

CRIME

Canada a haven for dirty money, conference told

Privacy rules, banking system attract money laundering, terrorist financing

BY KAREN HOWLETT, TORONTO

Canada is a haven for money launderers and there are more active terrorist groups operating in the country than anywhere else in the world, a Toronto conference was told yesterday.

Money launderers are attracted to Canada because of the country's lenient prison terms for criminals, strong banking system, and privacy laws that allow them to conceal the proceeds of crime, said Sandra Brown, a senior officer at the fledgling agency set up by Ottawa to crack down on money laundering and terrorist financing.

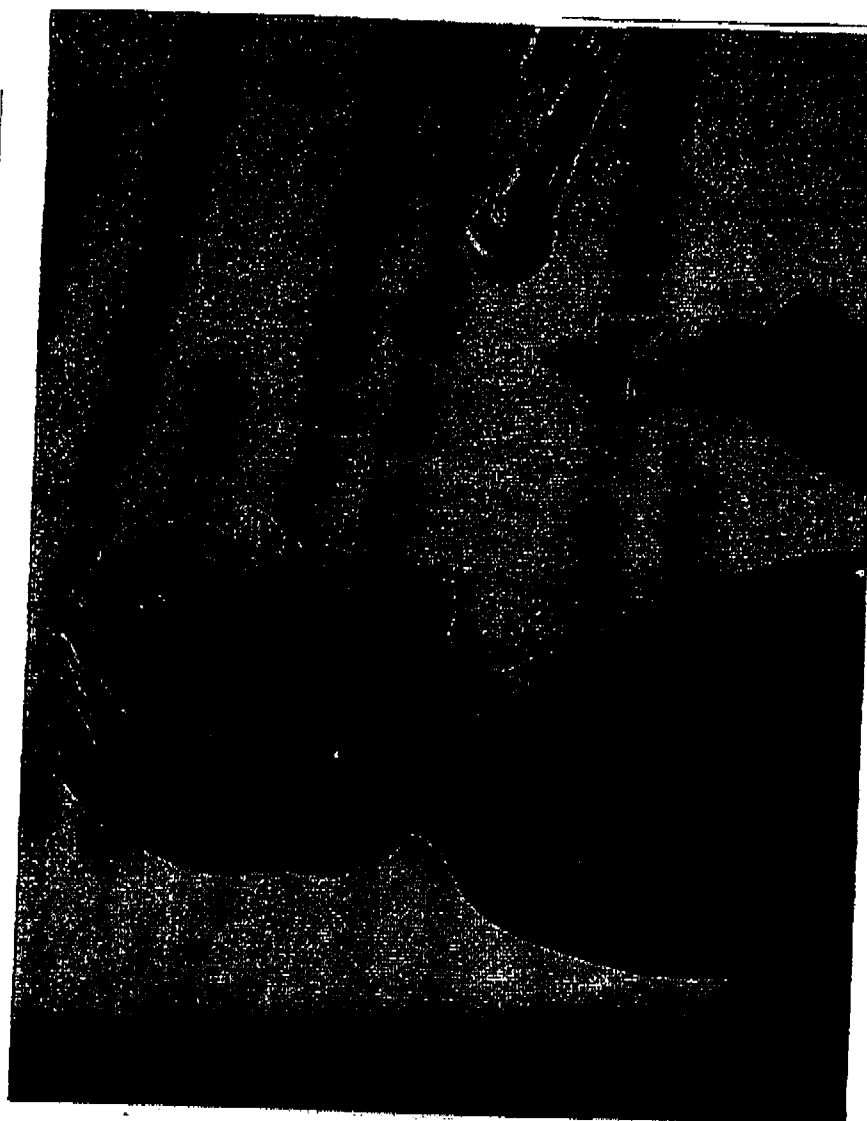
The agency, known as the Financial Transactions and Reports Analysis Centre or Fintrac, suspects that terrorist groups moved \$2-billion through Canadian financial institutions last year.

"They know it's very easy to get away with crime in Canada," Ms. Brown said at a conference sponsored by the Investment Funds Institute of Canada, a trade group for the mutual fund industry. "They know sentences are not stiff."

Fintrac has uncovered \$500-million in suspected dirty money stashed away in Canadian banks, mutual funds and other financial institutions as of its latest fiscal year, which ended March 31, 2003.

The tally appears to be on the low side compared with the \$17-billion worth of criminal proceeds that the federal government says are laundered through Canada every year. In an interview following her remarks, Ms. Brown said she could not provide more current figures.

