CISC 2007 Annual Report on Organized Crime in Canada
Report Highlights

The *CISC 2007 Annual Report on Organized Crime in Canada* reflects the collective efforts of the entire criminal intelligence community in Canada. It is intended to inform the public about the threat of organized and serious crime and highlight the numerous ways that organized crime can negatively affect our daily lives.

In this year's annual report, CISC continues the approach of examining organized crime through the framework of the criminal marketplace. This report identifies and highlights a variety of criminal markets and the threats they pose to communities across Canada.

The Feature Focus section provides an in-depth look at the illicit firearms market; a threat of significant concern to the Canadian public.

Dynamics and Methods of Organized Crime

Structures and Capabilities

CISC and its member agencies use the *Criminal Code of Canada* 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 has identified approximately 950 organized crime groups, compared to 800 in 2006. This increase is largely due to enhanced reporting and the efforts of the intelligence community to provide the most detailed and comprehensive assessment of organized crime possible.

Organized crime operates wherever there is profit to be made, from major urban centres to rural areas. Crime groups vary widely in organizational composition, ranging from highly structured hierarchical and familial organizations to loosely structured cells that align for a specific criminal activity.

The criminal capabilities of crime groups also vary significantly, with only a small number capable of operating elaborate criminal enterprises. A significantly larger proportion of crime groups focus on the distribution of contraband across the country, but are generally not capable of large scale importation of contraband or other activities that distinguish them from highly sophisticated operations. The greatest number of criminal groups operate at a street level, often facilitating criminal activities for more capable groups.

Methods

Almost all organized crime groups network or collaborate with other groups to facilitate criminality. For example, by combining funds to finance a large importation or production operation.

Organized crime groups exploit Canada's borders to illegally move people and contraband. In some cases, particularly at marine and air ports, this illegal movement may be assisted by a small number of criminally influenced individuals employed within the legitimate workforce.

The vast majority of organized crime groups use or exploit the legitimate economy to some degree. In doing so they are able to insulate their activities, launder proceeds of crime and commit financial crimes via a legitimate front.

Organized crime groups also use technology to facilitate their criminal activities, particularly wireless communication devices that help insulate groups from law enforcement detection. Newer technologies such as voice over internet protocol (VoIP) and malicious software are used to facilitate large-scale frauds and thefts.

Socio-economic Harms of Organized Crime

This section highlights how organized crime directly and indirectly affects Canadians' public safety, economic well being and sense of community.

- Organized crime groups use violence, particularly involving illegal firearms, to promote and protect their criminal interests. In many instances, this violence is directed toward other criminals, but innocent victims are sometimes injured or killed.

- Violence can be used to intimidate or coerce individuals and communities. Such instances can be sustained over time or random and short term.

- The illicit drug trade engenders more criminal activity than any other criminal market. Activities within this market lead to assaults, homicides and property crimes in addition to a number of adverse health effects from illicit drug use.

- Marihuana grow operations pose a number of serious health and safety risks to those conducting the operations and to the surrounding community. Many residential operations use unsafe electrical diversions and contain numerous fire hazards such as exposed live wires and volatile chemicals. Vapours from chemicals used to accelerate plant growth can cause respiratory health problems as can the presence of high levels of moulds and pollens.

- Methamphetamine is highly addictive and physically destructive to users. This drug can make users very aggressive and violent. Although relatively easy to manufacture, the chemicals are highly toxic, corrosive and combustible during production. Clandestine laboratory fires and explosions have occurred, causing serious public safety concerns.

- Financial crime harms individual Canadians and the business community. Payment card fraud and mortgage fraud have a negative impact the payment card industry and financial institutions such as banks, credit unions and mortgage insurers. Mass marketing schemes (telemarketing fraud) and securities fraud (stock manipulation) directly harm individuals, with potentially devastating financial ramifications. The Insurance Bureau of Canada states that insurance fraud continues to cost Canadians more than a billion dollars annually.

- Laundering and reinvestment of the proceeds of crime can undermine the legitimate economy. Typically involving a range of financial services, money laundering can cause chain reactions that affect multiple financial institutions. Organized criminals are capable of manipulating financial systems and institutions, and corrupting officials to facilitate money laundering.

- Contraband markets can significantly affect society, particularly through the loss of tax revenue. The legitimate business community also loses revenue to those who illicitly sell contraband products at significantly lower prices. There are major health concerns over the content and quality of contraband products, such as illegally manufactured alcohol, as serious health problems or death can result from its consumption.

- Counterfeit products directly undermine government tax revenue and profits of legitimate industries. Counterfeit products can cause serious health and safety risks due to incorrect or non-existent labelling or regulations. For example, counterfeit pharmaceutical products may contain inactive or incorrect ingredients, improper dosages or be contaminated.

- Individuals smuggled into Canada may have serious criminal records, posing a potential threat to public safety. Trafficked women are often forced into the sex trade to work off debts or fees. Victims suffer physical and mental abuse and often acquire sexually transmitted and infectious diseases working in the sex trade.

