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Chile: Report on the Observance of Standards and Codes— FATF Recommendations for Anti-Money Laundering and Combating the Financing of Terrorism

This Report on the Observance of Standards and Codes on the FATF Recommendations for Anti-Money Laundering and Combating the Financing of Terrorism was prepared by Grupo de Acción Financiera de Sudamérica (GAFISUD), the South American FATF-style regional body, using the comprehensive methodology endorsed by the Financial Action Task Force in October 2002 and by the Executive Board of the IMF in November 2002. It is based on the information available at the time it was completed in **May 2003**. The views expressed in this document are those of the GAFISUD team and do not necessarily reflect the views of the government of **Chile** or the Executive Board of the IMF. ROSCs do not rate countries' observance of standards and codes or make pass-fail judgments. Consequently, no overall assessment of the effectiveness of the anti-money laundering and combating the financing of terrorism regime is provided.

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COMMON ASSESSMENT METHODOLOGY

REPORT ON THE OBSERVANCE OF STANDARDS AND CODES (ROSC)

Introduction

1. This Report on the Observance of Standards and Codes (ROSC) of the FATF/GAFISUD Forty+8 Recommendations was coordinated by the Deputy Executive Secretary of GAFISUD, Esteban Fullin, and by CONACE Adviser Andrea Muñoz on behalf of Chile. The evaluation team consisted of the following experts from three GAFISUD member countries: Legal expert, Alejandro Montesdeoca Broquetas, President of the Center for Training on the Prevention of Money Laundering, National Drugs Board of Uruguay; Financial expert, Alberto Rabinstein, member of the Financial Information Unit of Argentina; Operational expert, Luis Castellanos Nieto from the Money Laundering and Property Forfeiture Office of the National Prosecutor's Office, Colombia. The team conducting this evaluation exercise was supported by an additional expert, Dr. Jorge Silva Sánchez, Director General, Financial Crimes and Operations of Illicit Origin in the Public Prosecutor's Office of Mexico.

2. The report summarizes the level of observance of the Forty+8 recommendations, and suggests ways of strengthening this.

Information and methodology used for the evaluation

3. During preparation of the mutual evaluation report, the team reviewed the most important AML/CFT regulations and assessed the capacity and effectiveness of the law enforcement agencies and established regulation/supervision systems to prevent, control and suppress money laundering and the financing of terrorism.

4. Chile's national anti-money laundering system was appraised in May 2003, as part of the mutual evaluation exercise of the Financial Action Task Force of South America against Money Laundering (GAFISUD), using the traditional GAFISUD methodology in force at that time. The seventh plenary meeting of GAFISUD, held in Buenos Aires (Argentina) on July 1-3, 2003 decided to produce a Mutual Evaluation Report and a Report on Chile's Observance of Standards and Codes evaluating new data subsequent to the date of the evaluation visit and using the new methodology agreed with the International Monetary Fund and the World Bank.

5. This conversion of the traditional report was carried out by the same team that evaluated Chile's national anti-money laundering system in May 2003, based not only on information obtained during the visit of experts to Chile, but also on data furnished by the country itself. The evaluation focused particularly on the country's new legislation on money laundering,[1] which, as established in the seventh plenary meeting, had to have been passed before November 15, 2003, to be taken into account.

Key findings

Overview

It is only recently that Chile has moved to set in place an integrated legal and institutional framework to comprehensively address AML/CFT matters. Law 19.913, as gazetted on December 18, 2003 represents a substantial strengthening of the AML/CFT framework. It updates the legal definition of the money laundering offence; it imposes AML/CFT reporting obligations on a wider range of institutions; and it provides the legal basis for creation of a Financial Analysis Unit to function as the financial intelligence

[1] Law 19.913 was passed by Congress on September 2, 2003, and on October 28 it was approved as constitutional by the Constitutional Court. The legislation was officially published on December 18 that year.

unit, with authority to issue regulations and monitor compliance. Rulings by the Constitutional Court undercut the intended full force of Law 19.913 as originally passed by the Congress on September 2, 2003. Sanctioning powers of the FIU were eliminated; access of the FIU to information protected by bank secrecy was prohibited; access by the FIU to other public data bases was denied.

