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Criminal Intelligence Service Canada

08

REPORT
ON ORGANIZED CRIME

Research for this report concluded on May 21, 2008



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MESSAGES



Message from the Chair

RCMP Commissioner William J.S. Elliott

As Chair of the Criminal Intelligence Service Canada (CISC) National Executive Committee, I am pleased to present CISC's *2008 Report on Organized Crime*. This document provides an overview of the Canadian organized crime landscape as we know it today.

Clearly, improving overall awareness is an essential factor in mitigating the threats and harms presented by organized crime. To that end, this report aims to bring greater public attention to the significant, though not always immediately apparent, toll that criminal organizations take on Canadian society.

As with past editions, the 2008 report examines organized crime with respect to the nexus of criminal groups and criminal markets, highlighting the most significant known threats currently posed to the Canadian public. In addition, the Feature Focus section provides a detailed overview of identity theft and identity fraud, an increasingly pervasive threat. The section also contains valuable tips from the Canadian law enforcement community to help prevent Canadians from being victimized.

This report is very much a collaborative initiative that draws upon the intelligence resources and knowledge of our provincial bureaus and the nearly 400 member agencies affiliated with CISC. Utilizing our collective knowledge and experience, CISC has been a leader in the development of an integrated and intelligence-led approach to fighting organized crime. Collaborating at all levels of law enforcement to collect, evaluate and share criminal intelligence, we work toward the common goal of reducing the harm that criminal groups inflict on Canadian society.

By sharing our knowledge through this report, CISC continues its efforts to inform and educate Canadians about organized crime. Our hope is to engage the public in efforts to decrease organized crime's negative impact on Canadians.



Message from the Director General

Colonel Donald R. Dixon

Organized crime is identified by our law enforcement community as one of the most significant threats to the safety, security and economic well being of Canadians. Indeed, many of the most pervasive criminal threats today can be specifically attributed to organized criminal groups.

Sometimes these illicit activities are easily recognized as the result of organized crime activity, making headlines and generating much public discussion, but frequently they are not. Many people may not be aware, for example, that organized crime is often behind the sale of counterfeit products, mass marketing fraud, trafficking in persons and a host of other crimes.

This report represents CISC's commitment to inform the Canadian public regarding organized crime, including its areas of operation and commonly used criminal methods, in order to provide a better understanding of its reach and impact on our society.

Together with our member and partner agencies, CISC embraces an integrated approach to the collection, analysis and exchange of criminal intelligence. This enables CISC to provide the strategic intelligence products and services that assist law enforcement in detecting, preventing and reducing organized crime.

These products and services also assist law enforcement and government officials across the spectrum in developing policies and strategies to better address organized crime and minimize its negative impact.

I am very proud of our *2008 Report on Organized Crime*, and I believe it reflects the enthusiasm, dedication and professionalism of the entire CISC community. It is clear to me that by working together with the public and our strategic partners, we can make an impact on organized crime with the view of contributing to a safe and secure environment for all Canadians.

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ABOUT CISC



About CISC

As the voice of the Canadian criminal intelligence community, the fundamental purpose of CISC is to facilitate the timely and effective production and exchange of criminal intelligence, while providing leadership and expertise to CISC member agencies in their efforts to detect, reduce and prevent organized and serious crime affecting Canada.

CISC consists of a Central Bureau in Ottawa that liaises with, and collects intelligence from, ten provincial bureaus that serve all of Canada's provinces and territories. The provincial bureaus operate independently while maintaining common standards in the delivery of their products and services.



Membership

CISC membership includes nearly 400 law enforcement agencies across the country. These agencies supply criminal intelligence to their respective provincial bureaus for further analysis and dissemination. The provincial bureaus in turn provide their findings to Central Bureau for analysis and the creation of strategic criminal intelligence products and services at a national level.

ACIIS

CISC's member agencies collaborate in the exchange of criminal intelligence by contributing to the Automated Criminal Intelligence Information System (ACIIS), the Canadian law enforcement community's national criminal intelligence database on organized and serious crime. Central Bureau is the custodian of ACIIS, which it manages on behalf of, and in consultation with, all CISC member agencies.

Governance

CISC is governed by the CISC National Executive Committee, which is comprised of senior executives from Canada's law enforcement community and chaired by the Commissioner of the RCMP. This Committee meets twice annually to review the operation of CISC and to decide on communal goals. The Director General of CISC, who heads Central Bureau, is Secretary to the National Executive Committee and coordinates the efforts of all provincial bureaus in providing criminal intelligence products and services.

Staff

The staff of Central Bureau consists of RCMP employees and secondments from other law enforcement agencies. Secondments at Central Bureau currently include: Department of National Defence, Ontario Provincial Police, Ottawa Police Service, Service de Police de la Ville de Montréal and the Sûreté du Québec. CISC's Central Bureau receives administrative and financial support from the RCMP through its Policing Support Services, which provides essential front-line support services to the law enforcement community in Canada and abroad.



INTRODUCTION

Introduction

The *2008 Report on Organized Crime* aims to provide an overall strategic picture of organized crime in Canada and give an understanding of the numerous ways it impacts the lives of Canadians. The covert nature of organized crime necessitates that law enforcement establish partnerships with policy makers and the public to raise awareness and garner support for law enforcement's efforts to minimize the threats that are present in multiple criminal markets. This report, the only comprehensive overview of organized crime in Canada available to the public, highlights a variety of criminal markets and the threats they pose to communities across the country.

