

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

## VENEZUELA February 2013

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## I. Introduction

1. This document summarizes the CFATF Secretariat's analysis of the actions the country states it has taken to overcome the shortcomings identified in the Mutual Evaluation Report (MER) discussed in the Plenary of May 2009 and adopted in August of the same year. This is the sixth follow-up report, and it is based on the matrix submitted by Venezuela on October 10<sup>th</sup>, 2012 (see matrix of progress annexed). Venezuela is in the process of regular-enhanced follow-up. In October 2010 the CFATF included Venezuela in the group of countries under ongoing follow-up by the ICRG.

2. Venezuela's ratings were PC or NC with respect to 10 of the 16 Core and Key FATF Recommendations<sup>1</sup>, as can be seen from the following table:

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

3. Overall, the country's ratings were PC or NC in thirty one (31) of the FATF Recommendations as reflected in the table below

Partially Compliant (PC)	Non Compliant (NC)
3. Confiscation and provisional measures	6. Politically exposed persons
5. Customer Due Diligence	7. Correspondent banking
8. New technologies and non face-to-face business	9. Third parties and introducers
10. Record keeping	12. DNFBP – R.5, 6, 8-11
13. Suspicious transaction reporting	16. DNFBP – R.13-15 & 21
14. Protection and no tipping-off	20. Other NFBP and secure transaction techniques
21. Special attention for high-risk countries	24. DNFBP - regulation, supervision and monitoring.
22. Foreign branches and subsidiaries	30. Resources, integrity and training
23. Regulation, supervision and monitoring	32. Statistics
26. The FIU	33. Legal persons – beneficial owners
27. Law enforcement authorities	SR.III Freeze and confiscate terrorist assets
34. Legal arrangements – beneficial owners	SR VII Wire transfer rules
38. MLA on confiscation and freezing	SR.VIII Non-profit organisations
SR I International conventions	SR.IX – Cross-border declaration and disclosure
SR.II Criminalise FT	
SR.IV FT suspicious transaction reporting	
SR VI Alternative money transfer services	

<sup>1</sup> Recommendations referred to are the previous FATF 40+9 Recommendations, which are those still in force in relation to this follow-up report.

4. In October 2010, the FATF included Venezuela in the group of countries under ICRG continuous follow up. Following Venezuela's progress in implementing the Action Plan in October 2012 the FATF Plenary decided, on the recommendation of the ICRG, to schedule an on site visit in January 2013 to verify the implementation of the Action Plan items fulfilled by Venezuela.

5. The following is the information supplied by Venezuela as a summary of the scope of its financial system and its international interdependence.

Data as of December 31, 2010		Banks	Other Credit I.*	Insurance	TOTAL
Number		37	22		59
Assets	US\$	92.824.409	1,075,571		93.899.980
Deposits	Total: US\$	61.520.339	105.422		61.625.761
	Non-residents: US\$ %				
International Links	Foreign-owned:	14.85			14.68
	Subsidiaries abroad	9			9

\* Includes 17 Exchange Houses

## II. Scope of this report

6. Since the Fifth Follow-up Report, approved after the May 2012 Plenary, by the process of Round Robin, Venezuela has continued to remedy the shortcomings found in its AML/CFT regime. In that report it was indicated that the deficiencies identified in Recommendations 5. 6. 7, 8, 9, 10, 14, 21, 23, 33 and 34 had been corrected. On this basis, the present report will focus on those shortcomings of which rectification is pending and which have been affected by the recent advances presented.

## III. Summary of progress achieved by Venezuela

7. The main advances indicated by the authorities for this period can be summarized as follows:

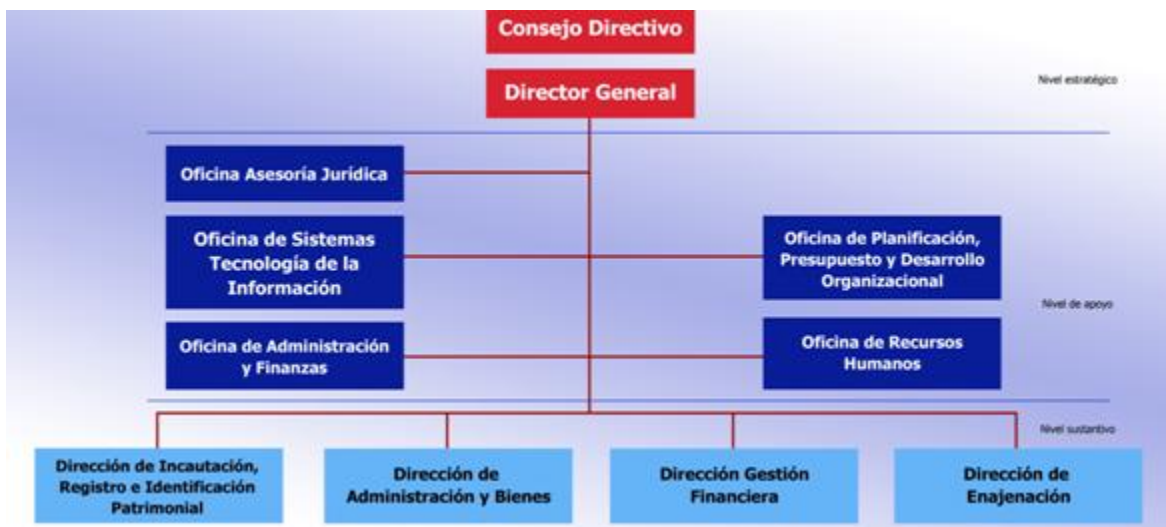
- The Organic Law against Organised Crime and Financing of Terrorism (LOCDOFT) came into force on 30 April 2012. As will be seen below, this has a positive impact on several Recommendations.
- The Joint Resolution No. 122 of 2012 (hereinafter Resolution 122), whereby establishing and regulating the rules and procedures to be adopted by regulated entities which aim to identify and apply appropriate preventive blocking of funds and other assets in accordance with the resolutions of the Security Council (UNSC).
- The Joint Resolution No. 158 of 2012 (hereinafter Resolution 158), which regulates the process of implementation and enforcement of UNSC Resolution No. 1372 on the enlistment of people who commit or attempt to commit terrorist acts and funding.
- Development Project on the Automation and Modernization of Offices and Records attached to Autonomous Service of Registries and Notaries (SAREN). This project was created by Convention of ALBA and is currently implemented by the General Directorate of Autonomous Service of Registries and Notaries.
- Decree No. 8013 of 2011, created the National Service Administration and Property Disposal Insured or seized, confiscated and forfeited.
- Additionally, in terms of effectiveness Authorities presented a substantial number of statistics in research, convictions, seizure from money laundering offences, as well as statistics on inspections and monitoring visits to both the financial and non-financial sector. Finally, information was provided regarding mutual legal assistance offered.

### Details on Key and Core recommendations

8. The following is an analysis of the actions which the authorities have taken and set out in the matrix of advances regarding Core and Key Recommendations rated PC or NC.

#### **Recommendation 3**

9. As mentioned before, under Decree 8013 of 2011 of the National Service for Management and Transfer of Secured, Seized, Confiscated and Sequestered Property was created. This unincorporated entity and dependent on National Anti-Drug Office (ONA) is intended to ensure efficient administration, provision and disposal of assets assigned by the courts of Venezuela. It is responsible for the planning, organisation, financing, management, disposal, liquidation, transfer, custody, inspection, oversight, procedures and control, inside and outside the country, regarding movable and immovable property, capital, vessels and aircraft, automotive vehicles, works of art and jewellery, livestock, bank holdings, shares and securities as ordered by the Criminal Courts of the country, in accordance with the Act regulating drugs, without prejudice to assets, rights and shares under its jurisdiction conferred upon it.
10. The structure of the National Service of Administration and Disposal of Assets Insured or Seized, Forfeited and Confiscated is:



11. Below are the numbers of seizures conducted by the SNB classified by type of asset and the period of 2000-2012.

TIPO	Nº BIENES	TOTAL MONTO APROXIMADO EN BsF
BIENES INMUEBLES	345	Bs. 1.026.397.627,00
BIENES MUEBLES	3932	Bs. 2.443.724.779,00
MONEDA NACIONAL	1272	Bs. 4.065.079,00
MONEDA EXTRANJERA	384	Bs. 39.875.565,50
SOCIEDADES	49	Bs. 467.148.398,00
<b>TOTAL</b>	<b>5982</b>	<b>Bs. 3.981.211.448,50</b>

12. According to the above, it is considered that the deficiencies identified in the IEM to have been substantially corrected".

### Recommendation 13 and Special Recommendation IV

13. Article 4.2 of the LOCDOFT defines suspicious activity as

“any unusual, complex operation, complete or incomplete, which upon analysis gives rise to suspicion of involving funds derived from an illicit activity, or of having been conducted or attempted for the purpose of concealing proceeds of illicit activities.

14. Article 13 requires all regulated entities<sup>2</sup> to report suspicious activities, in the following terms:

<sup>2</sup> According to Article 9 of the LOCDOFT the following are considered regulated entities::

1. Natural persons and legal persons, whose activity is regulated by the law governing the banking sector.
2. Natural persons and legal persons, whose activity is regulated by the law governing the insurance sector.
3. Natural persons and legal persons, whose activity is regulated by the law governing the securities sector.
4. Natural persons and legal persons, whose activity is regulated by the law governing the sector bingo and casinos.
5. Hotels, tour companies and authorized to conduct foreign exchange operations.
6. Foundations, associations and other nonprofit organizations.
7. The political organizations, groups of voters, citizens groups and the people they are running on their own initiative for elected office..
8. Branch offices of public records and public notaries.
9. Lawyers, lawyers, administrators, managers, economists and accountants or accountants in the free exercise of the profession, when r they carry out transactions for a client concerning the following activities:
  - a. sale of real estate;
  - b. money management, securities and other assets of the client;
  - c. management of bank, savings or securities;
  - d. organization of contributions for the creation, operation or management of companies;
  - e. creation, operation or management of legal persons or legal arrangements, and buying and selling of business entities
10. Individuals and corporations, whose economic activity include:
  - a. sale of real estate;
  - b. construction of buildings (malls, homes, offices, etc.);
  - c. trade in precious metals and stones;
  - d. trade in works of art and archeology;
  - e. merchant marine;
  - f. leasing and security safe custody, transport and transfer of securities or remittance;
  - g. advisory services on investment, loans and other financial business clients, whatever their nationality or residence;
  - h. businesses of buying and selling of ships, aircraft and land motor vehicles;
  - i. establishments for the sale and purchase of responses and used vehicles;
  - j. establishments for the purchase, sale, marketing and service of new and used cell phones.

“Regulated institutions shall give special attention to any transaction or group of transactions, regardless of amount or type, when it is suspected that the funds, capital or assets are derived from or linked to, or may be used to commit money laundering, terrorist acts, financing of terrorism or any other instance of organised crime. **They shall also give particular attention to such activities even when their source is legitimate.**

In the above cases the regulated entities shall promptly submit Suspicious Transaction Reports to the National Financial Intelligence Unit, which shall analyse them and if necessary forward them to the Ministerio Público, to decide on possible criminal investigation (...).”

15. The first sub-paragraph of Article 13 is comprehensive, in that it includes all suspicious operations referred to specifically in criteria 13.2 and IV.1 respectively, including, for cases of financing of terrorism, activities derived from illicit sources and also, even though the definition of suspicious activity in Article 4.2 is limited to proceeds of illicit activities, the reporting requirement itself appears in Article 13<sup>3</sup>.
16. The second paragraph sets out the requirement of prompt reporting and forwarding to the Financial Intelligence Unit.
17. On the basis of the above, it is considered that the shortcomings identified in the MER with regard to these Recommendations have been adequately remedied.

## Recommendation 26

18. Finally, Article 24<sup>4</sup> of the LOCDOT stipulates that the National Financial Intelligence Unit (UNIF) shall fall under the Ministry of the Popular Power for Planning and Finances and Article 25 shall establish its functions<sup>5</sup>. Further, the fifth transitional provision stipulates that within one hundred and eighty (180) days from the coming into force of the LOCDOT, the UNIF, which at present falls under SUDEBAN, shall perform within this until its legal personality is established in terms of Article 24. It

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The category of regulated entity may be extended by law or decree, to other stakeholders for whose purpose the obligations, burdens and duties that are relevant to their business will be established and identify the body of control and supervision, inspection and monitoring respectively.