Banking secrecy provisions continue to limit the ability of Chile to investigate and disclose potential money laundering offences and, thereby, to provide effective international cooperation through the FIU. Provisions are available for mutual legal assistance but they are cumbersome; timely international cooperation in asset freezing is difficult. The expanded AML/CFT regime introduced by Law 19.913 is too recent to permit any conclusions about the effectiveness of its implementation. The FIU has not yet been established and regulatory and compliance arrangements outside the prudentially regulated sectors remain to be developed. Criminal law enforcement strategies need to be updated to exploit more fully the potential of new AML/CFT legislation.

Criminal justice measures and international cooperation:

- **Criminalization of money laundering and the financing of terrorism**

The offense of "money laundering" is typified in Article 19 of Law 19.913, in connection with illegal drug trafficking and other serious offenses, such as: terrorism in any of its forms (including the financing of terrorism), trafficking of firearms, child pornography and prostitution, white slave traffic, prevarication, misappropriation of public funds, fraud and extortion, graft, offenses covered by the Stock Market Act and the General Banking Act, kidnapping and abduction of minors.

The penalty for committing this crime is a prison term ranging from five years and one day to 15 years, plus a fine of 200-1,000 Monthly Tax Units.

Article 19 of the law envisages two different types of crime: (a) **concealment or disguise** of the unlawful origin of specified assets, **knowing** that they originate from specific crimes; and (b) **acquisition, possession, holding or use** of such assets, **knowing** of their unlawful origin**.** The crime embraces all types of property measurable in money terms, whether corporal or noncorporal, movable assets or real estate, tangible or intangible, in addition to the legal documents and instruments that accredit ownership or other rights thereon.

The concept of concurrent offenses is admitted between the money laundering itself and the predicate offense.

The law also states that it is not necessary to prove in advance that the assets in question originate from an illegal act classified as a predicate offense. In other words, prior conviction for the predicate offense is not necessary to obtain a conviction for money laundering.

The crime of money laundering is also sanctioned if the assets arise from an act carried out abroad, which is indictable in the country where it is committed and would constitute a predicate offense in Chile if it had been committed in this country.

In addition, Law 19.913 has defined a further category of culpable offense, namely when the perpetrator of the identified conducts has acted with **inexcusable negligence.**

It also specifies a set of aggravating factors, penalizes the attempt to commit an offense, and provides for a special mitigating factor consisting of effective cooperation with the administrative, police or legal authorities.

Current legislation does not provide for criminal sanctions against legal entities that fail to comply with regulations aimed at the prevention of money laundering.

Although the anti-money laundering bill approved by the legislature provided for sanctions to be imposed by the FIU on individuals and legal entities that fail to comply with the obligations set out in the law, a ruling by the Constitutional Court rejected this provision. It was therefore excluded from the law as enacted, making future reform on this point necessary. Nonetheless, the offense itself is duly typified.

In terms of legislation, the United Nations International Convention for the Suppression of the Financing of Terrorism was ratified by Chile on November 10, 2001, while Supreme Decree 488 of October 4, 2001 ordered compliance with United Nations Security Council Resolution 1373. The latter instructed authorities and public bodies to apply that resolution within their jurisdictions.

Law 19.906, published in the Official Gazette on November 13, 2003, defined an autonomous offense of providing funds with the intention or aim that these be used to commit terrorist offenses. Financing is thus separated from the actual perpetration of a specific terrorist crime, and the fact that the terrorist organization is located in another jurisdiction, or the terrorist acts are committed outside the country, does not prevent punishment of the crime of financing of terrorism. The text of the law is consistent with the provisions of the United Nations International Convention for the Suppression of the Financing of Terrorism and FATF/GAFISUD Special Recommendation II.