The Canadian criminal marketplace is best examined in terms of the interaction between illicit markets and the individuals that play pivotal roles within them. Criminal markets are dynamic, reacting to global shifts in supply and demand, and change according to domestic pressures such as competition and law enforcement disruption. In this report, CISC aims to inform Canadians of the threat posed by organized crime by discussing the capabilities of crime groups within the evolving criminal marketplace.

Each year CISC highlights a particular aspect of organized crime to provide a more in-depth assessment of its impact. The 2008 Feature Focus on identity theft and identity fraud was selected due to the growing public and political concern over the security of personal information and its subsequent manipulation by organized crime for profit.



Organized Crime

CISC and its member agencies use the *Criminal Code* definition to identify and assess organized crime in Canada. In using this definition, all contributing agencies base their assessments on the same criteria. This enables the CISC community to produce the broadest and most accurate assessment of organized crime groups.

The *Criminal Code* (467.1) definition is as follows: “Criminal organization” means a group, however organized, that

- (a) is composed of three or more persons in or outside of Canada; and
- (b) has as one of its main purposes or main activities the facilitation or commission of one or more serious offences that, if committed, would likely result in the direct or indirect receipt of a material benefit, including a financial benefit, by the group or by any of the persons who constitute the group.

It does not include a group of persons that forms randomly for the immediate commission of a single offence.

The Canadian criminal intelligence community identified approximately 900 organized crime groups in 2008, consistent with 2007 findings. These groups were found to operate in all communities, from major urban centres to rural areas.

CHIEF CONSTABLE JIM CHU, VANCOUVER POLICE DEPARTMENT

“Organized crime affects everyone in the community. From the fire that breaks out in the marihuana grow-op house in our neighbourhood to the higher insurances rates we all pay, organized crime activities pose direct and indirect harms to Canadians. It is a plague that must be stamped out.”



FOUNDATIONS



Foundations of the Organized Crime Marketplace

While the criminal marketplace is evolving, several key findings remain consistent over time. The following have been observed over several years and are considered to be mainstays of the Canadian organized crime marketplace:

- The British Columbia lower mainland, southern Ontario and greater Montreal regions are the primary criminal hubs, with both the largest concentrations of criminal groups as well as the most active and dynamic criminal markets. The illicit drug market remains the largest criminal market in terms of extent, scope, and the degree of involvement by the majority of organized crime groups.
- Where law enforcement successes have disrupted or dismantled specific crime groups, this impact tends to be short term as it creates temporary voids into which market expansion occurs or creates opportunities for well situated criminal groups. In general, criminal markets are highly resistant to long-term disruption as they continue to exist in response to meeting consumer demand.
- Many organized crime groups have the capability to exploit international borders. International linkages maintained by several groups ensure that supply and distribution chains for several commodities remain strong. In addition, strategically located areas on the Canada/United States border provide significant opportunities for the movement of illegal commodities and people without requiring large or sophisticated operations.
- Exploitation and infiltration of legitimate business by organized crime groups plays a critical role in undermining public confidence in some legitimate markets while contributing to the resilience of many organized crime groups. Legitimate businesses enable groups to launder funds, facilitate criminal activity (such as through the use of import and export companies), co-mingle licit and illicit goods as well as further insulate many groups from law enforcement action.



METHODS



Methods of Organized Crime Operation

Organized crime groups have adopted a variety of methods of operation to increase their profitability; expand and maintain their base of power; and insulate themselves both from law enforcement detection and action. While some groups retain a degree of hierarchy and core membership, most operate in fluid networks, working either competitively or collaboratively within multiple criminal markets. The following methods of operation are typically used to gain a competitive advantage in the criminal marketplace:

Violence and Intimidation

Many organized crime groups use violence and intimidation either as part of their long-term strategic plans or in spontaneous acts of aggression. Typically, violence and intimidation are used to solidify or further a crime group's involvement within a criminal market. It is usually directed either externally against criminal rivals or internally within their own organization to maintain discipline. In some instances, lower-level criminal groups will pose a more immediate and direct public safety threat through acts of violence that are often carried out in public places. These violent, lower-level criminal groups are largely but not entirely composed of street gangs, some of which have committed assaults or shootings in public places across the country. In some instances, intimidation is used against individuals and their communities to silence witnesses to crimes.



Critical Skills

As methods of operation change and criminal activities become more complex, organized crime groups use and manipulate individuals or organizations with critical skills. Where individuals with critical skills necessary to facilitate certain crimes (such as securities fraud, counterfeiting, mortgage fraud, etc.) are absent, skilled outsiders are either recruited or coerced into provision of these services. For instance, organized crime groups continue to exploit financial professionals, such as accountants, bank representatives and lawyers to facilitate fraud or the movement of money through different stages of the money laundering process.

