



## ARCHIVED - Archiving Content

### Archived Content

Information identified as archived is provided for reference, research or recordkeeping purposes. It is not subject to the Government of Canada Web Standards and has not been altered or updated since it was archived. Please contact us to request a format other than those available.

## ARCHIVÉE - Contenu archivé

### Contenu archivé

L'information dont il est indiqué qu'elle est archivée est fournie à des fins de référence, de recherche ou de tenue de documents. Elle n'est pas assujettie aux normes Web du gouvernement du Canada et elle n'a pas été modifiée ou mise à jour depuis son archivage. Pour obtenir cette information dans un autre format, veuillez communiquer avec nous.

This document is archival in nature and is intended for those who wish to consult archival documents made available from the collection of Public Safety Canada.

Some of these documents are available in only one official language. Translation, to be provided by Public Safety Canada, is available upon request.

Le présent document a une valeur archivistique et fait partie des documents d'archives rendus disponibles par Sécurité publique Canada à ceux qui souhaitent consulter ces documents issus de sa collection.

Certains de ces documents ne sont disponibles que dans une langue officielle. Sécurité publique Canada fournira une traduction sur demande.



**RCMP**

ROYAL CANADIAN MOUNTED POLICE

# HELPING PROTECT CANADA'S CAPITAL MARKETS

2006 / 2007

INTEGRATED MARKET ENFORCEMENT PROGRAM



Royal Canadian Mounted Police  
Gendarmerie royale du Canada

Canada

Any queries regarding the content of this report, or requests for additional copies, should be addressed to:  
RCMP Integrated Market Enforcement Branch : (613) 949-4285

© 2007, Her Majesty the Queen in Right of Canada, as represented by the Royal Canadian Mounted Police

# HELPING PROTECT CANADA'S CAPITAL MARKETS

---

2006 / 2007

INTEGRATED MARKET ENFORCEMENT PROGRAM

## COMMENT FROM THE DIRECTOR

---

MARCH 31, 2007

The Integrated Market Enforcement Team (IMET) program stems from an initiative announced in the Government of Canada's 2003 Budget, which outlined a plan for the RCMP and federal partners to receive up to \$30 million a year, over five years, to create IMETs.

The implementation of the IMET program was completed in April 2006 and while the formative evaluation by Audit and Consulting Canada (March 2006) was generally supportive, the Canadian government and the RCMP have been encouraged to make further enhancements in the area of criminal enforcement within Canada's capital markets.

The IMET program continues to receive strategic guidance from an Executive Council which is made up of representatives of the Departments of Finance, Justice, Public Safety and the RCMP. During an Executive Council meeting on December 01, 2006, two key aspects of the existing IMET mandate were modified to allow for IMETs to give equal priority to non-publicly listed companies and to those complaints of criminal behaviour that were of regional priority (as opposed to national priority only).

Over the past year, we have seen criminal charges laid in our first 'project status' investigation, a name reserved for those investigations of significant stature and priority as to be deserving of a team approach to the investigation. While we continue to anticipate charges for other 'project status' investigations, there is general recognition that these complex investigations are taking too long to reach the prosecution stage. It is prudent that we re-examine all aspects of the IMET initiative and work together with all key stakeholders to search out new ways to enhance our efficiency.

We welcome the attention being given to our program as we continue to evolve and take on a key role within the Canadian securities industry. We remain committed to working closely with all regulators to ensure a truly integrated approach is taken with regards to the complete spectrum of enforcement.

We will continue to strengthen the role and function of the Securities Fraud Information Centre (SFIC) as we use this function to complement the function of our Joint Securities Intelligence Units (JSIUs) and to offer a complete profiling and due diligence service (similar to that of the JSIUs) to those securities commissions that do not have an IMET office in the immediate vicinity. Steps have also been taken to involve other key partners in the financial services industry.

We anticipate that the coming year will be an exciting one with significant change. The Government of Canada has reiterated a strong commitment to the IMET initiative in the recent federal budget by announcing a further investment of \$10 million annually commencing April 1, 2008. We will strive to highlight some of our successes while we search for ways to better manage stakeholder expectations. Meanwhile, we remain committed to ensuring there is indeed a genuine threat of investigation, prosecution and subsequent incarceration to all would-be perpetrators of fraud in Canada's capital markets.