- **Confiscation of the proceeds of crime or property used to finance terrorism**
  - **- Legal framework**

The possibility of asset confiscation is fully legislated for. In this regard, by application of Chile's anti-money laundering law, all the confiscation regulations pertaining to drug-trafficking are applied to the crime of asset laundering. The Public Prosecutor's Office may apply to the judge overseeing the case (juez de garantía) to adopt protective measures as necessary to prevent the use, exploitation, benefit or disposal of any category of property, securities or monies arising from the crimes involved in the case. For these purposes, and without prejudice to the other faculties conferred by the law, the judge may, among other things, impose a ban on carrying out acts and entering into contracts, or the recording thereof in any type of register, along with other relevant measures. Such precautionary measures *may be adopted without giving prior notification to the affected party and even before the investigation has formally begun.*

The system in force in Chile regarding the confiscation and forfeiture of assets arising from criminal activities is largely compliant with international standards, although it is not legally possible to seize assets of equivalent value to those directly or indirectly proceeding from the crime. Moreover, the Chilean legal system does not provide for the establishment of mechanisms to share forfeited property with other jurisdictions.

  - **- Statistics and training**

At the time of this evaluation, the total value of property confiscated as a result of money laundering offenses amounted to US$8 million. Nonetheless, no sentences had been passed establishing the forfeiture of such assets.

- **The FIU and processes for receiving, analyzing and disseminating financial information and other intelligence at the domestic and international levels**
  - **- Structure and functions**

Law 19.913 creates the Financial Analysis Unit as a decentralized public service attached to the Ministry of Finance, with a mission to prevent the financial system and other sectors of economic activity from being used to commit money laundering offenses. In that context, the FIU is empowered to receive information concerning operations that are suspected of money laundering, analyze such information, and immediately forward it to the Public Prosecutor's Office should it find reason to believe such an offense

has been committed. The FIU may also exchange information with its counterparts abroad. At the time of the evaluation, however, the FIU was still in the process of formation and was not yet operational.

Parties obliged to report suspicious operations (reporting parties) include all financial institutions in general (the banking, securities, insurance and foreign-exchange sectors), together with casinos, general customs agents, auction houses, real estate brokers, firms engaged in real estate management, notaries and registrars, among others.

The term "suspicious transaction" is understood to encompass any act, operation or transaction, which, according to the usage and customs of the activity in question, is either unusual or lacking in apparent economic or legal justification, whether carried out on an isolated basis or repeatedly.

Persons obliged to report suspicious transactions shall also maintain special records for at least five years, and shall notify the FIU, on request, of all cash operations in any currency exceeding 450 Development Units–UF (*Unidades de Fomento)* (US$12,000 approximately).

The FIU is authorized to recommend measures to the public and private sector to prevent money laundering offenses being committed, and to issue instructions enabling reporting parties to fully comply with their duty to report suspicious transactions and maintain records of transactions exceeding UF450 or the equivalent in other currencies.

The FIU may not access information protected by banking secrecy (except when such information forms the basis of a specific report prepared by a reporting party, and provided this does not involve requesting complementary data), and there is no mechanism lifting this secrecy.

These restrictions will make it difficult for the unit to effectively use its power to exchange information protected by rules of secrecy with its counterparts abroad.

The absence of a regime for sanctioning reporting parties that contravene their legal obligations is a major obstacle to effective compliance.

When it detects signs that a money laundering offense has been committed, the FIU will send to the Public Prosecutor's Office any financial information it receives together with any background information in its possession, to enable the latter to initiate the corresponding criminal prosecution. It will also cooperate in any investigations undertaken.

Law 19.913 provides for the Financial Analysis Unit to be adequately organized in terms of legal design, and to have a reasonable degree of administrative decentralization and technical independence. It should be stressed that as the unit has not yet started to operate, regulations have not been issued for complying with obligations imposed by the law, especially in terms of reporting suspicious transactions and record-keeping.

- **- Maintenance of statistics**

As the unit is not yet operational, no statistics are available for the moment.

- **- Resources**

The FIU is envisaged as a decentralized public service, with legal status and its own assets, relating to the President of the Republic through the Ministry of Finance. Once operational, it will be possible to correctly evaluate whether the unit's resources are suitable. However, its planned staffing seems adequate.