<sup>3</sup> Any doubts on the part of the regulated entities can be resolved by the supervisory bodies. Also, understanding and effectiveness of the law will have to be verified by evidence from implementation (figures on STRs concerning FT from legal sources)

<sup>4</sup> Art. 24 The National Financial Intelligence Unit is a decentralized body with budget, administrative and financial autonomy, under the Ministry of the Popular Power with responsibility for planning and finance.

<sup>5</sup> Article 25. The responsibilities of the Financial Intelligence Unit, are the following:

1. Centralize nationwide suspicious activity reports generated or emitted by regulated entities defined in this Act, in the performance of duties of care to prevent money laundering and terrorist financing offenses.
2. Require and receive from regulated entities all information related to financial transactions, trade or business that may be affiliated with the offences of money laundering and terrorist financing
3. Analyze the information obtained to confirm the existence of suspicious activities, and operations or patterns of money laundering and terrorist financing
4. Prepare and maintain records and statistics needed for the performance of its functions.
5. Exchange with counterparts in other countries, the information for the study and analysis of cases involving money laundering, terrorist financing and other transnational organized crimes, may enter into agreements or memoranda of understanding, as required
6. Submit reports to the Attorney General when there is evidence of the alleged commission of an offense, which will be duly substantiated with information to support them
7. Provide the public ministry any assistance required in the analysis of information held by the National Financial Intelligence Unit, and assist with the investigation of the crimes of money laundering and terrorist financing
8. Coordinate with the National Office Against Organized Crime and Financing of Terrorism and the supervisory entities and authorities, the actions needed to promote proper supervision of regulated entities and to ensure compliance with the rules of prevention and control in this area govern supervisory entities and authorities
9. Provide necessary information to the National Office of Organized Crime and Terrorist Financing for policy design in the area of its jurisdiction
10. Others arising from this Act or other laws and international conventions signed and ratified by The Republic of Venezuela

is also stipulated that the Ministry of the Popular Power responsible for planning and finance shall be responsible for providing operating resources, as well as setting out rules for its organisation and functioning.

19. The Authorities informed that the FIU has been holding working meetings with the Anti- Money Laundering, Financial and Economic Crime Directorate of the Ministerio Público, and has succeeded in reconciling the statistical information in the intelligence reports forwarded from the FIU to the Ministerio Público. The FIU appointed a liaison officer for the purpose greatly increasing the feedback between both organizations conducting monthly meetings with representatives of the Attorney General.
20. The server dedicated to exclusive use by the FIU is in full operation and independently, in a secure private network. In addition, the Project for Computerisation and Access to Information Sources and Databases (SIF) <sup>6</sup>of the Superintendency of Banks (SUDEBAN) benefits the FIU by giving it access to the transmission files to be held by the SIF. It has become operational since August 01, 2012.
21. As previously reported, the UNIF has a server (computer equipment) that is one hundred percent (100.00%) active and is completely independent and private network access only to staff working in UNIF.
22. According to the above, deficiencies identified in the IEM with respect to this Recommendation have been sufficiently rectified.

### **Special Recommendations I and III**

23. According to the above, Resolutions 122 and 158 establish the procedures for the implementation of resolutions 1267 and 1373 of the UNSC.
24. Articles 4 and 3 of Resolutions 122 and 158 respectively indicate that they are mandatory for regulated entities defined by the LOCDO<sup>7</sup>.
25. Resolution 122 described from Article 7 the process for the implementation of UNSC Resolution 1267. Therefore, the National Office Against Organized Crime and Terrorist Financing (UNO) is appointed as responsible for distributing the list in accordance with Resolution 1267 to supervisory entities and authorities, who in turn distribute these lists to their respective regulated entities or indicate where they can access it. The regulated entities should review the list and if in case of coincidence, after analysis, the regulated entity shall proceed to pre-emptively block the funds of the persons mentioned in the list and working for the institution, and shall immediately notify the FIU, in order for the latter to intensively proceed with the case and ratify that measure. Once the measure has been ratified, the FIU shall immediately notify the governing body and the public prosecutor.
26. Article 21 refers to claim cases which may arise to process exclusions in the list, must be processed before the Public Prosecutor, who will direct the Ministry of Popular Power for Foreign Affairs with jurisdiction to order it to be forwarded to the UNSC. For its part, Article 22 refers to exemption cases to the freezing of funds, which must also be processed before UNSC.

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<sup>6</sup> Its purpose is to provide SUDEBAN with an IT system enabling it to obtain timely, secure and reliable information from financial institutions, through a single electronic medium, to improve supervision and regulation of banks and other financial institutions

<sup>7</sup> See footnote # 2.

27. Resolution 158 as described in Article 4 the process for the implementation of UNSC Resolution 1267. Article 5 defines the criteria that ONDO must have for enlistment of individuals or corporations. Articles 6-8 refer to the analysis procedure for enlistment. Once enlistment has been completed, Article 9 provides that the ONDO, shall immediately and without delay, emit a communication to the supervisory entities and authorities, in order that their regulated entities on their freezing or preventive blocking of funds <sup>8</sup> and other assets of that person. Also included are delistment procedures and exceptions (Articles 14-16), petitions for reconsideration (Articles 19-24) and response to requests from abroad (Article 25).
28. Finally, Resolutions 122 and 158 provide for the possibility of filing penalties for breach of the obligations contained in those resolutions.
29. According to this, the deficiencies identified in the IEM on these recommendations have been sufficiently rectified.

## Special Recommendation II

30. Article 53 of the LOCDOFT defines financing of terrorism in the following terms:  
“Whosoever provides, facilitates, protects, manages or collects funds<sup>9</sup> by any means direct or indirect, for use in part or whole by an individual terrorist or a terrorist organisation, or to commit one or more terrorist acts, shall be liable to fifteen to twenty-five years’ imprisonment, even though the funds have not actually been used or the terrorist act or acts have not been committed.  
The penalty stipulated shall apply independently of whether the funds are used by an individual terrorist or by a terrorist organisation operating on foreign soil, and without regard to the country in which the terrorist act or acts may take place.  
No political, philosophical, ideological, religious, racial discrimination or other like considerations shall in any circumstances constitute a defence against a charge of financing of terrorism”.
31. Pursuant to the above, Article 53 covers financing of terrorist acts, terrorist organisation and individual terrorist, terms defined in Article 4<sup>10</sup> (4.1, 4.17 and 4.22) of the LOCDOFT, in keeping with the essential criteria of the Methodology. In addition, financing of terrorism is defined as an independent offence. The shortcomings identified in the MER are therefore substantially rectified.

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<sup>8</sup> Resolution 158, Article 2 defines preventive freezing or blocking "the prohibition conducted by regulated entities in the transfer, conversion, disposal, or moving the funds or other assets as a result of enlistment issued by the National Office Organized Crime and financing of Terrorism (ONDO).

<sup>9</sup> Art. 4.2 defines funds as “assets of any kind, tangible or intangible, movable or immovable, acquired in any manner, including electronic and digital, being evidence of ownership or participation in the said assets, including inter alia bank holdings, travelers cheques, bank cheques, payment orders, shares, securities, bonds, letters of exchange and letters of credit, regardless of the lawfulness or unlawfulness of their origin”.

<sup>10</sup> “Art. 4: for the purposes of this Act;

A terrorist act is any intentional act which by its nature or context may seriously injure a country or an international organization, criminalized under Venezuelan law, committed with the intention of seriously intimidating a population, exert undue pressure upon governments or an international organization to perform or abstain from performing any act, or seriously destabilize or destroy basic constitutional, economic or social political structures of a country or an international organization.

17. A terrorist organization is a group of three or more persons associated with the common purpose of carrying out, jointly or successively, the design, preparation, organization, financing or implementation of one or several terrorist acts.,

22 - Individual terrorist is a natural person who without belonging to a terrorist organization or group designs, prepares, organizes, finances and implements one or more terrorist acts (...)



### **Other actions**

32. The following paragraphs summarise the actions taken by Venezuela in relation to FATF Recommendations other than core and key ones. Attention is focussed on those rated PC or NC on which the country has submitted relevant information (further information may be found in the annexed matrix).

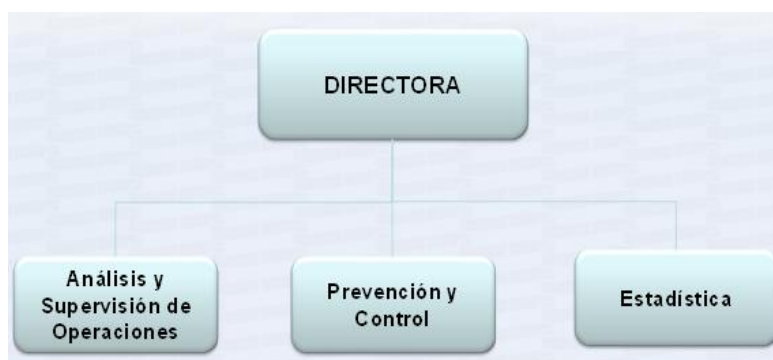
### **Recommendation 20**

33. The LOCDOFT in Article 9 includes as regulated entities, other than those listed by the FATF DNFBPs such as companies of purchase and sale of ships, aircraft and land motor vehicles; establishments for the purchase and sale of used vehicles, establishments for the purchase, sale, marketing and service of new and used cell phones and more. Additionally, the same Article 9 leaves the door open for the inclusion of other regulated entities.
34. The ONDO and ONA have had technical working meetings with the Ministry of Light Industries and Commerce who will be responsible for overseeing AML / CFT car dealers and distributors of mobile phone.
35. According to the above mentioned, the deficiency identified in the IEM regarding this recommendation has been substantially rectified.

### **Recommendations 12, 16 and 24**

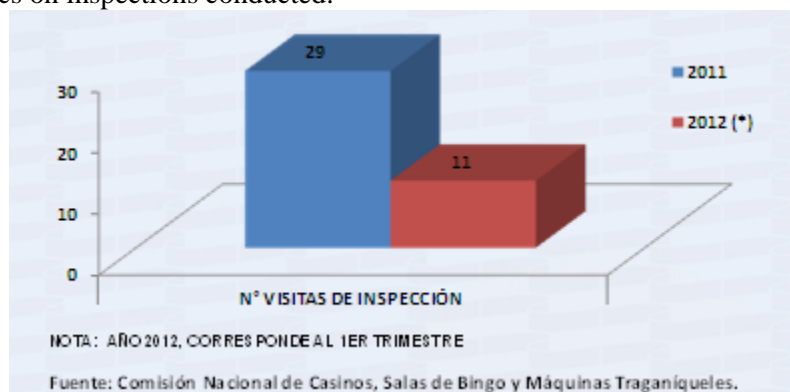
36. As stated above, Article 9 of LOCDOFT defines regulated entities including all categories of APFND defined in the glossary of the FATF Methodology.
37. In terms of preventive measures that should be made applicable to DNFBPs according to recommendation 12 (Recommendations 5, 6 and 8-11), the LOCDOFT establishes in Articles 11 and 16 measures of customer due diligence to comply with some of the essential criteria of Recommendation 5, Article 18 deals with the PEP (Recommendation 6), Article 10 refers to the registration obligations (Recommendation 10) and Article 12 refers to aspects of the requirements of Recommendation 11.
38. The LOCDOFT also includes preventive measures to DNFBPs also enforceable in accordance with Recommendation 16 (Recommendations 13, 14, 15 and 21). As reported in sections of Recommendation 13 and Special Recommendation IV, LOCDOFT established the obligation to report suspicious activity for all regulated entities. The LOCDOFT also sets requirements of Recommendations 14 and 21 (see Articles 14 and 19).
39. Additionally, The National Anti-Narcotics Office (ONA) is working with representatives of the Colleges of Managers, Economists and Accountants, to enable the National Committee on Rules of Professional Conduct for Graduates in Collegiate Administration (CONAPROLAC) to [sentence incomplete in original], and with representatives of the precious stones and precious metals, hospitality service providers, natural and legal persons in the real estate industry, in order to develop standards for money laundering and terrorist financing prevention in these sectors.
40. In addition, the ONA and the Directorate for Prevention, Control and Investigation of Money Laundering of the Autonomous Registry and Notarial Service (SAREN) are working together to adapt the standards to the new FATF Recommendations adopted in 2012.

