



# 5<sup>th</sup> Follow-Up Report

## EL SALVADOR

January 8th, 2013

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## I. Introduction

1. This report summarizes the analysis made by CFATF concerning advancements informed by El Salvador to overcome the deficiencies identified in the mutual evaluation report (MER) approved on Plenary of May 2010. This is the Fifth follow up report and it is based on information provided by El Salvador on October 29, 2012 (see attached advancements matrix).
2. In accordance with decision made in Plenary of November, 2012 in Venezuela, El Salvador is under the regular-expedited follow-up process.
3. The country was rated NC or PC in five (5) out of the sixteen (16) Key and Core FATF Recommendations<sup>1</sup>.

### Key and Core Recommendations

Rec.	1	3	4	5	10	13	23	26	35	36	40	I	II	III	IV	V
Calific.	MC	MC	C	PC	MC	MC	PC	PC	C	MC	MC	C	C	MC	PC	PC

4. Overall, the country's ratings were PC or NC in twenty-six (26) of the FATF Recommendations as reflected in the table below:

### All recommendations rated PC or NC

Partially Compliant (PC)	Non Compliant (NC)
<b>5. Customer Due Diligence</b>	06. PEPs
8. New technologies & non face-to-face business	07. Corresponding Banking
9. Third parties and introducers	12. DNFBPs– (R.5, 6, 8-11)
17. Sanctions	16. DNFBPs– R.13-15 & 21
21. Special attention to high-risk countries	24. DNFBPs– Regulation, Supervision, Monitoring
22. Foreign branches and subsidiaries	30. Resources, Integrity, Training
<b>23. Regulation, supervision and monitoring</b>	32. Statistics
25. Guidance and Feedback	SR.VI Money/Value Transfers
<b>26. The FIU</b>	
29. Powers of Supervisors	
31. Domestic Cooperation	
33. Legal persons –beneficial owner	
39. Extradition	
<b>SR.IV Report suspicion of FT</b>	
<b>SR.V International Cooperation</b>	
SR.VII Wire Transfers	
SR.VIII NPOs	
SR.IX Cross Border cash	

<sup>1</sup> When referred to the Recommendations, it is referring to the 40 +9 FATF Recommendations prior, which still constitute the current recommendations regarding this follow-up Report.

5. The following information intends to offer an idea on the size, internationalization and risk of the main financial sectors.

### Size and international inks of the financial sector

		Banks	Other Credit Institutions* <sup>1/</sup>	Stock Exchange Market	Insurance Companies	TOTAL
<b>Number of Institutions</b>	<b>Total #</b>	13	9	14	20	56
<b>Assets</b>	<b>US\$</b>	12,938,477,586.15	685,431,528.33	24,354,647.31	585,017,253.21	14,233,281,015.00
<b>Deposits</b>	<b>Total: US\$</b>	9,563,190,968.54	307,871,037.13	0.00	0.00	9,871,062,005.67
	<b>Non-Resident Percentage %</b>	0.00	0.00	0.00	0.00	0.00
<b>International</b>	<b>Foreign Capital Percentage:</b>	93.69%	0.00%	48.93%	80.51%	82.15%
	<b>Number of Subsidiaries abroad (quantity)</b>	N/A	N/A	N/A	N/A	N/A

## II. Scope of Report

6. In the third follow up report the deficiencies it was identified that Recommendations 7 and 39 and Special Recommendation V were rectified.

7. On the other hand, in the third report, pending legislative reforms were announced to the following laws: Anti Money Laundering and Assets Law (LDA), Supervision and Regulation of the Financial System Law (LSRSF) and the Law of Nonprofit Associations and Foundations. These reforms were expected to rectify the majority of the deficiencies identified in the MER in implementing key and core recommendations and key 5, IV, 23 and 26, and recommendations 6, 12, 16, 17, 24, 25, 29 VI, VII, VII and IX, which were rated PC or NC. However, these reforms are still in the legislative process and have not been approved by the Congress of the Republic

8. For this report, no progress information was provided regarding Recommendations 9, 17, 21, 22, 23, 25, 29, 31, 32, 33 and Special Recommendations IV, VI, VIII and IX.

9. Based on the above, this Report will focus on the Recommendations whose deficiencies remain outstanding to be rectified and on which the authorities have reported.

## III. Summary of progress made by El Salvador

### Details on Key and Core Recommendations:

10. Below is an analysis of the actions taken by the authorities and reflected in the progress matrix of progress on key and core Recommendations rated PC or NC.

### Recommendation 5

11. Authorities have proposed reform to the "Standards for the management of the risks of money laundering and assets and terrorist financing" (hereinafter, risk management standards MLA / FT). However, pending the adoption of the proposed regulation in order to verify compliance with the recommendation.

12. Also, previous reports have announced other reforms pending, which without obtaining enacted legislation it is not possible to perform a verification of compliance with the recommended actions in the IEM, so these actions are pending execution, except regarding the numbered accounts as already clarified that Article 11 of the law against MLA does not allow the existence of anonymous or numbered accounts.

### **Recommendation 26**

13. The Authorities have reported that the IDB has financed a diagnosis of the FIU by which to have more information about their functional, administrative and operational capabilities, and the implications of its institutional position.

14. Also, the bill For Eradication of Dominio is before the Regional Congress of the Republic, which is planned to increase the budgetary capacity of the FIU which would be assigned as twenty percent (20%) of the assets confiscated.

15. Additionally, see sections of Recommendation 30.

16. Legislative reforms and agreements mentioned in previous reports have not yet taken effect whereby the actions recommended in the IEM are pending implementation in all but the one regarding the restoration of membership in the Egmont Group which was held in July 2010.

### **Other actions:**

17. The following paragraphs summarize the main actions taken by El Salvador regarding the FATF recommendations apart from the key and core.

### **Recommendation 6, 8 and Special Recommendation VII**

18. The reform proposal for Risk Management Standards MLA / FT included in Articles 23 and 24 measures related to treatment of PEPs. It is worth mentioning, although it is a draft regulation, that the requirements of Recommendation 6 are necessary for financial institutions when establishing business relationships with a PEP, or when a customer or beneficial owner has been accepted. This requirement mentioned above is not provided for in Articles 23 and 24 above.

19. Article 27 defines electronic transactions such as those made through ATMs, Internet, telephone transactions or any other service that may be carried out electronically. That article states that the financial institution that offers banking services should obtain a log of access and use the system to record and track transactions made by the customer. For its part, Article 15.b establishes as risk factors of products and services to electronic transfers, innovative products and online banking as a service which "inherently provides more anonymity or easily facilitates cross borders." Additionally, Article 15.c indicates e-banking and mobile banking as distribution channels that may pose a greater risk.

20. As noted before although the document is a draft law, the articles highlighted above do not include the obligation for financial institutions to have policies in place or take the necessary steps to prevent the misuse of technological developments in ML or FT schemes (criteria 8.1) or is

required to have specific procedures that apply to DDC with non-face-to-face customers (criteria 8.2.1). According to the regulations in this draft, in principle only there is only compliance with the criteria 8.2 of the FATF Methodology.

21. The legislation is in draft presented whereby, in addition to the technical details listed above, compliance cannot be verified against the recommendations in question, and therefore the recommended actions in the IEM are pending implementation.

#### **Recomendaciones 12, 16 y 24**

22. The Authorities report that the bill that aims to regulate the cooperative sector is presently before the Congress of the Republic. The Authorities indicate that this sector is included in designated non-financial businesses and professions (APFNDs). However according to the services provided, cooperative institutions (credit unions), are classified as financial institutions according to the glossary of the FATF Methodology.

23. All the recommended actions on these IEM Recommendations remain pending implementation.

#### **Recommendation 30**

24. A technical assistance agreement was signed with the Treasury Department of the United States of America to obtain technical and strategic advice on the development and implementation of international compliance measures against offenses relating to ML and FT.

#### **Effectiveness**

25. According to the information submitted by the authorities regarding effectiveness, so far in 2012, there are seven (7) cases under investigation, six (6) prosecuted and three (3) sentences, and have \$808,669 has been seized. Moreover, in terms of national and international cooperation, the FIU provided assistance to 131, ten (10) local through the Egmont Group. Additionally, international cooperation was carried out in (1) according to the Vienna Convention.

26. During 2012 there were 840 reports of suspicious transactions; banks remain the sector with major reports, followed by credit banks and remittance companies. Also in five (5) of the audits performed by the Superintendency of the Financial System, so far this year non-compliance with AML/CFT was observed and the corresponding administrative process will commence.

#### **IV. Conclusion**

27. According to the above for the fifth follow up report there has been little progress made by the Authorities of El Salvador, reforms are still pending to be approved and subsequently enacted, which is essential for an evaluation of the impact that new laws will have on the AML/CFT system in El Salvador and on compliance with FATF recommendations. However, in terms of effectiveness, the Authorities presented substantial information.

28. Given that substantial time has not elapsed since the announcement of legislative reforms, it is recommended to the Plenary that El Salvador will continue under the regular-expedited intensified follow-up process and report to the Plenary of May 2013, not before noting that if show substantial progress is not reflected in the next follow up report it might be considered to recommend the Plenary to place El Salvador under a stricter follow up process.

CFATF Secretariat,  
December 2012.

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**ANNEX 1. Third Follow-Up Report of El Salvador. II. Summary of progress made by El Salvador**

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6. As of the second follow-up report approved by the Plenary on May 2011, which took place in San Pedro Sula, Honduras, El Salvador has been working on the improvement of the efficiencies encountered in AML/CFT systems identified in the **MER**.

7. A proposal for amendment of the Anti- Money Laundering Act (**AMLA**) driven by the Inter-institutional Committee in terms of Money Laundering Prevention (**Committee**) is being processed before the Commission of Legislation and Constitutional Points of the Legislative Assembly of the Republic of El Salvador. If approved and applied, this amendment shall have a positive impact over certain **FATF** recommendations.

8. Likewise, the following are under revision and amendment proposals: Instructions of the Financial Investigation Unit (**FIU**) for the Prevention of MLA in Financial Intermediation Institutions (**Instructions**), Supervision and Regulation of the Financial System Act (**SRSFA**) and Non- Profit Associations and Foundations Act. The Financial System Superintendence (**FSS**) in addition has a project named "Minimum Regulations to Manage ML and FT Risks"

9.

10. Concerning international cooperation **FSS** has entered into agreements with the superintendencies of the region in order to make evaluations to local financial entities. In the past two years the Banking Superintendence of Panama, Banking Superintendence of Guatemala and Financial Superintendence of Colombia have accomplished consolidated and cross border inspections to financial entities of El Salvador, including compliance verification processes in terms of prevention of money laundering and financing of terrorism. Likewise, as part of the Consolidated and Cross Border Supervision, **FSS** has entered into agreements with other superintendencies to provide mutual cooperation and information exchange on financial entities that have presence in the country.

**Detail on Key and Core Recommendations:**

11. Herein below there is an analysis of the actions that authorities have adopted and which are reflected in the advancement matrix with respect to key and essential recommendations rated as PC o NC.

**Recommendation 5**

12. With the amendment proposal to Article 9 of Anti-money laundering Act submitted by the **Committee** there is an expectation to amend the threshold required to make cash operation reports upon reaching US\$10,000. On the other hand if the incorporation proposal of paragraph 't' to Article 7 **SRSFA**, it is intended that remittance companies are regulated and supervised by the **SSF**.

13. **FIU instructions** continue being subject matter of analysis, observations and amendment proposals is still under consultation stage with enforced subjects in order to proceed to amendment and approval.

14. As already mentioned in a previous report, the authorities of El Salvador stressed that under Article 11 of the law against **LDA** does not permit the existence of anonymous or fictitious accounts.

15. The **SSF** has elaborated a draft legislation entitled "Minimum Standards for managing the risks of **LDA** and Financing of Terrorism".

16. In accordance with the above, the approval of the regulations proposed to verify compliance towards this recommendation shall be pending. Likewise all the recommendations established in **IEM** are pending accomplishment.

### **Recommendation 23**

17. SRSFA effective as of August 2, 2011 was approved. Such law/act merges the supervision of the Banking insurance and exchange sector in a single superintendence. Article 7 of the law defines subjects which/who are subject matter of supervision by the FSS. Article 15 the directive Council of FSS in paragraph 't' is empowered for the creation of an Anti-money and Assets-Laundering Unit. Likewise, Article 31 provides that the Superintendent and Attached Superintendents shall determine and develop principles and characteristics of the supervision process, related objectives and phases and shall as of knowledge of the integrators of the financial systems, define criteria and policies that shall be adopted to implement supervision based on risks and compliance verification of the legal framework considering best international practices (...).

18. In accordance with the information provided by the authorities of El Salvador, **FSS** is under restructuring process with which it has ordered to increase personnel for the new risk department against ML and FT. Likewise, the working plans include personnel training and certification.

19. As mentioned in previous paragraphs SRSFA is under amendment procedure in order for remittance companies to be regulated and controlled by the **FSS**. On its part, the **FSS** has prepared a regulation project named "Minimum Regulations to Manage ML and FT Risks."

20. Amendment proposal of AML act includes amendment to article 9, adding to third paragraph:

" (...) Entities mentioned in paragraphs a), h), and i) of article 2 of this Law are also obliged to **submit report (referred to in paragraph first of this article, only for purposes of supervision and control** to the relevant supervision or fiscalization entity, which under no circumstance shall accomplish the task of generating financial intelligence. (...)" *(The highlighted is part of the amendment)*

21. Article 9-A proposal likewise provides:

" (...) **These reports must also be remitted to the relevant supervision or fiscalization entity only for purposes of control and supervision which under no circumstance shall accomplish the task of generating financial intelligence (...)**" *(The highlighted is part of the amendment)*

22. In a similar manner the proposal of article 10, Paragraph e), number III provides:

" (...) **This report shall also be submitted to the relevant supervision or fiscalization entity only for purposes of supervision and control which under no circumstance shall accomplish the task generating financial intelligence (...)**" *(Bold is part of the amendment)*

23. The report mentioned in article 9 refers to cash individual transactions exceeding US\$10.000 and report referred in article 9-A and 10.e.III corresponds to the suspicious operation report. In accordance with the above, if such provisions are approved, recommendations of the valuating team in paragraph 615 of IEM shall be followed which in contrast to "(...) review the duty of **FSS** concerning analysis of information submitted by regulated entities and remitted in turn to **FIU** whenever there is a warning that operations reported thereof are irregular or suspicious in accordance with provisions of article 8 of regulation of AML law/act (...)" since any possibility of analysis by **FSS** shall be eliminated in the understanding that such hierarchic superiority of the AML law towards the regulations thereof, article 8 shall not apply.

24. In accordance with the above, the approval of the regulations proposed to verify compliance towards the recommendation is pending. Likewise, it remains pending to continue with other recommendations provided in **MER**.

### **Recommendation 26**

25. The first rating factor of recommendation 26 indicates as follows:

“Simultaneous sending of ROS, both FIU and FSS which affects confidentiality of reports and creates FIU parallel tasks to other entities (...).”

26. This factor arises from the essential criteria analysis 26.1 and 26.7 of the Methodology contained in paragraphs **266** and **268** of **MER**. Team recommendation was as follows:

“Amend Agreement N. 356 issued by the General Attorney’s Office of the Republic in order for the procedure of report of ROS only be prepared to FIU.”

27. With the amendment proposal of AML law already mentioned in the section of the Recommendation 23, related with articles 9, 9-A and 10.e.III, it would be clear that no “supervision or fiscalization entity” could accomplish tasks of FIU. However given that the mentioned entities, would still receive ROS, according to the proposal, potentially could be problems of confidentiality. Therefore if the reform is approved it is important for authorities to strengthen their procedures for ensure confidentiality and that they be forwarded to the Secretary

28. In the **MER** was concluded that FIU “has no sufficient autonomy to accomplish its tasks (...)”. Likewise, FIU “has no operative separation between analysis and criminal investigation (...)”, for which the team recommended “To strengthen FIU autonomy and provide higher labour stability to officers that integrate FIU avoiding their transfer to other specialized attorney’s office” and “establish procedure manuals that separate the analysis of ROS and criminal investigation”.

29. Facing these recommendations of **MER** authorities of El Salvador submitted the Organic Law of the General Attorney’s Office of the Republic in order to evidence autonomy of **FIU**. Similarly, the FIU with the support of IDB is currently reviewing the location of the FIU in the organizational structure of the Attorney General's Office (Office), in order to develop the laws, through procedures that strengthen functional autonomy of the FIU. It is important to add that according to information provided by authorities, the FIU has a legal department with four *fiscales*, an area of analysis, with two analysts and a technology area with a person, also the FIU counts with four administrative staff. It is clarified that the members of analysis area are not transferred to different *fiscalias*, as they don’t have similar functions.

30. Authorities of El Salvador reported that on November 19, 2010 the **FSS** informed **FIU** through the General Attorney of the Republic that as of such date **FIU** would have historical access to such entity. Therefore, **FIU** is under subscription process of a memorandum of understanding with the National Registration Centre (NRC) to have access to databases of such centre. Likewise, it is trying to entering to other memorandums with entities such as Vice Ministry of Transportation.

31. Additionally, the **FIU** is working on implementing and improving data transmission system, reporting, query and analysis of information through advanced technological tools. This is been done by: a) Agreements with the United States government, who offered to provide the technological equipment necessary to do so and b) In accordance with the law against LDA, Article 23 creates a special fund, which is intended, inter alia, to "strengthen state entities financially responsible for combating drug trafficking and LDA "(literal a) and those fund will be issued by the

FIU in accordance with its rules. Therefore, it was decided to use part of the funds of the special fund for strengthening the **FIU**. At the moment **FIU** is working on the design a procedure to acquiring those funds.

32. As mentioned in the first report on July, 2010, EGMONT Group released suspension it had imposed to **FIU**.

33. **FIU** has started a process for implementation for access to databases kept by NRC through the subscription of a corporation agreement for the access to direct, true and quick information. Until now several meetings among the informatics department of each **NRC/FIU** entity have taken place homologating and concreting compatibility of technological resources which shall be necessary.

34. In accordance with the above, is pending the approval of the proposed rule, the implementation of the agreements, procedures and above projects to verify their compliance against the recommendation.

#### **Recommendation IV**

35. As mentioned in the first follow up report with amendment of Special Law Against Terrorism Acts there is an imposition of obligation of financial institution to report suspicious FT operations in more general terms, and not only in cases in which actors are included in terrorist lists. Further awards ample empowerments to **FIU** to analyze these reports and share information with other Countries in the course of an investigation and/or for intelligence purposes without the need of entering into memorandum of understanding.

36. The amendment proposal of **AML** law includes second paragraph of Article 9-A which foresees obligation to report the attempt of suspicious operations.

37. In accordance with the above, approval of the proposed regulation is pending in order to verify compliance with the recommendation.

#### **Recommendation V**

38. Authorities of El Salvador believe that the procedures of Extradition are clear in accordance with the provisions contained in the Constitution of the Republic of El Salvador (**Constitution**) in article 182, paragraph 3, indicating that the Supreme Court of Justice shall grant extradition in article 28 of the **Constitution** which provides:

“(…) Extradition shall be regulated in accordance with the International Treaties and when dealing with Salvadorians shall only apply if the corresponding treaty expressly so provides, and has been approved by the Legislative Entity of the subscribing countries. In all events, provisions must include reciprocity principle and grant Salvadorians all criminal and procedural guarantees contained in the Constitution.

