

CANADA
(PROVINCE or TERRITORY) OF

[File number]

BETWEEN:

HER MAJESTY THE QUEEN

– And –

[Name of Defendant]

DEFENDANT

AFFIDAVIT OF [name of affiant] (Bank of Canada)
Regarding the prevalence and impact of counterfeiting in Canada

My Knowledge and Sources of Information

I, _____, [insert affiant's position here] make oath and swear/affirm:

1. I have been employed by the Bank of Canada since _____ and have held the position of _____ since _____. I am responsible for local delivery of the Bank of Canada's public currency education program, and I monitor local developments related to currency and counterfeiting activity.
2. I have personal knowledge of the facts stated in this affidavit, except where facts are stated on information and belief, in which case I believe the information to be true. I receive information continuously from the Bank of Canada, the RCMP, and other police services on counterfeiting trends in Canada and on the impact of counterfeiting on society. I also deal continuously with financial institutions, businesses, and consumers who are affected by counterfeiting and must develop methods of responding to it.

The Bank of Canada's role in the economic welfare of Canada

3. The Bank of Canada (hereinafter referred to as the Bank) is Canada's central bank. The Bank is a Crown corporation that operates with considerable autonomy. One of the Bank's fundamental purposes, as set forth in the preamble to the *Bank of Canada Act*, is "to promote the economic and financial welfare of Canada."
4. The Bank promotes the economic and financial welfare of Canada through its activities in four main areas: monetary policy, currency (including bank notes), financial system stability, and funds management.
5. The Bank implements monetary policy to foster confidence in the value of money. The goal of monetary policy is to contribute to solid economic performance and raise living standards for Canadians by keeping inflation low, stable, and predictable. The Bank is also responsible for promoting the safety and efficiency of the financial system, maintaining low and stable inflation, and efficiently managing government funds and the public debt.
6. The Bank is not a commercial bank and does not provide regular banking services to the public.

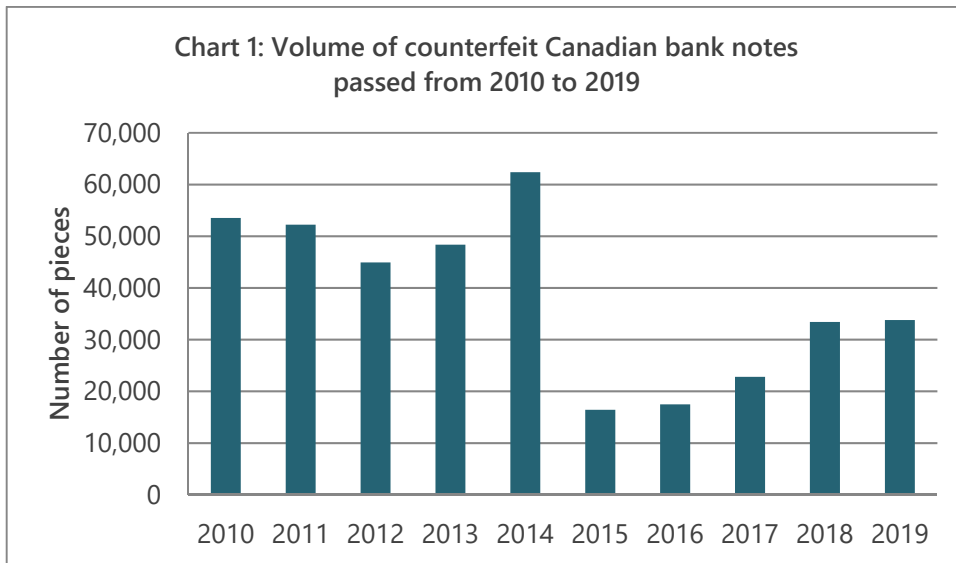
The Bank of Canada's responsibility for bank notes

7. The Bank is the only body in Canada that can lawfully issue bank notes. The Bank is responsible for issuing quality bank notes that will be accepted by businesses and the public and that are secure against counterfeiting. The Bank is responsible for designing notes (including their anti-counterfeiting features), distributing new notes, and replacing old notes. The Bank also ensures that the supply of notes meets public demand.