**John Sliter, Superintendent**  
**Director, Integrated Market Enforcement Branch**





## HUMAN RESOURCES

There are currently nine Integrated Market Enforcement Teams (IMETs) across the country; two in Vancouver, two in Calgary, three in the Greater Toronto Area and two in Montreal. There is also an Integrated Market Enforcement Branch (IMEB) office in Ottawa.

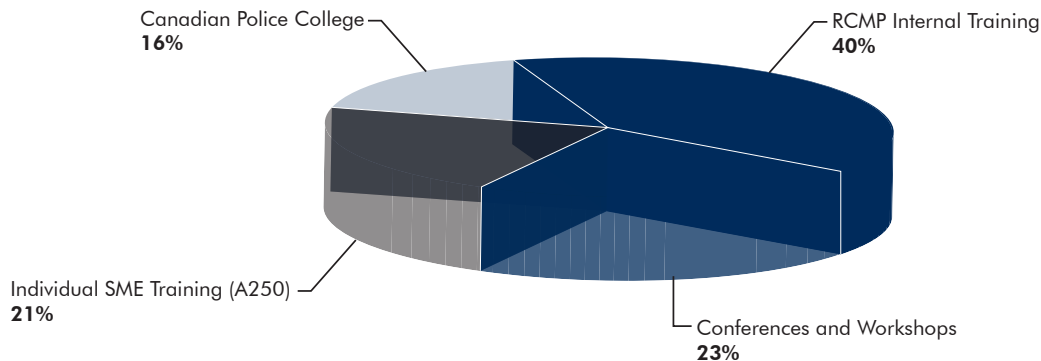
The IMETs are comprised of regular members, civilian members, legal advisors, securities regulators, forensic accountants and support staff. All full-time RCMP employees in the IMET program are required to submit their monthly hours via the internal Management Information System (MIS). Analysis of the submitted hours helps direct Senior Management with resource allocation, balancing financial levels and assists in unit quality assurance.

All IMET personnel receive specialized training that is relevant to their role and duties within the team. This consists of general and mandatory training as well as subject matter expert (SME) training. Training is obtained through the Canadian Police College, RCMP internal training, conferences and/or workshops or can be individually requested through the RCMP individual learning plan (A250 program).

---

### INTEGRATED MARKET ENFORCEMENT PROGRAM SUBJECT MATTER EXPERT TRAINING - VENUES

APRIL 01, 2006 - MARCH 31, 2007

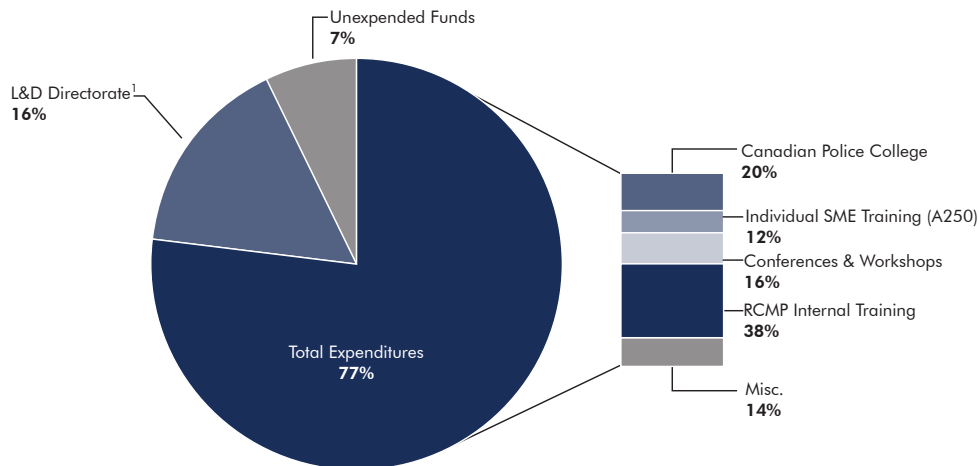


The provision of SME training means that IMET members are specialists in markets related investigations and they receive market related training in the latest techniques and legal developments in securities fraud. Some examples of SME training are as follows:

- Canadian Securities Course
- Derivatives Fundamental Course
- Exchange Traded Funds
- Financial Investigations
- Human Source Development Workshop
- Internet Searching Techniques
- Investigative Interviewing
- Market Integrity by Computer Analysis (MICA) Workshop
- Osgoode Hall Search & Seizure Course
- Strategic Intelligence Analysis
- Tactical Intelligence Analysis
- Using the Internet as an Intelligence Tool

**INTEGRATED MARKET ENFORCEMENT PROGRAM  
SUBJECT MATTER EXPERT TRAINING - FUNDING DISTRIBUTION**

APRIL 01, 2006 - MARCH 31, 2007







As a program, the Integrated Market Enforcement Branch (IMEB) has been able to ensure the approval of all reasonable and valid training requests to guarantee our investigators and team members remain current in all capital markets related matters.