- **Law enforcement and prosecution authorities, powers and duties**
  - - **Responsibilities during the investigation**

Chile's penal procedure system is in a transitional phase. At the present time, two different penal procedure systems coexist—the old one, which is inquisitorial, where the investigation is carried out by a judge who also formulates the accusation and passes sentence, without the existence of a prosecuting

counsel to direct the investigation and the new one, which is of an indictment type, where the prosecutor acts as investigator and accuser; this system was incorporated into the Chilean legal system by the Penal Procedures reform of September 29, 2000. The timetable agreed by Congress envisaged the new system being implemented throughout the country once it had taken effect in the Metropolitan Region of Santiago; this is now expected to occur in June 2005.

As a result of this reform of the criminal justice system, the Public Prosecutor's Office emerges as the new key player. This is a body of constitutional rank, autonomous and independent of the executive, legislature and judiciary; it was created to direct investigations of criminal acts, and conduct public prosecutions in the courts.

- **- Legal framework and procedure for producing evidence**

The Prosecutor General created the Specialized Money Laundering and Organized Crime Unit on December 14, 2001, essentially to support investigations by prosecuting counsels and to coordinate the tasks of prevention and control of money laundering in Chile.

The country has a legal system that functions adequately and it possesses processing and investigative mechanisms that meet international standards.

- **International cooperation**
  - - **Laws and procedures on mutual legal assistance, treaties, agreements on the exchange of information, joint investigations and extradition**

The United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, signed in Vienna on December 20, 1988, was ratified by Chile on March 13, 1990, promulgated through Supreme Decree 543 of the Ministry of Foreign Relations, and published in the Official Gazette on August 20, 1990.

Processing and compliance with international requests for legal cooperation are generally governed by Article 7 of the 1988 Vienna Convention, except where there is a current agreement, treaty or convention in force.

Article 30 of Law 19.366 contains a general rule enabling the Public Prosecutor's Office to request and grant the broadest possible cooperation with a view to achieving a successful outcome in investigations relating to the offenses covered by this law (money laundering among others), as agreed in international conventions and treaties; and it may provide specific information even in cases where discretion or secrecy has been ordered with respect to the defendant and other intervening parties.

- **- Requests for mutual legal assistance, statistics on information exchange, agreements to coordinate asset seizure, prevention of the use of safe havens for FT**

There is no specific law regulating international asset seizure in the money laundering field. In general, the provisions contained in the 1988 Vienna Convention are applied, which are confined to drug trafficking as the predicate offense.

There is no provision for sharing assets with other states.

Law 19.366 allows for extradition, both active and passive, with respect to the crimes it covers, although no treaty or reciprocity exists in this matter. This law also takes cognizance of sentences pronounced in foreign States for the purposes of establishing the aggravating feature of reoffense, even when the punishment imposed has not actually been carried out.

For these purposes, the principle of dual criminality applies, which means it is only possible to extradite for money laundering arising from the offenses covered by Law 19.913. The existence of a culpable offense will allow for broad international cooperation in the legal area.

- **Preventive measures for financial institutions**

Regulated sectors:

The financial sector; the foreign exchange sector (partially, only international foreign exchange operations that are subject to regulation by the Central Bank of Chile); the stock market sector and the insurance sector; pension funds and their managers are also regulated by the Superintendency of Pension Fund Managers (SAFP).

Unregulated sectors:

The foreign exchange sector, with respect to unregulated foreign exchange operations (the informal foreign exchange market) and fund remittance firms (couriers) except in regard to the obligation to report suspicions operations to the FIU.

- **Correctly regulated sectors**
  - **- Strengths and weaknesses**

Apart from the oversight and supervision bodies indicated in the different sectors, Law 19.913 provides for the creation of the Financial Analysis Unit (FIU); it also regulates the duty to report, and specifies the parties that are covered by its provisions. The attributions of the FIU, which has not yet been formed and is not operational, include issuing instructions of general application to parties obliged to report suspicious operations. Unfortunately the law does not provide for sanctions against reporting parties that fail to report suspicious transactions.

  - **- Banks – specific evaluation areas**

The Superintendency of Banks and Financial Institutions (SBIF) is responsible for regulating the Banco del Estado and all other banks of whatever kind, in addition to other financial institutions such as large saving and loan cooperatives that are not legally regulated by any other body.