Money Laundering

The methods used by organized crime to launder money range from simple techniques requiring minimal expertise to more complex methods requiring additional coordination. Lower-level criminal groups conduct simpler laundering methods including the use of cash-intensive businesses (e.g. restaurants), casinos, currency exchanges and the purchase of luxury goods. Higher-level criminal groups will continue to insulate themselves through more complex methods such as real estate ventures and off-shore investment opportunities, which exploit weaknesses in the global financial regulatory and reporting systems. Criminal groups also use both legitimate and shell companies to launder money as this allows for the comingling of funds, provides the appearance of legitimacy and insulates groups from detection.

RICHARD DESCHÊNES, DIRECTOR GENERAL, SÛRETÉ DU QUÉBEC

“Certain players in the world of organized crime have demonstrated refined and sophisticated methods of infiltrating the legitimate economy. Their use of nominees and facilitators as a means of reducing the risk of detection complicates investigations into their activities.”



GLOBAL TRENDS

Global Trends

The following are selected global trends that highlight some of the threats and opportunities that have the potential to develop within specific criminal markets. CISC Central Bureau performs ongoing environmental scans of domestic and international issues that have, and could impact criminality. Specifically, these trends provide indications as to how organized crime groups may target Canada in the future. It should be noted that none of the emerging trends identified here manifest in isolation; many are interconnected either directly or indirectly through common catalysts, common impacts, or common perpetrators. This section is not intended to provide an exhaustive analysis of global trends affecting organized crime in Canada or to detail their potential effects. Rather, these selected global trends are intended to contribute to strategic projections of emerging and future threats posed by organized crime.

Economic Crime

Electronic Money

The expanding availability and use of electronic money systems is providing organized crime with new ways to transfer value. To the extent that these new payment methods allow for high-value, anonymous transactions that are geographically unbounded and unrecorded, they facilitate money laundering as well as the sale of illicit goods. In the US, the operators of a popular **gold-backed digital currency** have been indicted on a variety of charges including money laundering and conspiracy. It is alleged that this e-currency was used to facilitate illegal activities ranging from credit card fraud to the exchange of child pornography.

Gold-backed digital currency is a form of electronic money denominated in gold weight.

CAROLINE MELIS, DIRECTOR GENERAL, INTELLIGENCE DIRECTORATE, CANADA BORDER SERVICES AGENCY

"The CBSA works closely with its national and international law enforcement partners to prevent access to Canada by criminal groups intent on expanding their transnational criminal networks. As part of its efforts to 'push the border out,' the CBSA employs a multiple borders strategy aimed at screening high risk individuals and goods before they arrive in Canada."



The US Dollar

The US dollar weakened significantly against other major currencies in 2007 and according to some economists, is expected to depreciate further in 2008. As a consequence, other currencies – particularly the Euro – are poised to weaken the US dollar's dominance as the currency of choice for international remittances and payments. For instance, for the first time in 2008, a Canadian bank is offering customers the option of a Euro denominated savings account. This trend could also drive an increase in observed instances of bulk-cash transfers denominated in currencies other than Canadian and US dollars.



Environmental Crime

Electronic and Electrical Waste

The illicit trafficking and disposal of 'e-waste' – computers, televisions, cell phones – is driving a burgeoning environmental and human health crisis in several developing nations in Asia and, increasingly, in Africa. Criminal networks can profit by collecting e-waste in developed countries such as Canada and selling it to 'recyclers' in developing nations. This practice is a violation of both Canadian and international law. The United Nations estimates that the world produces approximately 50 million tons of e-waste annually, most of which is illegally exported to the developing world where virtually none of it is properly handled. This trend is expected to peak between 2009 and 2011 when millions of US and Canadian televisions will become obsolete

as digital broadcasts become the norm. In addition, incorrect handling of some e-waste, such as obsolete disk drives, could be illicitly obtained by organized crime to collect and exploit government, corporate, or personal information that has not been properly deleted from these devices.



Natural Resources

Canada's natural resources that are particularly vulnerable to poaching and criminal exploitation include: marine resources, freshwater, forests and their inhabitants. Canada has globally significant areas of large forests, representing one tenth of the world's forested area. Canadian forests are vulnerable to illegal harvesting due to their relative abundance, isolation, and the large number of logging access roads.

Illicit Drugs

Precursors

Asia continues to be a hub for production and diversion of chemical precursors for illicit synthetic drugs. China is a major producer and exporter of active pharmaceutical ingredients, several of which are precursors required in the production of illicit drugs. According to ROTH, an investment banking and research firm, the Chinese pharmaceutical industry consists of more than 5000 producers and approximately 8700 distributors, posing significant regulatory challenges. Such insufficient monitoring resources can lead to many of these precursors being diverted to illicit drug markets worldwide, including Canada.



Cocaine Transit via West Africa

In the past few years, strong growth in the European cocaine market has helped transform West Africa into a drug transit zone. From 2005 to 2007, approximately 33 tons of cocaine destined for European markets was seized in West Africa. Before 2005, annual seizures over the entire African continent rarely totaled more than one ton. Money earned trafficking cocaine to Europe threatens the political and economic integrity of West African nations and this large quantity of illicit funds threatens to turn them into narco-states.

Humans as a Commodity

Organ Trafficking

Throughout the West, the demand for transplantable human tissue and organs far exceeds available legitimate and regulated supply. Opportunities for possible involvement by Canadian-based organized crime groups range from importing illegally harvested organs to arranging for Canadians to travel abroad to receive them. Past international cases also included human trafficking for the purpose of organ transplantation.