In addition to their SME training, our members also participated in the following conferences and workshops:

- Annual Securities Super Conference
- Crime and the Corporation
- Economic Crime Summit
- Joint Securities Intelligence Units (JSIU) Conference
- North American Securities Dealers Association (NASD) Conference
- Resource Investment Tradeshow
- U.K. Fraud Seminar
- U.S. Securities & Exchange Commission Conference





## OPERATIONS

---

### IMET INVESTIGATIONS

The IMET Program operates Integrated Market Enforcement Teams (IMETs) which investigate instances of serious corporate and capital markets crime. IMETs conduct project investigations, each of which has a dedicated project team assigned. The project investigative teams implement the integrated model approach making use of expertise such as regular member police officer investigators, forensic accountants, provincial securities commissions investigators, and embedded Department of Justice counsel.

The Integrated Market Enforcement Branch in Ottawa has worked closely with the IMET locales in focusing investigative resources on project investigations consistent with the program mandate. The IMEB strives to ensure that each investigative team has sufficient financial and human resources available to undertake project investigations in keeping with the “one project per investigative team” concept.

### RESULTS TO DATE

Since program inception in December 2003, the Toronto IMET has laid criminal charges with respect to four Criminal Code of Canada investigations. Charges laid in Toronto IMET investigations relate to instances of accounting fraud, stock market manipulation, theft, and fraud over \$5,000.00. All of these matters are still before the courts.

The Vancouver IMET has also laid a criminal charge in one Criminal Code investigation. The charge was a single count of fraud over \$5,000.00. The accused was alleged to have defrauded British Columbia based investors of approximately \$10.3 million Canadian by way of a fraudulent commodity trading scheme. The accused in the matter plead guilty to fraud over \$5000.00 on May 16, 2006 and was sentenced to six years in prison on June 19, 2006.

The first ‘project status’ investigation charges were laid by the Toronto IMET on September 26, 2006, following an 18-month investigation. The allegations pertaining to this investigation relates to the fraudulent manipulation of the shares of a United States based security by a Canadian accused. On March 22, 2007 the principal accused pled guilty to numerous criminal charges resulting in a prison sentence of seven years. The matter is still before the courts with respect to the remaining accused.





SFIC profilers have continued to directly support IMET project status investigations by providing timely economic profile documents related to corporate or individual subjects associated to these files. It is evident that the services are expanding to include more external clients or non-project IMET files.

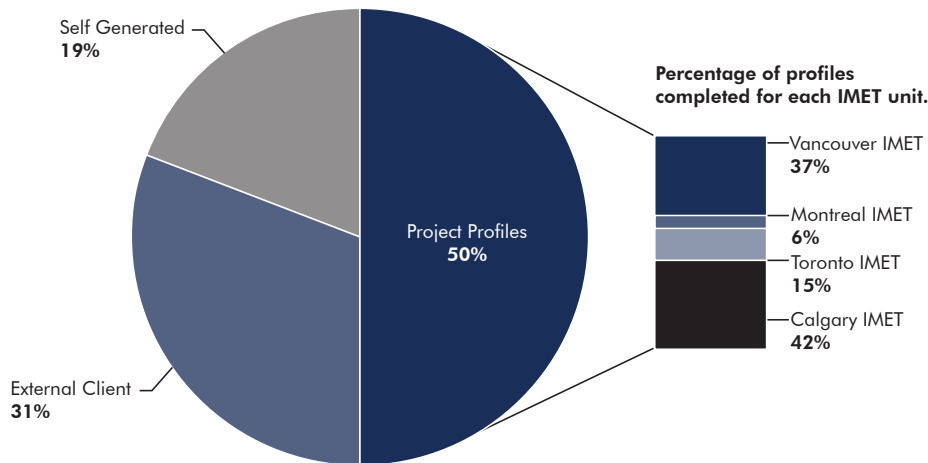
All IMET profilers are given specialized training to obtain the proper analytical and computer skills required for intelligence research and the creation of economic profile reports. Through these reports, the IMETs and various stakeholder agencies can observe trends and activities across the country and initiate action as appropriate.