As regards record-keeping, ***Law 19.913*** requires reporting parties (including the banking sector) ***to keep special records for at least five years,*** and to notify the FIU, on request, of all cash operations in amounts above a given threshold. The General Banking Act, on the other hand, requires institutions to keep account books, forms, correspondence, documents and other paperwork for six years.

In the case of foreign bank branches, in Chile "the law is obligatory for all inhabitants of the Republic, including foreign nationals." Accordingly SBIF instructions are applicable both to domestic banks and to foreign banks operating in Chile.

As regards the existence of rules for the prevention of money-laundering, we note that the SBIF has issued instructions on this subject to the institutions under its control, suggesting that they should base their precautions on *thorough knowledge of their customers and the activities* they engage in; this includes verifying the customer's official identification. Banks also check data on the constitution and existence of their corporate customers; and, according to SBIF staff, identification and information on the initiator and beneficiary of fund transfers must also be requested. The reasons underlying banking operations should also be ascertained when these are not consistent with the customer's line of business or profession, or otherwise seem disproportionate or suspicious, in terms of amount, frequency, etc., in accordance with international recommendations on the subject.

It is also established that financial institutions should have a procedural manual setting down guidelines to be followed by the institution to avoid becoming involved in or serving as a channel for money laundering operations.

- **- Insurance – specific evaluation areas**

The Superintendency of Securities and Insurance (SVS) exists to regulate the activities and institutions that participate in the securities and insurance markets in Chile. It is therefore responsible for ensuring that supervised persons or institutions comply with the laws, regulations, statutes and other provisions governing the functioning of these markets, from the moment of initiation of activities through to their liquidation.

In the ***securities and insurance domain, Circular 1680 of September 29, 2003*** provides ***instructions for the prevention and control of operations using illicit funds*** to all insurance firms, securities brokers, fund management companies and securities depository firms; and it requires them to take steps to store data on relevant operations on either physical or electronic media. Such operations include those carried out by private individuals or legal entities of any nature which involve a cash payment to the entity in question (either in currency of legal tender or foreign currency) in excess of US$10,000 or equivalent whether in a single amount or installments (excluding transactions carried out by institutional investors), and operations carried out by private individuals or legal entities that could be classified as suspicious (the regulations offer a conceptual description of such operations).

The Circular establishes that in such cases it should be possible to retrieve the following in particular: information on the nature of the operation, together with a copy of supporting documents or background information and customer data.

In addition to this, ***Law 19.913*** requires institutions ***to keep special records for at least five years,*** and to inform the FIU on request of any cash operations in amounts above UF450, or the equivalent thereof in other currencies. It also extends the ***obligation to report suspicious operations*** to insurance companies, requiring them to report suspicious acts, transactions or operations noticed in the course of their activities, although sanctions for noncompliance are not provided for.

- **- Securities – specific evaluation areas**

The stock market basically consists of: securities offer, brokerage, demand, and regulation and inspection.

The SVS supervises and oversees all agents operating in the insurance and securities sector, imposing similar obligations on both sectors in respect of money laundering. Accordingly, unless indicated otherwise, controls in the securities sector are the same as those imposed on insurance; and Circular 1680, referred to above, is specifically applicable.

In the securities market domain, it was also reported that stockbrokers and securities dealers have regulations on customer identification using a client record card defined by the Superintendency in *General Rule No. 12*. Entities in this sector must also maintain records of all their operations.

As the securities sector is covered by Law 19.913, all entities are required to ***report suspicious operations***, although again there is no provision for sanctioning noncompliance. The requirement to keep records for five years is also applicable.

- **Relevant sectors incorrectly regulated**
  - **- Strengths and weaknesses**

Under current regulations, financial institutions supervised by the SBIF are subject to regulations aimed at the prevention of money laundering; in addition there are minimum regulations on the subject issued by the SVS covering the securities and insurance sectors. These do not cover bureaux de change, however, nor fund remittance firms (couriers).