41. Regarding supervision of DNFBPs (Recommendation 24), The LOCDOFT Article 7 establishes the agencies and entities to prevent, control, monitoring, control and surveillance and Article 8 establishes the obligations of these supervisory entities and authorities. However there are few sectors of DNFBPs that are still without a supervisory and monitoring entity.
42. The ONDO and ONA have had technical working meetings with: a) the People's Ministry of Petroleum and Mining, who will be the body responsible for overseeing the traders of metals and gemstones, b) the Ministry of Popular Power for Housing and Habitat, who will be the body responsible for overseeing real estate and construction entities c) with professional bodies who will be responsible for supervising lawyers and accountants.
43. As specified in casinos, as noted in the previous monitoring report, the Directorate for Prevention, Control and Investigation of Money Laundering of the National Casino Commission was created with the following structure.

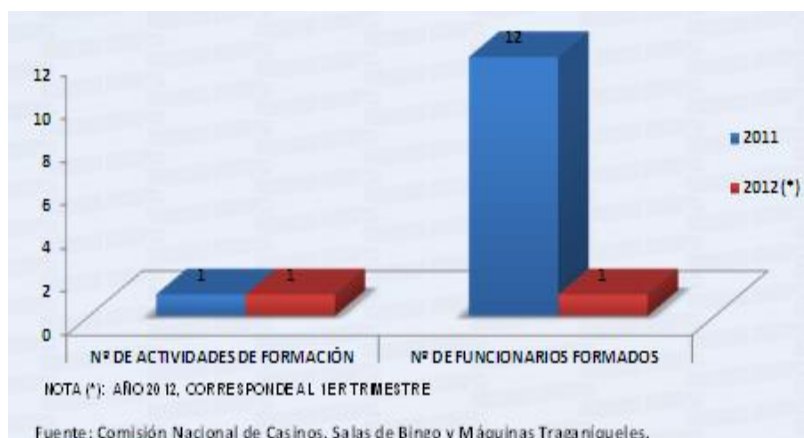


## Recommendation 22

44. With the secondment to the Ministry of Popular Power for Interior Relations and Justice, the National Commission for Casinos, Bingo halls and Slot machine, began a national control plan on all companies that have licenses to operate as casinos and bingo halls, in order to review its operational and legal operation. Establishments closed by the Commission are also subject to processes of criminal investigation by the Public Ministry.
45. Below are statistics on inspections conducted:



46. Additionally, it is worth highlighting the activities of training provided:



47. According to the above, remaining would be that the preventive measures, not included in the LOCDOFT, to be incorporated into the various rules for DNFBPs (except casinos and notaries and registries who already have such legislation) by their respective supervisory and control bodies to fully rectify the deficiencies identified in the IEM with respect to these recommendations.

## Recommendation 22

48. Another instance of progress to be emphasised for the purpose of this report is that Article 20 of the LOCDOFT requires regulated institutions to

“ensure that the provisions of this Act relating to money laundering and terrorist financing prevention, control and supervision are enforced upon branches and subsidiaries located abroad.

When the laws in force or applicable abroad do not allow application or enforcement of control and prevention measures, the respective branches and subsidiaries shall notify the head office of the regulated entity, with a view to establishing a computer system that will enable adequate follow-up of movements of money, **and the branches and subsidiaries abroad shall be required to apply the highest standard contemplated in this article.**

**Representatives of foreign banks or other financial institutions shall be subject to the provisions of this Act”.** (The highlight is ours.)

49. In view of the above, the shortcoming indicated in the MER regarding enforcement on branches and subsidiaries of the highest standards of money laundering and terrorist financing prevention, control and supervision has been remedied.

## Recommendations 30 and 32

50. The Directorate for Money Laundering Prevention and Control of the Superintendency of Insurance has at present a staff of seventeen (17) distributed over the areas mentioned (Lawyers, public accountants, managers, actuaries, insurance technicians) and one Director.
51. Meanwhile in the Securities Industry, is evidence that the National Securities has within its structure a Management of Prevention, Supervision and Control of Money Laundering and Terrorist Financing. Such management has a (01) Compliance Officer, one (01) Manager, one (01) Lawyer who function as Legal Support and four (04) Inspection and Control Analysts. To date we are working on adding two (02) additional Inspection and Control Analyst.

52. The UNIF officials joined with the Officials in the Coordination of Inspection reaching to date a total of more than fifteen (15) persons responsible for carrying out these activities. Also there is a technology infrastructure that permits the performance of assigned activities.
53. In relation to the sector of Registries and Notaries, to date it has the organizational structure of the Department of Prevention and Control of Money Laundering control as follows: Coordination of Control and Oversight, Coordination and Prevention and State Coordinators. Currently there are seven (07) officials, including the Director of Prevention and Control of Money Laundering. However, the necessary steps are being taken to incorporate eighteen (18) additional staff.
54. Meanwhile in the Internal Revenue Customs Sector has the Office of Prevention and Control of Money Laundering, attached directly to the Office of the Superintendent. Its mission is to monitor, plan, monitor, evaluate and efficiently penalize the operations and activities conducted by the agencies of the Service and Regulated Entities in order to avoid being used as tools for money laundering. To date, the Office of Prevention and Control of Money Laundering, has a number of thirteen (13) officers, including Chief of the Office and have SENIAT Technology Platform, to support the implementation of its activities, which efficiently meet the needs presented to date in the Office.
55. As a result of the joint work of the FIU and the Ministerio Público mentioned in the sections on Recommendation 26 the unification process of figures has been finalized. In addition, the FIU sent to the Ministerio Público a total of sixty-one (61) intelligence reports, twenty-four (24) of which complemented previous ones, giving rise to approximately thirty-six (36) new investigations.
56. Below is procedural status found in the 109 cases involving the crime of money laundering to the first quarter of 2012

Número Casos Conocidos	Casos en Fase Preparatoria	Fase Intermedia	Fase de Juicio	Fase de Ejecución (con condena)
109	62	9	21	17
47				

57. Of the forty-seven (47) cases in the intermediate, trial and execution phase, seventy-seven (77) persons are charged of which thirty-three (33) people are under the implementation stage (conviction).
58. Below is procedural status in which six (6) cases are linked to the capital crime of terrorism until September 2012:

Número Casos Conocidos	Casos en Fase Preparatoria	Fase Intermedia	Fase de Juicio	Fase de Ejecución (con condena)
06	02	02	01	01
4				

59. Of the four (4) cases that are in intermediate stages, trial and execution, eight (8) people are charged including two (2) people under implementation (conviction).

60. Additionally, on mutual legal assistance the following information is presented:

AÑO 2011 PAÍS		AÑO 2012 PAÍS	
España	01	Colombia	01
Brasil	01	Panamá	02
Perú	01	EEUU	02
Colombia	04		
Panamá	01		
República Dominicana	01		

### Recommendation 38

61. See sections on Recommendation 3.

### Special Recommendations VI and VII

62. The Authorities indicate that in view of the Exchange Convention in force since 2003, money-changing, remittance and transfer operations are regulated by the Currency Management Commission (CADIVI). In addition, under Resolution no. 119.10, Article 78, regulated entities must submit to SUDEBAN, within fifteen (15) days, a report on any operation of purchase, sale or transfer of currency, as well as electronic sales of currency. However it is not clear whether the identification threshold of electronic transfers required in the essential criteria of recommendation VII applies in all cases. Likewise, there is clearly the existence of requirements for domestic transfers to rectify the deficiencies identified in the IEM.

### Special Recommendation VIII

63. Article 9 .6 of the LOCDOFT includes under regulated entities foundations, civil associations and other non-profit organisations (NPO), which are subject to the requirements of the Act. Earlier, information had been given of the existence of an Act of December 2010 regulating the activities of NGOs, and including provisions on their sources of income.

64. According to reports by the Authorities, through the Service Registries and Notaries (SAREN) and the National Integrated Customs and Tax Administration (SENIAT) control is maintained over NPOs.

### Special Recommendation IX

65. Article 22 of the LOCDOFT stipulates that “natural persons, national or foreign, upon entering or leaving the national territory, shall declare money or negotiable instruments the value of which exceeds ten thousand US dollars (US\$10,000) or the equivalent”.

66. In addition, the ONA and the SENIAT Directorate for Prevention and Control of Money Laundering are working together to adapt these legal provisions to the new FATF Recommendations adopted in February 2012. Additionally, according to reports from the authorities, the SENIAT reported RAS directly to the UNIF

#### **IV. Conclusion**

67. According to the progress reported, it can be appreciated the high commitment of the Venezuelan authorities to rectify the deficiencies identified in the MER. A major achievement has been the decision by the FATF Plenary conduct an on-site visit to Venezuela to verify compliance with the Action Plan.
68. According to the information in this report, by reforming the LOCDOFT, Resolutions 122, 158, among other advances have presented substantially corrected deficiencies of Recommendations 3, 13, 20, 22, 26, 38, Special Recommendations I, II, III and IV. Likewise there has been progress in the implementation of Recommendations 12, 16, 24, VI, II, VIII and IX.
69. In terms of effectiveness, Venezuela has shown substantial evidence of progress on training, RAS numbers, complaints, penalties and forfeitures, supervision, and the acquisition of human, technical and technological resources.
70. Therefore, it is recommended therefore to transfer Venezuela to regular- normal annual follow up. The next progress report will be presented at the Plenary in November 2013.

CFATF Secretariat  
February 2013



# VENEZUELA

## Matrix of Progress. III Round of Mutual Evaluations

Including changes since the last progress report, in November 2011, are in **bold red**.

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
1. ML offence	<b>ML</b>	<ul style="list-style-type: none"> <li>It does not cover some prior crimes.</li> <li>Problems as far as the effectiveness of the norm goes, reflected in lack of convictions</li> </ul>	<ul style="list-style-type: none"> <li>It is necessary to cover all categories of predicate offenses defined by the FATF.</li> <li>The Venezuelan state has the necessary legislation for the prevention and correction of ML and FL offences; however, it requires that it be properly implemented by the responsible institutions in accordance with the spirit in which it was created.</li> </ul>	<p><b>This point was resolved with the new Organic Law Against Organized Crime and Terrorist Financing.</b></p> <p>The prosecution provided updated statistics regarding convictions for the offense of money laundering, from July 2010 <b>to 2012. See attached.</b></p>
2. ML offense—mental element and corporate liability	<b>MC</b>	<ul style="list-style-type: none"> <li>Despite the number of investigations, sufficient statistics have not been provided on convictions to verify the effectiveness of criminal procedures and penalties.</li> <li>There have been no reports of convictions of Legal Persons</li> </ul>	<ul style="list-style-type: none"> <li>Same as R.1.</li> </ul>	<p>The prosecution provided updated statistics regarding convictions for the offense of money laundering, from July 2010 <b>to 2012. See attached.</b></p>
3. Confiscation and provisional measures	<b>PC</b>	<ul style="list-style-type: none"> <li>The lack of case law makes it impossible to verify the effectiveness of precautionary measures and confiscation</li> <li>Data in records are not computerized which makes it difficult to trace the assets.</li> <li>The lack of specific statistics on seizures and precautionary measures in cases of LA make it impossible to assess the effectiveness of the measures.</li> </ul>	<ul style="list-style-type: none"> <li>Train staff</li> <li>Improve tracing and detection of property to be confiscated.</li> </ul>	<p><u>Ministerio Público</u></p> <p>The information system entitled “Integrated Follow-up System for Cases of Money Laundering, Financing of Terrorism and other Economic and Financial Crimes, into which cases notified by the Fiscal Representatives responsible are entered consists of an application designed to for continuous and permanent follow-up of such cases by the Anti Money Laundering, Financial and Economic Crime and General Organised Crime Directorates of the Ministerio Público, taking account of the FATF 40+9 Recommendations, with a view to generating statistics reflecting internal judicial proceedings regarding property subject to provisional measures and confiscation under final court verdicts. It is also intended that this information shall include such data as: type of property, description, means whereby it was secured, date of securing, personal responsible during the trial, final consignee, value (in Bs), quantity, physical location. This data is continually entered as it is generated at each stage of the process. The statistical part of the system is at present at the test phase, and it is expected that by December, when total consolidation of the system is planned, the necessary adjustments for optimisation of the system will have been completed.</p> <p>It also incorporates a module for input of the corresponding phases of the proceedings, divided into “investigation”, “intermediate” and “trial”. This will enable the judicial situation of any given case to be known.</p> <ul style="list-style-type: none"> <li>At the present time the system in question is approximately 90% operational, and this has enabled data to be downloaded, in two phases: 1) starting from the updating of files relevant to cases initiated in 2011, all of which have been included; and 2) with downloading of cases from previous years, obtained by a previous process of collection of information in cooperation with the relevant Directorates and <i>attorneys</i> of the Public Prosecutors Office.</li> <li>According to the data so far contained in the system concerning the cases supplied by the competent prosecutors in the Ministerio Público, in 2011</li> </ul>