**INTAKE:**

The Securities Fraud Information Centre, under the management of IMEB, is poised to take on the responsibility of a nationally-coordinated securities fraud intake centre. With close ties to the JSIUs, and their subsequent partnerships, IMET is well positioned to take on this function for all of the capital markets community.

**SECURITIES FRAUD INFORMATION CENTRE (SFIC)  
ECONOMIC PROFILES**

APRIL 1, 2006 - MARCH 31, 2007



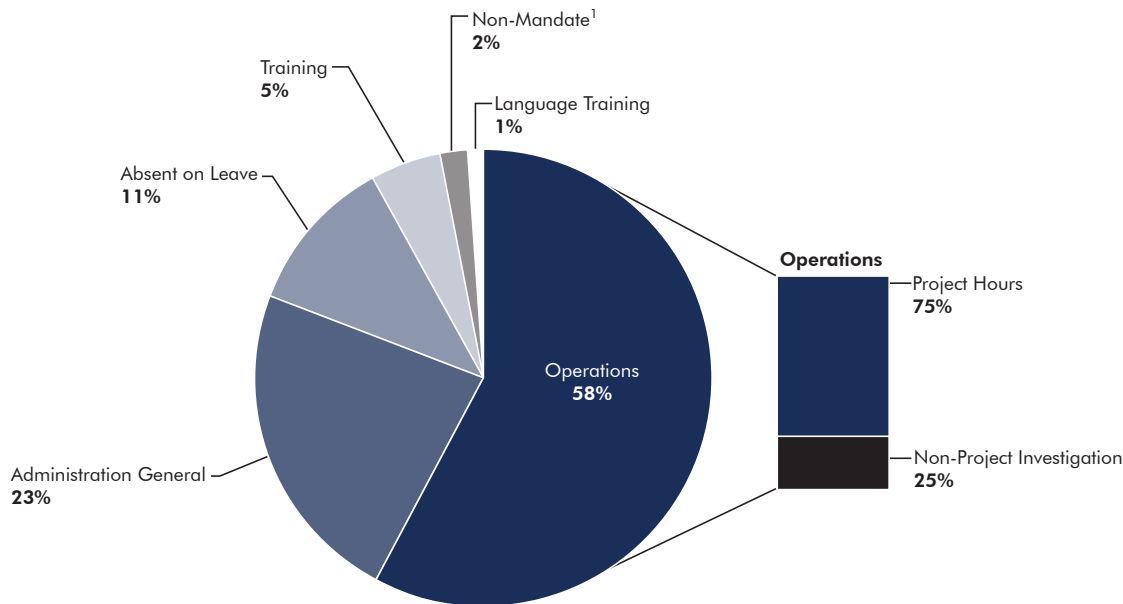
## STRATEGIC INITIATIVES

“The RCMP’s Integrated Market Enforcement Teams are committed to deter perpetrators of criminal capital markets fraud by ensuring that there is a genuine risk of being discovered, prosecuted and incarcerated.” - **IMET Mission Statement**

Performance measurement is a critical component of accountability. Appropriate accounting standards and the dedication of personnel serve as key metrics in demonstrating that the IMET program is “doing what we said we would do”. However, there are major strategic initiatives (above and beyond core business) that allow us to “do what we do better”. These initiatives often refer to the implementation of specific support mechanisms or the ongoing management of key critical operational support functions. Although these “special” endeavours vary widely in their specific nature, they all have one thing in common – they identify a gap and work to close that gap.

### RCMP INTEGRATED MARKET ENFORCEMENT PROGRAM 2006-2007 PERSON HOURS

APRIL 1, 2006 - MARCH 31, 2007



<sup>1</sup> **NON-MANDATE WORK** - SUPPORT TO FEDERAL & CONTRACT FILES (55%) - TAC TROOP/ERT/SAT/URT (9%) - SECONDMENT TO OTHER RCMP UNITS (36%)

At the beginning of the year progress is forecast through a series of pre-determined milestones. These work plans are completed in adherence with the Balanced Scorecard methodology in support of the RCMP's Economic Integrity strategic priority. Although these initiatives may fall outside of the core investigative function of the IMET program, they ultimately serve to strengthen the ability to conduct complex financial investigations in an efficient and timely manner.