Extradition shall be applied when the crime has been committed in the territorial jurisdiction of the requesting country, except when dealing with international transcendence crimes-offences and it may not be applied in any case by political crimes-offences, even if a consequence thereof, common offences-crimes arise.

Ratification of the Extradition Treaties requires two thirds of the votes of the elected members”

39. In the Salvadoran system the principle of integration of the Law is applied. Based on this principle, international treaties according to legislation with other states or international

organizations are laws in the Republic of El Salvador, which does not require that those need it to be transfer to the ordinary legal order as they are already laws.

40. Recently cited Article 28 is interpreted that is in the sense that those crimes of international significance, not only may require the extradition of the responsible authorities of the countries where the crime was committed, but because they are legally protected internationally, of any country, as elaborated in Article 10 of the penal code.

41. Additionally, the Salvadorian penal code regulates the principle of universality, Article 10 which states: "It will also apply Salvadoran criminal law to crimes committed by anyone in a place not subject to Salvadoran jurisdiction, provided that they affect property protected internationally by specific agreements or international law or involves a serious impairment to universally recognized human rights" The statute empowers the Salvadoran government to apply criminal law to crimes committed by anyone, even in a place not subject to its jurisdiction, provided that they affect property protected internationally or with severe impairment involving the internationally recognized human rights.

42. Therefore it is considered that the recommendations of **MER** have been addressed and implemented.

#### **Other Measures:**

43. The following paragraphs summarize the main actions that the country has taken with respect to FATF recommendations other than key and core. The focus is on recommendations rated PC or NC for which the country has provided relevant information (additional information can be found in the attached matrix progress).

**Recommandations 6, 7, 8, 9, 12, 16, 17, 21, 22, 24, 25, 29, 30, 31, 32, 33, 39, VI, VII, VIII y IX.**

#### **Recommendation 6**

44. The proposal of amendment of **AML** law-act provides the incorporation of article 9C and amendment of article 10, paragraph a, in order to include PEP concept and obligations of enforced subjects concerning PEPs. In such a way the approval of the legislation amendment and development of such regulation in the rulings of the law in order to verify compliance towards recommendation 6 **Methodology** of FATF is pending.

#### **Recommendation 7**

45. **SSF** through its directive council in session No. CD-25/11 dated July 20, 2011, approved regulation NPB4-51 which refers to regulations for the provision of "Correspondent Banking Service" which include requirements provided by Recommendation 7 and essential criteria of the **Methodology**.

#### **Recommendation 8**

46. Authorities of El Salvador inform in the follow up matrix how the financial institutions of El Salvador within their policies and procedures related with AML/CFT, contemplate the consultation to the compliance officer concerning approval of new products and services in order to identify possible risks and in case such risks exist, how to mitigate them, or in case the risk is too high not to approve the launching of the product or service.

47. Recommendation 8 of the essential criteria of the **Methodology** provides that the countries must demand from financial institutions that have established policies or adopt measures necessary to prevent the undue use of technological advancements in ML or FT schemes (criteria 8.1).

48. In such a way, although important actions adopted by enforced subjects are taken voluntarily Recommendation 8 demands that such obligations be enforceable. In accordance with the above recommendations of **MER** are still pending.

### **Recommendation 9**

49. In relation with compliance of Recommendation 9 authorities of El Salvador believe that through article 10 of **AML** law and paragraph c of article 4 of regulation of **AML** law complies with everything related with third party intermediaries. Article 10 provides as follows:

“Art. 10.- Institutions, in addition to obligations indicated in the above article shall have the following obligations:

a) To truly identify and with necessary diligence all users that require their services as well as the identity of any Company or individual on behalf of whom they are acting;

b) File and keep documentation of operations for a five year term, counted as of the finalization date of each operation;

c) Train personnel on processes or techniques related to money laundering in order to identify anomalies or suspicious situations;

d) To establish internal audit mechanisms in order to verify compliance with provisions of this Law;

e) Under the terms contained in Article 4 paragraph 4 of this Law, Banks and Financial Institutions, Exchange Clearing Houses and Stock Exchange Firms to adopt the policies, regulations and mechanisms concerning the conduct that their managers, officers and employees shall abide by, consisting of:

I) adequately acknowledge economic activity developed by clients, magnitude, frequency, basic characteristics of the transactions involved on a daily basis and in particular those who make any type of deposit at site, with fixed terms, saving accounts, delivery of property in trust or trusts; or deposits on safety boxes;

II) Establish that the volume, value and movement of funds of client keep relation with economic activity thereof;

III) Report without excuse and immediately and sufficiently to the general Attorney’s Office of the Republic through FIU and relevant superintendents any relevant information concerning management of funds the amount or characteristics which do not keep adequate relation with the economic activity of clients, or concerning transactions of users that due to amounts involved or number complexity characteristics or special circumstances apart from habitual or conventional patterns of transactions of the same gender.; and therefore, it may be reasonably concluded that the financial entity is being used or could be being used to transfer, manage, use or take part in moneys or funds arising from unlawful activities.”

50. On its part, paragraph c of article 4 of the regulations of the AML law provides:

Art. 4.- Institutions for application and operation of the Law must:

(...)

c) Adopt a policy which guarantees sufficient knowledge of clients in order to reach objectives of the law and these regulations.

(...)”

51. However, the mentioned regulation corresponds specifically to compliance with due diligence measures of client of Recommendation 5 and not specific measures that shall be taken into account for cases in which financial institutions have third parties or intermediaries that accomplish some of the due diligence process elements or to introduce business in accordance with provisions of

Recommendation 9 and essential criteria of the **Methodology**. Thus, the recommended actions in the **MER** are still pending.

### **Recommendation 12 y 16**

52. In order for all **DNFBP** be covered by **AML** law the amendment proposal submitted by the committee contemplates the inclusion of paragraphs to article 2 of the law, as follows:

“(…) Institutions and activities submitted to the control of this Law, among other are the following:  
s) **Persons that accomplish designated non-financial businesses.** (…)”

53. Authorities of El Salvador believe that such position is in accordance with the terms established by FATF. However, the amendment proposal does not clarify what it may be understood by **persons that accomplish designated non-financial businesses** in accordance with DNFBP; these are defined by FATF in the methodology glossary. The absence of this definition could eventually cause difficulty in the application thereof for those who are not familiarized with the FATF terminology or could be interpreted in a more ample sense than that required by FATF.

54. In terms of regulations and specific supervision for DNFBP, authorities of El Salvador understand that these are subject of supervision by the FSS for which they mention article 7 of law of Supervision and Regulation of the Financial System. Article provides as follows:

“Art. 7. - the following are subject to the provisions of this law and therefore supervision of the Superintendence:

- a) Reserve Central Bank in relation with provision of paragraph 1) of article 4 of this Law;
- b) Banks organized in El Salvador, their offices abroad and subsidiaries branches and offices of foreign banks organized in the country;
- c) Corporations that in accordance with the law integrate financial conglomerates or which the Superintendence declares as such which include both, controlling entities and member corporations;
- d) Pension funds management institutions;
- e) Insurance companies, branches abroad and branches of foreign insurance corporations established in the country;
- f) Stock exchanges, brokerage firms, companies specialized in the deposit and custody of securities, risk rating companies, institutions that provide ancillary services to the stock exchange market, specialized agents in the valuation of securities and bonded warehouses;
- g) Cooperative banks, saving and credit corporations and federations regulated by the Law of Cooperative Banks and Saving and Credit Corporations;
- h) Reciprocal guarantees corporations and local re-insuring companies;
- i) Corporations that offer ancillary services to financial services integrating the financial system particularly that participate as investors;
- j) Operator or management corporations of payment and liquidation system of securities;
- k) Social Fund for Household and National Fund for Popular Household;
- l) INPEP and ISSS, this latter in relation with the Public Pensions System, Professional Risks Regime and technical health reserves;
- m) Armed Force Social Provision Institute;
- n) Agricultural Promotion Bank, Mortgage Bank of El Salvador S.A. and Investment Multi-sector Bank; or
- o) Salvadorian Corporation of Investments;
- p) Foreign exchange clearing houses;
- q) Securitization firms;
- r) Institute of Guarantee of Deposits and Clearing Funds and Financial Strengthening concerning law and regulations;
- s) Products and services exchanges; and
- t) Other entities, institutions and operations indicated in the law.

Whenever there is reference to the financial system or integrators of the financial system it should be understood as those mentioned in the above paragraphs.

In addition operations accomplished by the above mentioned entities and institutions are subject to the supervision of the Operations Superintendence as well as members of administration entities, legal representatives, agents, officers, directors, managers, internal auditors, and other personnel that form part of the financial system. These will also be subject to supervision whether individuals or companies, external auditors, specialized corporations in the provision of credit information services that operate in El Salvador, insurance intermediaries, stock exchange agents, stock exchange representatives, stock exchange firms and licensees referred in the Law of Products and Services, agents of welfare services, experts and actuaries, comptrollers, liquidators and other liberal professionals specifically related with the provision of tasks and services integrating the financial system.

Likewise, issuers of public offer securities are subject to the supervision of the superintendence with special emphasis concerning compliance with obligations imposed by the laws, regulations and technical stock exchange rules”.

55. In accordance with provisions of the above paragraph, within supervised entities by this law there is no mention of DNFBP defined by FATF with which it may not be inferred that these may be regulated and controlled by the FFS. Therefore recommendations provided by **MER** are still pending

### **Recommendations 17 y 29**

56. As mentioned before SRSFA was approved. SRSFA awards the superintendence clear empowerments to sanction non-compliance of the AML/CFT regime (article 44) and extensive variety of penalties, with which

57. In order for remittance companies to be regulated and supervised as adequate in accordance with recommendations established in IEM authorities of El Salvador have submitted an amendment proposal of SRSFA law in order for remittance companies to be covered by such Law.

58. Facing other non-banking financial institutions authorities of El Salvador refer on one part to Chapter of penalties of the General Law of Cooperative Association (**GAC**) and the Law for the Creation of the Salvadorian Institute of Cooperative Promotion (**ISFC**). **GAC** provides a series of penalties to cooperatives. In case of the law the Creation of **ISFC** provides that **ISFC** shall be entrusted with inspection, control, and supervision tasks over Cooperative Associations.

59. Despite the above the interpretation of such legislation may not infer that the tasks of the ISFC and penalty regime is aimed to ensure compliance of the AML/CFT regime as provided in recommendations subject matter of analysis.

60. In accordance with the above, approval of the proposed regulations is pending in order to verify compliance toward the recommendation, once approved. Likewise, it is pending to continue implementing the other recommendations provided in **MER**.

### **Recommendations 21**

61. To fulfill this recommendation, the authorities presented the NPB4-51 regulation which refers to the "Standards for the Provision of Correspondent Banking Service" and the "Standards for Banks and authorize the sole purpose controllers to carry out equity investments Subsidiaries and Offices in Foreign Countries-NPB1-11 ". The first regulation (NPB4-51) in question contributes to

the correction of deficiencies identified in recommendation 7 as seen in their respective section, and the second regulation responds to addressed certain deficiencies identified in recommendation 22 as discussed below.

62. This legislation does not respond to recommendation 21, "special attention for higher risk countries."<sup>2</sup> According to the above, the recommendations of the **MER** are still pending.

### **Recommendation 22**

63. **FSS** approved an amendment of the "Regulations to Authorize Banks and Controlling Entities of Exclusive Purpose to Accomplish Shareholding Investments in Subsidiaries and Offices Abroad-NPB1-11" in which article 16-A is incorporated providing as follows:

"Upon investing in subsidiaries or offices abroad it must demand that such subsidiaries or offices or a bank or controlling entity constituted in El Salvador comply, vigil over and meet all anti-money laundering and financing of terrorism measures in accordance with requirements of the country and FATF recommendations"

64. In accordance with the mentioned provisions contents of essential criteria 22.1 of **Methodology** is complied with. However, provisions in relation with essential criteria 22.1.1, 22.1.2 and 22.2 of **Methodology** are still pending establishments.

### **Recommendation 24 y 25**

65. As mentioned in the chapter of recommendations 12 and 16 DNFBP are still without adequate regulation and supervision facing compliance with AMLCFT obligations contained in recommendations and FATF methodology.

### **Recommendation 30 y 32**

66. As mentioned in previous paragraphs authorities of El Salvador informed that on November 19, 2010 **FSS** notified **FIU** through the Attorney General's Office of the Republic that as of such date **FIU** would have access to the historic base of such entity.

67. The **FIU** is working on implementing and improving data transmission system, reporting, query and analysis of information through advanced technological tools. This is been done by: a) Agreements with the United States government, who offered to provide the technological equipment necessary to do so and b) In accordance with the law against LDA, Article 23 creates a special fund, which is intended, inter alia, to "strengthen state entities financially responsible for combating drug trafficking and LDA "(literal a) and those fund will be issued by the **FIU** in accordance with its rules. Therefore, it was decided to use part of the funds of the special fund for strengthening the **FIU**. At the moment **FIU** is working on the design a procedure to acquiring those funds.

68. **FIU** is under entering into process of a memorandum of understanding with the National Registration Centre (NRC) to have access to databases of such centre. Likewise it is attempting to enter into memorandums with other entities such as the Vice Ministry of Transportation.

### **Recommendation 31**

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<sup>2</sup> Please see Recommendation 21 and essential criteria 21.1, 21.1.1, 21.2 and 21.3 of the Methodology

69. Concerning actions recommended by **IEM** towards this Recommendation, the lack of compliance thereof does not obey to absence of legislation in terms of such matter but to effective implementation thereof.

70. As advancement to the implementation, the **Committee** has then reactivated and has shown its coordination and effectiveness with the submitted regulatory amendment proposals specially the amendment proposal of the AML Law.

### **Recommendation 33**

71. As per mentioned in previous paragraphs, **FIU** is under entering into process of a memorandum of understanding g with the National Registration Centre (NRC) to have access to databases of such Centre.

### **Recommendation 39**

72. See chapter of Special Recommendation V.

### **Recommendation VI y VII**

73. With the amendment proposal of SRSFA the intention is to improve article 7, paragraph ‘t’ which provides as follows:

“As well as every individual or company that in representation or on behalf of other physical or legal company, orders funds or assets transfer operations as main or essential activity or regularly or periodically or in addition to any other activity; and other laws that indicate it”.

74. In accordance with the above, it is pending the approval of the regulations proposed and to implement the other recommended actions in the **MER** to be able to verify compliance with the recommendation.

### **Recommendation VIII**

75. Amendment proposal of law of Non Profit Associations and Organizations pretends to provide registration procedures of non- profit organizations and associations that wish to collect, grant or transmit funds, as well as it provides procedures and requirements for the donations and provision of financial statements (arts. 39.A, 40.inc.4, 40.A and 58.A).

76. The proposal also includes as fiscalization entity the Ministry of Treasury and the Accounts Court of the Republic (art. 42). On the other hand, it is proposed that the Ministry of Treasury may order temporary prohibition to operate or the dissolution of non-profit associations or organizations that with full acknowledgement of the facts encourage, promote organize or commit unlawful acts.

77. In accordance with the above, it is pending the approval of the proposed regulation and to implement the other recommended actions in the **MER** to verify compliance with this recommendation.

### **Recommendation IX**

78. Amendment proposal of AML Law proposes amendment of paragraph third of article 19 in order to lead explicit the obligation of any person that enters or exits El Salvador to declare “if

he/she carries folds, drafts, checks whether own or of third parties, in local or foreign currency, or negotiable securities, bearer instruments, in an amount of ten thousand dollars or exceeding such amount, or its equivalent in other currency; in contrary case, it shall be complied with expressing such circumstance through declaration under oath”.

79. Facing recommendation concerning penalties for non-compliance of obligation of declaring authorities refer to articles 20 and 21 of **AML** law which are transcribed herein below:

“Art. 20. - Evidence of declarations veracity shall be at the judgment of the General Attorney’s Office of the Republic in accordance with the relevant regulations.

Falseness, omission or inexactness of declaration shall accrue withdrawal of securities and the promotion of criminal actions corresponding and in accordance with this law.

Art. 21. - Should thirty days after the withholding, there is no real demonstration of the legality of the origin, the money and securities withheld shall be seized. In case of demonstrating legality of the origin the responsible for falseness, omission or inexactness shall incur in a penalty of a five percent of the total amount of the withholding which shall make effective the relevant collection by the Ministry of Treasury.

In case of seizure, customs authority shall deliver withheld values-securities to the General Attorney’s Office of the Republic within eight hours following withholding thereof.”

80. In accordance with the above, there are non-compliance penalties concerning obligation of declaring in cases in which declarations are false, inaccurate or omitted. In all events, there is a recommendation to analyze if in the cases in which legality is evidenced, the precedence of the moneys or securities the penalty of five percent of the withheld value is sufficiently discouraging.

81. El Salvador authorities consider that the recommended actions in **IEM** “are not adjusted to criteria demanded by special recommendation IX” for which they cite complete text of the mentioned recommendation.

82. However, recommended actions in **IEM** corresponds to the analysis of the compliance with essential criteria of **Methodology**, in particular criteria IX.2, IX.5, IX,14 and IX.14

83. In accordance with the above, it is recommended that authorities of El Salvador adopt necessary measures to overcome deficiencies.