The prevalence of counterfeiting

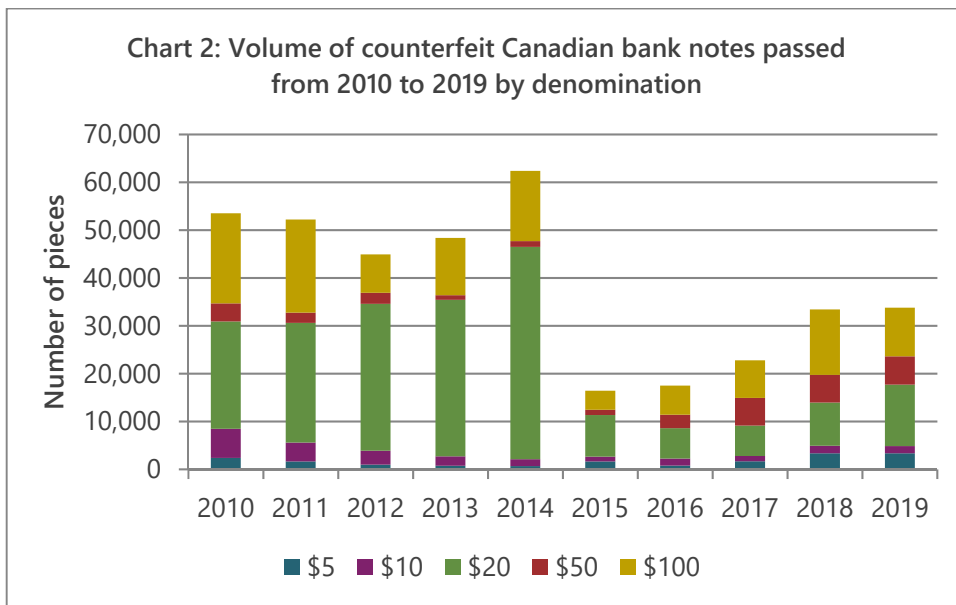
8. As a result of technological innovation, counterfeiting no longer requires large stationary presses operated by skilled printers. Most counterfeiting is now done with ink-jet printers and colour copiers. The following charts illustrate figures compiled by the RCMP's National Anti-Counterfeiting Bureau, which

receives all counterfeit notes passed in Canada. Chart 1 shows that counterfeiting rates in Canada were at higher levels in 2010—there were 35 counterfeit notes for each million genuine notes in circulation. In 2019, the volume of counterfeit notes decreased by 37 per cent compared to 2010.¹



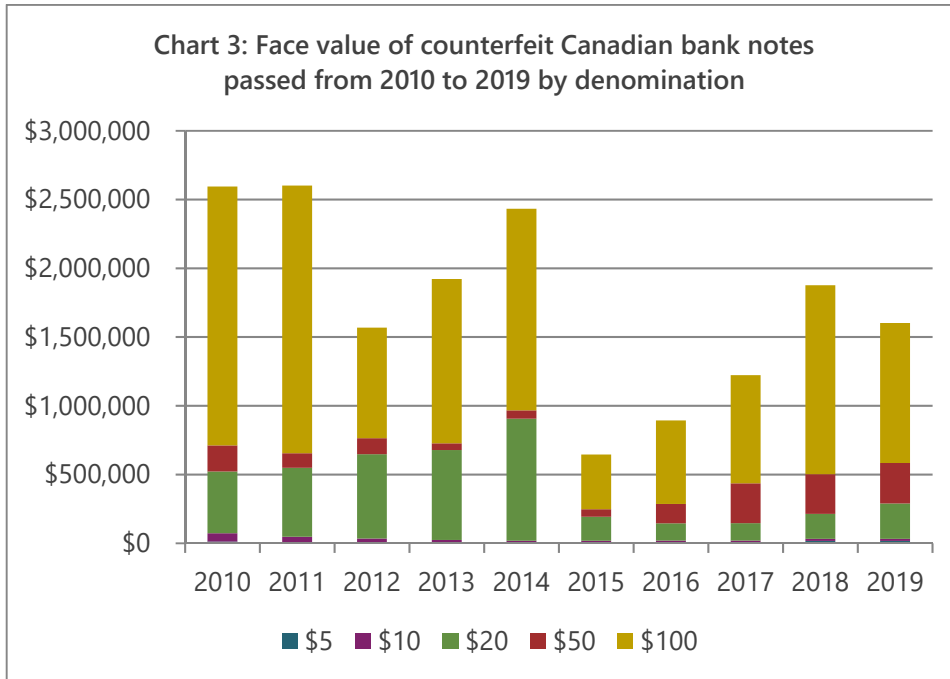
Source: RCMP National Anti-Counterfeiting Bureau

9. Chart 2 shows the number of counterfeit notes passed in Canada by denomination from 2010 to 2019. Chart 3 shows the face value of counterfeit notes passed for the same period.



Source: RCMP National Anti-Counterfeiting Bureau

¹ Source: RCMP National Anti-Counterfeiting Bureau



Source: RCMP National Anti-Counterfeiting Bureau

10. The counterfeiting rate from 2010 to 2019 can also be expressed in the following way:

a. Volume:

- 2010: 53,536 counterfeits passed
- 2019: 33,732 counterfeits passed (a decrease of 37 per cent over 2010)²

b. Value:

- 2010: \$2.6 million in counterfeits passed
- 2019: \$1.6 million in counterfeits passed (a decrease of 38 per cent over 2010)

Comparison of counterfeiting in Canada versus other countries

11. Canada’s counterfeiting rates are currently lower than those of similar countries. However, this was not always the case. Few countries encountered the high counterfeiting levels that Canada experienced over a decade ago. Achieving consistently low levels of counterfeiting is critical to maintaining confidence in bank notes. Some examples of the Canadian experience follow.