## THESE INITIATIVES INCLUDE:

### **Creation of a Nationally Coordinated In-take Capacity**

The overall objective of this initiative is to collaborate with other law enforcement agencies and securities regulators to ensure that all complaints and inquiries received by the RCMP pertaining to other market offences (e.g., money laundering in capital markets, securities law violations and other commercial crimes and violations) are addressed by the appropriate body.

### **Potential Legislative Enhancements for IMET Program**

One common criticism of the IMET initiative has been the speed of the investigative process. There are a number of ways to enhance efficiency, and reviewing the legislative framework that governs IMET investigations for potential enhancements to efficiency is one of many options. Accordingly, this initiative is designed to identify potential legislative enhancements that can be supported under the Canadian constitutional framework.





### **Establish Life-Long HR Career Stream within IMET**

This initiative is designed to address the concerns that while IMET may have been successful in attracting expertise, the program may not be well positioned to retain such expertise. Accordingly, efforts are being made to revise our HR regime to accommodate those persons wishing to pursue a life-long career stream and become capital markets experts.

### **Enhanced Program Promotion and Awareness**

Since the Government of Canada announced the creation in 2003, there has been a steady stream of neutral tending to negative coverage of the work of these teams. Recently, a growing number of stories have appeared in the front sections of Canada's national newspapers.

Additionally, publications by the Canadian Senate, organizations responsible for enforcement within the Canadian securities environment and some special interest groups have analyzed the challenges inherent within the current securities enforcement environment. These reviews have recommended changes that would directly, or otherwise, have an effect on the RCMP's role in the enforcement of Criminal Code offences that pertain to the securities industry.

This initiative is designed to ensure that IMET maintains a strong positive image while managing expectations of both the public and our strategic partners.



## FINANCIAL POSITION

---

The IMET program budget for the 2006/2007 fiscal year totals \$19.6 million. The budget encompasses the original allocation from the Department of Finance, Public Safety and Anti-Terrorism (PSAT) funds, the RCMP Organized Crime initiative funding for the Market Integrity by Computer Analysis (MICA) system and the approved Contingency Fund carry-forward from the previous fiscal year.

The financial statements for the IMET program indicate a deficit of \$183,797, however it should be noted that this figure also includes traditional Contingency Fund related expenses. In recognition of the length and complexity of serious capital markets fraud investigations and prosecutions, the IMET initiative includes a contingency fund to which the RCMP and Justice Canada may seek access. This fund is designed to cover exceptional federal investigative and prosecutorial expenses related to the IMET initiative. There is also an assumption that efforts will be made to reallocate monies available within this initiative before seeking access to the contingency fund.

As contingency funds in the amount of \$3,750,000 were available to the IMET program for the 2006/2007 fiscal year, the program risk managed exceptional operational expenses, such as forensic accountant services and operational travel, with the intent of submitting a single application to the Fund. Although the IMET program incurred these exceptional expenses, it did not seek access to the Contingency Fund as the program absorbed the deficit from within its own surplus.