Fintrac was created by the federal government in 2000 to help uncover illegal financial activities. How-



Sandra Brown of the federal Financial Transactions and Reports Analysis Centre of Canada said yesterday Canada was urged by its allies "to pull up your socks" in combatting money laundering.

ever, it has been only in the past year-and-a-half that the government completed the reporting requirements for a wide variety of entities, including banks, brokerage firms, mutual funds, real estate agents and casinos.

The federal government beefed

up the country's money-laundering laws following pressure from the international community.

In the 1990s, Canada came close to having its name included on an international blacklist of uncooperative jurisdictions for failing to make sufficient steps to stamp out

money laundering, Ms. Brown said. "Canada was known as the Maytag of the Western world."

The Financial Action Task Force, a Paris-based agency backed by most of the world's industrial nations, including Canada, every year singles out countries that are non-

TJLOR MOLLER/THE GLOBE AND MAIL

Condo owners face losing their properties

BY WYNG CHOW
VANCOUVER SUN

REAL ESTATE | Dozens of condominium owners who unwittingly purchased homes developed by alleged fraudster Tarsem Singh Gill face losing their properties and their investment as the project financier is pressing ahead with foreclosure action.

John Dyck, principal of Parklane Enterprises Ltd., cited his frustration over the Law Society of B.C. "dragging its feet" as his main reason for reviving court proceedings.

"I don't want to put people out on the street, but I want to bring this matter to a head," Dyck said in an interview after filing a statement of claim with B.C. Supreme Court in Vancouver.

"It's now been almost a year since the law society and the B.C. Land Title office asked us to hold off on foreclosure. I haven't receive any payouts."

Gill and his former corporate lawyer, Martin Wirick — now disbarred — are still the subjects of the biggest commercial crime investigation in the history of the Vancouver police department for their roles in an alleged fraud that has cost various financial institutions and creditors as much as \$75 million.

So far, no charges have been laid.

Because of Wirick's real estate dealings while he was a practising lawyer, the law society now faces claims totalling up to \$46 million from victims of the elaborate scheme allegedly perpetrated by Wirick and Gill.

When Dyck first initiated his lawsuit last fall, he alleged Gill still owed him more than \$4 million on an original \$9-million construction loan he made to Gill to finance a 99-unit residential-commercial project on Vancouver's east side.

Defendants named in Parklane's latest action include Gill, along with Deloitte & Touche Inc., the trustee in bankruptcy of Gill's estate; as well as Vancouver City Savings Credit Union, Toronto-Dominion Bank, Bank of Montreal, HSBC Canada, Royal Bank of Canada, and dozens of strata-title owners at 5555 Victoria Drive.

The owners — many of them new immigrants — purchased units at prices ranging from \$89,900 for a bachelor suite, to \$229,900 for a three bedroom.

So far, the law society's special compensation fund has approved the payment of about \$9.6 million to various unidentified banks, credit unions and mortgage companies victimized by Wirick and Gill.

In all cases, investigators found the lenders forwarded money to Wirick on his promise to use the proceeds to pay out prior mortgages and register their interests on title, in most cases in first position.

Instead, Wirick, working in concert with Gill and others, diverted the funds for other purposes and failed to register their interests in the proper position — if at all — leaving multiple lenders to fight for the same security interests.

Forensic accountants are still trying to track the whereabouts of tens of millions of dollars Wirick received from people who were purchasing or lending money to properties owned or sold by Gill.

At 5555 Victoria, Dyck acknowledges that 23 of the 99 units were properly discharged by Wirick. Of the remaining 76 units, 46 of them still have Parklane, the construction lender, registered against title, which takes precedence over any new mortgages.

Of the remaining 30 units, Dyck claims in his lawsuit that discharges of his original mortgage against the property were the result of fraud and should therefore be voided. He is seeking a court order reinstating his first charge against those 30 units, which would push all new mortgages — most of them held by HSBC and VanCity — behind Parklane, paving the way for him to foreclose on all 76 units.

Dyck said he expects a court hearing within the next two weeks.

Over the past decade, more than 100 lawsuits have been filed against Gill, his firm, Vanview Construction Ltd., or his various numbered companies.

Meanwhile, in bankruptcy documents filed last summer, Wirick reported assets of \$467,850 and "contingent creditors" totalling about \$52 million.

Asked to list the reasons for his financial difficulty, Wirick stated: "Failing to pay out mortgages pursuant to my undertakings, but instead paying monies to my client [Gill] on his promise to pay out the mortgages, but who failed to do so."