Health Canada, and the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) will continue to collaborate and share information to combat organized crime, money laundering and drug trafficking, and to enhance border security.

Reporting entities will need to enhance monitoring on its clients and transactions, collaborate closely with law enforcement, and train resources to comply with the new measures.

Impacts to reporting entities

Reporting entities will have to consider implications on their anti-money laundering/anti-terrorist financing (AML/ATF) and sanctions compliance program stemming from the Canadian government's amendments.









Reporting entities facing the largest impacts:



Potential increase in activities and regulatory scrutiny

- **Trade-based money laundering** may be exploited to evade duties and taxes (e.g., over-/under-invoicing or draft invoices to conceal the origin of goods and disguise illegitimate funds).
- Increase of illicit trade from **smuggling** of products/goods to evade the tariffs and avoid the increased costs.
- Increased **regulatory scrutiny** on entities' AML and ATF and sanctions compliance programs, necessitating stronger monitoring of transactions.
- Increase in **sanctions evasion** activities by cartel groups that are now included on the terrorist list under the Criminal Code.

Impacts to reporting entities continued

	Enhance transaction monitoring	Implement robust transaction monitoring (TM) rules , such as lowering thresholds to trigger heightened alerts for specific customer types based on the CRR model (e.g., casinos, real estate brokers, MSBs, trading companies, supply chain management, cheque-cashing businesses) to target fentanyl and drug trafficking, trade-related transactions, and migration schemes. Amend TM typologies to include drug/fentanyl/opioid trafficking and production typologies .
	Integrate cartel monitoring	Update sanctions screening lists to include cartels , ensuring immediate monitoring, halting, freezing, and reporting of any transactions or accounts linked to cartel activities. As of February 20, 2025 seven entities were added as terrorist entities under the Criminal Code.
	Reassess risk controls	Conduct a thorough reassessment of know-your-customer (KYC), customer-due-diligence (CDD) and enhanced-due-diligence (EDD) controls for high-risk sectors and jurisdictions , including import/export and freight/shipping companies, as well as for individuals, including foreign students.
	Update risk assessment	Identify vulnerabilities in your products, services, and customer base that may be associated with fentanyl production and distribution and flow of illegal migrants. Conduct a sanctions risk assessment to identify potential exposure to drug cartels and related financial crimes.
	Increase due diligence measures	Implement rigorous due diligence processes to verify the identities of buyers and the legitimacy of their funds , particularly for high-value transactions and high-risk sectors.
	Enhance information sharing	Revise information-sharing policies and processes related to organized crimes to foster improved collaboration between reporting entities, law enforcement, and government agencies.
	Oversight & monitoring activities	Introduce or increase oversight and monitoring of third parties as well as employees, contractors, and other parties to mitigate exposure to sanctions and organized crime in your organization.
	Additional training for compliance teams	Provide coaching and training opportunities for compliance teams to remain vigilant about threats and red flags, fostering a culture centred on risk mitigation.

Tariff- and opioid-driven red flags

If the United States follows through with the threat of tariffs, reporting entities should be aware of red flags that should be referred and escalated for investigation and potential reporting to FINTRAC. By enhancing awareness and fostering improved information sharing, reporting entities can better fulfil their regulatory obligations and strengthen efforts in combatting the opioid crisis in Canada.

Unexplained changes or new trade routes

- Companies that traditionally import goods from the US, where the goods are manufactured, **reroute** the products to other countries without a logistical purpose to avoid paying tariffs.
- This is considered **tariff evasion**, which is illegal and fraudulent, and these proceeds are considered money laundering.

Increase in shell companies

- Sudden **increase** in use of **third parties** with no physical operating locations and vague/complex beneficial ownership structures.

Incorrect trade finance documents

- **Abnormal and inconsistent valuation and quantity** of import goods (priced well above or below market value) layered across multiple trade documents (e.g., letters of credits, shipping manifest, trade invoices).

Increase in use of third-parties

- Increased use of **unusual payments to third parties** with no apparent business connection or purpose of payment (e.g., fees paid to agents, consultants).

Opioid distribution and production

- Email money transfers with references to opioids using **street terminology** (e.g., fenty, china girl, tango).
- Use of **P.O. boxes, drop shipping addresses, homestays, or abandoned homes** as addresses
- Client is in the medical field and has **unusual pattern of transactions** (e.g. volume, value, frequency) not in line with the expected account profile.
- Virtual currency or wire transfers sent to **chemical companies located in China, Eastern Europe, or India.**
- Virtual currency or wires sent via **trading or freight-forwarding companies** located in intermediary jurisdictions such as Hong Kong, South Korea, and Singapore with end **destination in China.**

Transaction monitoring considerations

- **Train compliance resources to enhance investigation narratives**, taking into consideration these red flags, will allow for higher-quality and streamlined **collaboration** and **information-sharing** with law enforcement and industry peers.
- Integrate **typologies** and **scenarios** related to red flags for real-time transaction monitoring.
- Establish a **feedback mechanism** and deploy **data analytics** and **machine learning models** to continuously refine and improve the monitoring system based on the outcomes of investigations and Suspicious Transaction Reports.



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