Criminal Markets

Illicit Drugs

With approximately 80% of all known crime groups involved, the illicit drug market continues to be the primary criminal market in Canada. No single organized crime group dominates any specific area of this market.

Marihuana

Marihuana remains the most produced and abused illicit drug in Canada, with a majority of organized crime groups involved in its cultivation, distribution and transportation.

Cocaine

The demand for cocaine continues to be significant, particularly in urban centres across the country. Large-scale importation and inter-provincial distribution of cocaine are key activities for several of the most sophisticated organized crime groups.

Heroin

The heroin market is small, but well established, with a small number of criminal groups involved in importation.

Ecstasy

Canada has become a source country for ecstasy, with domestic production primarily centred in B.C. and Ontario. Canadian-produced ecstasy is exported to the U.S. and other markets.

Methamphetamine

Canada's methamphetamine market is supplied mostly by domestic production. A small number of crime groups export to the U.S.

Financial Crime

Financial crime is often facilitated by the theft of personal or financial data obtained through methods such as compromising corporate databases, modifying point-of-sale terminals (Interac), and through black market websites that sell stolen data.

Mass Marketing Fraud

Criminal groups continue to use Canada as a base for telemarketing schemes and have been known to target countries such as the United States, United Kingdom, Australia, Germany, India, France and Morocco.

Mortgage Fraud

Multiple criminal groups are involved in mortgage fraud. In an emerging trend, crime groups target new Canadians, particularly from their own ethnic community, to act as nominees on fraudulent mortgage applications.

Securities Fraud

Across Canada, illicit offshore investments, fraudulent high-yield investments and illegal market manipulation are commonly observed frauds.

Payment Card Fraud

Most criminal groups involved in payment card fraud focus on lower-level aspects of the market, particularly skimming and trafficking financial data or using counterfeit cards to purchase goods.

Money Laundering

The International Monetary Fund estimates that between $22 and $55 billion is laundered annually in Canada. Criminal groups will continue to manipulate Internet financial services, as they can be highly secure, anonymous and operate outside the regulated banking system.

Human Smuggling and Trafficking in Persons

Domestic criminal groups continue to facilitate human smuggling. In Canada, trafficking in persons is known to exist in the form of sexual exploitation and domestic servitude. Several crime groups are also involved in domestic trafficking in persons: recruiting young women, transporting them throughout Canada and in some instances to the U.S., and exploiting them in the sex trade.

Intellectual Property Theft

Counterfeit products generate profits in the billions of dollars in Canada. Intellectual property theft generally falls under one of three categories: 1) violations of copyright; 2) violations of trademark; and 3) theft of trade secrets.

Vehicle Theft

Montreal and Toronto remain the primary hubs of vehicle theft in Canada. Criminal groups are involved in vehicle-related frauds including insurance write-offs, the sale of damaged vehicles, and in some cases the export of stolen vehicles.

Feature Focus: The Illegal Firearms Market in Canada

Introduction

The illicit drug market tends to drive the demand for illegal firearms as it is fertile ground for violent disagreements between and within criminal organizations. Criminal organizations must usually acquire firearms illegally because Canada's current legal acquisition and possession controls have been largely successful in preventing members of organized crime from purchasing legal weapons.

Organized Crime Involvement

Most organized crime groups in Canada are known to be involved in this market. However, active participation in significant firearm acquisition or full-time wholesale/retail distribution networks is not common.

Violence

Many organized crime groups do not use firearm-related violence in the daily conduct of their criminal activities. In general, firearm-related violence is periodically used to deter criminal market encroachment or maintain internal crime group discipline.

Illicit Market Components

Smuggling and domestic theft are the major sources of illicit firearms in Canada, a fact that has remained consistent over time and is likely to continue. Because firearms are a reusable commodity, there is currently a reserve of crime guns in circulation that will continue to be utilized for future criminal activities.

Smuggled Firearms

Smuggled firearms from the United States are a significant source of illegal firearms, largely due to geographic proximity and less restrictive gun control regulations. There are also many remote, unmanned border crossings that can be exploited for smuggling.

There are five primary sources or methods used to acquire illegal firearms from the United States: 1) licensed U.S. dealers; 2) accomplices who legally acquire firearms, known as straw purchasers; 3) purchasers using false identification; 4) the secondary market (gun shows, private sales); and 5) theft.

Domestically Sourced Firearms
Domestically sourced firearms are mainly derived from residential and commercial thefts, but also include unregistered and deactivated firearms, those that have not been re-registered, and diversions from the legitimate industry. Law enforcement regularly recovers missing or stolen firearms.

Not all restricted firearms that were previously registered were re-registered under the current system. Firearms that have not been re-registered are often linked to crimes and tend to be in the possession of individuals who are not the original registered owner.

Looking to the Future

Organized crime does not operate within confined boundaries – it conducts illicit business within urban centres as well as rural communities. Representing the entire law enforcement community, the CISC network will continue its coordinated efforts to assess organized crime in the context of the criminal marketplace in order to most effectively combat current and emerging organized crime threats.