				<p>various properties both movable and immovable have been the subject of seizures in the context of criminal investigations into money laundering, and between 1999 and 2011 1367 items of movable property and 223 immovable properties have been sequestered.</p> <ul style="list-style-type: none"> <li>For example the records show that in 2010 and 2011, the following movable property was seized: <b>2011: weapons</b> (hand guns): 11, <b>technical equipment</b> (cellular telephones) 13; <b>livestock</b> 102 (bovine 90, equine 3, pigs 9); <b>heavy machinery</b>: 5 (tow trucks 2, back hoes 2, portable water tank 1); <b>automotive vehicles</b>: 22 (cars 3, trucks 3, pickups 12, motorcycles 3, station wagons 1); <b>limited liability companies</b> (<i>compañías anónimas</i>) 12; <b>vessels</b>: 5 (motorboats 3, yachts 2), for a total to date, counting only these goods, of 170. In 2010 the following goods of the same types were seized: <b>weapons</b>: 9 (hand guns 5, rifles and shotguns 3, others 1); <b>technical equipment</b>: 238 (cell phones 148, iPods 12, laptops 19, PCs 11, sound reproduction equipment 2, video recorders 1, others 45), <b>livestock</b>: 106 (bovine 89, equine 7, pigs 10); <b>heavy equipment</b> 0; <b>automotive vehicles</b>: 107 (cars 26, trucks 6, pickups 49, motorcycles 22, station wagons 3, dump trucks 1); <b>compañías anónimas</b>: 10; <b>vessels</b>: 11 (boat 1, motor boats 2, jet skis 3, yachts 5); <b>jewellery</b>: 313 (chains 36, necklaces 12, bracelets 46, watches 121, rings 3, earrings 52, others 43) giving a total, of this type of goods only, of 794. <p>In 2011 the following immovable property was also seized: <b>agricultural establishments</b>: 3 (farms 2, cattle ranches 1); <b>commercial establishments</b>: 5 (warehouses 4, others 1); <b>dwellings</b>: 56 (apartments 49, annexes 1, houses 3, houses with land 3), while in 2010 the following properties were seized: <b>agricultural establishments</b> 4 (farm 1, cattle ranch 1, country lots 2); <b>commercial establishments</b> (shops): 4; <b>dwellings</b>: 59 (apartments 30, houses 12, apartment blocks 4, others 1, houses with land 12).</p> <p>The property notified by the prosecutors of the Ministerio Público as <b>confiscated property</b>, is also stored, comprising: 50 moveable items (vehicles, vessels, jewellery and livestock) and 16 immovable properties (commercial premises, <i>compañías anónimas</i>, houses, houses with land, apartments, cattle ranch, agricultural lots); in addition, the following sums of money have been confiscated: 63,212 Bolívares, 603,000 Euros; 201 Brazilian Reales; 100 Mexican Pesos, 380 Colombian Pesos and 220 Peruvian Soles.</p> <p>All the seized and the confiscated property has been placed in the custody of the National Antinarcotics Office (ONA).</p> <p><b>See the annex to the matrix for the updated statistics.</b></p> </li></ul>
4. Secrecy laws consistent with the Recommendations	C	•	• Clarify access to information on branches in countries with strict secrecy laws.	<p>With respect to the banking secrete in Resolution 119-10 several measures tending to consider as high risk clients, legal persons organized and established in countries, states or jurisdiction that have a differentiated fiscal system among residents and nationals, strict <b>banking secrecy</b>, lack of international treaties on the matter were introduced; likewise, reduced or inexistent taxes. Likewise, the Banking Superintendence issued Resolution 312.12 which prohibits enforced subject to accomplish and maintain operations with banks or financial institution with banking and/or investment license granted in countries, states or jurisdictions with low-tax regimes, without monetary, banking or financial supervision, or with strict protection to banking secrecy.</p>
5. Customer due diligence	PC	• ML and FT prevention legislation in the securities sector is poorly developed.	• Improve prevention system in securities sector.	<p><b>Financial Sector</b></p> <p>In Resolution No.119–10 of 9<sup>th</sup> March 2010, Official Gazette No. 39,494 of the 24<sup>th</sup> August</p>

	<ul style="list-style-type: none"> <li>• Need to improve certain aspects of identification and knowledge of customers and verification of data submitted by them, as well as updating of this information.</li> <li>• Adequate segmentation of customers including enhanced due diligence for higher-risk activities, profiles or categories.</li> <li>• The evaluation team was not able to verify the effectiveness in the application of the existing regulation in the securities sector, since no interviews with representatives of the private securities sector or any regulated entity were held, despite repeated requests</li> <li>• There is no certainty of adequate identification and knowledge of the final or beneficial owner of: <ul style="list-style-type: none"> <li>- Trusts and usufructs</li> <li>- Legal persons with complex share structures</li> </ul> </li> <li>• No risk-based approach (RBA) has been developed</li> </ul>	<ul style="list-style-type: none"> <li>• Improve system for discovering beneficial owner for some legal persons</li> <li>• Establish ML and FT prevention rules for PEPs, Correspondent Banking and remote banking</li> </ul>	<p>2010, the Superintendency of Banks (SUDEBAN) adopted a risk based approach. The resolution develops "Rules for Management and Control of Risks related to ML/FT for Institutions regulated by the Superintendency of Banks".</p> <p>This Resolution contains aspects relating to Customer Due Diligence (CDD) policy, and in Article 34 it states that regulated institutions must, in accordance with the at-risk nature of their financial dealings, implement their own internal procedures, measures and controls for adequate and ongoing application of CDD for knowledge of the customer.</p> <p>CDD policy must be applied in a variable manner in accordance with the sensitivity and ML/FT risk determined by each regulated entity in accordance with its own risk evaluation procedures, and taking account of circumstances and risk factors. A high risk level requires enhanced CDD, a moderate risk level improved CDD, and a low risk level standard CDD.</p> <p>In addition the regulated institutions must implement appropriate measures and controls to reduce the potential ML/FT risk of those customers who have been classified as high risk. Such measures and controls may include:</p> <ol style="list-style-type: none"> <li>a. Improved ML/FT risk awareness training for the staff of the regulated entity and its customers.</li> <li>b. Increased monitoring of transactions.</li> <li>c. Raising level of continuous controls and frequency of review of the business relationship (monitoring).</li> <li>d. Raising know- your- customer levels by means of visits to the customers themselves.</li> <li>e. Senior management level approval for opening of an account or a business relationship.</li> </ol> <p>As regard segmentation of customers, including enhanced due diligence for those types, activities, profiles or segments of greater risk, Resolution No.119–10 Article 8, states that the scope of application of internal policies, procedures, controls and mitigation measures that each regulated entity shall decide to set up in its overall ML/FT risk management system shall be subject to their ML/FT risk level, classified as High, Moderate and Low in all areas of business, taking into account the different ML/FT risk factors relating to their employees, customers, geographical areas, the distribution channels used, the products or services and size of the entity,;and these controls shall be strictly mandatory.</p> <p><b><u>Trusts</u></b></p> <p>With regard to trusts, mandates, commissions and other trust-type operations, the Superintendency of Banks legally authorises all-purpose banks to carry out this type of operation, and they are regulated in Articles 73, 74, 75, 76 of the Decree with Force of Law partially amending the Law on Institutions of the banking sector, Official Gazette No.39,627 of 2<sup>nd</sup> March 2011. Decree No.8,079 – 01 of March 2011.</p> <p>In addition, Article 65 of Resolution No.119–10 requires integrated ML/FT risk management for trust operations. In this regard, regulated institutions licensed as trust institutions must consider this type of product as high risk and ensure that there is adequate, precise and timely information on the trusts they manage, including information on the trustor, and the final beneficiary. They are also required to design mitigation measures suitable to this level of risk and the type of product involved.</p>
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años	realizadas in situ	auditorías / expedientes											
2011	76	0											
2012	19	29											
6. Politically exposed persons	NC	<ul style="list-style-type: none"><li>With regard to PEPs there is no legal obligation and no regulations have been developed for this, since the Superintendency of Banks is in the process of revising Resolution 185-01 “Standards for Prevention, Control and Prosecution of Money Laundering Operations Applicable to Entities Regulated by the Superintendency of Banks and Other Financial Institutions”, to adapt it to international standards.</li></ul>	<ul style="list-style-type: none"><li>Establish ML and FT prevention rules for PEPs</li></ul>	<p><b>Organic Law against Organised Crime</b></p> <p><b>The LOCDO amendment describes a Politically Exposed Person as a natural person who is or has been a senior public official in a position of trust or similar position, or his closest family relations or his immediate circle of collaborators, and whose functions are those of an official or senior official of an executive, legislative, judicial or military body of a national or foreign government. Close family includes parents, siblings, spouses, children or in-laws of the politically exposed person. This category also includes any legal person, such as corporation, firm or other entity created by the said official for his benefit.</b></p> <p><b>Additionally article 18 requires regulated entities under the supervision of the</b></p>									

				<p><b>controlling body to design, establish and enforce due diligence procedures when dealing with customers who are, have been or would be considered to fall within the description of politically exposed person. They are also required to establish adequate risk management systems, and senior management approval must be obtained for every such case.</b></p> <p><b><u>Financial sector</u></b></p> <p>Article 124 of Resolution 119-10, published in Official Gazette No. 39,494 of 24 August 2010, defines a politically exposed person as an individual who is or has been a senior political figure, or his close associates and immediate associates. A senior political figure is an important official of an executive, legislative, judicial or military organ of a foreign government, a senior member of a foreign political party or a senior executive of a corporation belonging to a foreign government. The definition of close relations includes parents, siblings, spouses, children or relations by marriage. A close associate of a PEP is a public person widely known for his association with the PEP, and includes those who are in a position to carry out financial transactions on behalf of PEPs. It also lists out the rules governing PEPs. Article 32 sets out the factors and categories to be considered as high risk, and these include PEPs, Furthermore, Article 61 of the Resolution requires Regulated Persons to take reasonable steps to mitigate the risk of deliberate or involuntary participation in the concealment or transfer of proceeds of corruption by foreign senior political figures and their associates. In view of the variable nature of risks posed by PEPs, identification, monitoring and design of controls for such customers and movements in their accounts must be based on their level of risk.</p> <p>In accordance with the level of risk, due diligence procedures must ensure, at a minimum, the following;</p> <ol style="list-style-type: none"> <li>Identification of account holder and beneficiary</li> <li>Obtaining information directly from the individual concerning his status as a PEP.</li> <li>Determination of the country of residence of the account holder.</li> <li>Obtaining information on the origin of the funds,</li> <li>Checking of references to determine whether the individual is or was a PEP.</li> <li>Obtaining approval of senior management for establishment of business relations with such customers.</li> <li>Obtaining information on persons having signature rights in the account.</li> <li>Reasonable efforts to review public information sources.</li> </ol> <p><b><u>Stock Market</u></b></p> <p>Resolution 110 of 19 May 2011, Official Gazette No. 39,691 of 8 June 2011, containing the Regulations Concerning Management and Supervision of Risk Related to Money Laundering and Financing of Terrorism Applicable to Institutions Regulated by the Superintendency of Securities, specifically includes PEPs, their immediate relations and close associates among factors and categories to be considered as high risk, without prejudice to such others as may be included or listed in accordance with the risk determination procedures appropriate to each Regulated Institution, or as may be ordered by an authority competent in the matter, or in accordance with international best practice in prevention and control of money laundering and financing of terrorism.</p>
7. Correspondent banking	NC	No regulations have been developed for correspondent banking since the Superintendency of Banks is in the process	<ul style="list-style-type: none"> <li>Establish ML and FT prevention rules for Correspondent Banking</li> </ul>	With regard to the actions taken by the Superintendency of Banks (SUDEBAN), Resolution No.199-10, Official Gazette No.39,494 of 24 <sup>th</sup> August 2010, set out measures for regulating correspondent banking with regard to ML/FT. Article 32 of the Resolution

