
NEWS RELEASE

For Immediate Release
2019AG0042-000885
May 7, 2019

Ministry of Attorney General

Second German report finds money laundering in B.C. luxury car market

VICTORIA – British Columbia’s luxury car sector is being used to launder the proceeds of crime, according to an independent review on money laundering through luxury cars and horse racing by former senior RCMP officer Peter German.

German's report, released Tuesday, May 7, 2019, is the first detailed examination of money laundering in luxury car sales in Canada.

The review found car dealers in B.C. reporting that individuals were bringing bags of money or orchestrating multiple small international wire transfers to different accounts to buy cars. Individuals with high-level criminal records are alleged to be principals in some used luxury car dealerships in the province. The report also uncovered a complicated luxury-vehicle export scheme involving hundreds of “straw buyers.” This is a grey market that German says is ideal to facilitate trade-based money laundering.

“This report is disturbing confirmation that money laundering in B.C. is a problem that goes beyond our casinos,” said David Eby, Attorney General. “In the luxury car market, there is no financial reporting of large cash purchases, no oversight of international bank wire transfers and no apparent investigation or enforcement. It’s all a recipe for exactly what happened here – Vancouver becoming North America’s luxury car capital, generally, and perhaps North America’s used luxury car export capital too.”

The new report describes individuals known as straw buyers who help facilitate the transaction of vehicles between sellers and exporters, and the dramatic increase in the use of the provincial sales tax (PST) refund, which applies to vehicles purchased in B.C. to be sold abroad.

Before 2014, fewer than 100 vehicles a year received the refund. In 2016, the PST was rebated on 3,674 vehicles. Since 2013, almost \$85 million in PST refunds have been paid by government for the export of vehicles. The source and destination of funds for the buyers and sellers, and any income tax reporting by any of these individuals or entities, is unknown.

“We have not waited to take action on this report. The Ministry of Finance is reviewing Dr. German's findings, as well as vehicle exporters' use of the PST refund program. Details of allegations made in the report have been forwarded to police, ICBC and the Vehicle Sales Authority. We are also preparing plans for regulation of the luxury car sector,” Eby said. “Our government is committed to stamping out money laundering and the damage caused by organized crime – and building an economy that works for people in B.C.”

The impact of money laundering on the luxury car market is only part of German’s full report that will also include his findings on B.C.’s real estate sector. The full report will be released soon.

“Vancouver has an international reputation for being a desirable location for the activities of organized crime,” German said. “Our review of these sectors has shone a spotlight on how significant money laundering is in B.C., including in the luxury car sector. I am grateful for all the information I received from members of the public, government agencies, industry insiders and law enforcement during my review. I hope the report provides a window into money laundering in our province because it is a problem that can no longer remain unchecked.”

Learn More:

Link to report (luxury car, horse racing sections only): https://news.gov.bc.ca/files/German_Report_luxury_cars.pdf

Review finds zero dedicated federal anti-money laundering police officers working in B.C.: <https://news.gov.bc.ca/releases/2019AG0031-000599>

Province cracking down on money laundering: <https://news.gov.bc.ca/releases/2018AG0052-001297>

Dirty Money: An Independent Review of Money Laundering in Lower Mainland Casinos: https://news.gov.bc.ca/files/Gaming_Final_Report.pdf

Province launches probe into dirty money in real estate (news release, updated Sept. 28, 2018): <https://news.gov.bc.ca/releases/2018FIN0072-001884>

A backgrounder follows.

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BACKGROUND

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Highlights of Peter German's report findings

In September 2018, Peter German was asked to examine potential money laundering in the real estate, luxury car and horse racing sectors. Government has released sections of German's report pertaining to luxury cars and horse racing.

German's review found that, "organized crime figures are unhindered in their ability to launder the proceeds of crime through high-end, luxury vehicle purchases within Greater Vancouver," (p. 22).

German examined several areas of involvement of organized crime in luxury cars:

- the use of vehicle purchases to launder money in B.C., including luxury car resellers and lease companies;
- Grey market vehicle exports, a form of trade-based money laundering;
- the export of stolen luxury vehicles for profit; and
- the use of luxury vehicles as crime vehicles to facilitate other organized criminal activities.

German's findings on luxury cars include:

There are few barriers to laundering the proceeds of crime through luxury vehicle purchases within Greater Vancouver (Chapter 3-3)

- Some vehicle dealers have accepted large sums of cash from suspicious individuals with unknown sources of income, to pay for luxury vehicles.
- Dealers and luxury car resellers are not required to report large cash or suspicious transactions to authorities such as FinTRAC and don't have to require proof of source of funds from prospective customers.
- There is no barrier to dealers accepting the total amount of a vehicle purchase in cash, by bank draft, by overseas wire or on a credit card.

Organized crime is potentially receiving tax rebates for trade-based money laundering (Chapter 3-4)

- Organizations are moving laundered proceeds of crime across borders by exporting grey market luxury vehicles – a well-known form of "trade-based" money laundering.
- The Province has seen a dramatic increase in the uptake in the provincial sales tax (PST) rebate program for vehicles destined for sale abroad.
- Before 2014, fewer than 100 vehicles a year received the refund. In 2016, the PST was rebated on 3,674 vehicles.
- In 2016, a single "straw buyer" made 29 purchases, 48 straw buyers made between 11

and 29 purchases and 1,000 straw buyers were linked to one exporter.

- Since 2013, government has refunded a total of \$85 million in PST that is related to vehicle exports, \$83.8 million since 2014 alone.

Organized crime is reportedly exporting stolen luxury vehicles for profit (Chapter 3-1)

- 24% of luxury vehicles stolen in B.C. are not recovered by police, compared to 18% for all vehicles in B.C.
- The difference is believed to be shipped overseas for profit.
- Criminals are taking advantage of lax enforcement, which allows vehicles to be shipped with little scrutiny, as B.C. ports have no dedicated police presence.
- Internationally, this type of criminal activity is associated with the financing of terrorism.

German also examined money laundering in B.C.'s horse-racing sector. He found that horse racing is not currently high risk in terms of money laundering, but that it is a vulnerable sector in light of the absence of reporting to FinTRAC, a lack of training for staff and a lack of regulatory and law enforcement oversight (p. 90). In other parts of the world, horse racing has been used to launder the proceeds of crime through cash bets, purchasing race horses, race fixing and insurance fraud.

The full report, including his findings on the real estate sector, will be released soon.

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