CHIEF WILLIAM BLAIR, TORONTO POLICE SERVICE

“We are witnessing transnational drug production, processing and distribution networks being established in Canada on an unprecedented scale. The impact is being felt in our neighbourhoods, where the nexus between drugs, guns and gangs has become all too apparent. Driving this threat from our neighbourhoods and our shores will demand a coordinated, integrated and unrelenting effort from all of us.”



CRIMINAL MARKETS



Criminal Markets

Illicit Drugs

Cocaine

Cocaine remains one of the most significant illicit drug markets as indicated by global production levels and Canadian seizure statistics. Cocaine is imported by organized crime groups directly from source countries, particularly Peru, or through transit countries such as the Dominican Republic, Guyana, Jamaica, and Mexico. Inter-provincial distribution of cocaine is coordinated from B.C., Ontario, and Quebec, where it is sold at the wholesale level to criminal groups that subsequently sell it to retail distributors.

Crack Cocaine

A derivative of cocaine, crack cocaine tends to be concentrated in urban centres across Canada. Due to the addictive nature and short-lived effects of crack, users frequently engage in low-level property crimes, robbery and crimes against persons, often creating pockets of cyclical crime. The majority of the criminal groups involved in crack cocaine are street gangs involved in retail distribution, primarily from street corners, crack houses, as well as **dial-a-dope** systems.

Dial-a-dope refers to a system used by street level distributors to sell illicit drugs by responding to requests placed to a series of disposable cellular phones.

Ecstasy

Canada, the Netherlands and Belgium are the primary source countries of ecstasy to the global illicit drug trade. Canada continues to be a major producer for both domestic and international markets, exporting significant quantities primarily to the US and to a lesser extent, Japan, Australia and New Zealand. Substantial production of ecstasy has directly impacted the domestic market, resulting in a considerable

CAPTAIN (NAVY) STEVE MOORE, CANADIAN FORCES PROVOST MARSHAL

“Where there is a demand for illegal commodities, criminal markets will exist, and Canadian Forces Defence Establishments are no exception. The CF Military Police are committed to using an intelligence-led approach to combat the reach of organized crime.”

decline in price since 2003. Moreover, the chemical profile of ecstasy has shifted towards a cocktail composition that contains decreased quantities of MDMA, its primary active ingredient, and increased quantities of several chemical fillers and substances, predominantly methamphetamine, as well as ketamine, ephedrine and caffeine. This trend poses a significant risk for consumers as they are unaware of the chemical composition of the ecstasy tablet and its harmful effects.

Heroin

In Canada, consumer demand for heroin remains low in comparison with demand for most other forms of drugs. As such, a limited number of organized crime groups, mainly in B.C. and Ontario, are involved in the heroin market, importing heroin primarily from Southwest Asia and Latin America.

Marihuana

Marihuana remains one of the most trafficked illicit drugs in Canada, with extensive organized crime involvement at all levels of production, distribution and exportation. Canada continues to be a source country for marihuana, meeting significant domestic and US cross-border demand. B.C., Ontario and Quebec continue to be the primary hubs of production and distribution to domestic and US markets. Given the significant demand for marihuana in the US, Canada meets a small proportion of their supply, particularly in comparison to quantities derived from US domestic production and Mexico.





Methamphetamine

Methamphetamine production in Canada has risen primarily to meet expanding international market consumption and to a lesser extent, limited domestic demand. The number of **super labs** in Canada indicates the capacity to produce significant quantities for foreign distribution. In 2007, seizures of Canadian-produced methamphetamine were interdicted in Australia, Japan, New Zealand and to a lesser extent, China, Taiwan, India and Iran. The majority of the groups involved in the manufacture of methamphetamine are based in B.C.; however, the dismantlement of several super labs in Ontario and Quebec during the past year demonstrates the eastward movement of production hubs.

Super labs have the capability of producing 5 kg or more of illicit synthetic drugs.

Opium

In 2007, the United Nations Office on Drugs and Crime (UNODC) reported that Afghanistan reached record highs of opium production, accounting for 92% of global illicit opium production. As a result, opium seizures in Canada have increased significantly in the past year; however, total seizures remain relatively low in comparison with other illicit drugs. The majority of opium is destined for a limited domestic market with a small number of organized crime groups involved in cross-border smuggling and distribution of opium to the US.

Pharmaceutical Opiates

According to the International Narcotics Control Board (INCB), the abuse of prescription drugs is set to exceed consumption of illicit narcotics worldwide and Canadians are among the heaviest consumers of pharmaceutical opiates globally. Moreover, the findings of a recent national study indicate that in many communities across Canada, heroin is being replaced with prescription drugs such as Oxycodone (e.g. OxyContin) and Hydromorphone (e.g. Dilaudid). Several organized crime groups, particularly in Atlantic Canada, are involved in the illicit retail distribution of prescription opiate drugs.

CHIEF FRANK A. BEAZLEY, HALIFAX REGIONAL POLICE

"Drugs of all types lead to the decay of our neighbourhoods and undermine the positive development of our youth. We should not be lulled into believing that counterfeit and illegally obtained prescription drugs are any less dangerous than illicit drugs such as cocaine and ecstasy."