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**EL SALVADOR**  
**Matrix of Progress. 3<sup>rd</sup> Round of Mutual Evaluations.**  
**The changes included since the last follow-up, May 2012, are in blue bold**

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
5. Customer Due Diligence	PC	<ul style="list-style-type: none"> <li>Lack of clarity, scope and clear and differentiated requirements in the instructions related with compliance with prevention and control of ML and FT</li> <li>Legal deficiencies and important deficiencies concerning the implementation of CDD requirements for money transmitters or remittance companies</li> <li>Inappropriate CDD indicator of US\$57,142.86 for obligation of reporting operations in cash and transaction monitoring.</li> <li>Absence of a concrete requirement to accomplish CDD in all cases in which there is suspicion of ML/FT or doubt with respect to whether the information from customer is sufficient and/or in case of uncertainty about veracity, modifications or alterations in the identification documents.</li> <li>Deficient identity verification requirements for beneficial owners</li> <li>Lack of general requirement for the obtention of information about actual nature and purpose of the business relation.</li> <li>Absence of regulations and insufficient guidelines for CDD based on risk</li> </ul>	<ul style="list-style-type: none"> <li>Undertake a Country Risk Study in relation with ML-FT in order to determine the risk areas that require more attention as well as the regulatory needs and control needs in accordance with vulnerabilities encountered per each type of regulated entity.</li> <li>To review US\$57,142.86 threshold contained in the Law for the control of cash operations.</li> <li>To review FIU Instructions in order to extend its scope, simplify structuring, increase clarity and congruence of thereof.</li> <li>To issue regulations related with adequate management of risks making special emphasis in specific needs for each sector.</li> <li>To review application environment for AML/CFT requirements for remittance companies to guarantee they include concrete obligations consisting in environment with AML/CFT provisions.</li> <li>CE 5.1 Determine the real existence of coded accounts and in such case consider it as risk products that require higher control limiting the use of such numbered and coded accounts to certain institutions and circumstances.</li> <li>CE 5.2 Extend clarity and increase consistency of instructions that are indicated by the five thousand colones or USD\$500.00 threshold for the identification of a client.</li> <li>Money exchange businesses transmission and remittance centers, who fixed business relations that are identified and accomplish CDD, must be demanded regardless of the amount of operations of clients and extend the control threshold from US\$57,142.86 to present FIU reports.</li> <li>In FIU Instructions and issued provisions related with ML-FT, indicate clear requirements that differentiate CDD for the establishment of business relations and occasional client conduct taking into account the need to have reasonable indicators for occasional transactions in all sectors.</li> <li>Consider CDD concrete provisions that demands the amount of related transactions below US\$57,142.86 indicator (15 000</li> </ul>	<ul style="list-style-type: none"> <li>Bill submitted to Congress to amend Article 9 of the AML Law, in the sense of changing the threshold required to make cash transaction reports when the operation reaches US\$10,000. Attached document dated August 12th, 2011 by which a request is made to the Legislative Assembly of the Republic of El Salvador to process the proposed reform proposal. Annex 1.</li> <li>The FIU Instruction has been the subject of analysis, comments and proposals for reform, currently in the consultation phase with obligated institutions before proceeding to its reform and approval.</li> <li>At the initiative of the FIU, a draft bill has been prepared to grant powers to the supervisory bodies of the financial system for the control and approval of companies engaged in the transfer of funds.</li> <li>The SSF drafted a circular titled "Minimum requirements for ML/FT Risk Management", it prohibits the maintenance of numbered accounts in financial institutions.</li> </ul> <p>According to articles, 3, 31 and 32 of the Law of Supervision and Regulation of Financial System, the authority empowered to regulate and supervise the institutions subject to control is the Superintendency of Financial System. These articles read as follows</p> <p>Para el ejercicio de tales atribuciones contará con independencia operativa, procesos transparentes y recursos adecuados para el desempeño de sus funciones.</p> <p>Al efecto compete a la Superintendencia:  From the Superintendent  Art. 3. - The Superintendency is responsible for overseeing the consolidated individual activity of the members of the financial system and other individuals, operations or entities that issue laws. To exercise such powers will require operational independence, transparent processes and adequate resources to perform its functions.  To that end, it lies with the Superintendent to:  a) Comply with and enforce, within its jurisdiction, laws, regulations, technical standards and other provisions applicable to those supervised.</p>

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
		<ul style="list-style-type: none"> <li>Absence of controls and risk reduction for postponement of the verification of identification, including recently organized companies.</li> </ul>	<p>US dollars in accordance with FATF)</p> <ul style="list-style-type: none"> <li>c5.2 (b) Require CDD for all transactions and activities provided it is worth it and there is suspicion with respect to the veracity of client information or whenever it differs from its profile. (See c5.15 and c5.16)</li> <li>CE5.3 (and CE5.14) Review all regulations to clarity/guarantee that provisions for the alternative identifications and verification measures do not reduce CDD in assumptions that the identification documents show modifications, amendments and/or are false according to and likewise determine rules to limit operations of the accounts, concerning clients that have not completed documentation thereof.</li> <li>CE 5.4 and CE 5.5 Concretely require that FI to establish/require that applicants of businesses indicate in the documents, the capacity with which they act and not only in the cases in which there are “indicators” that they are acting in representation of third parties.</li> <li>Require specific requirements for the opening of trust accounts, Civil Associations, and State entities and other legal structures.</li> <li>Review identification exception of clients in accordance with the risk establishing volume limits of operations and other control measures</li> <li>CE 5.6 Require that all FI obtain information with respect to the purpose and object of the business relation and actual economic activity regardless of the client risk level and financial institution size.</li> <li>EC 5.8 Demand KYC implementation based on risk in all provisions beyond risks related with clients and users transactions in order to include all elements necessary for establishment of client’s profile; additional client categories; economic activity; geography, etc. See CE 5.9 and CE 5.12</li> <li>EC 5.9 Review adequation of the exempt client list and request a minor risk classification before applying simplified CDD.</li> <li>EC 5.12 Provide adequate guidelines to assist FI in the development of risk management system.</li> <li>EC 5.14 Review reasonable term to complete verification of identification of recently organized moral persons, including strict requirements for risk reduction such as financial transaction prohibition of certain amounts or special characteristics such as transfers, regional check books, etc.</li> <li>Request from all regulated entities to reject to open an account</li> </ul>	<p>Also, issue and enforce instructions for implementing the laws and regulations that govern them;</p> <p>b) Authorize the establishment, operation, start-up, suspension of operations, modification, revocation of approval, closing and other acts of the members of the financial system, in accordance with the laws, regulations or technical standards established in this regard. In the case of closure, coordinating action to establish the laws with other institutions involved;</p> <p>c) To monitor preventively risks to members of the financial system and how they are managed, ensuring the prudent maintenance of solvency and liquidity;</p> <p>d) To promote the efficient, transparent and orderly functioning of the financial system;</p> <p>e) Ensure that members of the financial system and those supervised complete, as appropriate, their businesses, events and operations in accordance with best financial practices to prevent the misuse of insider trading and market manipulation;</p> <p>f) To cooperate with the institutions responsible for the protection of consumer rights and competition, as well as the institutions responsible for guaranteeing the deposits of the public and the prevention of financial crime, according to what is prescribed by law</p> <p>g) Agree to the intervention of a member of the financial system in whose laws apply such a measure is referred to, except in the case of stock market entities for which the procedure is governed by Article 75 of this Act;</p> <p>h) To authorize the registration, registration entries, changes and cancellations to them, of the persons, institutions and operations that would be subject to this requirement, in accordance with the laws of this matter;</p> <p>i) Require that the supervised entities and institutions to be managed and controlled according to international best practices regarding risk management and corporate governance, according to the technical standards to be issued;</p> <p>j) Require the cooperation of other state institutions to perform their functions; also resolve within their technical and legal powers, requests that the latter will occur within the framework of their powers, in order to support the development of their respective duties, and</p> <p>k) Perform any other functions assigned according to law.</p> <p>The Superintendency may apply and enforce preventive and corrective measures. Also, if any, imposed sanctions that legally correspond to those supervised found responsible in the actions, events or omissions arising from same.</p> <p>For purposes of this Law, the term "monitor" includes: monitor, supervise, evaluate, inspect and control, while within the term "operations" shall be construed as including all those assets assigned to a particular purpose, as is the case in Securitization Funds, Pension Funds and others by the law.</p> <p>Supervision Art.31 - The Superintendent and Assistant Superintendents will identify</p>

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
			<p>or accomplish a transaction provided the required identification documents may not be obtained or verified adequately, always that there is thought that they have been altered and/or are false.</p> <ul style="list-style-type: none"> <li>• 5.17 Demand update of client files that already exist in appropriate times.</li> </ul>	<p>and develop the principles and characteristics of the monitoring process, objectives and stages to be covered and made known to the members of the financial system, the criteria and policies adopted to implement risk-based supervision and to verify compliance with the legal framework, taking into account international best practices. The Superintendent and Assistant Superintendents appreciate the technical contributions on the subject made by the members of the financial system.</p> <p>By defining the policies and criteria under which supervision will be conducted, the Superintendent and Deputy Superintendents should consider quantitative and qualitative factors to assess the suitability, adequacy and effectiveness of the management and control performed by those supervised, management of conflicts of interest, disclosure of relevant information and the existence of controls to prevent misuse of privileged or confidential information. Also, conduct continuous monitoring of financial markets to identify practices or behaviors that could undermine its efficiency and transparency, by implementing the measures.</p> <p>The Superintendent and Assistant Superintendents will meet at least every six months with members of the financial system and the Central Bank, to analyze trends in the financial system and discuss the principles and characteristics of the monitoring process</p> <p>Request for information  Art. 32 .- The Superintendency, through the Superintendent, Assistant Superintendents or persons delegated by same, may require from those supervised direct access to all data, reports or documents on its operations via the means and form set.</p> <p>When deemed appropriate, the Superintendent may require direct access to real-time information systems of those monitored. Moreover, without prior notice, audits, inspections, reviews and any other steps necessary to comply with the law may be conducted. In those cases where the Superintendent observes that the supervisee has published information that does not reflect its true financial situation, publication of the information duly corrected must be required without prejudice to other legal actions to be initiated.</p> <p>The Superintendent, through the Superintendent, Assistant Superintendents or persons delegated, may undertake a special inspection to verify supervised aspects of the conduct of business or conglomerate to which it belongs, with the purpose of establishing compliance with legal requirements, statutory and regulatory requirements</p> <p>The Superintendent, Assistant Superintendents or persons delegated, will inform to the supervised of the deficiencies, excesses, irregularities or infractions noted in its operations, demanding their modification in accordance with regulation, without prejudice to advise on relevant administrative processes and the application of sanctions that might arise</p> <p>For purposes of this Law, members of the financial system may use microfilm, optical disk, magnetic media, electronic media or any other</p>

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
				<p>means to file documents and information in order to efficiently keep records , corresponding documents and reports, including securities. The copies or reproductions that derive from microfilm, optical disk, magnetic media, electronic or other means, have the same evidentiary value as the originals, provided they are certified by a notary</p> <p>Regarding the application of requirements ALD / CFT remittance companies, it is clear that they, according to Article 2 of the law against money laundering are also regulated entities and have submitted to the Legislative Assembly to amend the proposed law of supervision and regulation of the financial system in accordance in accordance with the provisions of Annex 1.</p> <p>It is required by law that both exchange houses and transfer or remittance centers to conduct CDD in accordance with Articles 2, 9, 11.12, 13.14, and specifically Article 10 of the law against money laundering.</p> <p>Article 10 paragraph "e" Romans I, II and III, of the ML Law and according to the reform proposal (Annex 1) states</p> <p>Article 10 of the ML Law: The Institutions, in addition to the obligations outlined in the preceding article, shall:</p> <ul style="list-style-type: none"> <li>a) Identify reliably and with due diligence all users who require their services, as well as the identity of any other person or entity on whose behalf they are acting;</li> <li>b) File and keep documentation of operations for a period of five years, counted from the date of completion of each transaction;</li> <li>c) Train staff on processes and techniques of money laundering and assets so that they can identify anomalous or suspicious situations;</li> <li>d) Establish internal audit mechanism to verify compliance with the provisions of this Act;</li> <li>e) Under the terms provided in Article 4 Paragraph four of this Act, the Banks and Financial Institutions, Securities and Exchange Houses, adopt policies, rules and mechanism of conduct to be observed by its directors, officers and employees consisting of: <ul style="list-style-type: none"> <li>I) A better understanding of economic activities conducted by their clients, the magnitude, frequency, basic characteristics of transactions in which they are currently involved and in particular of those who made any demand deposit, installments, savings accounts, delivery of goods in trust or trust funds, or those deposited in safe deposit boxes;</li> <li>II) State that the volume, value and movement of client funds are related to economic activity thereof</li> <li>III) Report without fail, immediately and adequately to the Attorney General's Office, through the FIU and the Superintendency, any relevant information on fund management, the amount or nature unrelated to the economic activity of their customers transactions or users of the amounts involved, by number, complexity, characteristics. Or special circumstances</li> </ul> </li> </ul>

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
				<p>that stray from the usual or conventional patterns of similar transactions and that such use could reasonably be concluded that it could be using or intending to use the financial institution to transfer, manage, use or invest money or resources from criminal activity</p> <p>REFORM PROPOSAL:</p> <p>I) A better understanding of economic activities conducted by their clients, the magnitude, frequency, basic characteristics of transactions in which they are currently involved and in particular of those who made any demand deposit, installments, savings accounts, delivery of goods in trust or trust funds, or those deposited in safe deposit boxes. Customers at the request of the institutions will provide any financial documentation, accounting, tax, representative of the ownership, possession or ownership of movable and immovable property, proof of wages or income, and generally any information that the Commission considers necessary. If the client does not provide the information required by this institution or that the client presents a high risk, shall be entitled to terminate the contractual relationship with that customer.</p> <p><b>To be submitted to the standards committee of the Central Reserve Bank the reform project entitled: Technical Standards for the management of the risks of money laundering and asset and terrorist financing. In which it is established:</b></p> <p style="text-align: center;"><b>CHAPTER IV CUSTOMER DUE DILIGENCE</b></p> <p><b>Due Diligence.</b></p> <p><b>Art.16. - Entities shall apply due diligence, this signifying that the procedures and controls to reliably assess and identify their customers and monitor their operations, in order to properly manage the risk of ML / FT. Includes identification of people, the source of funds, economic activity, geographic location and other information necessary to know your customer and transactional profile setting.</b></p> <p><b>Institutions should adopt and implement policies and procedures to know their customers, as well as and customer linkage. It also should have policies for monitoring and continued follow up of operations or transactions, for the proper management and risk prevention of ML / FT.</b></p> <p><b>Art. 17.- Institutions should take reasonable steps to implement due diligence procedures to its clients, both individuals and legal entities, such as</b></p> <p><b>a) Identify Customer reliably using their ID and other basic information requested by the entities at the time of recruitment. In the case of legal persons, other than identifying them, it should also be understood and</b></p>

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
				<p>documented its organizational structure, corporate name and economic activity conducted by the legal representative, shareholders and members of the Board, among others;</p> <ul style="list-style-type: none"> <li>b) Updated lists of natural or legal persons involved in crimes related to ML / FT derived from the publications of local and international agencies;</li> <li>c) Verify listings related to countries considered as jurisdictions of no or low taxation, individuals or companies linked to criminal acts, including terrorism and or have been entrusted with prominent public functions in the country or the country of origin (PEPs) prior to starting any business establishment or financial prospects;</li> <li>d) Properly verify the source of funds offered by customers, regardless of financial product or service requested, to establish that the source of their funds is lawful;</li> <li>e) Establish economic profiles of clients on transactions and services performed with the entity;</li> <li>f) Institutions should identify the ultimate beneficiaries in all transactions or operations performed by them;</li> <li>g) Establish continuous procedures for updating general information of existing customers;</li> <li>h) Keep detailed records of customers of the entity that have been linked to activities of ML / FT;</li> <li>i) Perform checks on transactions made by customers during the course of the business relationship, in order to ensure that transactions conducted correspond to the statement made by clients, their business and risk profile defined and including the origin of the funds and</li> <li>j) Monitor constantly customers or users who permanently or continuously, financial transactions with countries are considered jurisdictions with low or no taxation.</li> </ul> <p>Extended or enhanced due diligence.</p> <p>Art. 18.- In case the customer transactional behavior warrants, organizations must apply extended or enhanced due diligence, especially in relation to the source of funds and monitor their operations considering its reasonableness and economic and legal justification, financial information must require support. Among the documents that may be required are: i) Financial statements ii) Proof of Income iii) Contracts iv) Tax returns; v) Proof of investment; vi) List of shareholders or partners; vii) Any other documentation supporting client operations.</p> <p>Request for information and updating</p> <p>Art. 19.- Customers are obliged to provide the information required by the entities, and to update the documentation provided or</p>

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
				<p><b>immediately report any changes that may occur</b></p> <p><b>Institutions according to its policy may provide for closing the accounts of their customers, if they do not provide the information requested within the established timeframe, for which they must follow the procedures set forth in the Commercial Code and the regulations protecting the rights of users of financial services.</b></p> <p><b>Due diligence for clients with financial remittance</b></p> <p><b>Art. 20.- Entities should apply due diligence to customers with the following financial remittance:</b></p> <ul style="list-style-type: none"> <li><b>a) Those who engage in the recruitment and placement of funds or lending, and</b></li> <li><b>b) Those who only engage in the placement of funds or lending in any form, that on a cumulative basis for a month perform operations at or above one hundred thousand U.S. dollars</b></li> </ul> <p><b>Request for information to customers with financial remittance</b></p> <p><b>Art. 21.- In addition to the provisions of the "Handbook of Financial Investigation Unit to prevent money laundering and asset in financial intermediation institutions" and extended or enhanced due diligence documentation, institutions shall require clients with financial remittance when establishing a business relationship, and generally once every two years if deemed necessary, the following:</b></p> <ul style="list-style-type: none"> <li><b>a) Code of ethics or conduct.</b></li> <li><b>b) Procedures Manual for the prevention of money laundering and asset, and terrorist financing.</b></li> <li><b>c) Training program for employees on the prevention of money laundering and asset, and terrorist financing.</b></li> <li><b>d) Portfolio of services and products.</b></li> <li><b>e) Details of officials under the company's management, names and positions held.</b></li> <li><b>f) Details of the members of board of directors or equivalent body, specifying their name, nationality and other general information.</b></li> <li><b>g) Details of owners, legal and natural persons, with equity equal to or greater than 10%. If owners who are corporations, the details of the owners must be provided thereof.</b></li> <li><b>h) Organizational Chart.</b></li> </ul> <p><b>These information requirements shall conform to the legal</b></p>

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
				<p><b>nature of the Client.</b></p> <p><b>Alternative mechanism</b></p> <p>Art. 22.- Institutions may obtain the information set out in the previous article by questionnaires. They must obtain an affidavit of compliance from its clients with financial remittance or their legal representatives in the terms of Exhibit No. 2 of these Rules</p> <p><b>Evaluation</b></p> <p>Entities should assess or quantify the risk exposure of ML / FT, based on the probability of occurrence and impact and materiality of the risk of ML / FT in its various risk factors, and if they materialize , with associated risks</p> <p>The methodologies and tools to estimate or quantify the risk of ML / FT must be in accordance with the risk profile, the size and nature of its operations.</p> <p>Within its methodologies risk matrices shall be developed based on the profile of the entity, in which at least previously identify and include geographic areas, products and services, customers (individuals or corporations), and assign grades whose risks must be ranges between "High" or "Low", according to the methodology of categorization.</p> <p><b>Control and mitigation</b></p> <p>Section 13. - At this stage the company must take measures to control the risk of ML / FT, must constantly evaluate the effectiveness of programs, policies, standards, procedures and existing internal controls in place, in case of failure to be effective and / or efficient, it should strengthen or implement new ones, in order to reduce the likelihood and impact that could e generated to materialize the risk of ML / FT.</p> <p><b>Monitoring and Communication.</b></p> <p>Institutions should provide systematic and timely monitoring risk factors for ML / FT, through ongoing monitoring activities, monitoring to facilitate early detection and correction of deficiencies in the steps of risk management ML / FT and develop reports allowing the evolution of this risk, efficiency and effectiveness of procedures, policies and controls implemented, likewise must analyze unusual and suspicious transactions detected in order to, among others , can be established where the fault resided in preventing such transactions to</p>

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
				<p>be conducted in the entity and in this way strengthen the procedures, policies and controls adopted, developed and executed</p> <p><b>Risk factors for ML / FT</b></p> <p>Art. 15.- Institutions should establish methodologies to segment risk factors and and identify forms and typologies through which this risk could be presented, the main risk generating agents ML / FT, including: customers , products, services, distribution channels, and location or geographic location, which can be divided into segments and variables, such as</p> <p>a) For purposes of determining the risk of customer it must be considered, among others, factors such as:</p> <ul style="list-style-type: none"> <li>• Frequent movements and / or unexplained accounts to different people.</li> <li>• Frequent movements and / or unexplained funds between people of different geographic locations.</li> <li>• Manufacturers, arms traffickers and intermediaries.</li> <li>• Embassies and Consulates of other countries.</li> <li>• Companies of securities transfer.</li> <li>• Customers whom the entity determines to be Politically Exposed Persons (PEPs)</li> <li>• Accounts held by third parties (eg, accountants, lawyers or other professionals) for their clients, which does not disclose the identity of the end user to the bank. In addition, customer accounts presented by such third parties may incur higher risk cases if the financial institution makes unreasonable use of "know your customer" and enhanced due diligence.</li> <li>• Lists issued by international bodies indicating individuals suspected of criminal activity.</li> </ul> <p>b) For purposes of determining the risk of products and services it should be considered, among others, factors such as:</p> <ul style="list-style-type: none"> <li>• International correspondent banking services involving international transactions such as payments to people who are not regular customers (eg acting as intermediary bank) and package delivery activities.</li> <li>• Services involving the marketing and delivery of checks and precious metals</li> <li>• Services inherently providing more anonymity or can easily cross borders, such as: <ul style="list-style-type: none"> <li>✓ Online Banking</li> <li>✓ International transfers,</li> <li>✓ Private investment firms,</li> <li>✓ Trusts.</li> </ul> </li> </ul>