		<p>of revising Resolution 185-01 “Standards for Prevention, Control and Prosecution of Money Laundering Operations Applicable to Entities Regulated by the Superintendency of Banks and Other Financial Institutions”, to adapt it to international standards. Nor is there any regulation for the remainder of the financial sectors.</p>		<p>specifies the factors or categories which must be considered to be high risk, and these include the following high risk products and/or services: a) Private and corporate banking b) Correspondent banking and/or correspondent relations c) Wire transfers d) Safe deposit boxes e) Money exchange and money trading businesses f) Loans guaranteed by deposits in foreign banks g) Trusts and asset management services h) Payable through accounts i) Accounts of stock market traders, brokers or investment agents or persons acting on behalf of third parties.</p> <p>It also stipulates in Article 62 that regulated institutions having correspondent relationships, in addition to implementing due diligence procedures, must apply the following controls:</p> <p>a).- Gather sufficient information on a represented financial institution to enable full understanding of the nature of its business, in order to determine, on the basis of the collected information, the reputation of the institution and the quality of its supervision, including whether it has been the subject of investigation or intervention for ML/FT by the controlling authority..</p> <p>b).- Evaluate existing controls for ML/FT prevention, taking account of the fact that there are foreign financial institutions in other jurisdictions which are not subject to the same regulations applied in the Venezuelan banking system, and may therefore represent greater ML/FT risk.</p> <p>c).- Adopt a policy of upper level management approval for new correspondent relations.</p> <p>Additionally, regulated entities which provide correspondent services to foreign banks and use third parties to carry out know-your-customer due diligence (that is to say, collection of public information on the bank in order to understand the character of its business and determine its reputation, as well as evaluating its ML/FT controls and determining whether it requires upper management level controls on the establishment of correspondent relationships) must take into account that the responsibility for identifying and verifying the identity of the customer falls upon the regulated institution.</p> <p>Any financial institution that contracts third parties must obtain the information relating to the CDD elements that is collected.</p>
8. New technologies & non face-to-face business	NC	<ul style="list-style-type: none"> <li>No regulations have been developed for remote banking, since the Superintendency of Banks is in the process of revising Resolution 185-01, “Standards for Prevention, Control and prosecution of Money Laundering for Institutions Regulated by the Superintendency of Banks and other Financial Institutions”, to adjust it to international standards. Nor are there any regulations for the other financial sectors.</li> </ul>	<ul style="list-style-type: none"> <li>Improve system for discovering beneficial owner for some legal persons.</li> <li>Establish ML and FT prevention rules for remote banking.</li> </ul>	<p>Resolution No.199-10 laid down measures to prevent ML/FT in internet banking. It specified that the regulated institutions must pay special attention to any ML/FT risk that may arise from the use of new or developing technologies which render verification of the identity of the customer difficult, and adopt measures to prevent their use for illegal purposes; for this purpose they must institute policies and procedures to address any specific risk associated with business relations or operations that do not entail the physical presence of the parties.</p> <p>They must also have monitoring systems to enable them to carry out ongoing due diligence over the business relationship and examine the transactions performed during this relationship, in order to ensure that these transactions are in keeping with the knowledge that the institution possesses about the customers, their businesses and their ML/FT risk profiles.</p> <p>These systems must be capable of detecting transactions performed electronically, and therefore must be alert to any anomaly appearing in the account. Warning signals may include the frequency of deposit of funds to the account or, in the case of automatic tellers, the number of cards associated with the account. Banks which use internet banking to perform transactions must have reliable and effective methods of checking the identity of</p>

				<p>customers when accounts are opened or operations performed on line, as well as guaranteeing the integrity, availability, confidentiality and non-deniability of the information. Regulated institutions must also impose other controls such as limits on the amounts transacted.</p> <p>Here it is important to stress that the initial Decree with Force of Law partially amending the Banking Act requires adoption of additional measures regarding new technologies and non face-to-face business, stipulating specifically that the Superintendency of Banks, on the binding authority of the Venezuelan Central Bank, must design prudential regulations governing the provision of banking services, computerisation of processes, remote banking, mobile banking, non-bank correspondence, broadening of distribution channels and reduction of lags in the network of offices of the banking institutions.</p> <p>Banks may not lend nor offer through internet banking products or services other than those covered in the Act, or those authorised by the Superintendency of Banks.</p>
9. Third parties and introducers	NC	<ul style="list-style-type: none"> <li>There is no specific prohibition of this in the law, and no development of regulation in keeping with international standards.</li> </ul>	<ul style="list-style-type: none"> <li>Establish regulations for (third parties and introducers) in keeping with international standards.</li> </ul>	<p><u>Financial Sector</u></p> <p>Resolution Mo.119-10 sets out the measures to be adopted by regulated institutions to comply with international standards for use of third party intermediaries. They must use various methods for identification of and checking the data supplied by potential or new customers. For higher risk levels they must apply stricter or more detailed methods, which may include requesting additional information, contact with or visits to the customer, telephone communication, and independent verification through comparison of customer-supplied information with information from a credit or investigation agency or a public data base or other source. Institutions must also verify the quality of the information related to capture of data from the Customer Identification File and its subsequent updates, on the basis of principles of integrity, availability, confidentiality and non-deniability. Likewise, regulated institutions must include in their “ML/FT Risk Management Policy and Procedures Manual” their rules and procedures for checking data supplied by customers, in keeping with the risk level assigned to each type of customer. These procedures must include, at least:</p> <ol style="list-style-type: none"> <li>General instructions for interview at the opening of an account</li> <li>Specification of cases in which further identity documents, such as membership cards in business or social organisations, driving permit, etc., must be requested.</li> <li>How to check names, age and other personal data by means of ID card or other identity documents.</li> <li>When telephone numbers, home addresses, workplace, etc. must be checked by telephone.</li> <li>Cases in which residential address or legal premises of a firm must be checked by means of water, electricity or fixed or cellular telephone receipts, telephone directories or telephone company information systems, visits to home or business premises, certification of place of residence issued by relevant civil authority, condominium management board or community council.</li> <li>When bank, business or personal references provided by the customer must be checked by telephone or other means.</li> <li>Cases requiring submission of Income Tax Declaration.</li> </ol> <p>Regulated institutions must check the identity of the customer prior to or during the process of setting up a business relationship or undertaking transactions for occasional customers. In cases where it is essential not to interrupt the normal course of business, regulated institutions may complete the verification as soon as it may be reasonably feasible after the establishment of the relationship. Accounts of public or State agencies, State enterprises,</p>

				<p>foundations and associations of a public nature, and the payroll accounts of workers, both those belonging to the above State bodies and agencies and those of private enterprises, always provided that the data has been officially supplied by the respective employers, are exempt. In addition, accounts of retired persons opened by order of the competent State body which provides the pension, shall be exempted from the verification of the information.</p> <p>Financial institutions which delegate to intermediaries the responsibility for identification of customers and checking their identity, obtaining information on the purpose or nature of the business relationship, or to attract new business, must take adequate measures to ensure that copies of the identification data and other pertinent documentation are handed immediately to them by the third parties upon request.</p> <p>Article 124 of Resolution No.119-10 defines the term intermediary as the activity that brings together demanders and suppliers of financial assets. Intermediaries are often used to obtain customers, for private banking, insurance companies and stock market firms.</p> <p><b><u>Insurance sector</u></b>  Providencia No. 514 of 18<sup>th</sup> February 2011, Official Gazette No.39,694 of 13<sup>th</sup> June 2011, containing the Rules for Prevention, Control and Prosecution of Money Laundering and Financing of Terrorism in the Insurance Business, stipulated that intermediaries must assume the responsibility to fully identify policyholders, beneficiaries or contracting parties, using necessary mechanisms that apply customer identification due diligence policies. Information for identification of the customer shall begin with that provided in the respective applications.</p> <p>Furthermore, insurance intermediaries shall not be permitted to sign the declaration of the origin of the funds and applications containing data and information relating to policyholders, or beneficiaries or contracting parties to prepaid medical care plans, nor the abovementioned instruments, and violation of this provision by insurance intermediaries shall be sanctioned in accordance with the Insurance Act.</p>
10. Record keeping	PC	<ul style="list-style-type: none"> <li>• No verification of compliance with this</li> <li>• Recommendation in the securities sector was possible, since no private entity in this market was visited.</li> <li>•</li> <li>• With respect to obtaining information registered in those registries, the information would be useful only if provided in a timely manner and by all the corresponding regulated entities. However, there is no administrative control that can give any assurance that this is the case.</li> <li>•</li> <li>• Threshold of \$10,000 for record-keeping on wire transfers.</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure compliance with record keeping in all sectors.</li> </ul>	<p><b>Organic Law against Organised Crime (LOCDO)</b></p> <p><b>The LOCDO amendment sets out in article 10 that the reporting entities should keep, in physical and electronic form, for a period of at least five (05) years, documentation and records supporting operations and business relations of customers or users, as well as the identification documents required upon establishment of business relations with the institution. The time period established shall be counted:</b></p> <p><b>a. for documents relating to identification of customers or users (copy of official identification documents, such as passport, identification card, driving permit or similar items) from the day of conclusion of the relationship; b. For documents supporting an operation, from the performance of the operation; c. For suspicious transaction reports, from their submission; d. For business relations, the date of conclusion of the relation. Non-compliance with these rules entails a fine by the regulatory body of between three hundred (300) and five hundred (500) Tax Units (TUs)</b></p> <p><b><u>Commercial code</u></b>  Article 142 of the Venezuelan Commercial Code, Extraordinary Official Gazette No. 475</p>