Financial Crime

Mass Marketing Fraud

Canadian-based mass marketing fraud operations gross over \$500 million per year, according to the Canadian Anti-Fraud Call Centre (CAFCC). The top reported mass marketing schemes last year included: prize, sweepstakes/lottery and gift, advance fee loans, service, job opportunities, Internet auctions, vacations, and merchandise. Counterfeit or altered financial instruments (e.g. cheques or money orders) are increasingly being used by organized crime to commit mass marketing fraud. Canadian-based criminal organizations not only target consumers in Canada, but also consumers in other countries, primarily the US and, to lesser extent Australia, Switzerland and the Caribbean. Conversely, Canadians are targeted by foreign-based fraudsters and the CAFCC identified 105 different countries that are believed to have targeted Canada in 2007.



Mortgage Fraud

Mortgage fraud in Canada is estimated to result in losses amounting to hundreds of millions of dollars annually. Organized crime groups undertake a variety of techniques to avoid detection while committing mortgage fraud. Schemes often involve fraudulent mortgage applications, which contain fabricated information about the prospective buyer or property, through the use of false appraisals and employment



records. In order to insulate themselves from detection, criminal groups also recruit nominees, which can include family members, close associates or other ineligible buyers, to submit fraudulent mortgage applications. The movement towards remote application processes (whereby in-person applications may not be required) is also facilitating anonymity for those engaged in mortgage fraud.

Payment Card Fraud

Payment card fraud remains a prevalent form of fraud and has a global impact on consumers, as well as financial and retail industries. The availability of wireless technology, such as Bluetooth, is enabling the extraction and transmission of payment card information in real time. As information is relayed from point of sale terminals to vehicles positioned in close proximity, it is transferred almost instantly to '**card factories**' which can be located worldwide. This technology, coupled with the growth of payment card use and online shopping activity, provides both anonymity and access to extremely lucrative markets for organized crime.

Card factories are locations where payment cards are manufactured illegally.



COMMISSIONER WILLIAM BAKER, CANADA REVENUE AGENCY

"The Canada Revenue Agency ensures that income derived from criminal activity is subject to Canadian income taxes. Our role complements the efforts of police forces to combat illegal activity and organized crime. Together, we contribute to the security and well-being of all Canadians."

Securities Fraud

Securities fraud is a complex criminal activity that requires specific financial knowledge and expertise. Technology has facilitated organized crime's ability to commit securities fraud and has increased their operational reach. In particular, the use of electronic money transfers has resulted in the blurring of geographical borders. Securities fraud may originate in one jurisdiction and result in losses to numerous investors located in several other jurisdictions. In addition, spam e-mail is used to promote stocks in **microcap companies** as high-yield, low-risk investment opportunities in order to conduct '**pump and dump**' schemes.

Microcap companies are smaller companies that often have limited assets, and trade on over-the-counter markets that have fewer regulations than the major stock exchanges.

'**Pump-and-dump**' schemes involve the touting of a company's stock (typically companies with small numbers of stock) through false and misleading statements to the marketplace. After pumping the stock, fraudsters make huge profits by dumping their cheap stock in the market, which results in investors losing money.

Contraband Tobacco

Contraband tobacco in Canada is primarily supplied by organized crime groups based in Ontario and Quebec, and is facilitated by inter-provincial, cross-border and international distribution networks. According to the Canadian Tobacco Manufacturers' Council, an estimated 22% of cigarettes smoked in Canada are illegal. Of these, some are legitimately manufactured, smuggled and illicitly sold through Aboriginal reserves and, to a lesser extent, illegally introduced through Canada's ports.





Human Smuggling and Trafficking in Persons (TIP)

Organized crime groups are actively involved in human smuggling operations in Canada, facilitating the movement of illegal migrants from several transit points domestically and internationally. Most human smuggling activity takes place at border crossings in B.C. and Quebec, and to a lesser extent, Ontario. Despite activity in both north- and south-bound directions, there is a significant increase in illegal north-bound migration from the US into Canada.

A small number of organized crime groups, mostly based in B.C. and Quebec, are involved in the facilitation of international TIP. Conversely, several street gangs are active within the domestic TIP market for the purposes of sexual exploitation. These groups facilitate the recruitment, control, movement and exploitation of Canadian-born females in the domestic sex trade, primarily in strip bars in several cities across the country.

Illicit Firearms

The US remains the primary foreign supplier of smuggled firearms in Canada with a strong regional link between provinces and firearms sourced to US border-states (e.g. Michigan). These smuggled firearms, in addition to domestically sourced guns, continue to be the key sources of illicit firearms in Canada. The Internet is anticipated to become increasingly appealing to criminals as an alternate means of obtaining illicit firearms and avoiding law enforcement and Canada - US border controls.



CHIEF KEITH MCCASKILL, WINNIPEG POLICE SERVICE

"Even one gun can devastate many lives. That is why we have directed a targeted enforcement campaign to get illegal guns off our streets."