There are no foreign exchange restrictions in force in Chile, although the most important payment and transfer operations have to be carried out exclusively in the regulated or formal foreign exchange market and/or be notified to the Central Bank of Chile. The regulations issued by the Central Bank of Chile

include rules for customer identification in such operations. As a result, an international exchange operation subject to Central Bank restrictions is excluded from the principle of foreign exchange freedom, and must be carried out through the regulated or formal foreign exchange market.
All foreign currency remittance or disposal of funds abroad by persons domiciled or resident in Chile, for the purpose of undertaking investments, making capital contributions and extending credits in amounts exceeding US$10,000, must be channeled through the formal foreign exchange market and be reported to the Central Bank. The same obligations apply to any international exchange operation relating to credits, deposits, investments and capital contributions, originating abroad, in amounts exceeding US$10,000 or the equivalent thereof in another foreign currency.

In addition, ***there is the informal*** or unregulated foreign exchange market encompassing all bureaux de change that are not in the situation described above; these are not required to fulfill the abovementioned regulation *but* ***operate within the regime of foreign exchange freedom mentioned at the start of this paragraph.*** They may therefore carry out international exchange operations, provided these are not in the category that must be exclusively channeled through the regulated or formal market. ***These institutions are not supervised or regulated by any organization***. Nevertheless, in accordance with Law 19.913, they are required to report suspicious operations to the FIU.

The Chilean authorities do not have precise knowledge of the size of the informal foreign exchange market in relation to the entire sector. *Although there are different opinions as to the relative extent of unregulated foreign exchange activity, there is consensus that it is a significant percentage that warrants attention by the authorities.*

Lack of FIU sanctioning power will impair oversight of anti-money laundering obligations in the unregulated or informal foreign exchange market and among fund remittance agents (couriers), since these sectors do not have supervisory bodies.

Summary of evaluation

Table 1. Proposed plan of action to improve compliance with FATF/GAFISUD recommendations

Reference to FATF/GAFISUD recommendation	Action recommended
40 recommendations on ML	
General framework of recommendations (FATF/GAFISUD 1-3)	On the issue of secrecy, the following actions are considered necessary: - Promote legislative reform to overcome the obstacles imposed by the Constitutional Court, so as to restore to the Financial Analysis Unit the faculties assigned to it in the Bill passed by Congress, which it needs to adequately fulfill the tasks assigned to it: (a) Establish mechanisms affording the FIU unfettered access to information protected by confidentiality rules. (b) Make it possible for the FIU to access the databases of other public bodies.
Scope of the money laundering offense (FATF/GAFISUD 4-6)	- Without prejudice to the broadening of predicate offenses for money laundering under Law 19.913, obtain the inclusion of new predicate offenses, inter alia, all human trafficking offenses in general, and extortion. - Introduce the legislative reforms needed to make it possible to sanction individuals and legal entities that fail to comply with their obligations on the prevention of money laundering.
Provisional measures and confiscation (FATF/GAFISUD 7)	- Consider introducing a law allowing for the seizure of property of equivalent value to that arising directly or indirectly from the crime.
The general role of the financial system in fighting money laundering (FATF/GAFISUD 8-9)	With regard to the structure of the financial system and its regulated and unregulated sectors: The entire foreign exchange sector should be subject to inspection and control, including unregulated foreign exchange operations (i.e., the informal foreign exchange market). This should also cover fund remittance agencies (couriers) for the purpose of verifying compliance with the obligation to report suspicious operations as required by new Law 19.913 (Article 3), since they do not fall within any specific supervision orbit and there is no provision for sanctioning noncompliance.
Customer identification and record-keeping (FATF/GAFISUD 10-13)	Effectively regulate and implement an adequate know-your-customer policy in all market segments, including the unregulated or informal foreign exchange market, together with fund remittance agents and other reporting parties covered by Article 3 of Law 19.913. Once the FIU is formed and operating: - Implementation of the requirement imposed by Article 5 (Record keeping) of Law 19.913 should be evaluated. In the case of sectors that are not within the orbit of any supervisory and control body: - Provide for their effective supervision and, in all cases, make it possible to sanction failure to comply with the regulations, given the absence of FIU sanctioning powers in the text of the new Law 19.913.
Greater due diligence among financial institutions (FATF/GAFISUD 14-19)	Effective compliance with the obligation to report suspicious operations, by parties covered by Article 3 of Law 19.913, can be evaluated once the FIU has been set up and put into operation and the respective regulations issued (these should include a guide to suspicious transactions for each category of party and type of activity). - The FIU, or some other competent body, should have the power to sanction reporting parties for failure to comply with the obligations contained in Articles 3 through 5 of Paragraph 2 of the Law, relating to the duty to report, as envisaged in the original bill but rejected by the Constitutional Court of Chile.
Specific measures for countries with insufficient AML systems (FATF/GAFISUD 20-21)	As measures only exist for the banking sector, it is necessary: to extend specific measures for countries whose AML/CFT systems are insufficient to cover the branches and subsidiaries of nonbank financial institutions in those countries. Currently only banks have branches outside the country.
Other measures (FATF/GAFISUD 22-25)	Implement the system for reporting cash transactions in amounts greater than UF450 (equivalent to US$12,000), and the system for reporting the transport of currency or negotiable bearer instruments of equal amount, both established by Article 5 of Law 19.913.