				<p>of 21<sup>st</sup> December 1955, requires retention of business documents for a period of ten (10) years.</p> <p><b><u>Banking sector</u></b>  Circular No. SIB-DSB-UNIF-07942 of 31<sup>st</sup> March 2011 ratifying Article 172 Paragraph 18 of the Decree with Force of Law partially amending the Banking Act, in concordance with Article 78 of Resolution No.199.10 of 9<sup>th</sup> March 2010, imposes on institutions regulated by the Superintendency of Banks the duty to retain records of operations and customer identification data, including transactions performed for amounts under ten thousand United States dollars (US\$ 10,000). In addition they are required to comply with customer due diligence (CDD) rules set out in the above mentioned Resolution No.199.10, in accordance with policies established by the institution on the basis of the customers' risk level.</p> <p>In addition, under Article 6 of the Decree with Force of Law partially amending the Banking Act, the Superintendency of Banks is the agency that regulates the banking sector.</p> <p>The Act defines prudential rules issued by the Superintendency as <u>"all mandatory directives and instructions of a technical accounting, legal and technological nature issued by general Resolutions and Circulars sent to the natural or legal persons under its supervision"</u>.</p> <p>Therefore all Resolutions and Circulars issued by this Regulatory Agency are strictly mandatory prudential regulations under the abovementioned Special Act. Thus the Circular issued by SUDEBAN on the basis of Article No.78 of Resolution No.119.10 is a Prudential Regulation, the purpose of which is to broaden the scope of application of the Resolution in question.</p> <p><b><u>Stock Market</u></b>  Article 43 of the Regulations for Management and Control of Risks related to Money Laundering and Financing of Terrorism applicable to institutions supervised by the National Superintendency of Securities, Official Gazette No. 39,691 of 8<sup>th</sup> June 2011, stipulates that regulated institutions shall retain for five (05) years documents or records on the performance of business operations and relations with investors; as well as documents required for identification of investors performing such operations. The period in question shall run as follows: a).- for documents concerning identification of the investor, from the day on which the relationship is concluded. b).- for documents supporting an operation, from the execution of the operation c).- for suspicious transaction reports, from the moment of their submission.</p> <p>In none of these cases is a threshold specified.</p> <p><b><u>Insurance sector</u></b>  Article 46 of the Regulations for Prevention, Control and Prosecution of Money Laundering and Financing of Terrorism in the Insurance Business, Official Gazette No. 39,694 of 13<sup>th</sup> June 2011, specifically stipulates that regulated institutions must retain for a period of at least five (05) years from the moment of conclusion of business relations with the customers, all documentation relating to such customer, contained in the customer file.</p> <p><b><u>Bingo and Casino Sector</u></b>  Article 30 of the Regulations for Prevention, Control and Prosecution of Money</p>
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				<p>Laundrying and Financing of Terrorism in casinos, bingo halls and slot machines, Official Gazette No. 39,654 of 12<sup>th</sup> April 2011, stipulates that regulated institutions are required to hold individual information on each of their customers on physical, electronic or magnetic supports, and that these must be retained for a period of at least ten (10) years.</p>
11. Unusual transactions	<b>ML</b>	<ul style="list-style-type: none"> <li>The effectiveness of actions in this area could not be completely quantified, since the processes were only recently put in place.</li> </ul>	<ul style="list-style-type: none"> <li>Implement in a more effective way the existing regulations for regulated institutions in order to comply with the laws, regulations and rules against money laundering.</li> </ul>	<p><b>The sectors most sensitive to be used for the commission of the crime of money laundering and terrorist financing (banking, securities, insurance, registries and notaries and bingos and casinos) have effectively implemented anti-money laundering and anti-terrorism legislation, which can be evidenced through the CFATF statistics provided in due course.</b></p> <p>Resolution 119-10 demands that Enforced Subjects must implement informatics systems that facilitate the detection of unusual operations. See Article 90</p> <p>Enforced Subjects must design annually a strategic plan that must be approved by the Board of Directors in order to prevent and mitigate ML/FT risks, which shall be named POA, PCML/FT which may include in accordance with the needs, and as minimum, acquisition, implementation or legalization of computerized systems for the detection of unusual and suspicious operations, training programs for workers, supervision and auditing programs, legalization of mechanisms for internal control, protection of computerized programs to increase efficiency and efficacy in risk management, See Article 22</p>
12. DNFBP–R.5, 6, 8-11	<b>NC</b>	<ul style="list-style-type: none"> <li>An effective AML/CFT system of control for casinos could not be verified due to the lack of interviews with any of the expected supervisors and representatives of the sector</li> <li></li> <li>For the rest of the DNFBPs, regulatory development of prevention obligations in money laundering still does not exist</li> <li></li> </ul>	<ul style="list-style-type: none"> <li>Issue regulations for the DNFBP sector and ensure compliance.</li> </ul>	<p><b>Casinos and Bingo Halls</b></p> <p>One of the measures put into effect by Venezuela was Providencia No.011, Official Gazette No.39,654 of 12<sup>th</sup> April 2011, containing regulations for Prevention, Control and Prosecution of Money Laundering and Financing of Terrorism in casinos and bingo halls.</p> <p>This purpose of this Providencia is to establish and unify policies, rules and procedures, designed on the basis of risk level, to be followed by casinos and bingo halls, as regulated entities, in order to avoid being used as instruments for money laundering and financing of terrorism.</p> <p>Businesses with licences to operate casinos, bingo halls and slot machines, and related firms, also fall under this Providencia; they are therefore required to put into effect an integrated money laundering and terrorist financing prevention and control system, comprising efficient and effective measures designed to avoid being used for ML/FT during their operations.</p> <p>Supervision of the Casinos, Bingo Halls and Slot Machine sector is the responsibility of the National Commission for Casinos, Bingo Halls and Slot Machines, part of the Ministry of Internal Relations and Justice.</p> <p><b>In 2011 the Directorate for Prevention, Control and Supervision of Money Laundering carried out a total of thirty-six (36) inspection visits to various licence-holders, detecting instances of non-compliance with existing rules. Please see annex with statistics.</b></p> <p><b>Registry and Notarial sector</b></p> <p>Among the measures put into effect by Venezuela is Resolution No.150, Official Gazette No.39,697 of 16<sup>th</sup> June 2011, containing rules for Prevention Control and Prosecution of Money Laundering and Financing or Terrorism applicable to Registry and Notarial Offices.</p>

				<p><b>It should be noted that at present the Directorate for Prevention, Control and Supervision of Money Laundering of the SAREN is working together with the ONA to adapt the law to the new FATF Recommendations approved in February 2012.</b></p> <p>The purpose of this resolution is to lay down continuous and permanent rules and procedures that must be implemented by the various Registry and Notarial Offices as regulated entities, in order to avoid legalisation or authentication by their offices of legal acts or agreements designed to launder the proceedings of illegal activities set out in the Organic Law against Organised Crime.</p> <p>Furthermore, Notarial and Registry Offices belonging to the Autonomous Service of Registration and Notarial Offices (SAREN) are required to comply with internal rules, procedures and mechanisms for Money Laundering Prevention and Control covered by the Resolution in question.</p> <p><b><u>Customs and Tax sector</u></b> At the present time the National Integrated Customs and Taxation Administration Service (SENIAT) is refining the draft of the Providencia containing Rules for Prevention, Control and Prosecution of Money Laundering and Financing of Terrorism in the customs sector to adapt it to the work of the latter agency, for submission to the Ministry of Planning and Finance for due approval and subsequent publication in the Official Gazette. <b>It should be noted that at present the Directorate for Prevention, Control and Supervision of Money Laundering of the SENIAT is working together with the ONA to adapt the law to the new FATF Recommendations approved in February 2012.</b></p> <p><b><u>Other Sectors: Dealers in Precious Stones and Metals, Hospitality Services, Natural and Legal Persons engaged in Real Estate Activities.</u></b> At the present time the National Anti-Narcotics Office (ONA) is liaising with representatives of this sector with a view to the issue by the National Committee for Professional Conduct of Graduates in Collegial Management (CONAPROLAC), of a draft from the Inter-Professional Association Commission (Graduates in Management, Economists and Public Accountants) which will regulate operations of the <i>Comisario Mercantil</i> (Trade Commissioner) in the area of Money Laundering and Terrorist Financing Prevention and Control.</p> <p><b><u>Sector of Management Professionals, Economists and Accountants</u></b> At the present time the National Narcotics Office (ONA) is working with representatives of this sector to enable the National Committee for Professional Standards for Collegiate Management Graduates (CONAPROLAC) to issue a draft from the Inter-Association Commission (Collegiate Management Graduates, Economists and Public Accountants) to govern the operations of the <i>Comisario Mercantil</i> (Trade Commissioner) in AML/CFT matters.</p> <p><b>It confirms previously reported. Additionally relevant statistics are attached to this subject matter.</b></p>
13. Suspicious transaction	NC	<ul style="list-style-type: none"> <li>- The law establishes an obligation to inform the FIU jointly with another</li> </ul>	<ul style="list-style-type: none"> <li>Eliminate from the Law the obligation to send STRs to the “decentralized agency” in</li> </ul>	<b><u>Organic Law against Organised Crime (LOCDO).</u></b>

reporting	<p>entity that has not been established, which could affect its implementation as the legislation remains unclear.</p> <ul style="list-style-type: none"> <li>- The regulations are clear and applicable to the institutions under the responsibility of the</li> <li>• Superintendency of Banks, but they do not cover securities and insurance, among others.</li> </ul>	<p>addition to the UNIF. Although this organ does not exist, it could cause future problems.</p> <ul style="list-style-type: none"> <li>• Reduce the time allowed to file an STR</li> <li>• Require by law that STRs should be presented for all operations that are suspected of financing of terrorism (at the moment the law only requires STRs related to funds of illicit origin).</li> </ul>	<p><b>The fact that this observation was rectified was confirmed by the publication in the Official Gazette No. 39.912 of April 30, 2012 of the Organized Bill against Organized Crime and the Financing of Terrorism by indicating that the reporting entities must pay particular attention to any transaction or group of transactions regardless of their amounts and nature, when it is suspected that the funds, capital or assets come from or are linked, or they could be used to commit crimes of money laundering, terrorist act or financing of terrorism or any other crime of organized crime. They must also pay special attention to such activities even when they come from a lawful source.</b></p> <p><b>In the above cases the reporting entities shall expeditiously inform through reports of suspicious activity to the National Financial Intelligence Unit, which will analyze them and if it is the case it will be forwarded to the Attorney General's Office, so that this office may evaluate the relevance of the beginning of the corresponding criminal investigation.</b></p> <p><b>The Suspicious Activity Report is not a criminal complaint and does not require the formalities and requirements of this mode of proceeding, nor does it entail criminal, civil or administrative liability against the reporting entities and its employees, or signatories.</b></p> <p><b>Non-compliance of the obligation to report suspicious activity by the reporting entity, shall be punished by the supervisory body or entity, with a fine of between five hundred (500 T.U) and one thousand tax units (1,000 U.T.).</b></p> <p><b>The LOCDO confirms the requirement for regulated entities to report directly to the UNIF; the duplication involved in STR reporting is thereby completely eliminated. STRs related to terrorist financing must also be made when the funds are of legal origin. Furthermore, submission of STRs must be prompt.</b></p> <p><b><u>Financial sector</u></b> Resolution No.199.10, Official Gazette No.39,494 of 24<sup>th</sup> August 2010, stipulates that when regulated entities decide to report cases of suspected activities relating to ML/FT, the Compliance Officer must submit a corresponding "Suspicious Transaction Report" (STR) to the UNIF, both electronically and in writing, within a period of time not exceeding 48 hours after the ML/FT CPC determines the need for reporting the operation as suspicious. For purposes of this reporting, the regulated entity does not need to be certain that the activity is criminal, or that the resources concerned are proceeds of criminal activity. It is only necessary for the regulated institution to consider that the activities are suspicious, on the basis of their experience and the analysis they have carried out.</p> <p><b><u>Casinos, Bingo Halls and Slot Machines</u></b> Article 6 of Providencia No.011 of 6<sup>th</sup> April 2011, containing the Regulations for Prevention, Control and Prosecution of Money Laundering and Financing of Terrorism in Casinos, Bingo Halls and Slot Machines, Official Gazette No.39,654 of 12<sup>th</sup> April 2011, stipulates that regulated institutions must submit within two working days following the date on which gamblers performed the operation that is considered to be suspicious, Suspicious Transaction Reports with full documentation in support, directly to the National Financial Intelligence Unit (UNIF).</p>
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				<p>Article 45 also stipulates that regulated institutions must report not only when they suspect that some operation is linked to money laundering and financing of terrorism or that the resources are the proceeds of these crimes; they must therefore base themselves on precepts developed by experience.</p> <p><b><u>Registry and Notarial</u></b>  In Official Gazette No.39,697 of 16<sup>th</sup> July 2007 the Registry and Notarial Offices belonging to the autonomous Registry and Notarial Service (SAREN) published the Rules for Prevention, Control and Prosecution of Money Laundering and Financing of Terrorism applicable to these offices. Article 21 stipulates expressly that it is not necessary to be certain that an operation is related to organised crime or financing of terrorism, or that the resources are the proceeds of such activities for a report to be made. It also stipulates that Suspicious transaction Reports (STR) must be sent directly to the National Financial Intelligence Unit (UNIF) in compliance with the specifications of that body. <b>Within a period not exceeding five (05) continuous working days.</b></p> <p><b><u>National Integrated Customs and Tax Administration Service (SENIAT).</u></b>  The SENIAT Office for Prevention of Money Laundering has now been created, and as a result this agency is in the process of revising the draft Regulations for the sector in question. However, the representative of the Office has held meetings with the Financial Intelligence Unit in order to refine the procedures to be applied for submission of Suspect Activity Reports directly to the UNIF. As a result, since its creation this Office has submitted a total of four (04) STRs to the UNIF.</p> <p><b><u>Stock Market</u></b>  Resolution No.110 of 19<sup>th</sup> May 2011, Official Gazette No.39,691 of 8<sup>th</sup> June 2011 containing the Regulations for Management and Control of Risks related to Money Laundering and Financing of Terrorism for institutions supervised by the National Superintendency of Securities, stipulates in Article 66 that regulated institutions must give particular attention to operations and/or activities, regardless of their amount, nature or the characteristics of the persons performing them, whether or not it is suspected that they are the proceeds of unlawful activities or that they may give rise to suspicion that they are related to money laundering and financing of terrorism.</p> <p>In addition, the Resolution expressly lays down the obligation of regulated institutions to <b>send the information concerning suspicious activities to the National Intelligence Unit (UNIF), not later than thirty (30) days following the performance of the operation.</b></p> <p><b><u>Insurance Sector</u></b>  Providencia No.514 of 18<sup>th</sup> February 2011, Official Gazette No.39,694 of 13<sup>th</sup> June 2011, containing the Regulations for Prevention, Control and Prosecution of Money Laundering and Financing of Terrorism in the insurance business, stipulated that regulated institutions shall pay particular attention to any operation that may give rise to suspicion of being related to money laundering or financing of terrorism, regardless of its amount or whether the funds concerned stem from lawful or unlawful sources; as well as any other characteristics out of keeping with the customer's profile.</p> <p>The Providencia also stipulates that regulated institutions are required to send to the National Financial Intelligence Unit (UNIF) information on activities considered to be <b>suspicious whether or not they are linked to organised crime and/or financing of</b></p>
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				terrorism not later than thirty (30) days following the performance of the operation.
14. Protection & no tipping-off	PC	<ul style="list-style-type: none"> <li>It is not clear that there is provision for protection from criminal and civil liability of financial institutions, directors, officers and employees for suspicious operation reports sent to the FIU.</li> <li>There are no rules expressly forbidding, directors, officers and employees, temporary or permanent, of a financial institution to disclose that a SOR has been made.</li> </ul>	<ul style="list-style-type: none"> <li>To afford legal protection to regulated institutions that comply with this obligation in good faith.</li> <li>To raise to the rank of Law, the prohibition to reveal an STR or information related to investigations of the UNIF (currently the prohibition is only contained in a Resolution) and establish the possibility of administrative and penal sanctions for its breach.</li> <li>Require by a legal or regulatory manner that the personal names and details of those who carry out a STR remain safe.</li> </ul>	<p><b><u>Organic Law Against Organised Crime (LOCDO)</u></b></p> <p>The LOCDO states expressly that a suspicious transaction report is not a criminal denuncia, and does not entail the procedures and requirements of a denuncia, nor does it entail criminal, civil or administrative liability on the part of the regulated entity, its employees, or the signatory.</p> <p>It also indicates that non-compliance of the obligation to report suspicious activity by the reporting entity, shall be punished by the supervisory body or entity, with a fine of between five hundred (500 U.T.) and one thousand tax units (1,000 U.T.).</p> <p>Moreover it notes that reporting entities and their employees, shall not disclose the customer, user, nor to any third party, that information has been reported to the National Financial Intelligence Unit or other competent authorities, neither that any suspicious transaction linked to this information is being reviewed. They may neither reveal that they have provided information to other competent authorities.</p> <p>Failure to comply with the above shall be punished by the supervisory body or entity of the reporting entity, with a fine of between one thousand (1,000 U.T.) and three thousand tax units (3,000 U.T.). In case of repeat the fine will be doubled.</p> <p><b><u>Financial sector</u></b></p> <p>Article 86 of Resolution No.119.10, Official Gazette No.39,494 of 24<sup>th</sup> August 2010, lays down specifically that a Suspicious Transaction Report (STR) is not a criminal denunciation and does not entail the formalities and requirements of this type of proceeding, nor does it entail criminal or civil liability on the part of the regulated institution and its employees, or for the person signing it. Customers may not invoke rules of confidentiality or secrecy in force to assert civil or criminal liability on the part of employees of the regulated institution for disclosure of any information, provided such information supports well-founded suspicion of criminal activities on the part of the competent authorities, even if the supposedly criminal act or irregular activity has not taken place.</p> <p><b><u>Casinos, Bingo Halls and Slot Machines</u></b></p> <p>The Rules for Prevention, Control and Prosecution of Money Laundering and Financing or Terrorism in Casinos, Bingo Halls and Slot Machines, published in Official Gazette No.39,654 of 12<sup>th</sup> April 2011, stipulates that reports of suspicious activities (STRs) must not be considered as criminal denunciations, nor do they entail the formalities or requirements of this type of proceeding, and that they therefore do not entail criminal or civil liability on the part of the regulated institutions or their employees responsible for signing and despatching the report.</p> <p><b><u>Registry and Notarial</u></b></p> <p>Rules for Prevention, Control and Prosecution of Money Laundering and Financing of Terrorism applicable to Registry and Notarial Offices belonging to the Autonomous Registry and Notarial Service (SAREN), Official Gazette No.39,697 of 16<sup>th</sup> July 2007, expressly stipulates that reporting of suspicious activities shall not be considered as a criminal denunciation, and therefore entails no criminal, civil or administrative liability on the part of regulated institutions, or their employees responsible for signing and despatching the report. In addition, it stipulates that all officials or employees of the</p>