Intellectual Property Rights Crime

Organized crime groups are active in the illegal import of counterfeit goods into Canada, primarily from China, in addition to involvement in inter-provincial distribution. The ability of these products to pass for authentic goods will continue to increase as counterfeiting techniques improve, making detection difficult. It also facilitates their infiltration into the legitimate market, often without the awareness of either the supplier or consumer. Organized crime groups will continue to capitalize on opportunities to expand the availability of counterfeit goods via the Internet through fraudulent online stores, unregulated e-pharmacies and loosely monitored auction and classified ad sites.

Vehicle-Related Crime

According to Statistics Canada, the number of vehicles stolen in Canada annually remains stable at approximately 160,000. Organized crime groups involved in vehicle-related crime primarily operate out of Montreal and Toronto and continue to steal heavy equipment or vehicles for 're-vinning,' exportation, or the operation of chop shops. A small percentage of vehicles and heavy equipment stolen in Ontario and Quebec are exported internationally, while some groups continue to engage in staged collisions.





FEATURE FOCUS

Identity Theft and Identity Fraud in Canada

Feature Focus: Identity Theft and Identity Fraud in Canada

For the purpose of this Feature Focus, the term **identity theft** refers to the collection, possession, and trafficking in personal information, which typically takes place independent of, or in preparation for, the commission of identity fraud. Personal information of value to thieves includes: name, address, age, gender, credit card numbers, income, employment, payment and health records. The term **identity fraud** refers to the use of personal information, without the person's knowledge or consent, to commit various crimes under their name such as fraud, theft or forgery.

The RCMP Commercial Crime Branch defines identity fraud as the unauthorized acquisition, possession or trafficking of personal information, or, the unauthorized use of information to create a fictitious identity or to assume an existing identity in order to obtain financial gain, goods or services, or to conceal criminal activities.

Criminal acts associated with the misuse of another person's identity information are current offences under the *Criminal Code*, including impersonation and forgery. However, the collection, possession and trafficking of identity information is not currently against the law and as such, the Canadian government is working on legislation to amend the *Criminal Code* in the area of identity theft. This new legislation will provide law enforcement and the legal community with new tools to deal with the offences of collection, possession and trafficking of identity information (identity theft).

YVAN DELORME, DIRECTOR, MONTREAL POLICE SERVICE

"Economic crimes such as fraud, debit or credit card cloning and identity theft are costly for society as a whole. Furthermore, with advances in technology, a wealth of economic, personal and corporate data may become available to criminals who have developed the expertise required to make use of it."



How Personal Information Can Be Stolen

Identity thieves steal personal information in a number of different ways, taking advantage of many everyday transactions that require individuals to share personal information for identification purposes. Two common and simple techniques are mail theft and 'dumpster diving'. Personal data can be collected by stealing mail from residential mailboxes, whereby a fraudulent change of address can redirect the victim's mail to another location, facilitating identity theft, while victims are unaware that personal documents are being compromised. Furthermore, recycling bins and dumpsters at home or in the office, containing personal documents that have not been shredded can be targets of dumpster diving. Stolen and lost wallets, credit, and bank cards can provide identification and break-ins in search of personal information in homes or vehicles do occur. Public resources can help thieves to complete personal profiles, including access to public records, newspapers, and phone books. Obituaries and tombstone data can also provide relevant information.

COMMONLY TARGETED DATA

NAME, HOME ADDRESS AND PHONE NUMBERS

WORK ADDRESS AND PHONE NUMBER

DATE OF BIRTH, SOCIAL INSURANCE NUMBER

DRIVER'S LICENCE, BANK AND CREDIT CARD ACCOUNT NUMBERS

PASSWORDS, STATEMENTS AND CREDIT REPORTS

TAX RETURNS, GOVERNMENT-ISSUED CHEQUES

PASSPORTS

Another illicit technique to collect information consists of posing as someone else in person, on the telephone or online to mislead legitimate businesses and organizations into providing desired information. Moreover, fraudsters will try to obtain information directly from their victims by pretending to be a legitimate representative who has a legal right to the information such as a bank or government official.

Most Canadians, close to 9 in 10, are at least somewhat concerned about falling victim to identity theft.

Source: EKOS Research Associates, 2008

Information technologies that host personal information provide another way for thieves to collect personal information. Information can be extracted from lost or stolen personal electronic devices such as laptops, personal digital assistants (PDAs), and cell phones. Thieves can collect personal information that individuals share voluntarily online, but also use spyware, malware and viruses to hack personal or business computers and databases to retrieve needed information.

Canadians have serious concerns about the safety of their personal information: 2 in 3 worry that it is vulnerable to physical theft and 1 in 2 thinks that it is not adequately protected by computer systems.

Source: EKOS Research Associates, 2008

On a larger scale, technology enables businesses and government to collect and store vast quantities of personal and financial data in databases. Under privacy legislation, government and businesses have to put systems in place to ensure that this information is secure and used only for the purpose for which it was collected. However, security breaches do happen. In some cases, losses of data occur and other times, co-opted employees can steal and sell large files with personal information. Compact computer equipment makes it possible to copy, store, transmit and carry files containing private information without being easily detected.



Other techniques used by criminals to trick people into divulging personal or financial information include: 'brand spoofing', wherein fraudulent websites imitate those of legitimate businesses; 'phishing', e-mail scams and 'voice phishing', which prompts people to call a telephone number set up with a message system that sounds legitimate.