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				<ul style="list-style-type: none"> <li>• <b>Wire transfers</b></li> <li>• <b>Innovative Products,</b></li> <li>• <b>Safety Boxes,</b></li> <li>• <b>Stock market transactions on behalf of clients,</b></li> <li>• <b>International Operations (forex trading, trading desk)</b></li> <li>• <b>Purchase of monetary instruments</b></li> </ul> <p><b>c) Among the distribution channels that may pose a greater risk are:</b></p> <ul style="list-style-type: none"> <li>• <b>Use of intermediaries or sub-agents,</b></li> <li>• <b>ATMs</b></li> <li>• <b>Electronic Banking</b></li> <li>• <b>Kiosks</b></li> <li>• <b>Regional Banking</b></li> <li>• <b>Mobile Banking (cell phone use).</b></li> </ul>
6. PEPs	NC	<ul style="list-style-type: none"> <li>• Absence of provisions related with PEPs</li> </ul>	<ul style="list-style-type: none"> <li>• Develop and issue specific regulations related with the control of PEPs taking into consideration all criteria indicated by FATF, as well as reference guides to determined standardized control mechanisms in all the regulated system.</li> </ul>	<p>Article 9-C .- The term politically exposed person, that natural person identified at the beginning or in the course of the contractual relationship, who serves or has served as senior public official in the national territory or country abroad, including their closest relatives, persons closely associated</p> <p>It will continue to consider National Politically Exposed Persons, those who had been listed in that capacity during the two years following the year in which they had resigned from office. When the officer has held the office of President or Vice President, the timeframe to considered a PEP is five years.</p> <p>The institutions, in accordance with Article 2 of this Act, must establish an internal policy for the identification of politically exposed persons, and must require its customers to update with additional information about said condition.</p> <p>The institutions should have reinforced policies and procedures for politically exposed persons, designed to comply with due diligence, especially in relation to the origin of their funds and monitor their operations considering its reasonableness and economic and legal justification .</p> <p>Any business relationship with a politically exposed person must have prior authorization, at least, from a senior executive institution.</p> <p>Regulation of the Law will develop the content in this article</p>
7. Correspondent bank	NC	<ul style="list-style-type: none"> <li>• Absence of provisions related with Correspondence Banks and</li> </ul>	<ul style="list-style-type: none"> <li>• Develop and issue prudent regulations about potential activities of Correspondent Bank in El Salvador taking into account all</li> </ul>	<p>The SSF approved the standard for the provision of correspondent banking services through the board in session No. CD-25/11 dated July 20, 2011 which is identified as NPB4-51 standard. Schedule 2. Which contains</p>

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		cross-border business	criteria indicated by FATF.	<p>prudential regulations for potential correspondent banking activities</p> <p>With respect to banks and sole purpose controller a reform to standard NPBI-11 was approved which aims to establish minimum requirements and procedures to be followed by domestic banks and corporations of sole purpose controllers, so that the SSF authorizes them to invest in subsidiaries in foreign countries. The reform consists of specific regulations requiring financial institutions in the field of ML / FT to ensure that their foreign subsidiaries observe measures consistent with home country requirements and recommendations of FATF. Annex 3</p> <p><b>The reform project issued by the standards committee of the Central Reserve Bank provides as follows:</b></p> <p><b>Risk factors for ML / FT</b></p> <p><b>Art. 15.- Institutions should establish methodologies to segment risk factors and identify forms and typologies through which this risk could be presented, the main risk generating agents ML / FT, including: customers, products, services, distribution channels, and location or geographic location, which can be divided into segments and variables, such as</b></p> <p>c) <b>For purposes of determining the risk of customer it must be considered, among others, factors such as:</b></p> <ul style="list-style-type: none"> <li>• <b>Frequent movements and / or unexplained accounts to different people.</b></li> <li>• <b>Frequent movements and / or unexplained funds between people of different geographic locations.</b></li> <li>• <b>Manufacturers, arms traffickers and intermediaries.</b></li> <li>• <b>Embassies and Consulates of other countries.</b></li> <li>• <b>Companies of securities transfer.</b></li> <li>• <b>Customers whom the entity determines to be Politically Exposed Persons (PEPs)</b></li> <li>• <b>Accounts held by third parties (eg, accountants, lawyers or other professionals) for their clients, which does not disclose the identity of the end user to the bank. In addition, customer accounts presented by such third parties may incur higher risk cases if the financial institution makes unreasonable use of "know your customer" and enhanced due diligence.</b></li> <li>• <b>Lists issued by international bodies indicating individuals suspected of criminal activity.</b></li> </ul> <p>d) <b>For purposes of determining the risk of products and services it should be considered, among others, factors such as:</b></p> <ul style="list-style-type: none"> <li>• <b>International correspondent banking services involving international transactions such as payments to people who are not regular customers (eg acting as intermediary bank)</b></li> </ul>

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				<p>and package delivery activities.</p> <ul style="list-style-type: none"> <li>• Services involving the marketing and delivery of checks and precious metals</li> <li>• Services inherently providing more anonymity or can easily cross borders, such as:               <ul style="list-style-type: none"> <li>✓ Online Banking</li> <li>✓ International transfers,</li> <li>✓ Private investment firms,</li> <li>✓ Trusts.</li> </ul> </li> <li>• Wire transfers</li> <li>• Innovative Products,</li> <li>• Safety Boxes,</li> <li>• Stock market transactions on behalf of clients,</li> <li>• International Operations (forex trading, trading desk)</li> <li>• Purchase of monetary instruments</li> </ul> <p>c) Among the distribution channels that may pose a greater risk are:</p> <ul style="list-style-type: none"> <li>• Use of intermediaries or sub-agents,</li> <li>• ATMs</li> <li>• Electronic Banking</li> <li>• Kiosks</li> <li>• Regional Banking</li> <li>• Mobile Banking (cell phone use).</li> </ul>
<p>8. New technologies and business which are not face to face</p>	<p>PC</p>	<ul style="list-style-type: none"> <li>• Absence of specific requirements for the implementation of measures for the prevention of inadequate use of technological developments.</li> </ul>	<ul style="list-style-type: none"> <li>• The development of the regulation must be considered to regulate minimum control mechanisms for operations made through modern technologies.</li> </ul>	<p>Financial Institutions in El Salvador contemplate in its policies and procedures to prevent money and assets laundering, the approval of new products or services, consult the Register office of compliance, in order to identify any risk and mitigate it. If the risk is too great, that query it is decided not to adopt the new product or process as most expeditiously possible.</p> <p>The procedure followed is as follows:</p> <p>The responsible department (usually Products Directorate) prepares a document that includes the elements of the new product or service to be implemented, including its features and the sector that is targeted. This document is sent to the different areas involved, to obtain legal and compliance opinions.</p> <p>If the area of compliance demurs to the new product or service, it is not approved. If there are recommendations or changes to it for implementation, while these changes are not implemented, that product or service is not approved</p>

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				<p><b>The draft reform entitled: Standards for managing risks of money laundering and asset and terrorist financing, establishes the following minimum control mechanisms for operations with modern technology and non face to face business. This project will be presented in the following days to the Standards Committee of the Central Reserve Bank for approval. Estimated approval for the month of November this year.</b></p> <p><b>Electronic Financial Transactions</b>  <b>Art.27.- The entity providing electronic banking services must keep a log of access and use the system to record and track transactions made by the customer. Electronic financial transactions include those transactions performed through ATMs, Internet, telephone transactions or any other service that may be carried out electronically</b></p>
9. Third party and intermediary submitters	PC	<ul style="list-style-type: none"> <li>• Lack of specific regulations concerning the use of intermediaries that may accomplish certain CDD diligences on behalf of FI</li> <li>• Lack of requirements for FI (Insurance and Money Transmitters) to “immediately” obtain CDD information of third parties given that such entities are not expressly included in the FIU instructions</li> <li>• Inadequate supervision/monitoring of Money transmitters and paying agents (to whom compliance is conferred) by transmitter institution for AML/CFT obligations compliance.</li> </ul>	<ul style="list-style-type: none"> <li>• Issue specific rules that prohibit or regulate the use of third parties by FI to accomplish some CDD procedures.</li> <li>• Include Money Transmitters and Insurers in the FIU Instructions, since is not the possibility to fully comply with Instructions related with obligations derived from the Law and its relevant regulation concerning client knowledge is weakened.</li> <li>• Establish concrete requirements in the provision, (especially for money transmitters and Insurers) for FI to immediately obtain information of third parties that accomplish CDD on their behalf.</li> <li>• Establish adequate control mechanisms to verify that the obligation of insurance companies to monitor compliance of their agents for obligations related with AML/CFT is complied with.</li> <li>• Consider the possibility of implementing a system that demands remittance senders or money transmitters to monitor operations and compliance with provisions of the paying agents (over whom must comply with some CDD elements).</li> </ul>	<p>Article 10 of the ML Act is strong and "sufficiently" clear that institutions in addition to the obligations outlined in the preceding article shall have the following</p> <p>"Art 10 .- The institutions, in addition to the obligations set forth in the preceding article, shall have the following:</p> <ol style="list-style-type: none"> <li>a) Identify reliably and with due diligence all users who require their services, as well as the identity of any other person or entity on whose behalf they are acting;</li> <li>b) File and keep documentation of operations for a period of five years, counted from the date of completion of each transaction;</li> <li>c) Train staff on processes and techniques of money laundering and assets so that they can identify anomalous or suspicious situations;</li> <li>d) Establish internal audit mechanism to verify compliance with the provisions of this Act;</li> <li>e) Under the terms provided in Article 4 Paragraph four of this Act, the Banks and Financial Institutions, Securities and Exchange Houses, adopt policies, rules and mechanism of conduct to be observed by its directors, officers and employees consisting of: <ol style="list-style-type: none"> <li>I) A better understanding of economic activities conducted by their clients, the magnitude, frequency, basic characteristics of transactions in which they are currently involved and in particular of those who made any demand deposit, installments, savings accounts, delivery of goods in trust or trust funds, or those deposited in safe deposit boxes;</li> <li>II) State that the volume, value and movement of client funds are related to economic activity thereof</li> <li>III) Report without fail, immediately and adequately to the Attorney General's Office, through the FIU and the Superintendency, any relevant information on fund management, the amount or nature unrelated to the economic activity of their customers transactions or users of the amounts involved, by number, complexity, characteristics. Or special circumstances</li> </ol> </li> </ol>

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				<p>that stray from the usual or conventional patterns of similar transactions and that such use could reasonably be concluded that it could be using or intending to use the financial institution to transfer, manage, use or invest money or resources from criminal activity</p> <p>Also the LD law regulations in Article 4 paragraph "c" strongly reaffirms the obligation of institutions to adopt a policy to ensure sufficient knowledge of their customers in order to achieve the objectives of the Act and its regulations</p> <ul style="list-style-type: none"> <li>•</li> </ul>
12. DNFBP–R.5, 6, 8-11	NC	<ul style="list-style-type: none"> <li>• There are no competent authorities in ML and FT matters that regulate and supervise DNFBPs.</li> <li>• There are no provisions that allow compliance with FATF Recommendations</li> </ul>	<ul style="list-style-type: none"> <li>• Appoint authorities with human resources and materials adequate allowing efficient regulation and supervision task of DNFBPs.</li> <li>• Issue provisions that allow DNFBPs compliance with obligations indicated in AML Law.</li> </ul>	<p>According to Legislative Decree number 592 dated 14 approved in January 2011 Effective on 02 August 2011, which contains the Law of Supervision and Regulation of Financial System, provides that the Superintendent of Financial System is the body responsible regulation and risk-based supervision. Here are some articles related to the implementation of this recommendation</p> <p>Supervised 7.- are subject to the provisions of this Act and therefore the supervision of the Superintendent:</p> <ol style="list-style-type: none"> <li>a) The Central Reserve Bank with regard to the provisions of paragraph 1) of Article 4 of this Act;</li> <li>b) Banks incorporated in El Salvador, its overseas offices and subsidiaries, branches and offices of foreign banks established in the country;</li> <li>c) Companies in accordance with the law, members of financial conglomerates, or the Superintendent declared as such, including both their holding companies and their member societies;</li> <li>d) Institutions pension fund managers;</li> <li>e) Insurance companies, their foreign branches and branches of foreign insurance companies established in the country;</li> <li>f) The stock exchanges, brokerage houses, companies that specialize in the storage and safekeeping of securities, rating agencies, institutions providing ancillary services to the stock market, the agents specializing in valuation of securities and general deposit warehouses;</li> <li>g) The cooperative banks, the savings and credit societies and associations regulated by the Law on Cooperative Banks and Savings and Credit;</li> <li>h) The Companies of Mutual Guarantees and its local refinancers</li> <li>i) The companies that offer complementary services to financial services of the members of the financial system, particularly those involved as investors;</li> <li>j) The management companies or operators of payment systems and securities settlement;</li> <li>k) The Social Housing Fund and the People's National Housing Fund;</li> <li>l) The INPEP and ISSS, the latter with regard to the Public Pension System, the System of Occupational Risks and Health technical reserves;</li> <li>m) The Social Welfare Institute of the Armed Forces;</li> <li>n) The Agricultural Development Bank, the Mortgage Bank of El Salvador,</li> </ol>

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				<p>SA, and Multisectoral Investment Bank;  o) The Salvadoran Investment Corporation;  p) The currency exchange houses;  q) The securitization;  r) The Deposit Insurance Institute and the Sanitation Fund and Financial Empowerment in all matters relating to its laws and regulations;  s) Products and services;  t) Other institutions and operations by the law.</p> <p>When reference is made to the financial system or financial system members it should be understood to be those mentioned in the previous paragraphs</p> <p>They are also subject to the supervision of the Superintendent of operations carried out by bodies and institutions listed above, as well as members of the administrative, legal representatives, agents, officers, directors, managers, internal auditors and other personnel of the members of the financial system. Also to be monitored, whether persons or companies, are external auditors, companies specialized in providing credit information services operating in El Salvador, insurance brokers, agents brokers, stockbrokers, the stock positions, and the licensees referred to the Law on Commodity Exchanges and Services, the pension service agents, experts, actuaries, auditors, liquidators and other professionals, specifically regarding the performance of their functions and services in the members of the financial system.</p> <p>Also subject to supervision by the Superintendency are issuers of publicly offered securities, with particular emphasis in relation to compliance with the obligations imposed by laws, regulations and technical exchanges.</p> <p>When the text of this Act refers to the supervised or monitored, should be understood are those mentioned in this article</p> <p>Art. 37 .- Those supervised must provide, upon request of the Superintendent, by any means it deems appropriate, without offering any confidential or proprietary, the review of its business, acts, operations, assets, books, accounts, files, documents , correspondence, databases and information systems in all matters pertaining to activity monitoring</p> <p>Also, their administrators and staff must provide, upon request of the Superintendent, all the information and explanations necessary to clarify any matter within its jurisdiction, mandatory to provide the assistance that it requests.</p> <p>Supervisees and their shareholders should provide all information necessary to keep the public registers referred to in the laws governing them, on time and in the manner to be determined.</p>

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				<p>Employers of members of the Pension Savings System and Public Pension System should indicate a specific location in the city of San Salvador for notifications, or where appropriate, to commission a person residing in that city to hear and present or remove documents on their behalf.</p> <p>Art.38 .- The directors, administrators, staff members and managers of the financial system who contravene the provisions of laws, regulations or standards or any act or omission causing injury to the said member or others, shall be punished in accordance with the provisions of this Act, without prejudice to the responsibility to them for damages caused. Shall be punished in a similar manner to those who disclose or divulge any information that is privileged or subject to secrecy about the business, acts and operations of the members of the financial system or on the matters communicated to them, or take advantage of the information for personal gain or third parties, without prejudice to any criminal penalties that may be applicable.</p> <p>Not included in the foregoing paragraph, the information required by the judicial authorities, the Attorney General's Office and other authorities in the exercise of his legal authority, or give appropriate information to the public as provided by law</p> <p>Nor to be provided to the Superintendent with respect to the information service of bank credit, as determined by this Law and other applicable laws as well as information that is required by foreign supervisory bodies in the exercise of its powers.</p> <p>The information required by the tax offices will be provided by those supervised in accordance with the stipulations of the special law that regulates this matter.</p> <p>The members of private sector financial system will be jointly liable for the damages caused to third parties who acts or omissions of its directors, managers, officers and employees in the exercise of their functions. Regarding the members of the public sector's financial system, they will respond according to the provisions of Article 245 of the Constitution.</p> <p><b>Currently under debate in Congress the bill that aims to regulate cooperatives about 734 of which are located in so-called non-financial businesses and professions designated, thereby enhancing the recommendations 12, 16 and 24 , since they fall within the scope of supervision, regulation and if necessary punishable for breach under AML / CFT legislation.</b></p> <p><b>The main debate centers on which of the institutions should be the body responsible to perform an audit, which could well be the Superintendency of the Financial System (SSF), or the National Institute of Cooperative Development (INSAFOCOOP).</b></p> <p><b>For further illustration we provide the following link:</b>  <a href="http://elmundo.com.sv/rechazan-que-ssf-vigile-cooperativas">http://elmundo.com.sv/rechazan-que-ssf-vigile-cooperativas</a></p>

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16. DNFBP – R.13-15 & 21	NC	<ul style="list-style-type: none"> <li>• There is no regulation on the matter of prevention and detection of ML and FT applicable to DNFBPs.</li> <li>• There are no authorities empowered to accomplish regulation and supervision tasks of DNFBPs.</li> </ul>	<ul style="list-style-type: none"> <li>• DNFBPs must be required to report suspicious operations and keep internal controls for the prevention and detection of operations related with ML and FT T, in terms of the provisions contained in Recommendation 16 of FATF.</li> </ul>	<p>In accordance with Article 2 of the LCDLA APNFDS not all regulated entities are to report suspicious transactions, however, proposed amendment to include the rest of APNFDS in the terms established by FATF. Annex 1 has been presented to the Legislative Assembly dated August 12, 2011</p> <p>According to Article 31 and 32 of the Law of Supervision and Regulation of Financial System, the authority empowered to regulate and supervise APNFDS is the Superintendent of Financial System. These articles read as follows:</p> <p><b>Supervision</b></p> <p>Art.31 .- The Superintendent and Assistant Superintendents will identify and develop the principles and characteristics of the monitoring process, objectives and stages to be covered and made known to the members of the financial system, the criteria and policies adopted to implement risk-based supervision and to verify compliance with the legal framework, taking into account international best practices. The Superintendent and Assistant Superintendents appreciate the technical contributions on the subject made by the members of the financial system.</p> <p>By defining the policies and criteria under which supervision will be conducted, the Superintendent and Deputy Superintendents should consider quantitative and qualitative factors to assess the suitability, adequacy and effectiveness of the management and control performed by those supervised, management of conflicts of interest, disclosure of relevant information and the existence of controls to prevent misuse of privileged or confidential information. Also, conduct continuous monitoring of financial markets to identify practices or behaviors that could undermine its efficiency and transparency, by implementing the measures.</p> <p>The Superintendent and Assistant Superintendents will meet at least every six months with members of the financial system and the Central Bank, to analyze trends in the financial system and discuss the principles and characteristics of the monitoring process</p> <p><b>Request for information</b></p> <p>Art. 32 .- The Superintendency, through the Superintendent, Assistant Superintendents or persons delegated by same, may require from those supervised direct access to all data, reports or documents on its operations via the means and form set.</p> <p>When deemed appropriate, the Superintendent may require direct access to real-time information systems of those monitored. Moreover, without prior notice, audits, inspections, reviews and any other steps necessary to comply with the law may be conducted. In those cases where the Superintendent observes that the supervisee has published information that does not reflect its true financial situation, publication of the information</p>