				<p>regulated institution must refrain from disclosing to the user or to third parties that the competent authorities have been informed of activities which may appear to be linked to money laundering and financing of terrorism.</p> <p><b><u>National Integrated Customs and Tax Administration Service (SENIAT)</u></b>  The SENIAT Office for Prevention of Money Laundering has now been created, and as a result this agency is in the process of revising the draft Regulations for the sector in question. However, the representative of the Office has held meetings with the Financial Intelligence Unit in order to refine the procedures to be applied for submission of Suspicious Transaction Reports directly to the UNIF.</p> <p><b><u>Stock Market</u></b>  The Rules for Management and Control of Risks related to Money Laundering and Financing of Terrorism for institutions regulated by the National Superintendency of Securities, Official Gazette No.39,691 of 8<sup>th</sup> June 2011, stipulated that employees of the regulated institution may not warn investors that verifications have been carried out or that authorities have been notified of operations and/or activities suspected of being linked to money laundering and financing of terrorism.</p> <p><b><u>Insurance Sector</u></b>  The Regulation for Prevention, Control and Prosecution of Money Laundering and Financing of Terrorism in the insurance business, Official Gazette No.39,694 of 13<sup>th</sup> June 2011, specified that suspicious transaction reports must not be considered as criminal denunciations and do not entail the formalities and requirements of this type of this type of proceeding; rather than report of a crime an STR is an administrative notice arising out of analysis of operations, precepts based on experience, financial analysis of policyholders, members of pre-paid medical service plans, premium finance businesses or insurance co-operatives.</p> <p>It specifies in addition that employees of the regulated entities under the supervision of the Superintendency of Insurance may not warn policyholders, beneficiaries, members of pre-paid medical plans, insurance co-operatives, premium finance businesses, that investigations have taken place or that authorities have been notified that these investigations may suggest links to money laundering or financing of terrorism.</p>
15. Internal controls, compliance & audit	ML	<ul style="list-style-type: none"> <li>• The legislation in the securities sector is less developed.</li> <li>• The effectiveness of measures in the securities sector could not be assessed, since no meeting with the private sector was held.</li> </ul>	<ul style="list-style-type: none"> <li>• Improve system in securities sector.</li> </ul>	<p><b>The National Securities has No. 110 regulations regarding anti-money laundering and counter-terrorism and the RBA provision since 2011. This regulation was published in the Official Gazette of the Bolivarian Republic of Venezuela No. 39,691 dated June 8, 2011 and through it down the Rules on Administration and Supervision of the risks related to the offenses of Money Laundering and Financing of terrorism applicable to institutions regulated by the National Securities</b></p> <p><b>The approach outlined above is set out in Chapter II "Risk Management of Money Laundering and Financing of Terrorism".</b></p> <p><b>Additionally, it should be noted that the Superintendent made visits site inspection and off-site to regulated entities referred to in Article 2 of Resolution, which are primarily intended to verify compliance with the regulations No. 110 which may be evidenced in the following statistics, showing the correct implementation of said rules.</b></p> <p><b>It is noteworthy that the site visit includes, within the elements evaluated, the review</b></p>

				<p>of records to certify the proper implementation of the policy know your investor (individual registration tab inverter), through a compliance matrix or check list that address these issues.</p> <p>The off-site supervision includes the review of records that rest in the National Superintendency of Securities, which the analyst reviews each of the documents submitted by obligated, to check the proper implementation of the policy know your investor, turn we rely on the reports of the external auditors</p> <p style="text-align: center;"><b>Supervision</b></p> <table><tr><th>Year</th><th>On site</th><th>audits / files</th></tr><tr><td>2011</td><td>76</td><td>0</td></tr><tr><td>2012</td><td>19</td><td>29</td></tr></table> <p>It is to be noted that lack of compliance with the mandatory requirements required by Resolution No. 110-2011 by the investor the obligated cannot bind to the investor, whether natural or legal person and that the breach of it brings administrative sanctions .</p>	Year	On site	audits / files	2011	76	0	2012	19	29
Year	On site	audits / files											
2011	76	0											
2012	19	29											
16. DNFBP–R.13-15 & 21	NC	<ul style="list-style-type: none"><li>• No evidence of an effective AML/CT system created for the DNFBP sector.</li></ul>	<ul style="list-style-type: none"><li>• Issue regulations for the DNFBP sector and ensure compliance</li></ul>	<p>It is a confirmed fact that within the Designated Non-Financial Businesses and Professions, the Sectors comprising of : Registrars and Notaries, Customs and Internal Taxes, Independent Professionals (Economists, Accountants and Administrators) and Bingos and Casinos; there are anti-money laundering and counterterrorism regulations, additionally there are Supervisory Bodies or Entities that regulate the players in each sector; carrying out effective supervision and regulation through the implementation of onsite and off-site visits, with the aim of verifying strict compliance with the previously mentioned regulations.</p> <p><b>Integrate this response with the information given in response to recommendation 12, 13, 14, 15, 16, 24 and 25.</b></p> <p><b><u>Casinos and Bingo Halls</u></b></p> <p>One of the measures put into effect by Venezuela was Providencia No.011, Official Gazette No.39,654 of 12<sup>th</sup> April 2011, containing regulations for Prevention, Control and Prosecution of Money Laundering and Financing of Terrorism in casinos and bingo halls.</p> <p>This purpose of this Providencia is to establish and unify policies, rules and procedures, designed on the basis of risk level, to be followed by casinos and bingo halls, as regulated entities, in order to avoid being used as instruments for money laundering and financing of terrorism.</p> <p>Businesses with licences to operate casinos, bingo halls and slot machines, and related firms, also fall under this Providencia; they are therefore required to put into effect an integrated money laundering and terrorist financing prevention and control system, comprising efficient and effective measures designed to avoid being used for ML/FT during their operations.</p> <p>Supervision of the Casinos, Bingo Halls and Slot Machine sector is the responsibility of the</p>									