Reference to FATF/GAFISUD recommendation	Action recommended
Implementation and role of the regulatory authorities and other administrative bodies (FATF/GAFISUD 26-29).	The controls established to prevent criminals or their accomplices from taking control or acquiring major shareholdings in banks need to be extended to encompass other financial institutions; appropriate integrity standards should be put in place to prevent criminals from maintaining or controlling significant investments or holding posts as directors or senior managers in such entities.
Administrative cooperation – General information exchange (FATF/GAFISUD 30-31)	Outward or inward operations with entities located abroad are reported to the Central Bank for statistical purposes, but there are no studies on cash flows. There are also no controls or statistics on cash moving through airports and border crossings.
Administrative cooperation – Exchange of information relating to suspicious transactions (FATF/GAFISUD 32)	The FIU can only exchange information relating to the suspicious transactions that are reported to it, and may not request other information from reporting parties; a legislative reform is therefore needed to allow access to and exchange of information protected by secrecy and confidentiality laws, in order to be able to cooperate internationally on an effective basis.
Other forms of cooperation – Bases and forms of cooperation on confiscation, mutual assistance and extradition (FATF/GAFISUD 33-35).	
Other forms of cooperation – Aimed at improving mutual assistance on money laundering issues (FATF/GAFISUD 36-40)	- Expressly provide for the possibility of freezing, seizure and confiscation of the proceeds of money laundering or its predicate offenses, or other property of equal value, in response to a request from other countries. - Establish mechanisms for sharing seized assets with other jurisdictions.
Eight special recommendations on the financing	In general most of these special recommendations are expected to achieve greater compliance, once the system established by Law 19.913 comes into operation.
I. Ratification and implementation of United Nations instruments	
II. Criminalizing the financing of terrorism and associated money laundering	
III. Freezing and confiscating terrorist assets	
IV. Reporting of suspicious transactions related to terrorism	Implement the system for reporting suspicious operations envisaged in Law 19.913.
V. International cooperation	
VI. Alternative remittance system	
VII. Wire transfers	

Table 2. Other recommended actions

Reference	Action recommended
Law enforcement and prosecution authorities, powers and duties	- Strengthen the mechanisms for coordination between the various public agencies that participate in the investigation of ML, FT and predicate offenses (e.g., the Police, Customs, FIU and/or other competent authorities).
Ongoing monitoring of accounts and transactions	Effectively regulate and implement mechanisms for monitoring operations in all market segments, including the unregulated foreign exchange market, the securities and insurance sectors, and fund remittance.
Internal controls, compliance and audit	- There should be regulation and effective implementation of the precautionary measures included in these rules (especially internal controls and audits, appointment of a compliance officer, and staff training) in all sectors of the financial system. In the case of sectors that do not fall within the orbit of any supervisory and control body: - Provide for their effective supervision and the ability to sanction regulatory noncompliance, since Law 19.913 gives no sanctioning powers to the FIU.