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				<p>duly corrected must be required without prejudice to other legal actions to be initiated.</p> <p>The Superintendent, through the Superintendent, Assistant Superintendents or persons delegated, may undertake a special inspection to verify supervised aspects of the conduct of business or conglomerate to which it belongs, with the purpose of establishing compliance with legal requirements, statutory and regulatory requirements</p> <p>The Superintendent, Assistant Superintendents or persons delegated, will inform to the supervised of the deficiencies, excesses, irregularities or infractions noted in its operations, demanding their modification in accordance with regulation, without prejudice to advise on relevant administrative processes and the application of sanctions that might arise</p> <p>For purposes of this Law, members of the financial system may use microfilm, optical disk, magnetic media, electronic media or any other means to file documents and information in order to efficiently keep records, corresponding documents and reports, including securities. The copies or reproductions that derive from microfilm, optical disk, magnetic media, electronic or other means, have the same evidentiary value as the originals, provided they are certified by a notary</p> <ul style="list-style-type: none"> <li>•</li> </ul>
17. Sanctions		<ul style="list-style-type: none"> <li>• With respect to remittance entities and non banking financial entities not supervised by the SSF and SS there is no sanctioning regime extended and proportional to the seriousness of the offenses committed concerning noncompliance with AML-CFT regulations</li> <li>• There is no possibility of non monetary sanctions or the closing of violating entities, as well as sanctions to officers thereof due to specific noncompliance in the prevention of AML and FT, when dealing with remittance entities and non banking financial entities not supervised by the SSF and SS.</li> </ul>	<ul style="list-style-type: none"> <li>• Develop effective, proportional and dissuasive penalty schemes in accordance with the type of offenses committed, criteria for the increase of the sanction in the penalty and in case of relapsing clear and timely application mechanisms.</li> <li>• Establish a statistic system of applied sanctions according to the type of entity, type of seriousness and lack and amount of applied sanctions.</li> <li>• Define sanctions mechanisms for entities which are not subject to the supervision of specific entities such is the case of remittance companies and trade entities.</li> <li>• Regulate sanction schemes for officers, directors, and high level management regulated entities that through their negligence does not comply with requirements to combat ML and FT.</li> <li>• Consider the application or inclusion of non monetary penalties for the noncompliance with AML/LFT requirements for entities not subject to authorization requirements by SSF or SV which includes a process to delete from the registry in cases of reincidence or serious offense of the Law.</li> </ul>	<p>There has been a bill to the Legislative Assembly to the effect for the reform of the law on supervision and regulation of the financial system to include remittances as members of the financial system, which according to Articles 2, 7, 31, 32, 37 and 38 of the Act, shall be authorized, supervised, and regulated by the SSF.</p> <p>The LSRSF establishes sanction system ranging from a written reprimand to the revocation of the authorization has been granted to members of the financial system, including APNFDS and remitters in accordance with Article 7 of the LSRSF</p> <ul style="list-style-type: none"> <li>•</li> </ul>

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21.	PC	<ul style="list-style-type: none"> <li>There are no obligations for FIs to pay special attention to commercial relations and transactions with persons from and in other countries where FATF Recommendations are not applied, or are insufficiently applied</li> </ul>	<ul style="list-style-type: none"> <li>Expressly establish the obligation that FIs pay special attention to commercial relations and transactions with individuals of other countries that do not apply FATF Recommendations -or if applied, do so insufficiently- and consequently, the obligation that in case the operations do not have an apparent economic purpose, examine background and purpose of such transactions, including conclusions in writing and available for authorities. Likewise, they shall leave evidence to apply appropriate countermeasures in case of the above mentioned persons.</li> </ul>	<p>The SSF approved the standard for the provision of correspondent banking services through the board in session No. CD-25/11 dated July 20, 2011 which is identified as NPB4-51 standard. Annex 2, which contains prudential regulations for potential correspondent banking activities.</p> <p>With respect to banks and sole purpose controller a reform for standard NPB1-11 was approved which aims to establish minimum requirements and procedures to be followed by domestic banks and corporations sole purpose controllers, so that the SSF authorizes them to invest in subsidiaries in foreign countries. The reform consists of specific regulations requiring financial institutions in the field of ML / FT to ensure that their foreign subsidiaries observe measures consistent with home country requirements and recommendations of FATF. Annex 3.</p> <p>Proposed amendment of Rule NPB4-51 to comply with recommendation 21 on "special attention for higher risk countries" has been submitted to the Standards Committee of the Central Reserve Bank,</p> <p>Reform proposal. Principles on Correspondent Banking Art. 6. - In order to prevent the risk of money laundering and financing of terrorism , local correspondent banking relationships with correspondent banking customer must maintain transparent, clear and documented relationships, so as not to place the company, , customers and shareholders ay risk, and consequently the country's financial stability.</p> <p><i>The regulated entities shall pay special attention to business relations and transactions with individuals or companies and other financial institutions of/at countries that do not apply the FATF Recommendations, or do so insufficiently.</i> <i>Should regulated entities detect transactions that have no visible apparent economic or lawful purpose, they should consider, to the greatest extent possible, the background and purpose of such transactions. If after the analysis it is concluded that it is a suspicious transaction, the corresponding report must be submitted.</i> <i>The Superintendence, by itself or by order of the Financial Investigation Unit of the Attorney General's Office shall notify the regulated entities on their concerns regarding weaknesses in the AML / CFT systems of other countries, and establish countermeasures to apply for example:</i> <i>a) Stringent requirements for identifying clients and enhancement of warnings, including specific financial warnings related with certain jurisdictions, in order that the regulated entities identify the beneficial owners before business relationships are established with individuals or corporations from these countries.</i> <i>b) Improve reporting mechanisms or instruct the systematic reporting of all</i></p>

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				<p><i>financial transactions on the basis that it is more likely that financial transactions with these countries are suspicious;</i></p> <p><i>c) not give authorization for the establishment of subsidiaries or branches or representative offices of financial institutions from countries that do not have adequate anti-money laundering and financing of terrorism systems;</i></p> <p><i>d) Advise the non-financial sector businesses that transactions with individuals or companies or within a given country might run the risk of money laundering.</i></p> <p><i>e) Limit business relationships or financial transactions with the identified country or persons identified in that country.</i></p> <p>The proposed amendment to rule NPB4-51 was approved by the standards committee of the Central Reserve Bank on 30<sup>th</sup> April, 2012, effective as of May 14, 2012.</p>
22.	PC	<ul style="list-style-type: none"> <li>There has not been a specific regulation developed concerning AML-CFT regulation to Foreign Branches or Affiliates</li> </ul>	<ul style="list-style-type: none"> <li>Develop regulations referring to AML-CFT measures to Foreign Branch and Affiliates of FI.</li> </ul>	<p>The SSF approved the standard for the provision of correspondent banking services through the board in session No. CD-25/11 dated July 20, 2011 which is identified as NPB4-51 standard. Annex 2, which contains prudential regulations for potential correspondent banking activities.</p> <p>With respect to banks and sole purpose controller a reform for standard NPB1-11 was approved which aims to establish minimum requirements and procedures to be followed by domestic banks and corporations sole purpose controllers, so that the SSF authorizes them to invest in subsidiaries in foreign countries. The reform consists of specific regulations requiring financial institutions in the field of ML / FT to ensure that their foreign subsidiaries observe measures consistent with home country requirements and recommendations of FATF. Annex 3.</p> <p>Proposed modification of the standard NPB4-11, to meet the essential criteria 22.1.1, 22.1.2 and 22.2 of the Methodology has been submitted to the Standards Committee of the Central Reserve Bank,.</p> <p>Reform proposal. Article 16-A. - By investing in subsidiaries or offices abroad it should be required that these subsidiaries or offices of a bank or holding company incorporated in El Salvador observe, watch and comply with all anti-money laundering and financing of terrorism measures in accordance with the requirements of the country and the Recommendations of the Financial Action Task Force (FATF)</p> <p><i>Banks must pay particular attention to the fact that this principle is observed with respect to their branches and subsidiaries in countries that do not apply the FATF Recommendations, or do so inadequately.</i></p> <p><i>Where the minimum requirements of anti-money laundering and financing of terrorism in El Salvador and the State in which the branch or subsidiary</i></p>

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				<p><i>located differ, the higher standard should be applied, to the extent that the laws and regulations of the State that is located in the branch or subsidiary will allow.</i></p> <p><i>Banks must report to the Superintendencia whenever the case that a branch or subsidiary is unable to observe adequate anti-money laundering and financing of terrorism measures, due to prohibitions of laws, regulations and other measures enforced in the State where the branch or subsidiary is located.</i></p> <p>The proposed amendment to rule NPB4-51 was approved by the standards committee of the Central Reserve Bank on 30<sup>th</sup> April, 2012, effective as of May 14, 2012</p>
23. Regulation, supervision, monitoring	PC	<ul style="list-style-type: none"> <li>• Insufficient resources (personal, equipment, training) by supervision entities to accomplish their oversight functions.</li> <li>• Lack of control and supervision of remittance entities and other non-banking financial entities that do not form part of a Financial Conglomerate</li> </ul>	<ul style="list-style-type: none"> <li>• Provide supervision entities with human resource, Technology and training sufficient to comply with legal obligations related with AML- CFT matters.</li> <li>• Reinforce compliance supervision of AML-CFT of preventive nature and review the obligation of SSF to analyze information submitted by regulated entities and in turn submitted to FIU whenever there is warning that in reported operations are irregular or suspicious in accordance with the provisions contained in Article 8 of the Regulation of Anti-Money Laundering Law, being this an essence a tasks of FIU in addition to imply large operative burden given the lack of available resources.</li> <li>• Reinforce AML-CFT compliance supervision from the preventive view point and review the supposed duty of SSF to analyze irregular or suspicious operations, since this is the essential tasks of FIU.</li> <li>• Develop supervision methods and manuals based on risks adequate to specific conditions of the different types of regulated entities.</li> <li>• C23.1. Reconsider the convenience and efficacy of having granted in Law of FIU regulatory powers in terms of ML-FT concerning financial institutions and evaluate the possibility to assign them to the relevant supervision entities, specialized in financial matters.</li> <li>• C 23.1 and C 23.2 Place all non-banking financial entities which are not part of financial conglomerates and are not subject to control entities, under the regulation and supervision of an entity with the sufficient capacity and resources to do so.</li> <li>• C23.5 and 23.6 Remittance entities for their importance must have a special registration, receive license permit, and be ruled by a supervision entity in order to guarantee compliance with</li> </ul>	<ul style="list-style-type: none"> <li>• Amend the law of the Superintendencia del Sistema Financiero to give it authority to monitor and penalize these companies. This draft is finalized for presentation to the Legislature.</li> </ul> <p>[Note by the Secretariat: it is not clear which companies referred]</p> <p>Article 31 of LSRSF establishes: Supervision</p> <p>Art.31 .- The Superintendent and Assistant Superintendents will identify and develop the principles and characteristics of the monitoring process, objectives and stages to be covered and made known to the members of the financial system, the criteria and policies adopted to implement risk-based supervision and to verify compliance with the legal framework, taking into account international best practices. The Superintendent and Assistant Superintendents appreciate the technical contributions on the subject made by the members of the financial system.</p> <p>By defining the policies and criteria under which supervision will be conducted, the Superintendent and Deputy Superintendents should consider quantitative and qualitative factors to assess the suitability, adequacy and effectiveness of the management and control performed by those supervised, management of conflicts of interest, disclosure of relevant information and the existence of controls to prevent misuse of privileged or confidential information. Also, conduct continuous monitoring of financial markets to identify practices or behaviors that could undermine its efficiency and transparency, by implementing the measures.</p> <p>The Superintendent and Assistant Superintendents will meet at least every six months with members of the financial system and the Central Bank, to analyze trends in the financial system and discuss the principles and characteristics of the monitoring process</p>

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			<p>legal AML/ CFT requirements.</p> <ul style="list-style-type: none"> <li>• Intensify the supervision of national FI with activities abroad and increase the use of memorandums of understanding in matters supervision to facilitate consolidated transborder supervision.</li> <li>• Ensure in inspection that insurance and guarantee companies comply with the training obligation in AML/LFT topics for their agents and brokers, prioritizing those who accept cash from clients and the detection and notice of irregular or suspicious activities.</li> </ul>	
24. DNFBP-regulation, supervision and monitoring	NC	<ul style="list-style-type: none"> <li>• There is no regulation in terms of prevention and detection of ML and FT applicable to DNFBPs.</li> <li>• No authority is empowered to accomplish regulation and supervision of DNFBPs.</li> </ul>	<ul style="list-style-type: none"> <li>• DNFBPs, including casinos must be subject to a regulatory and supervision framework in terms of ML and FT, through authorities legally empowered for such purpose and with provisions and rules that allow adequate compliance with this Recommendation</li> </ul>	<p>According to Legislative Decree number 592 dated 14 January 2011 was approved and made effective on 02 August 2011, which contains the Law of Supervision and Regulation of Financial System, provides that the Superintendent of Financial System is the body responsible for regulation and risk-based supervision. Here are some articles related to the implementation of this recommendation</p> <p>Supervised 7.- are subject to the provisions of this Act and therefore the supervision of the Superintendent:</p> <ul style="list-style-type: none"> <li>a) The Central Reserve Bank with regard to the provisions of paragraph 1) of Article 4 of this Act;</li> <li>b) Banks incorporated in El Salvador, its overseas offices and subsidiaries, branches and offices of foreign banks established in the country;</li> <li>c) Companies in accordance with the law, members of financial conglomerates, or the Superintendent declared as such, including both their holding companies and their member societies;</li> <li>) Institutions pension fund managers;</li> <li>e) Insurance companies, their foreign branches and branches of foreign insurance companies established in the country;</li> <li>f) The stock exchanges, brokerage houses, companies that specialize in the storage and safekeeping of securities, rating agencies, institutions providing ancillary services to the stock market, the agents specializing in valuation of securities and general deposit warehouses;</li> <li>g) The cooperative banks, the savings and credit societies and associations regulated by the Law on Cooperative Banks and Savings and Credit;</li> <li>h) The Companies of Mutual Guarantees and its local refinancers</li> <li>i) The companies that offer complementary services to financial services of the members of the financial system, particularly those involved as investors;</li> <li>j) The management companies or operators of payment systems and securities settlement;</li> <li>k) The Social Housing Fund and the People's National Housing Fund;</li> <li>l) The INPEP and ISSS, the latter with regard to the Public Pension System, the System of Occupational Risks and Health technical reserves;</li> <li>m) The Social Welfare Institute of the Armed Forces;</li> </ul>

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				<p>n) The Agricultural Development Bank, the Mortgage Bank of El Salvador, SA, and Multisectoral Investment Bank;  o) The Salvadoran Investment Corporation;  p) The currency exchange houses;  q) The securitization;  r) The Deposit Insurance Institute and the Sanitation Fund and Financial Empowerment in all matters relating to its laws and regulations;  s) Las bolsas de productos y servicios; y  t) Las demás entidades, instituciones y operaciones que señalen las leyes. Cuando se haga referencia al sistema financiero o a los integrantes del sistema financiero deberá entenderse que son los mencionados en los literales anteriores.  s) products and services;  t) Other institutions and operations by the law.  When reference is made to the financial system or financial system members should be understood are those mentioned in the previous paragraphs.</p> <p>They are also subject to the supervision of the Superintendent of operations carried out by bodies and institutions listed above, as well as members of the administrative, legal representatives, agents, officers, directors, managers, internal auditors and other personnel of the members of the financial system. Also to be monitored, whether persons or companies, are external auditors, companies specialized in providing credit information services operating in El Salvador, insurance brokers, agents brokers, stockbrokers, the stock positions, and the licensees referred to the Law on Commodity Exchanges and Services, the pension service agents, experts, actuaries, auditors, liquidators and other professionals, specifically regarding the performance of their functions and services in the members of the financial system.</p> <p>Also subject to supervision by the Superintendency are issuers of publicly offered securities, with particular emphasis in relation to compliance with the obligations imposed by laws, regulations and technical exchanges.</p> <p>When the text of this Act refers to the supervised or monitored, should be understood are those mentioned in this article</p> <p>Art. 37 .- Those supervised must provide, upon request of the Superintendent, by any means it deems appropriate, without offering any confidential or proprietary, the review of its business, acts, operations, assets, books, accounts, files, documents , correspondence, databases and information systems in all matters pertaining to activity monitoring</p> <p>Also, their administrators and staff must provide, upon request of the Superintendent, all the information and explanations necessary to clarify</p>

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				<p>any matter within its jurisdiction, mandatory to provide the assistance that it requests.</p> <p>Supervisees and their shareholders should provide all information necessary to keep the public registers referred to in the laws governing them, on time and in the manner to be determined.</p> <p>Employers of members of the Pension Savings System and Public Pension System should indicate a specific location in the city of San Salvador for notifications, or where appropriate, to commission a person residing in that city to hear and present or remove documents on their behalf.</p> <p>Art.38 .- The directors, administrators, staff members and managers of the financial system who contravene the provisions of laws, regulations or standards or any act or omission causing injury to the said member or others, shall be punished in accordance with the provisions of this Act, without prejudice to the responsibility to them for damages caused. Shall be punished in a similar manner to those who disclose or divulge any information that is privileged or subject to secrecy about the business, acts and operations of the members of the financial system or on the matters communicated to them, or take advantage of the information for personal gain or third parties, without prejudice to any criminal penalties that may be applicable.</p> <p>Not included in the foregoing paragraph, the information required by the judicial authorities, the Attorney General's Office and other authorities in the exercise of his legal authority, or give appropriate information to the public as provided by law</p> <p>Nor to be provided to the Superintendent with respect to the information service of bank credit, as determined by this Law and other applicable laws as well as information that is required by foreign supervisory bodies in the exercise of its powers.</p> <p>The information required by the tax offices will be provided by those supervised in accordance with the stipulations of the special law that regulates this matter.</p> <p>The members of private sector financial system will be jointly liable for the damages caused to third parties who acts or omissions of its directors, managers, officers and employees in the exercise of their functions.</p> <p>Regarding the members of the public sector's financial system, they will respond according to the provisions of Article 245 of the Constitution.</p>
25. Guides and Feedback	NC	<ul style="list-style-type: none"> <li>• FIU and other competent authorities do not accomplish feedback processes to reporting entities.</li> <li>• No updated guides or guidelines have been issued to support regulated entities in the</li> </ul>	<ul style="list-style-type: none"> <li>• Supervision authorities together with FIU and other necessary authorities must indicate guidelines, guides and technical documents in order for the regulated parties to increase AML/CFT obligations, particularly with respect to new ML and FT risks, ML/FT techniques and methods in the stages of organization and preparation of money laundering. This would help to implement CDD requirement in function of risk according</li> </ul>	<p>According to Legislative Decree number 592 dated 14 January 2011 was approved and made effective on 02 August 2011, which contains the Law of Supervision and Regulation of Financial System, provides that the Superintendent of Financial System is the body responsible for regulation and risk-based supervision. Here are some articles related to the implementation of this recommendation</p>