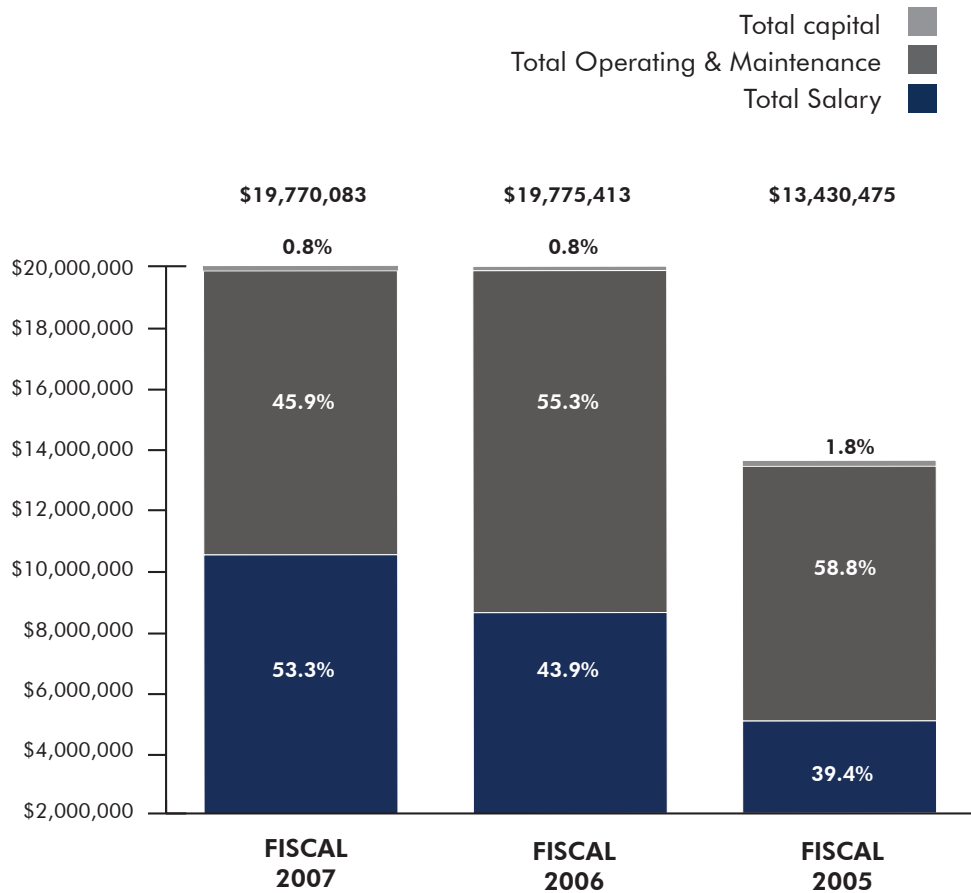
**FINANCIAL POSITION AS OF YEAR ENDING MARCH 31, 2007**  
**RCMP INTEGRATED MARKET ENFORCEMENT PROGRAM**

	FISCAL 2007	FISCAL 2006	FISCAL 2005
<b>SALARY</b>			
SALARY	\$ 8,157,206	\$ 6,722,975	\$ 3,920,862
OVERTIME	380,469	518,908	328,006
EMPLOYEE BENEFIT PROGRAM	1,991,547	1,439,813	1,039,169
<b>TOTAL SALARY</b>	<b>\$ 10,529,222</b>	<b>\$ 8,681,696</b>	<b>\$ 5,288,037</b>
<b>OPERATING AND MAINTENANCE</b>			
TRAVEL AND RELOCATION	\$ 761,271	\$ 692,305	\$ 886,753
CONSULTING & FORENSIC SERVICES	3,284,757	2,463,820	933,741
TRAINING	233,227	244,260	81,123
OFFICE SPACE	2,372,372	2,579,195	1,719,626
SET-UP & REPAIRS	381,305	1,806,400	1,280,263
OTHER EXPENSES	2,042,070	3,142,574	2,994,039
<b>TOTAL OPERATING &amp; MAINTENANCE</b>	<b>\$ 9,075,002</b>	<b>\$ 10,928,554</b>	<b>\$ 7,895,545</b>
<b>TOTAL CAPITAL</b>	<b>\$ 165,859</b>	<b>\$ 165,163</b>	<b>\$ 246,893</b>
<b>TOTAL</b>	<b>19,770,083</b>	<b>19,775,413</b>	<b>13,430,475</b>
<b>BUDGET <sup>1</sup></b>	<b>23,336,286</b>	<b>21,840,446</b>	<b>15,388,000</b>
<b>TOTAL FREE BALANCE AVAILABLE <sup>2</sup></b>	<b>\$(183,797)</b>	<b>\$ 540,033</b>	<b>\$ (242,475)</b>

1. BUDGET INCLUDES AVAILABLE CONTINGENCY FUNDS.

2. TOTAL FREE BALANCE AVAILABLE EXCLUDES CONTINGENCY FUNDS.







**For all inquiries please contact the Integrated Market Enforcement Branch**

**[www.rcmp-grc.gc.ca/fio/imets\\_e.htm](http://www.rcmp-grc.gc.ca/fio/imets_e.htm)**

RCMP - Integrated Market Enforcement Branch  
1223 Michael St.  
Suite 401  
Ottawa, ON  
K1A 0R2

**(613) 949 4285**