The immediate impact of counterfeiting

a. No reimbursement

12. The Bank, like all other central banks in the world, provides no financial protection for a person who accepts a counterfeit bank note. All central banks have concluded that providing reimbursement would act as an incentive that would inevitably lead to increased counterfeiting activity.

² Source: RCMP National Anti-Counterfeiting Bureau

b. Counterfeiting losses can have a substantial impact on individuals and businesses

13. The loss resulting from a single counterfeit note can be substantial for an individual on a fixed income or for a small retailer with limited revenue. Counterfeiting losses can also have a negative impact on larger businesses. For instance, grocers that operate on narrow profit margins of 1 to 2 per cent must sell \$5,000 to \$10,000 worth of goods to recoup the loss incurred through a single \$100 counterfeit bank note.³ These losses lead to increased prices that are ultimately borne by the consumer.

The broader impact of counterfeiting on society

a. Bank notes are vital to the economy: the average value of genuine notes in circulation has increased 69 per cent in 10 years (2009-19)⁴

14. Bank notes are a vital method of payment for goods and services and essential to Canada's economic well-being. Notwithstanding the increase in credit and debit payments, the value of genuine bank notes in circulation in Canada has increased from an annual average of \$51 billion in 2009 to \$88 billion in 2019.⁵ Counterfeiting not only causes financial loss to individuals and business, it undermines the confidence that Canadians have in their bank notes which, in turn, undermines the economy.

b. The effect of the loss of confidence in bank notes by businesses

15. A major counterfeiting operation in Windsor, Ontario, dating back to July 2001, has resulted in 70,000 counterfeit \$100 notes entering circulation (as of Dec. 2019) representing a face value of \$7 million. At the height of the operation, it meant that for every 10,000 genuine \$100 notes in circulation, there were about four counterfeits.⁶
16. The potential for loss was perceived as substantial by businesses. Shortly after the media began reporting about the Windsor case, a survey done for the Bank indicated that about 15 per cent of retailers in the Windsor-Toronto-Montréal corridor reacted by posting signs refusing to accept \$50 or \$100 notes.⁷ Other retailers across Canada subsequently posted similar signs.
17. In 2008, increased counterfeiting of the *Canadian Journey* \$100 note (the paper note with a metallic stripe) was seen largely in Toronto and Montréal. Over 63,000 of these counterfeits have been passed (as of Dec. 2019) representing a face value of about \$6.3 million.⁸
18. A survey done for the Bank showed that this increased counterfeiting resulted in approximately 7 per cent of retail businesses in Toronto posting refusal signs for either the \$50 or \$100 notes, with 8 per cent of businesses doing so in Montréal.⁹

³ Source: [Innovation, Science and Economic Development](#)

⁴ Source: Bank of Canada

⁵ Ibid.

⁶ Source: RCMP National Anti-Counterfeiting Bureau

⁷ Source: Research Dimensions Retailer Signage Re: \$100 Bank Notes report, September 2001

⁸ Source: RCMP National Anti-Counterfeiting Bureau

⁹ Source: www.bankofcanada.ca/wp-content/uploads/2010/08/nnrp_2009_q2.pdf

c. Ultimately, all Canadians pay for the increased costs to the Bank of Canada

19. The Bank's earnings from bank notes (i.e. their face value less production cost) are remitted to the Government of Canada. Therefore, all Canadians ultimately pay when the Bank remits lower earnings to the government because of its increased costs due to counterfeiting.
20. The Bank has devoted substantial resources to help combat counterfeiting and its impact on society. To maintain confidence in bank notes, the Bank supports a currency strategy comprised of four main elements: (i) advancing research and development to improve bank note security; (ii) promoting the acceptance of bank notes by Canadians and verification by retailers through awareness and education; (iii) advocating counterfeit deterrence through law enforcement and the courts; and (iv) maintaining high quality levels throughout the bank note life cycle.
21. The Bank spent close to \$20 million to develop the current *Frontiers* series polymer notes. These notes cost 23 cents per note compared with 10 cents for the previous *Canadian Journey* series, but polymer notes last a minimum of 3.5 times longer.
22. The Bank spent about \$6 million to develop the vertical \$10 polymer note (issued November 2018). It is the first in the next generation of polymer notes. These notes cost 27 cents per note compared with 23 cents for the *Frontiers* series. The difference in cost relates to the enhanced security features to ensure that Canadians can continue to use their notes with confidence.
23. Significant investments have been made by the cash-handling industry in Canada since the introduction of the *Frontiers* series. It is estimated that financial institutions, the vending, gaming and retail sectors, have spent \$100 million in machine adjustments to enable them to recognize and handle the current series.

AFFIANT'S SIGNATURE

AFFIANT'S PRINTED NAME

SWORN BEFORE ME at _____

In the (Province or Territory) of _____

this XX day of [Month] 2020.

Commissioner for taking oaths in
and for the (Province or Territory) of _____

[File number]

CANADA
(PROVINCE or Territory) OF _____

(Insert relevant court name)

BETWEEN:

HER MAJESTY THE QUEEN

–And–

[Name of Defendant]

DEFENDANT

AFFIDAVIT OF (Affiant's Name)