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		<p>compliance with AML-CFT regulations</p> <ul style="list-style-type: none"> <li>• FIU has not given feedback to entities about quality and timeliness of suspicious transaction reports.</li> <li>• No guidelines have been issued for any type of DNFBPs.</li> </ul>	<p>to the type of regulated entity.</p> <ul style="list-style-type: none"> <li>• FIU should develop training meeting or workshops to reinstruct regulated parties on the quality, timeliness, and exactness of the suspicious or irregular operations reports, taking into account best practices of FATF on information mechanisms.</li> <li>• In addition to issue regulation necessary to implement obligations contained in Law for DNFBP must issue guidelines adequate to the nature of such institutions</li> </ul>	<p>Supervised 7.- are subject to the provisions of this Act and therefore the supervision of the Superintendent:</p> <ol style="list-style-type: none"> <li>a) The Central Reserve Bank with regard to the provisions of paragraph l) of Article 4 of this Act;</li> <li>b) Banks incorporated in El Salvador, its overseas offices and subsidiaries, branches and offices of foreign banks established in the country;</li> <li>c) Companies in accordance with the law, members of financial conglomerates, or the Superintendent declared as such, including both their holding companies and their member societies;</li> <li>) Institutions pension fund managers;</li> <li>e) Insurance companies, their foreign branches and branches of foreign insurance companies established in the country;</li> <li>f) The stock exchanges, brokerage houses, companies that specialize in the storage and safekeeping of securities, rating agencies, institutions providing ancillary services to the stock market, the agents specializing in valuation of securities and general deposit warehouses;</li> <li>g) The cooperative banks, the savings and credit societies and associations regulated by the Law on Cooperative Banks and Savings and Credit;</li> <li>h) The Companies of Mutual Guarantees and its local refinancers</li> <li>i) The companies that offer complementary services to financial services of the members of the financial system, particularly those involved as investors;</li> <li>j) The management companies or operators of payment systems and securities settlement;</li> <li>k) The Social Housing Fund and the People's National Housing Fund;</li> <li>l) The INPEP and ISSS, the latter with regard to the Public Pension System, the System of Occupational Risks and Health technical reserves;</li> <li>m) The Social Welfare Institute of the Armed Forces;</li> <li>n) The Agricultural Development Bank, the Mortgage Bank of El Salvador, SA, and Multisectoral Investment Bank;</li> <li>o) The Salvadoran Investment Corporation;</li> <li>p) The currency exchange houses;</li> <li>q) The securitization;</li> <li>r) The Deposit Insurance Institute and the Sanitation Fund and Financial Empowerment in all matters relating to its laws and regulations;</li> <li>s) Las bolsas de productos y servicios; y</li> <li>t) Las demás entidades, instituciones y operaciones que señalen las leyes.</li> </ol> <p>Cuando se haga referencia al sistema financiero o a los integrantes del sistema financiero deberá entenderse que son los mencionados en los literales anteriores.</p> <ol style="list-style-type: none"> <li>s) products and services;</li> <li>t) Other institutions and operations by the law.</li> </ol> <p>When reference is made to the financial system or financial system members should be understood are those mentioned in the previous paragraphs.</p>

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				<p>They are also subject to the supervision of the Superintendent of operations carried out by bodies and institutions listed above, as well as members of the administrative, legal representatives, agents, officers, directors, managers, internal auditors and other personnel of the members of the financial system. Also to be monitored, whether persons or companies, are external auditors, companies specialized in providing credit information services operating in El Salvador, insurance brokers, agents brokers, stockbrokers, the stock positions, and the licensees referred to the Law on Commodity Exchanges and Services, the pension service agents, experts, actuaries, auditors, liquidators and other professionals, specifically regarding the performance of their functions and services in the members of the financial system.</p> <p>Also subject to supervision by the Superintendency are issuers of publicly offered securities, with particular emphasis in relation to compliance with the obligations imposed by laws, regulations and technical exchanges.</p> <p>When the text of this Act refers to the supervised or monitored, should be understood are those mentioned in this article</p> <p>Art. 37 - Those supervised must provide, upon request of the Superintendent, by any means it deems appropriate, without offering any confidential or proprietary, the review of its business, acts, operations, assets, books, accounts, files, documents, correspondence, databases and information systems in all matters pertaining to activity monitoring</p> <p>Also, their administrators and staff must provide, upon request of the Superintendent, all the information and explanations necessary to clarify any matter within its jurisdiction, mandatory to provide the assistance that it requests.</p> <p>Supervisees and their shareholders should provide all information necessary to keep the public registers referred to in the laws governing them, on time and in the manner to be determined.</p> <p>Employers of members of the Pension Savings System and Public Pension System should indicate a specific location in the city of San Salvador for notifications, or where appropriate, to commission a person residing in that city to hear and present or remove documents on their behalf.</p> <p>Art.38 - The directors, administrators, staff members and managers of the financial system who contravene the provisions of laws, regulations or standards or any act or omission causing injury to the said member or others, shall be punished in accordance with the provisions of this Act, without prejudice to the responsibility to them for damages caused. Shall be punished in a similar manner to those who disclose or divulge any information that is privileged or subject to secrecy about the business, acts</p>

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				<p>and operations of the members of the financial system or on the matters communicated to them, or take advantage of the information for personal gain or third parties, without prejudice to any criminal penalties that may be applicable.</p> <p>Not included in the foregoing paragraph, the information required by the judicial authorities, the Attorney General's Office and other authorities in the exercise of his legal authority, or give appropriate information to the public as provided by law</p> <p>Nor to be provided to the Superintendent with respect to the information service of bank credit, as determined by this Law and other applicable laws as well as information that is required by foreign supervisory bodies in the exercise of its powers.</p> <p>The information required by the tax offices will be provided by those supervised in accordance with the stipulations of the special law that regulates this matter.</p> <p>The members of private sector financial system will be jointly liable for the damages caused to third parties who acts or omissions of its directors, managers, officers and employees in the exercise of their functions. Regarding the members of the public sector's financial system, they will respond according to the provisions of Article 245 of the Constitution.</p> <p>The information required by the tax offices will be provided by supervised in accordance with the stipulations of the special law that regulates this matter.</p> <p>The members of private sector financial system jointly liable for the damages caused to third parties who acts or omissions of its directors, managers, officers and employees in the exercise of their functions. Regarding the members of the financial system public respond according to the provisions of Article 245 of the Constitution</p>
26. FIU	PC	<ul style="list-style-type: none"> <li>• Simultaneous delivery of STR, both to FIU as to SSF which affect confidentiality of reports and creates parallel FIU in other entities. The number of officers that make up FIU, and their capacity to analyze information is very reduced relative to the number of reports received.</li> <li>• FIU has insufficient autonomy to accomplish its tasks. Attorney General of the Republic frequently removes attorneys from FIU to assign it to other tasks of the Attorney General's Office and is empowered to give</li> </ul>	<ul style="list-style-type: none"> <li>• Amend Agreement N° 356 issued by the Attorney General's Office of the Republic in order for report procedure of STR to be made only before FIU.</li> <li>• Establish a feedback mechanism that allows orientation to obliged subjects on the adequate manner to submit STR.</li> <li>• Implement technological tools that allow rapid informatic Access to data bases to State entities and institutions or private companies.</li> <li>• Establish procedural manuals that reach a division between STR analysis and criminal investigation.</li> <li>• Assign more provisional personnel for both analysis and investigation area.</li> <li>• Strengthen FIU's autonomy and provide higher labour stability to officers that integrate FIU, thus avoiding transfers to other</li> </ul>	<ul style="list-style-type: none"> <li>• There is no provision or law that grants FIU functions to the SSF or other agencies.</li> <li>• Part of the efforts made by the FIU are implementing or improving the system of data transmission, reporting, query and analysis of information through advanced technological tools.</li> <li>• This project involves the acquisition of technological equipment as well as proper training for both the analysis area and the technology area.</li> <li>• With regards to the legal limitations identified in the mutual evaluation, which resulted in the suspension of the FIU's membership by the Egmont Group, they were fully corrected by Decree No. 342 issued by the Legislative Assembly,</li> <li>• On July 14, 2010 the President of the Egmont Group, Mr. Boudewijn Verhelst, officially notified the Financial Investigation Unit's full restitution of our status as an active member of the Egmont Group. This took effect immediately and rehabilitated our access to the Egmont</li> </ul>

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		<p>instructions to FIU about which cases are considered priority and which not.</p> <ul style="list-style-type: none"> <li>• There is no adequate access to databases of public entities and private subjects authorized by ML Law</li> <li>• There is no operative division among analysis and criminal investigation, with the judicial function having higher priority, which reflects lack of technical autonomy in the essential work to produce financial intelligence.</li> <li>• Public information about statistics and typologies is not produced.</li> <li>• FIU is suspended by the Egmont Group.</li> <li>• There is no permanent training program for FIU officers</li> </ul>	<p>specialized Prosecutors' Offices.</p> <ul style="list-style-type: none"> <li>• To provide periodical reports to obliged subjects on cases reported criminal statistics typologies, and trends, that shall be considered as suspicious operations.</li> <li>• To resolve all the legal limitations that grounded the suspension of the membership of Egmont Group of Financial Intelligence Units.</li> <li>• To establish a permanent training program for FIU officers.</li> </ul>	<p>Group's secure network for sharing financial information with other intelligence units worldwide.</p> <p><b>The IDB has approved a technical assistance project to develop legal clauses that establish budgetary and operational autonomy of the FIU, such technical assistance to date is already contracted and begins on 01 October, 2012 and whose completion date is also scheduled for the month of November of this year. (Annex 2)</b></p> <p><b>A technical assistance agreement has been signed with the Treasury Department of the United States of America by which technical and strategic advice will be obtained for developing and implementing international enforcement against offenses relating to ML and FT</b></p> <p>The Law against Money Asset Laundering provides: FINANCIAL INVESTIGATION UNIT. Art. 3. - Create the Financial Investigation Unit for the crime of money laundering, as the primary office of the Attorney General's Office, which in the context of this Law may be shortened FIU. The requirements and incompatibilities to belong to the FIU, will be developed in the Organic Law of Public Prosecutions</p> <p>PART III POSITION OF ATTORNEY GENERAL CHAPTER I Establishment and Scope. Position of Attorney General Article 46 .- The Attorney General's position is established to regulate the service relationship between the Attorney General's Office and its officers and employees, helping to ensure the security of tenure, as well as staff development and effective performance of the public functions of the institution. Including Tax Career Art. 47 .- falls within the position of Attorney General:</p> <p>a) Auxiliary staff, and b) administrative officers and employees of the institution</p> <p>The Attorney General, the Prosecutor and the Auditor General, in response to the timing of his appointment, will be included in the position for the period of holding the position, unless at the date of his appointment it was already included.</p> <p>Position of Attorney General Article 48 .- The position of Attorney General is governed by the provisions of this Act and the regulations under the same issued by the Attorney General, under the Fiscal Council, the regime will prevail over</p>

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				<p>any general provision, enacted for the admission, hiring, promotion, promotion, transfer, resignation or removal of public officials and employees.</p> <p>Regulation of the Position of Attorney General            Article 49 .- The regulation of the position of Attorney General will follow basic rules</p> <p>a) The development and regular updating of the Manual of Classification of Positions.</p> <p>b) The Attorney Roster, structured on said manual and using the classification criteria advised by the technical administration</p> <p>c) The selection, admission and recruitment through public competition.</p> <p>d) Ongoing assessment of performance of officials and employees.</p> <p>e) The ongoing mandatory training of personnel, and under the School of Training for Attorneys or for other entities with which the Attorney General agrees to the provision of related services.</p> <p>f) The promotions and substitution of vacancies, obtained through competition and based on personal performance, skills, knowledge, skills and experience.</p> <p>g) The hours of work, permits and licenses, transfers and swaps.</p> <p>h) The procedures for imposing administrative penalties established by this law.</p> <p>Financial Investigation Unit            Article 70 .- The Attorney General shall organize and direct the Financial Investigation Unit, FIU, for investigation of the Crime of Money and Asset Laundering and is a primary office of the Attorney General's Office with functional dependence of the Attorney General .            Its integration            Article 71 .- Financial Investigation Unit will consist of:</p> <p>a) The Head of the Unit.</p> <p>b) Auxiliary Agents appointed by the Attorney General.</p> <p>c) Accountants.</p> <p>d) Financial experts or professionals with expertise in banking systems, business administration, public finance and / or customs.</p> <p>e) Information and intelligence analysts;</p> <p>f) Administrative personnel</p> <p>His appointment, removal and disciplinary action will be subject to the general system of the employees of his Office and will be developed in the respective Regulations.</p> <p>On 19 November 2010, the SSF notified by the Attorney General's Office that the FIU as of that date in compliance with the relevant procedures has access to the historical data base of said entity. Note IRC-RR-18959, dated November 19, 2010, signed by the mayor of Hazard Functions conglomerate, Mr. César Augusto Ortiz Saggeth</p>

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				<p>Art. 9 .- The institutions are obliged to inform in writing or electronically within five working days to the FIU of any transaction or individual cash transactions made by each customer or on the same day that exceeds ten thousand dollars of the United States of America or its equivalent in any other currency, regardless of whether or not deemed suspicious transaction. The deadline for submitting information is calculated from the day after the operation or transaction was conducted</p> <p>Insurance companies must report to the Superintendency of all payments made as compensation for the risks they insure in excess of the amount stated in the previous paragraph.</p> <p>The entities mentioned in subparagraphs a), h) i) of Article 2 of this Act, are also required to submit the report referred to in the first paragraph of this Article, only for purposes of monitoring and control, to the tax or regulatory or related supervisory entity, in which none will perform the function of generating financial intelligence</p> <p>For the purposes of this section it shall be taken into consideration the regulations that will in effect be issued.</p> <p>Article 9-A .- The suspicious transaction reports should be submitted to the Financial Investigation Unit within five working days from the time when, according to the analysis performed, there is sufficient evidence to be considered irregular</p> <p>The institutions will also be required to report the attempted suspicious transactions. The FIU will issue the form to report the attempted suspicious transactions</p> <p>These reports are also given to the appropriate entity of control or supervision, solely for purposes of monitoring and control, which in no case shall perform the function of generating financial intelligence.</p> <p><b>A major initiative to combat money laundering and terrorist financing, is the initiative of the President of the Republic for the purposes of promoting the enactment of the Law of Extinction of Domino which aims to enhance the powers of the authorities to identify, secure and forfeit assets of an illegitimate source. Further enhancing the capabilities to provide a broad international cooperation in confiscation and seizure of property, also boosting the capabilities and budget of the FIU is that through this law 20% of the assets seized is assigned.</b></p> <p><b>For further illustration we provide the following link:</b></p> <p><a href="http://www.lapagina.com.sv/nacionales/54491/2011/07/28/Funes-">http://www.lapagina.com.sv/nacionales/54491/2011/07/28/Funes-</a></p>

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				<a href="#">presentara-ley-para-confiscar-bienes-fruto-del-crimen-organizado</a>
29. Supervisory powers	PC	<ul style="list-style-type: none"> <li>• Remittance entities and non financial banking entities which are beyond supervision of SSF and SS (leasing companies, credit cards, general warehouse stores, etc) are not subject of on-site inspections or are demanded documentation to verify compliance with AML-CFT</li> <li>• With respect to remittance entities and non banking financial institutions which are not supervised by SSF and SS – are not applied a specific sanctions regime in case information requirements are not adequately met in order to verify compliance with AML-CFT</li> </ul>	<ul style="list-style-type: none"> <li>• Extend powers of the existing supervising entities in order to be able to make inspection and compliance supervision visits to remittance entities and non-banking financial entities that do not form part of financial conglomerates.</li> <li>• Establish a sanction regime specific for the noncompliance with the obligation of attending requirements of the supervision entities.</li> </ul>	<p>CHAPTER III Of the Constitution, Official Registration and Authorization to Operate Art. 16 .- Once the Cooperative is incorporated, official recognition and registration in the National Register of Cooperatives INSAFOCOOP will be requested, in order to obtain legality, the Cooperative shall submit certification of the Constitution signed by the Secretary of the Administrative Board. Seat registration and cancellation of same by dissolution and liquidation of the Cooperative registered, will be published in extract only once in the Official Journal. Registry office to deliver the respective warrant for publication.</p> <p>TITLE IX SANCTIONS CHAPTER I Sanctions Article 91 .- The sanctions that the Salvadoran Institute for Cooperative Development may impose Cooperative Associations are as follows: . a) A fine of one hundred THOUSAND colon through prior resolution or statement and the corresponding trial; b) Temporary suspension of members of the Administration and Security Agencies in the performance of their duties and replaced by the respective alternates; c) Temporary suspension or cancellation of authorization to operate; h) provisional Intervention for the sole purpose of protecting property and assets of the Cooperative in extreme cases of abnormality. The General Assembly shall be convened by the INSAFOCOOP, according to the Statutes, and this is held within a period not exceeding thirty days from the start of the Intervention during which decisions were taken on the continuation or completion of the intervention.</p> <p>Article 92 .- The penalties referred to in the preceding article shall be governed by the regulations of this law. Art. 1.-Create the Salvadoran Institute for Cooperative Development as a public corporation, with autonomy in economic and administrative aspects. In the context of this Law and respective regulations may be called simply "Institute" or "INSAFOCOOP." Its primary residence will be the city of San Salvador. The Act establishing the Salvadoran Institute for Cooperative Development, states: Section 2.-The duties of the Institute a) The implementation of the General Law of Cooperative Associations; b) To initiate, promote, coordinate and supervise the organization and operation of cooperative associations, federations and confederations of same, and provide the advice and technical assistance they need; c) Planning policy to promote and develop the cooperative movement, for which it may request the cooperation of state agencies, municipalities and</p>

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				<p>individuals interested in these activities, so that the cooperative movement, is framed within the economic development programs of the country</p> <p>d) To grant legal personality by registration in the National Register of Cooperatives, cooperative associations, federations of cooperatives and the National Confederation of Cooperatives;</p> <p>e) Knowledge of the dissolution and liquidation of the cooperative associations, federations, cooperatives and the National Confederation of Cooperatives;</p> <p>f) Perform inspection and surveillance of cooperative associations, federations of cooperatives and the National Confederation of Cooperatives, and impose the same penalties;</p> <p>g) Promote the creation and increased sources of financing of cooperative associations, federations of cooperatives and the National Confederation of Cooperatives;</p> <p>h) Disseminate the general guidelines of cooperative activity, in particular those relating to administration and legislation applicable to it, in order to promote the cooperative movement.</p> <p>i) Assume the performance or execution of programs or activities in any form and directly relates to the powers set out in this article.</p> <p>Article 5.-In the exercise of inspection and surveillance referred to the subparagraph e) of Section 2, the Institute shall</p> <p>a) Practice at any time and without restriction, through their delegates, the revisions as deemed necessary, to know the progress and status of the associations under its jurisdiction. Such associations are obliged to supply directly to the Institute or its agents, when required, all data, books, reports and documents as requested, on each and every one of its operations;</p> <p>b) Participate, without vote, in sessions of the General Assembly of cooperative associations, when appropriate, and ensure that those concluded with the legal formalities. These partnerships will inform the Institute, at least five days in advance of the date of the meeting to be held, accompanied with the respective agenda;</p> <p>c) Call the administrative and supervisory entities to the assembly of cooperative associations, when those in charge refuses to do so or if the Institute deems it necessary;</p> <p>d) Prepare manuals for accounting and auditing, for cooperative associations to obtain uniformity in the control of the operations and activities of same, and to prepare reports and statistical data;</p> <p>e) Impart special courses for members of boards of directors, managers and auditors of cooperative associations</p> <p>Article 6.-The control measures will have an educational purpose, but if control actions are observed to have irregularities, the Institute shall adopt the measures established by the law on this matter.</p>