Other sophisticated techniques involve the modification of automated banking machines or point-of-sale terminals to allow criminals to record the debit or credit card numbers by 'skimming' this information as it is entered by the cardholder. In some cases, pinhole cameras have been used to capture the personal identification number (PIN) of the victim.



Organized Crime Involvement in Identity Theft & Identify Fraud

Identity theft and identity fraud represent high profit potential for organized crime groups with a relatively low risk of detection and prosecution. While a number of criminal groups in Canada are involved in identity fraud, some individuals with technological and criminal knowledge have also been known to efficiently commit such crimes on their own. Lower-level criminal groups are usually involved in activities related to identity theft, while mid- to higher-level criminal groups are involved in identity fraud.

Groups involved in identity theft and identity fraud are mobile, as they will often reside in one province and work across a number of different provinces, as well as target individuals abroad and in the US. In Canada, these crimes take place in urban and rural areas with the majority of incidents reported in B.C., Ontario and Quebec. Some criminal groups specialize in a particular aspect of identity fraud, such as creating identify profiles, manufacturing fraudulent identification or 'skimming' payment card data. Not all stolen data is used for the purpose of identity fraud by those who collect it. Lists of stolen personal information from potential targets can be stored for long periods of time before being shared, exchanged or sold to other groups. Moreover, individuals that offer critical skills to organized crime groups are able to provide methods and technical expertise that facilitate identity fraud.

Organized crime groups use identity theft to further their criminal agenda, for financial gain and to avoid detection by law enforcement. With each piece of personal information collected, organized criminals build stolen identities that are useful to them in a number of different ways. Stolen identities, including a legitimate name and birth date, can be used to apply for fraudulent bank accounts, credit cards, and loan applications. In turn, this fraudulent financial file can support further applications for driver's licences, social insurance numbers, and other identification documents.

About 1 in 10 Canadians reports having been a victim of identity theft, and an additional 1 in 4 says that they know someone who has had this happen to them.

Source: EKOS Research Associates, 2008

CHIEF RICK HANSON, CALGARY POLICE SERVICE

"The only way we can effectively combat organized crime is with a good understanding of the problem and a commitment to working together to alleviate it. The Calgary Police Service is committed to working with other policing agencies to address this issue in our communities."



HOW CAN STOLEN PERSONAL INFORMATION BE USED?

Forging new identity documents

- HEALTH CARD
- DRIVER'S LICENCE
- PASSPORT
- ADDRESS
- PHONE NUMBERS

Manipulation of financial services

- CASH
- CREDIT CARD
- CREDIT REPORT
- BANK ACCOUNT
- BANK ACCOUNT TAKE-OVER
- CHEQUE
- LINE OF CREDIT
- LOAN
- MORTGAGE

Fraudulent applications for documents and services

- EMPLOYMENT
- BUSINESS
- TAX RETURNS
- INSURANCE
- GOVERNMENT BENEFITS
(EMPLOYMENT INSURANCE, CANADA PENSION PLAN, SOCIAL ASSISTANCE)
- HEALTH CARE SERVICES
- BANKRUPTCY

Once assembled, stolen identities provide organized crime groups with a clandestine vehicle to secure goods and services from the legitimate economy and to commit wider crimes such as payment card fraud, cheque fraud, mortgage fraud, insurance fraud, bank fraud, and passport application fraud.

Who Is Affected

The Canadian Anti-fraud Call Centre (CAFCC) reported 10,366 complaints from identity theft and identity fraud victims with losses totalling more than \$6 million in 2007 and losses of more than a million dollars in the first quarter of 2008. CAFCC estimates the numbers represent a very small percentage of the actual figures. It is reported that middle-aged Canadians, aged 35 to 54, are the most affected by credit or debit card fraud or theft. Nevertheless, everyone is exposed to the risk of identity theft and identity fraud and every year thousands of Canadians are victimized.

Target Group: Youth and Children

Young people are the most vulnerable targets of identity thieves online. Some use online social networking sites (e.g. Facebook, MySpace) on a daily basis and are part of multiple online communities, where they post detailed personal profiles, sharing a vast amount of personal information. In 2007, the US Federal Trade Commission reported that a growing number of victims are under the age of 18, of which half are under the age of six. Child identity theft can represent a new target group as this type of crime can be undetected for a long period of time.

Victims of identity theft and identity fraud face long-term consequences such as debt and damage to their credit rating and reputation. Once the personal data of an individual is compromised, recovering from identity theft and identity fraud can be a lengthy process. This, in turn, could make it difficult to obtain loans, find employment, and to interact with governmental and private institutions. It can take some time for victims to recognize that their identity is compromised and frauds have been taking place. In addition, the violation of privacy can cause the victim considerable emotional distress. Past victims face a bigger risk of re-victimization, which can be a financial and psychological burden.

3 in 10 Canadians have changed their spending habits over concerns about fraud and theft.

Source: Ipsos Reid, 2007



Apart from financial losses, commercial and financial institutions face increased scrutiny regarding their ability to protect personal information. The trust in businesses and financial institutions can be damaged, which can in turn affect the confidence of consumers and investors in the Canadian economy. Government programs and services can also be affected when illegitimate applicants use false identities to obtain official government documents or benefits.