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30. Resources, integrity and training	NC	<ul style="list-style-type: none"> <li>• FIU does not have the necessary number of officers to adequately develop tasks (paragraphs 35 and 45 of Section 2.5)</li> <li>• There is a lack of functional autonomy for FIU, since it depends directly from operative and human resource decisions established by the Attorney General's Office. (see Section 2.5)</li> <li>• The real estate where FIU is located lack modules or physical spaces for adequate storing and custody of documents.</li> <li>• FIU has no technological tools that allow direct informatic access to date bases of State entities and institutions or private companies, to obtain investigation or analysis information in an efficient manner or at least more rapidly (section 2.5)</li> <li>• FIU lacks a permanent and adequate training program addressed to officers. (Section 2.5).</li> </ul>	<ul style="list-style-type: none"> <li>• FIU has not necessary number of officers to adequately develop tasks.</li> <li>• Lack of functional autonomy for FIU since it directly depends from operative decisions and human resource defined by the Attorney General's office of the Republic.</li> <li>• Real estate where FIU is located lacks modules or physical spaces for adequate storage and custody of documents.</li> <li>• FIU has no technological tools that allow informatic direct access to databases of state or private companies to obtain analysis or investigation information rapidly or at least more efficiently.</li> <li>• FIU has no permanent and adequate training program addressed to its officers.</li> <li>•</li> </ul>	<p>The Law against Money Asset Laundering provides:  <b>FINANCIAL INVESTIGATION UNIT.</b>  Art. 3 .- Create the Financial Investigation Unit for the crime of money laundering, as the primary office of the Attorney General's Office, which in the context of this Law may be shortened FIU. The requirements and incompatibilities to belong to the FIU, will be developed in the Organic Law of Public Prosecutions</p> <p><b>PART III  POSITION OF ATTORNEY GENERAL  CHAPTER I  Establishment and Scope.</b>  Position of Attorney General  Article 46 .- The Attorney General's position is established to regulate the service relationship between the Attorney General's Office and its officers and employees, helping to ensure the security of tenure, as well as staff development and effective performance of the public functions of the institution.  Including Tax Career  Art. 47 .- falls within the position of Attorney General:</p> <p>a) Auxiliary staff, and  b) administrative officers and employees of the institution</p> <p>The Attorney General, the Prosecutor and the Auditor General, in response to the timing of his appointment, will be included in the position for the period of holding the position, unless at the date of his appointment it was already included.</p> <p><b>Position of Attorney General</b>  Article 48 .- The position of Attorney General is governed by the provisions of this Act and the regulations under the same issued by the Attorney General, under the Fiscal Council, the regime will prevail over any general provision, enacted for the admission, hiring, promotion, promotion, transfer, resignation or removal of public officials and employees.  <b>Regulation of the Position of Attorney General</b>  Article 49 .- The regulation of the position of Attorney General will follow basic rules  a) The development and regular updating of the Manual of Classification of Positions.  b) The Attorney Roster, structured on said manual and using the classification criteria advised by the technical administration  c) The selection, admission and recruitment through public competition.  d) Ongoing assessment of performance of officials and employees.  e) The ongoing mandatory training of personnel, and under the School of Training for Attorneys or for other entities with which the Attorney General</p>

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				<p>agrees to the provision of related services.</p> <p>f) The promotions and substitution of vacancies, obtained through competition and based on personal performance, skills, knowledge, skills and experience.</p> <p>g) The hours of work, permits and licenses, transfers and swaps.</p> <p>h) The procedures for imposing administrative penalties established by this law.</p> <p>Financial Investigation Unit            Article 70 .- The Attorney General shall organize and direct the Financial Investigation Unit, FIU, for investigation of the Crime of Money and Asset Laundering and is a primary office of the Attorney General's Office with functional dependence of the Attorney General .            Its integration            Article 71 .- Financial Investigation Unit will consist of:</p> <p>a) The Head of the Unit.            b) Auxiliary Agents appointed by the Attorney General.            c) Accountants.            d) Financial experts or professionals with expertise in banking systems, business administration, public finance and / or customs.            e) Information and intelligence analysts;            f) Administrative personnel</p> <p>His appointment, removal and disciplinary action will be subject to the general system of the employees of his Office and will be developed in the respective Regulations.            On 19 November 2010, the SSF notified by the Attorney General's Office that the FIU as of that date in compliance with the relevant procedures has access to the historical data base of said entity. Note IRC-RR-18959, dated November 19, 2010, signed by the mayor of Hazard Functions conglomerate, Mr. César Augusto Ortiz Saggeth</p> <p>.            Art. 9 .- The institutions are obliged to inform in writing or electronically within five working days to the FIU of any transaction or individual cash transactions made by each customer or on the same day that exceeds ten thousand dollars of the United States of America or its equivalent in any other currency, regardless of whether or not deemed suspicious transaction. The deadline for submitting information is calculated from the day after the operation or transaction was conducted</p> <p>Insurance companies must report to the Superintendency of all payments made as compensation for the risks they insure in excess of the amount stated in the previous paragraph.</p> <p>The entities mentioned in subparagraphs a), h) i) of Article 2 of this Act,</p>

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				<p>are also required to submit the report referred to in the first paragraph of this Article, only for purposes of monitoring and control, to the tax or regulatory or related supervisory entity, in which none will perform the function of generating financial intelligence</p> <p>The Law against Money Asset Laundering provides:  <b>FINANCIAL INVESTIGATION UNIT.</b>            Art. 3 .- Create the Financial Investigation Unit for the crime of money laundering, as the primary office of the Attorney General's Office, which in the context of this Law may be shortened FIU. The requirements and incompatibilities to belong to the FIU, will be developed in the Organic Law of Public Prosecutions</p> <p><b>PART III</b>  <b>POSITION OF ATTORNEY GENERAL</b>  <b>CHAPTER I</b>  <b>Establishment and Scope.</b>  <b>Position of Attorney General</b>            Article 46 .- The Attorney General's position is established to regulate the service relationship between the Attorney General's Office and its officers and employees, helping to ensure the security of tenure, as well as staff development and effective performance of the public functions of the institution.  <b>Including Tax Career</b>            Art. 47 .- falls within the position of Attorney General:</p> <p>a) Auxiliary staff, and            b) administrative officers and employees of the institution</p> <p>The Attorney General, the Prosecutor and the Auditor General, in response to the timing of his appointment, will be included in the position for the period of holding the position, unless at the date of his appointment it was already included.</p> <p><b>Position of Attorney General</b>            Article 48 .- The position of Attorney General is governed by the provisions of this Act and the regulations under the same issued by the Attorney General, under the Fiscal Council, the regime will prevail over any general provision, enacted for the admission, hiring, promotion, promotion, transfer, resignation or removal of public officials and employees.  <b>Regulation of the Position of Attorney General</b>            Article 49 .- The regulation of the position of Attorney General will follow basic rules            a) The development and regular updating of the Manual of Classification of Positions.            b) The Attorney Roster, structured on said manual and using the</p>

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				<p>classification criteria advised by the technical administration</p> <p>c) The selection, admission and recruitment through public competition.</p> <p>d) Ongoing assessment of performance of officials and employees.</p> <p>e) The ongoing mandatory training of personnel, and under the School of Training for Attorneys or for other entities with which the Attorney General agrees to the provision of related services.</p> <p>f) The promotions and substitution of vacancies, obtained through competition and based on personal performance, skills, knowledge, skills and experience.</p> <p>g) The hours of work, permits and licenses, transfers and swaps.</p> <p>h) The procedures for imposing administrative penalties established by this law.</p> <p>Financial Investigation Unit</p> <p>Article 70 .- The Attorney General shall organize and direct the Financial Investigation Unit, FIU, for investigation of the Crime of Money and Asset Laundering and is a primary office of the Attorney General's Office with functional dependence of the Attorney General .</p> <p>Its integration</p> <p>Article 71 .- Financial Investigation Unit will consist of:</p> <p>a) The Head of the Unit.</p> <p>b) Auxiliary Agents appointed by the Attorney General.</p> <p>c) Accountants.</p> <p>d) Financial experts or professionals with expertise in banking systems, business administration, public finance and / or customs.</p> <p>e) Information and intelligence analysts;</p> <p>f) Administrative personnel</p> <p>His appointment, removal and disciplinary action will be subject to the general system of the employees of his Office and will be developed in the respective Regulations.</p> <p>On 19 November 2010, the SSF notified by the Attorney General's Office that the FIU as of that date in compliance with the relevant procedures has access to the historical data base of said entity. Note IRC-RR-18959, dated November 19, 2010, signed by the mayor of Hazard Functions conglomerate, Mr. César Augusto Ortiz Saggeth</p> <p>.</p> <p>Art. 9 .- The institutions are obliged to inform in writing or electronically within five working days to the FIU of any transaction or individual cash transactions made by each customer or on the same day that exceeds ten thousand dollars of the United States of America or its equivalent in any other currency, regardless of whether or not deemed suspicious transaction. The deadline for submitting information is calculated from the day after the operation or transaction was conducted</p> <p>Insurance companies must report to the Superintendency of all payments</p>

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				<p>made as compensation for the risks they insure in excess of the amount stated in the previous paragraph.</p> <p>The entities mentioned in subparagraphs a), h) i) of Article 2 of this Act, are also required to submit the report referred to in the first paragraph of this Article, only for purposes of monitoring and control, to the tax or regulatory or related supervisory entity, in which none will perform the function of generating financial intelligence</p> <p>For the purposes of this section it shall be taken into consideration the regulations that will in effect be issued.</p> <p><b>As part of the initiative launched by the President of the Republic for the purposes of promoting the enactment of the Law of Extinction of Domino which aims to enhance the powers of the authorities to identify, secure and forfeit assets of an illegitimate source.</b></p> <p><b>Further enhancing the capabilities and budget of the FIU that through this law will be assigned 20% of confiscated assets to strengthen its operational capacity.</b></p> <p><b>For further illustration we provide the following link:</b></p> <p><b><a href="http://www.lapagina.com.sv/nacionales/54491/2011/07/28/Funes-presentara-ley-para-confiscar-bienes-fruto-del-crimen-organizado">http://www.lapagina.com.sv/nacionales/54491/2011/07/28/Funes-presentara-ley-para-confiscar-bienes-fruto-del-crimen-organizado</a></b></p> <p><b>The Inter-American Development Bank jointly with the government of El Salvador, have held consultations in order to establish the operational autonomy of the FIU, which is now in its second phase.</b></p> <p><b>In the month of January next year, the Treasury Department of the United States jointly with the FIU will provide training in the area of research techniques in the field of money laundering and terrorist financing to FIU staff, SSF, Ministry of Finance, National Civil Police, and other institutions involved in combating AML / CFT.</b></p> <p><b>Subsequently trainings are planned with regulated entities, SSF, PNC, among others, in the area of typologies together with the Treasury Department of the United States of America.</b></p> <p><b>Memorandum of understanding was signed with the U.S. Treasury regarding technical cooperation.</b></p> <p><b>As part of its commitment to strengthening the FIU. Refer to MOU for better illustration.</b></p> <p><b>On Tuesday October 23, 2012, the head of the FIU held a meeting with the Minister of Finance with the main objective of the assign the</b></p>

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				<p><b>necessary resources to the Unit to complete a team of financial analysts to that unit. Acquiring the Minister's commitment for the next fiscal year to allocate necessary capacity according to the technical study by virtue of the demand for labor that FIU undertook to present</b></p>
31. Domestic cooperation	PC	<ul style="list-style-type: none"> <li>• A real public policy has not been implemented in terms of domestic coordination and cooperation.</li> </ul>	<ul style="list-style-type: none"> <li>• Create in the existing inter-institutional groups, formal working agendas that analyze compliance with principles regulated in the Law and in Regulations, studying the degree of operativity, implementation and efficacy of the system.</li> <li>• Implement the establishment of the coordination and creation of a real coordination public policy.</li> <li>• Establish second or third level regulations developing instruments or principles in the laws</li> </ul>	<p>CHAPTER IV INTERAGENCY COLLABORATION</p> <p>16.- The State agencies and institutions and especially the Ministry of Finance, the Central Bank, Registry of Property and Mortgages and public inspection agencies shall be required to provide direct access in electronic form or their respective databases and related collaborative research activities and crimes covered by this law, at the request of the FIU in accordance with the provisions of the regulations</p> <p>Art. 17.- The Attorney General's Office may request information from any state agency, autonomous, private, or natural persons for the investigation of money and asset laundering, being obligated to provide the requested information.</p> <p>Art.18.- With the collaboration of the entities mentioned in Article 16 of this Act, the Attorney General's Office will create and maintain a database related to money and assets laundering, which collect information both nationally and internationally.</p> <p>For purposes of greater efficiency, the information that these institutions obtain through research and discovery of money and assets laundering will be shared and, if possible, exchanged with other national and international institutions.</p> <p>Law of Supervision and Regulation of Financial System provides: Collaboration with foreign counterparts and other State institutions</p> <p>Art. 34.- The Superintendency may act on behalf of foreign supervisory counterparts agencies when they request such actions in the exercise of its functions and when they are subject to rules of cooperation, at least, are comparable to those established by the Salvadoran laws, can sign cooperation documents needed for this purpose. The Superintendency will require the cooperation of such bodies necessary for the performance of their duties.</p> <p>Authorize the Superintendency to request and obtain from other units of public administration and especially the Ministry of Finance, the Superintendent of Corporate Obligations, the Superintendency of Competition, the Consumer Protection, Ministry of Labour and Social Welfare, the ISSS of INPEP National Registry of Natural Persons and the National Records Center, information and data it considers necessary for the performance of their duties.</p> <p>This information will be confidential. When the Superintendency requires any information, the certification shall not be subject to payment of any</p>

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				<p>law. The above institutions and agencies shall promptly provide the Superintendent , with the information it requires and that they possess under the exercise of its powers and functions for which the Superintendent shall convene or establish mechanisms of direct access to the databases of these institutions and agencies</p> <p><b>They refer to the accompanying statistical data that is including assistance provided by the FIU to different prosecutors</b></p>
32. Statistics	NC	<ul style="list-style-type: none"> <li>• FIU has not been able to implement information mechanisms that offer obliged subjects periodical reports on statistics, typologies and criminal trends (Section 2.5)</li> <li>• Law enforcement authorities do not have systems to measure results, that allow to effectively analyze AML/CFT systems</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>	<p>On 19 November 2010, the SSF notified by the Attorney General's Office that the FIU as of that date in compliance with the relevant procedures has access to the historical data base of said entity. Note IRC-RR-18959, dated November 19, 2010, signed by the mayor of Hazard Functions conglomerate, Mr. César Augusto Ortiz Saggeth</p> <ul style="list-style-type: none"> <li>•</li> </ul>
33. Beneficial legal persons	PC	<ul style="list-style-type: none"> <li>• Low degree of efficacy</li> <li>• Opacity of bearer shares</li> </ul>	<p>Establish network connections so that all public institutions, especially FIU have access to RNC information through data transmission means and consequently develops activities in a more efficient manner.</p> <p>Provide the obligation of updating data of actual holders of the shares in the corporate books, and the registration of such books to be mandatory at the RNC deposit, allowing establishment of beneficial owners of the corporations</p> <ul style="list-style-type: none"> <li>•</li> </ul>	<p>The FIU has initiated a process of implementing access to databases maintained by the CNR through the signing of a cooperation agreement for access to direct, accurate and expeditious information,. So far there have been several meetings between the IT departments of each institution CNR / FIU having been approved and finalized the compatibility of the technological resources necessary for that purpose. It should be noted that already these technological tools are being used to achieve its implementation, pending only the signing of the memorandum of cooperation.</p> <ul style="list-style-type: none"> <li>•</li> </ul>
39. Extradition	PC	<ul style="list-style-type: none"> <li>• No internal laws that regulate clearly, in detailed and adequate manner the extradition and the procedures thereof</li> <li>• Article 28 of the Constitution could be interpreted as a limitation to extradition when dealing with internationally transcendence (internationally relevant) crimes.</li> <li>• It could not be verified with concrete statistics the application of active extraditions at the request of other countries.</li> </ul>	<p>To transfer to the ordinary legal regime (laws) the constitutional imperative of regulating extradition.</p> <p>To transfer to the ordinary legal regime (laws) procedures for extradition.</p> <p>To clarify active and passive extradition, both of Salvadorian citizens and foreign.</p> <p>To establish simplified procedures for extradition allowing direct transmission of extradition petitions.</p> <p>Study that persons may be extradited over the base only of third</p>	<p>As has been recognized by the assessment team, in the executive summary paragraph 8 of its report, concluded that: "In the Salvadoran system the principle of Integration of the Act is applied based on this principle under international treaties with other states or international organizations, constitute laws in the Republic of El Salvador. Operators of justice also commonly use this principle to fill apparent gaps in the law caused by technical errors or lack of legislative clarity of some provisions. "</p> <p>In this respect, it is not accurate that in El Salvador it is not clearly regulated the extradition process (active and passive) since as stipulated Article 182 paragraph 3 of the Constitution of the Republic of El Salvador, this corresponds to the Judiciary body through the Supreme Court to grant extradition in accordance with the procedure established by Article 28 of the Constitution.</p> <p>It should be clarified that Article 28 of the Constitution of the Republic,</p>

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			<p>country trial or arrest orders.</p> <p>Study simplified extradition procedures for persons that given consent to suspend formal extradition procedures</p> <ul style="list-style-type: none"> <li>•</li> </ul>	<p>contrary to the statement by the evaluation team can not be construed as a limitation on extradition in the case of crimes of international significance, for two specific and compelling reasons:</p> <p>1 .- the Salvadoran penal code regulates the principle of universality, Article 10 which states: "It will also apply Salvadoran criminal law to crimes committed by anyone in a place not subject to Salvadoran jurisdiction, provided that they affect property protected internationally by specific agreements or international law or involves a serious impairment to universally recognized human rights. "</p> <p>The statute empowers the Salvadoran government to apply criminal law to crimes committed by anyone, even in a place not subject to its jurisdiction, provided that they affect property protected internationally or with severe impairment involving the internationally recognized human rights.</p> <p>2. The correct interpretation of Article 28 of the Constitution of the Republic is in the sense that those crimes of international significance, not only may require the extradition of the responsible authorities of the countries where the crime was committed, but because they are legally protected internationally, of any country, as elaborated in Article 10 of the penal code.</p> <p>Article 28 of our Constitution states quite the opposite, namely: "El Salvador grants asylum to foreigners who wish to reside in its territory except as provided by law and International Law. It may not be included in exceptional cases to persons persecuted for political reasons only.</p> <p>Extradition shall be regulated according to International Treaties and in the case of Salvadorans, only proceed if the relevant treaty is expressly established and approved by the Legislature of the signatory countries. In any case, its provisions should enshrine the principle of reciprocity and grant Salvadorans all criminal and procedural guarantees established by this Constitution.</p> <p>The extradition will proceed when the offense was committed within the territorial jurisdiction of the requesting country, except in the case of crimes of international significance, and may not be stipulated in any case for political crimes, but in consequence of these ordinary offenses. Ratification of Extradition Treaties require two-thirds vote of the elected deputies</p> <p>Having analyzed the recommendation and the essential criteria, with due respect we consider that this issue was addressed improperly since what is required by the recommendation does not correspond to the factors supporting the rating, or that the conclusions issued are equivocal with a different standard than that required by the recommendation and enshrined</p>