Case Studies

The following two case studies are taken from actual police cases involving identity theft and identity fraud. The names have been changed or omitted to protect the identities of those involved.

An individual attempted to purchase \$5000 worth of merchandise by applying for an in-store credit card under the name of Joe Smith. He was able to provide store personnel with three pieces of identification which appeared to be valid, including a Canadian passport, a SIN card and business licence. He also made previous attempts to obtain a cellular phone and open a bank account under Joe Smith's name at a major bank. When police contacted the real Joe Smith, he stated that he had never lost or had stolen any of his identification or credit/debit cards. The suspect was never identified or charged.

An individual was stopped after an attempt to cash a fraudulent cheque at a cheque-cashing outlet. On arrest, the individual was in possession of several pieces of photo identification bearing different names, dates of birth and addresses. Subsequent investigation revealed that this individual had been using at least three different identities for several years, had outstanding arrest warrants, and had been arrested and charged under each name. The individual had been using the identity of family members from different jurisdictions and had obtained social assistance under these names. The individual was charged with numerous counts of fraud.

Are you a Victim?

The signs can be many, but typical indicators that your identity is being used include:

- A creditor informs you that an application for credit was received with your name and address, which you did not apply for.
- Telephone calls or letters state that you have been approved or denied by a creditor that you never applied to.
- You receive credit card statements or other bills in your name, which you did not apply for.
- You no longer receive credit card statements or you notice that not all of your mail is delivered.
- A collection agency informs you they are collecting for a defaulted account established with your identity and you never opened the account.

Source: The Canadian Anti-fraud Call Centre



Tips to Minimize the Risk

- 1 Before you reveal any personally identifying information, find out how it will be used and if it will be shared.
- 2 Pay attention to your billing cycles. Follow up with creditors if your bills do not arrive on time.
- 3 Guard your mail. Deposit outgoing mail in post office collection boxes or at your local post office. Promptly remove mail from your mailbox after delivery. Ensure mail is forwarded or re-routed if you move or change your mailing address.
- 4 Utilize passwords on your credit card, bank and phone accounts. Avoid using easily available information like your mother's maiden name, your birth date, the last four digits of your SIN or your phone number.
- 5 Minimize the identification information and number of cards you carry.
- 6 Do not give out personal information on the phone, through the mail or over the Internet unless you have initiated the contact or know whom you're dealing with.
- 7 Keep items with personal information in a safe place. An identity thief will pick through your garbage or recycling bins. Be sure to tear or shred receipts, copies of credit applications, insurance forms, physician statements and credit offers you get in the mail.
- 8 Give your SIN only when absolutely necessary. Ask to use other types of identifiers when possible.
- 9 Do not carry your SIN card; leave it in a secure place.

Source: The Canadian Anti-fraud Call Centre



CONCLUSION



Conclusion

The overall impact of organized crime is not easily measured, but is significant due to the spectrum of criminal markets operating in Canada. Some forms of criminal activity are highly visible and affect individuals and communities on a daily basis such as street-level drug trafficking, assaults, violence and intimidation. Conversely, more covert operations pose long-term threats to Canadian institutions and consumers, such as mortgage fraud, vehicle theft, and identity fraud. The *2008 Report on Organized Crime* is a product of a coordinated law enforcement community effort that provides Canadians with a situational overview of organized crime activities across the country and the scope of these operations within Canadian communities. This assessment is produced by CISC with the aim of informing Canadians in hopes that the public will continue to work cooperatively with law enforcement to combat organized crime and its socioeconomic effects.

Evaluation Form

CISC 2008 Report on Organized Crime

Criminal Intelligence Service Canada would like to receive feedback on its *Report on Organized Crime* in order to improve the quality of the report and its value to the Canadian public. CISC invites you to complete and return this evaluation form.

How informative is the *Report on Organized Crime* in each of the following areas?

Foundations of the Organized Crime Marketplace	No use	1	2	3	4	5	Most useful
Methods of Organized Crime Operation	No use	1	2	3	4	5	Most useful
Global Trends	No use	1	2	3	4	5	Most useful
Criminal Markets	No use	1	2	3	4	5	Most useful
Feature Focus	No use	1	2	3	4	5	Most useful

Please circle the number which best describes your judgment about the content of the report.

(1 = Poor and 5 = Excellent)

Organization of the report	1	2	3	4	5
Readability and clarity	1	2	3	4	5
Quality and usefulness of information	1	2	3	4	5
Design and layout	1	2	3	4	5
Level of detail provided	1	2	3	4	5
Overall value	1	2	3	4	5

How does the information in this report impact your views of organized crime?

How can CISC improve the *Report on Organized Crime*?

CISC welcomes your comments and requests that you complete the information box and return this form by e-mail, fax or mail to:

Criminal Intelligence Service Canada
1200 Vanier Parkway
Ottawa, Ontario K1A 0R2
Fax: 613.993.3928
E-mail: cisc@cisc.gc.ca

Province: _____
City/town: _____
Organization: _____
Date: _____
First time reading a CISC report: _____
Name (Optional): _____

Thank you for your feedback.