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				in international law.
SR.IV Report suspicion of FT	PC	<ul style="list-style-type: none"> <li>• Obligation to report is limited to operations of persons mentioned in the lists of the Attorney General's Office or international entities</li> <li>• The law establishes a limited obligation to report suspicious of FT without considering it a precedent crime of ML</li> <li>• STRs for Non-concluded (attempted) suspicious operations are not required nor reported.</li> </ul>	<ul style="list-style-type: none"> <li>• Extend the reporting obligation to clearly cover suspicions of terrorism financing with legal funds.</li> <li>• Give feedback to reporting entities to improve quality, usefulness and timeliness of STRs.</li> <li>• Review, update and clarify the FIU Instruction, which has not been modified since 2002, in order to incorporate recent international developments in terms AML/CFT and to eliminate ambiguities existing in several of its provisions.</li> </ul>	<ul style="list-style-type: none"> <li>• Through legal reform of May 7 this year (amendment to the CFT Law), there is an obligation for FI to report transactions suspicious of FT in general terms, without any limitation.</li> <li>• It is important to note that in the Salvadoran legal system any criminal activity that produces goods, funds or rights either directly or indirectly is a criminal activity that generates money laundering. See Article 6, paragraph one. (This clarification was made to the assessment team and was inexplicably not taken into account) <i>[Note by the Secretariat: criticism in the report relates specifically to funds other than proceeds of crime]</i></li> <li>• Pursuant to the provisions of Article 10 paragraph e Roman III of the AML Law, FI's are required to report any relevant information on management of funds, which involves reporting attempted transactions (This clarification was made to the assessment team who considered our arguments valid). <i>[Note by the Secretariat: according to the report there is still a need for an explicit requirement]</i></li> </ul> <p>Under reforms to the Special Law Against Acts of Terrorism by Order No. 342 dated May 7, 2010, published in the Official Gazette No. 100, Volume 387, provides as follows: modify eighth paragraph of Article 37, and merge two new subsections as the ninth and tenth, and consequently the current subsections Ninth and Tenth become Eleventh and Twelfth therefore such amendment and additions shall read as follows: "financial institutions give special and permanent attention to the detection of goods and services and transactions that are suspected or have reasonable grounds to have an unlawful purpose and that they are linked or can be used to finance acts of terrorism, and which must be reported to the Attorney General's Office, through the Financial Investigation Unit no later than three days.</p> <p>This without prejudice to the duty to inform the Financial Investigation Unit of the Attorney General's Office, in the case of persons included in the lists mentioned in the preceding paragraphs. The Financial Investigation Unit will receive and analyze those reports for which they have the power to require information from institutions or any entity or report public or private person, likewise the Financial Investigation Unit may share such information on a national or international level under the parameters of confidentiality and legality, for the discovery of criminal acts. "</p>

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SR.V International Cooperation	PC	<ul style="list-style-type: none"> <li>• Lack or no real implementation of measures established to cooperate internationally in terms of FT.</li> <li>• The same deficiencies with respect to R.36 and 39 affect compliance with RE.V with respect to extraditions and other forms of cooperation: low implementation of measures to cooperate internationally; lack of laws and procedures that clearly regulate extradition; absence of statistics about practical implementation</li> </ul>	<ul style="list-style-type: none"> <li>• To transfer to the ordinary legal regime (laws) the constitutional imperative of regulating extradition.</li> <li>• To transfer to the ordinary legal regime (laws) procedures for extradition.</li> <li>• To clarify active and passive extradition, both of Salvadorian citizens and foreign.</li> <li>• To establish simplified procedures for extradition allowing direct transmission of extradition petitions.</li> <li>• Study that persons may be extradited over the base only of third country trial or arrest orders.</li> <li>• Study simplified extradition procedures for persons that given consent to suspend formal extradition procedures</li> </ul>	<ul style="list-style-type: none"> <li>• With regards to the legal limitations identified in the mutual evaluation, which resulted in the suspension of the FIU's membership by the Egmont Group, they were fully corrected by Decree No. 342 issued by the Legislative Assembly.</li> </ul> <p>On July 14, 2010 the President of the Egmont Group, Mr. Boudewijn Verhelst, officially notified the Financial Investigation Unit's full restitution of our status as an active member of the Egmont Group. This took effect immediately and rehabilitated our access to the Egmont Group's secure network for sharing financial information with other intelligence units worldwide.</p> <p>As has been recognized by the assessment team, in the executive summary paragraph 8 of its report, concluded that: "In the Salvadoran system the principle of integration of the Law is applied. Based on this principle, international treaties according to legislation with other states or international organizations are laws in the Republic of El Salvador. Operators of justice also commonly use this principle to fill apparent gaps in the law caused by technical errors or lack of legislative clarity of some provisions. "</p> <p>In this respect, it is true that in El Salvador is not clearly regulated the extradition process (active and passive) and that as stipulated in Article 182 paragraph 3 of the Constitution of the Republic of El Salvador, corresponds to Judiciary body by the Supreme Court to grant extradition in accordance with the procedure established by Article 28 of the Constitution.</p> <p>Es preciso aclarar que el artículo 28 de la constitución de la República, contrario a lo manifestado por el equipo evaluador, no puede interpretarse como una limitación a la extradición cuando se trate de delitos de trascendencia internacional, por dos razones contundentes y específicas:</p> <p>1.- .- the Salvadoran penal code regulates the principle of universality, Article 10 which states: "It will also apply Salvadoran criminal law to crimes committed by anyone in a place not subject to Salvadoran jurisdiction, provided that they affect property protected internationally by specific agreements or international law or involves a serious impairment to universally recognized human rights"</p> <p>The statute empowers the Salvadoran government to apply criminal law to crimes committed by anyone, even in a place not subject to its jurisdiction, provided that they affect property protected internationally or with severe impairment involving the internationally recognized human rights.</p> <p>2. The correct interpretation of Article 28 of the Constitution of the Republic is in the sense that those crimes of international significance, not only may require the extradition of the responsible authorities of the countries where the crime was committed, but because they are legally</p>

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				<p>protected internationally, of any country, as elaborated in Article 10 of the penal code.</p> <p>Article 28 of our Constitution states quite the opposite, namely: "El Salvador grants asylum to foreigners who wish to reside in its territory except as provided by law and International Law. It may not be included in exceptional cases to persons persecuted for political reasons only.</p> <p>Extradition shall be regulated according to International Treaties and in the case of Salvadorans, only proceed if the relevant treaty is expressly established and approved by the Legislature of the signatory countries. In any case, its provisions should enshrine the principle of reciprocity and grant Salvadorans all criminal and procedural guarantees established by this Constitution.</p> <p>The extradition will proceed when the offense was committed within the territorial jurisdiction of the requesting country, except in the case of crimes of international significance, and may not be stipulated in any case for political crimes, but in consequence of these ordinary offenses. Ratification of Extradition Treaties require two-thirds vote of the elected deputies</p> <p>Having analyzed the recommendation and the essential criteria, with due respect we consider that this issue was addressed improperly since what is required by the recommendation does not correspond to the factors supporting the rating, or that the conclusions issued are equivocal with a different standard than that required by the recommendation and enshrined in international law.</p>
SR.VI	NC	<ul style="list-style-type: none"> <li>• There is no system that requires persons that accomplish asset transmission activities, to obtain a registration or authorization for the accomplishment of such activities.</li> <li>• There are no authorities legally empowered to regulate and supervise above mentioned persons in terms of ML and FT prevention.</li> <li>• The obligations foreseen in AML law and Regulation for this type of business have the same deficiencies identified in Section 4 of this report with respect to other financial institutions.</li> </ul>	<ul style="list-style-type: none"> <li>• Appoint competent authorities in order for them to develop the registration and/or granting of the license to individuals and legal persons that provide securities or money transfer services, which shall maintain updated list with data of operators of this type of service, being further responsible to ensure compliance with the requirements established for the registration or granting of the license, as applicable.</li> <li>• Establish in the Law the obligation for the providers of these type of services to abide by FATF Recommendations.</li> <li>• Establish systems that allow authorities to accomplish an adequate monitoring of fund transfer service providers.</li> <li>• Establish in the Law the obligation that operators of these services have an updated list of agents with which they cooperate, that shall be available to the financial authorities determined.</li> </ul>	<p>Proposal has been made to reform the Law on Supervision and Regulation of the Financial System in the sense to add an article seven, which would be as follows: Subparagraph "t": "Just as every person or company who carries out, on behalf or on behalf of another person or entity, operations of transfer of funds or assets, primarily or essentially, on regular or periodic basis, or in addition to other activities, and other entities as established by law "</p>

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		<ul style="list-style-type: none"> <li>The Law does not foresee penalties for noncompliance applicable to transfer service providers</li> </ul>		
SR. VII	PC	<ul style="list-style-type: none"> <li>Remittance entities are not subject to supervision or registration on behalf of financial authorities, which prevents authorities from being aware of adequate compliance with the recommendation</li> </ul>	<ul style="list-style-type: none"> <li>Expressly enforce remittance entities to gather adequate and significant information with respect to transfer orderers, as well as to accomplish a detailed examination and control of funds transfers related with suspicious activities in consequence with RE.VII and modify SFF instructions on cablegraphic transfers in order to meet all RE requirements.</li> </ul>	<p>Proposal has been made to reform the Law on Supervision and Regulation of the Financial System in the sense of adding a subparagraph to article seven, which would be as follows: Subparagraph "t": "Just as every person or company the conducts, on behalf or on behalf of another person or entity, operations of transfer of funds or assets, primarily or essentially, on a regular or periodic basis, or in addition to other activities, and other entities indicated by law</p> <p><b>In the new proposed reforms entitled Technical standards to manage the risks of money laundering and asset and terrorist financing it has been proposed through the standards committee of Central Reserve Bank on this recommendation as follows :</b></p> <p><b>Risk factors for ML / FT</b> Art. 15.- Institutions should establish methodologies to segment risk factors and and identify forms and typologies through which this risk could be presented, the main risk generating agents ML / FT, including: customers , products, services, distribution channels, and location or geographic location, which can be divided into segments and variables, such as</p> <p>e) For purposes of determining the risk of customer it must be considered, among others, factors such as:</p> <ul style="list-style-type: none"> <li>Frequent movements and / or unexplained accounts to different people.</li> <li>Frequent movements and / or unexplained funds between people of different geographic locations.</li> <li>Manufacturers, arms traffickers and intermediaries.</li> <li>Embassies and Consulates of other countries.</li> <li>Companies of securities transfer.</li> <li>Customers whom the entity determines to be Politically Exposed Persons (PEPs)</li> <li>Accounts held by third parties (eg, accountants, lawyers or other professionals) for their clients, which does not disclose the identity of the end user to the bank. In addition, customer accounts presented by such third parties may incur higher risk cases if the financial institution makes unreasonable use of "know your customer" and enhanced due diligence.</li> <li>Lists issued by international bodies indicating individuals suspected of criminal activity.</li> </ul>

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				<p>f) For purposes of determining the risk of products and services it should be considered, among others, factors such as:</p> <ul style="list-style-type: none"> <li>• International correspondent banking services involving international transactions such as payments to people who are not regular customers (eg acting as intermediary bank) and package delivery activities.</li> <li>• Services involving the marketing and delivery of checks and precious metals</li> <li>• Services inherently providing more anonymity or can easily cross borders, such as: <ul style="list-style-type: none"> <li>✓ Online Banking</li> <li>✓ International transfers,</li> <li>✓ Private investment firms,</li> <li>✓ Trusts.</li> </ul> </li> <li>• Wire transfers</li> <li>• Innovative Products,</li> <li>• Safety Boxes,</li> <li>• Stock market transactions on behalf of clients,</li> <li>• International Operations (forex trading, trading desk)</li> <li>• Purchase of monetary instruments</li> </ul> <p>c) Among the distribution channels that may pose a greater risk are:</p> <ul style="list-style-type: none"> <li>• Use of intermediaries or sub-agents,</li> <li>• ATMs</li> <li>• Electronic Banking</li> <li>• Kiosks</li> <li>• Regional Banking</li> <li>• Mobile Banking (cell phone use).</li> </ul>
SR. VIII	PC	<ul style="list-style-type: none"> <li>• There is no revision of the sectorial normative regulation to prevent the use of NPO in the financing of terrorism. Criterion VIII.1</li> <li>• No evaluations take place analyzing vulnerabilities of the NPO sectors with risk of FT. Criterion VIII.2</li> <li>• The risks of use in the financing of terrorism are not communicated to the sector</li> <li>• There are no adequate mechanisms to sanction</li> </ul>	<ul style="list-style-type: none"> <li>• Review suitability of regulations of non-profit entities concerning regulation for the prevention of the misuse of these entities in relation with risk related with money laundering of financing of terrorism.</li> <li>• Implement exchange of information referring to NPOs.</li> <li>• Accomplish periodic evaluations analyzing possible risk vulnerabilities for financing of terrorism.</li> <li>• Accomplish comparative monitoring or relational ratios with homologous international sectors.</li> <li>• Communicate to non-profit entities sector the risk or vulnerability of the sector's abuse for money laundering and financing of terrorism.</li> <li>• Establish and regulate a supervising entity of NPOs.</li> </ul>	<p>It has been proposed reform of the Law of Non-Profit Associations and Foundations Non-Profit in the following sense:</p> <p>Article 58-A. Registration Procedure Any association or nonprofit organization that wishes to collect, or receive, grant or transfer funds, must be included in the registration of associations of nonprofit organizations. The initial application for registration must include the name, surname, address and telephone number of all persons who have been entrusted duties relating to operations of the association, especially the president, the vice president, the secretary general, board member and treasurer, as appropriate. Any change in the identity of those responsible must be notified to the authority responsible for maintaining the registration. (Ministry of Interior).</p>

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		<p>violations of NPO regulations. Criterion VIII.3.2</p>		<p>Article 39-A. Donations. Any donation made to an association or organization covered by this law, regardless the amount must be included on a register maintained for this purpose by the association or organization, which shall include full details of the donor, the date, the characteristics and the amount of the donation</p> <p>The record shall be maintained for a period of not less than five years and made available upon request by any competent authority to supervise non-profit organizations and, when requested, the tax authorities or court charged with a criminal investigation.</p> <p>When the donor wishes to remain anonymous, the registry identification may be omitted, but the association or other organization shall be obliged to disclose his identity to the authorities responsible for criminal investigation, if they so request.</p> <p>Nonprofit associations and organizations are required to deposit in one or more bank accounts established in authorized banking institutions, all sums of money they give as gift or in the context of transactions to be conducted.</p> <p>Article 40-A Mandatory Declarations. Any donation in cash in an amount equal to or exceeding ten thousand dollars of the United States of America shall be submitted within three days of a statement or report, to be registered with the Financial Investigation Unit, who will design the respective form used for that purpose. Any donation is also subject to the filing of a statement to the Financial Investigation Unit when it is suspected that funds have been or may be linked to the commission of crimes.</p> <p>Art. 40 subparagraph 4°. Nonprofit associations and organizations are required to present its corresponding financial statements of the preceding year, duly accredited, to the Ministry of Interior, within a timeframe of three months as of the date of closure off the fiscal year.</p> <p>Article 83-A. Prohibited Associations. Without prejudice to the prosecution, the Minister of the Interior may, by administrative decision, subject to appropriate sanction procedure, order temporarily prohibiting of operations or dissolution of nonprofit associations and foundations, with full knowledge of the facts, to encourage, promote, organize or engage in criminal acts</p> <p>Art 42. Control of the State. Current provision: "The associations and foundations will also be audited by the Ministry of Finance and the Court of Auditors of the Republic, according to their competence."</p>

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SR. IX	PC	<ul style="list-style-type: none"> <li>• There is no output report system for cross-border transportation of Money or bearer negotiable instruments.</li> <li>• There is no adequate revision system for passengers.</li> <li>• PNC and FIU do not accomplish analysis of the relevant travelling forms</li> <li>• Customs authorities do not have adequate training and feedback of typologies by FIU.</li> <li>• No sanctions foreseen for any type of noncompliance with obligation to declare (except the offender is condemned with the ML crime).</li> </ul>	<p>Review suitability of regulations of non-profit entities concerning regulation for the prevention of the misuse of these entities in relation with risk related with money laundering of financing of terrorism.</p> <p>Implement exchange of information referring to NPOs.</p> <p>Accomplish periodic evaluations analyzing possible risk vulnerabilities for financing of terrorism.</p> <p>Accomplish comparative monitoring or relational ratios with homologous international sectors.</p> <p>Communicate to non-profit entities sector the risk or vulnerability of the sector's abuse for money laundering and financing of terrorism.</p> <p>Establish and regulate a supervision entity for NPOs.</p> <ul style="list-style-type: none"> <li>•</li> </ul>	<p>Proposal has been made to reform the ML law to make it mandatory to declare money, securities in bearer form, at the moment of departure from the country, therefore:</p> <p>Any person entering or leaving the territory of the Republic by any means, regardless of nationality, must declare notes, drafts, personal checks or others, domestic or foreign currency or securities, bearer negotiable instruments in the amount of ten thousand dollars or more or the equivalent in another currency, otherwise will be required to explain such circumstances by way of affidavit.</p> <p>The last of the considerations that support the rating, is false, since the law contains penalties for ML if persons fail to, give false or misleading statement about money, as established in Articles 20 and 21 of the Act , which states the following:</p> <p>Article 20 .- It is reasonable view of the Attorney General of the Republic in accordance with relevant regulations, the verification of the veracity of the statements. The misrepresentation, omission or inaccuracy of the statement will result in the retention of valuables and the promotion of appropriate criminal action under this law.</p> <p>Art. 21 .- If within thirty days of retention, it is not conclusively demonstrated the legality of their origin, money and securities held shall be confiscated. If it is established that the legality of the source, those responsible for the misrepresentation, omission or inaccuracy incur a penalty of five percent of the total amount of retained value, which will be paid to the corresponding collector of the Ministry of Finance.</p> <p>In the case of confiscation, the customs authority shall forward the securities withheld at the Attorney General's Office within eight hours of retention. Most of the factors supporting the rating and recommended actions made by the evaluation team, are not adjusted to the criteria required by Special Recommendation IX. For better understanding we have highlighted in red.</p> <p>The recommendation states: "IX. Cash couriers Countries should have measures to detect physical cross-border transportation of cash and bearer negotiable instruments, including a declaration system or other disclosure obligation. Countries should ensure that their competent authorities have the legal authority to stop or restrain cash and bearer negotiable instruments suspected of being related to terrorist financing or money laundering, or that are falsely declared or disclosed.</p>

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				<p>Countries should ensure that effective, proportionate and dissuasive sanctions are available to be applied to people who make false declaration or disclosure. In those cases where the cash or bearer negotiable instruments are related to terrorist financing or money laundering, countries should also take measures, including legislative ones consistent with Recommendation 3 and Special Recommendation III, which will enable confiscation of such currency or instruments. "</p> <p>Note: Training and feedback are required by Recommendation 30 and should not be addressed in this special recommendation. Otherwise it would be double jeopardy for our country.</p>