				<p>National Commission for Casinos, Bingo Halls and Slot Machines, part of the Ministry of Internal Relations and Justice.</p> <p>It is also important to stress that the regulated institutions are required to design and implement an integral system of prevention and control including appropriate and adequate measures to avoid being used in their operations as instruments for concealment, disguise, manipulation or investment or use in any manner of money that is the proceeds of criminal or illicit activities. This system must include actions for mitigating ML/FT risks as well as the risk of other crimes that may involve or tempt employees, clients, directors and shareholders of the regulated institution to contribute in any way to such crimes.</p> <p><b><u>Registry and Notarial</u></b></p> <p>Among measures put into effect by Venezuela is Resolution No.150 containing Rules for Prevention, Control and Prosecution of Money Laundering and Terrorist Financing for Registry and Notarial Offices, Official Gazette No.39,697 of 16<sup>th</sup> June 2011.</p> <p>The purpose of this Resolution is to lay down continuous and permanent rules and procedures for implementation by the various Registry and Notarial Offices, as regulated institutions, to prevent their offices being used for legalisation or authentication of legal acts or agreements intended for laundering of the proceeds of illegal activities described in the Organic Law against Organised Crime.</p> <p>In addition Notarial and Registry Offices belonging to the autonomous Registry and Notarial Service (SAREN) must comply with internal rules, procedures and mechanisms for Prevention and Control of Money Laundering laid down by the Resolution in question.</p> <p><b>It should be noted that the AML/CFT rules of the Autonomous Registry and Notarial Service (SAREN) embody the creation of an Integrated System of Prevention and Control, consisting of: a. The Minister of the Popular Power for Home Affairs and Justice; b. The Director General of SAREN; c. The SAREN Director for ML Prevention and Control; and d. The SAREN Coordinator for ML Prevention: e. The SAREN Coordinator for ML Control f. State coordinators g. Compliance Officers.</b></p> <p><b><u>Customs and Tax Sector</u></b></p> <p>At the present time the National Integrated Customs and Taxation Administration Service (SENIAT) is refining the draft of the Providencia containing Rules for Prevention, Control and Prosecution of Money Laundering and Financing of Terrorism in the customs sector to adapt it to the work of the latter agency, for submission to the Ministry of Planning and Finance for due approval and subsequent publication in the Official Gazette.</p> <p><b><u>Other Sectors: Dealers in Precious Stones and Metals, Hospitality Services, Natural and Legal Persons engaged in Real Estate activities.</u></b></p> <p>At the present moment the National Anti-Narcotics Office (ONA) is liaising with representatives of these sectors to enable them to adapt to FATF Recommendations, and also develop ML/FT prevention and control regulations to govern all their activities.</p> <p><b><u>Sector of Management Professionals, Economists and Accountants</u></b></p>
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17. Sanctions	ML	<ul style="list-style-type: none"> <li>• A specific chapter devoted mainly to ML/FT</li> <li>• prevention, and applicable to all regulated entities, is necessary.</li> </ul>		<p><b>With the new Organic Law Against Organized Crime and Financing of Terrorism, is fully established penalties for the crimes of money laundering and terrorist financing, as indicated below:</b></p> <p><b>Article 35</b>  <b>Money Laundering</b>  Who by himself or through another person is the owner or owner, possessor or holder of capital, goods, funds, assets or profits, knowing that come directly or indirectly from unlawful activity, shall be punished or imprisoned for ten to fifteen years and a fine equivalent to the value of the capital gain obtained illegally.</p> <p>The same penalty shall apply to anyone who by himself or through another person perform the following activities:</p> <ol style="list-style-type: none"> <li>1. - The conversion, transfer or transmission by any means of goods, capital, assets, profits or surpluses for the purpose of concealing or disguising the illicit origin of cough themselves or assist any person involved in the commission of such offenses evade the legal consequences of their actions.</li> <li>2. - Concealment, cover-up or simulation of the nature, origin, location, disposition, destination, movement or ownership of or rights thereof.</li> <li>3. - The acquisition, possession or use of proceeds of crime.</li> <li>4. - The receipt, investment, processing, custody or management of property or money derived from illegal activities.</li> </ol> <p>The capital, property or assets subject of the offense of money laundering shall be seized or confiscated.</p> <p><b>Article 36</b>  <b>Breach of obligated</b>  The managers or directors, employees or employees of the obligors, which recklessly, incompetence, neglect, foster or help to commit the offense of money laundering and terrorist financing, without taking part in it, shall be punished or penalized by imprisonment of three to six years.</p> <p><b>In relation to terrorism financing offense stated:</b></p> <p><b>Article 52</b>  <b>Terrorism</b>  The or individual terrorist or those associated with a terrorist organization, perform or attempt to perform one or more terrorist acts, shall be punished or be imprisoned twenty-five to thirty years.</p>

				<p><b>Article 53</b>  <b>Financing of terrorism</b>  Whoever provides, facilitates, protects, manages, collect or solicit funds by any means, directly or indirectly, for the purpose of them being used in whole or in part by an individual terrorist or a terrorist organization, or to commit one or several terrorist acts, shall be punished or be imprisoned for fifteen to twenty-five, but no funds have actually been used or is not consummated the act or acts of terrorism.</p> <p>The penalty prescribed shall apply whether the funds are used for or individual terrorist or a terrorist organization operating in foreign territory or independence of the country carrying out the act or acts of terrorism.</p> <p>The offense of financing terrorism cannot be justified under any circumstances, by considerations of a political, philosophical, ideological, religious, racial or similar.</p> <p>Moreover all entities or bodies listed Oversight in Article 7 of the Organic Law Against Crime and Terrorist Financing Organiser, have the authority to apply administrative sanctions to entities that do not comply with anti-money laundering and anti-terrorism regulations existing sectors: banking, insurance, securities, Registries and Notaries, Bingos and Casinos.</p>
18. Shell banks	C	•		
19. Other forms of reporting	C	•		
20. Other NFPB & secure transaction techniques	C	<ul style="list-style-type: none"> <li>• No examination of the enforcement of controls in other sectors was possible.</li> </ul>	<ul style="list-style-type: none"> <li>• Study feasibility of extending AML/CFT controls to high risk sectors other than DNFBPs</li> </ul>	<p>It is important that there are sectors that are low risk in our economic and financial system, to this date there is a plan for monitoring these sectors, being the case that the National Office Against Organized Crime and Terrorist Financing (UND ) and the National Anti-Drug Office (ONA) have made technical working groups with the following actors:</p> <p>1. - People's Ministry of Petroleum and Mining, who will be responsible for overseeing AML / CFT to dealers in precious metals and gemstones.</p> <p>2. - Ministry of Light Industries and Commerce, who will be responsible for overseeing AML / CFT to auto dealers and distributors of mobile. mobile).</p> <p>3. - People's Ministry of Housing, who will be responsible for overseeing AML / CFT construction entities.</p>
21. Special attention for higher risk countries	NC	<ul style="list-style-type: none"> <li>• No evidence of procedures and policies for prevention and control within the supervised institutions which ensure compliance with this obligation under the Venezuelan regulations.</li> </ul>	<ul style="list-style-type: none"> <li>• Verify the effectiveness of recently issued regulations with respect to monitoring relations with countries that do not comply with the FATF recommendations.</li> </ul>	<p><b><u>Organic Law against Organised Crime (LOCDO)</u></b>  The LOCDO amendment expressly requires regulated entities to give particular attention to, and create internal prevention and control measures for, business dealings and operations of customers with natural or legal persons situated in countries with laws favouring bank secrecy record secrecy or business secrecy, or which do not apply, or apply inadequately, AML/CFT regulations similar to those in force in the Bolivarian Republic of Venezuela.</p> <p>Likewise for those situated in places where there is tax haven banking, or free or export promotion zones, or those situated geographically close to centres of production, transit or consumption of illegal drugs, or of other offences to which the Act applies.</p> <p>Particular attention must also be given to business dealings with areas or territories frequently mentioned in suspicious transaction reports; those likely to be used, even without their knowledge or consent, as staging-point or bridge in the drug-trafficking routes that transit the national territory from drug-producing to international or</p>

				<p>regional drug-consuming areas.</p> <p>Whenever such transactions have no apparent lawful purpose, they must be subjected to meticulous scrutiny, and if in the judgment of the regulated entity they should be classified as suspicious activity, the findings shall be submitted to the FIU.</p> <p>Non-compliance with this rule shall entail a fine of between three thousand (3,000) and five thousand (5,000) Tax Units (TU).</p> <p>The regulatory bodies shall inform their respective regulated institutions of the countries, territories and areas in question.</p> <p>In addition, it has been noted that the reporting entities shall ensure that the provisions relating to the prevention and control of money laundering and the financing of terrorism referred to in this Law, shall be applied to branches and subsidiaries located abroad.</p> <p>When the laws that are in force or those applicable overseas do not permit instrumentation and application of prevention and control measures, the respective branches and subsidiaries must report to the main Office of the reporting entity, in order to establish a computer system that will allow for the proper tracking of the movements of money, requiring the overseas branch offices and subsidiaries to apply the highest standards, as indicated above.</p> <p>Foreign representatives of banks or Financiers must be subject to the provisions laid down in this Law.</p> <p><b><u>Financial Sector</u></b></p> <p>Resolution No.119.10, Official Gazette No.39,494 of 24<sup>th</sup> August 2010, established ML/FT risk management concerning relations with natural and legal persons situated in regions with strict legislation governing banking, registry or commercial secrecy. Therefore, risk prevention, control and mitigation rules and procedures for business relations and customer transactions with natural and legal persons situated in the regions, zones or territories whose legislation is strict regarding, banking, registry or commercial secrecy, or which do not apply anti-ML/FT regulations similar to those in Venezuela, must contain at least the following:</p> <ol style="list-style-type: none"> <li>1. All necessary procedures for correct identification of customers seeking the services of the institution for transfer of money or property to such zones or regions, by cable, wire or any other means, by demanding identification documents.</li> <li>2. A requirement to record the name and address of the beneficiary of the transaction, as well as the account number in cases where this beneficiary is a customer of the bank receiving the transfer abroad.</li> <li>3. Internal audit mechanisms for verifying compliance with controls and procedures on the part of staff, branches, agencies and offices.</li> </ol> <p><b><u>Insurance sector</u></b></p> <p>Providencia No.514 of 18<sup>th</sup> February 2011, Official Gazette No.39,694 of 13<sup>th</sup> June 2011, containing the Regulations for Prevention, Control and Prosecution of Money Laundering and Financing of Terrorism in the insurance business, laid down the requirement for regulated institutions to pay particular attention to business relations and transactions with natural or legal persons in countries which do not apply regulations similar to those laid down in the abovementioned Providencia. For this purpose the Superintendency of Insurance shall use the lists issued by international and national organisations of those territories or States with strict banking, registry and commercial</p>
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				<p>secrecy, or which are characterised by a weak or nonexistent system of taxation for natural or legal persons engaged in banking, insurance or commercial activity in their jurisdiction.</p> <p><b>Stock Market</b> Resolution No.110 of 19<sup>th</sup> May 2011, Official Gazette No.39,691 of 8<sup>th</sup> June 2011, containing Regulations for Management and Control of Risks related to Money Laundering and Financing of Terrorism for institutions regulated by the National Superintendency of Securities, stipulated that regulated institutions must pay particular attention to and create internal procedures and rules for prevention, control and mitigation of risk, applied to business relations and transactions of their investors with natural and legal persons situated in regions, zones or territories with strict banking, registry or commercial secrecy legislation, or which do not apply anti-ML/FT regulations similar to those in force in Venezuela, or where such regulations are insufficient.</p> <p><b>Bingos and Casinos</b> Providencia No.011 of 6<sup>th</sup> April 2011, Official Gazette No.39,654 of 12<sup>th</sup> April 2011 containing Regulations for Prevention, Control and Prosecution of Money Laundering and Financing of Terrorism in Casinos, Bingo Halls and Slot Machines, stipulates that regulated institutions shall pay particular attention to business relations and transactions with natural or legal persons in countries which do not apply regulations similar to those set out in the Providencia in question. It also stipulated that the National Commission for Casinos, Bingo Halls and Slot Machines shall use for this purpose the lists issued by national or international organisations of those territories or States with strict banking or commercial registry laws, or which are characterised by limited or nonexistent taxation of natural or legal persons.</p>
22. Foreign branches & subsidiaries	PC	<ul style="list-style-type: none"> <li>• The legislation is very general. It mandates the maintenance of control and communication systems enabling cash movements to be monitored, but it makes no specific mention of any requirement to apply the highest standard, nor to enforce consistent CDD measures at the group level.</li> <li>• It is necessary to determine what efficient and effective measures are implemented by the entities to comply with established standards.</li> <li>• Poorly developed legislation for the securities sector.</li> </ul>	<ul style="list-style-type: none"> <li>• For foreign branches, no mention is made of requirement to apply highest standards, nor to apply coherent CDD measures at group level.</li> </ul>	<p><b>This recommendation was completely complied with through the publication in the Official Gazette No. 39.912 on April 30, 2012 of the Organic Law against Organized Crime and the Financing of Terrorism, since it instructs in its articles that reporting entities shall pay special attention and they shall develop procedures and internal standards of prevention and control over the business relations and transactions of their customers or users with natural and legal persons located in countries or territories whose legislation facilitates Banking secrecy ,Registration secrecy and business secrecy or who do not apply regulations against money laundering and the financing terrorism similar to those in force in the Bolivarian Republic of Venezuela or that they are insufficient.</b></p> <p><b>Also on those where there are banking tax havens, and free trade zones or whose geographical location is close to the centres of consumption, production or transit of illicit drugs and other offences which are criminalised in this law.</b></p> <p><b>The same attention should be paid to business carried out with zones or territories that are frequently mentioned in reports of suspicious activities, those which are susceptible to being used even without their knowledge or consent as a transit point or bridge in the illicit drug trafficking routes that pass through the national territory from regions producing illicit drugs to the global or regional centres of consumption. When these transactions do not have any apparent justifiable purpose, they shall be subject to a thorough examination, and if in the opinion of the reporting entity they are classified as suspicious activities, said analysis should be reported to the National Financial Intelligence Unit.</b></p> <p><b>Non-compliance with this rule shall be punished by a fine of between three thousand</b></p>

				<p>(3,000 U.T.) and five thousand (5.000 U.T.) tax units.</p> <p>The respective Supervisory Bodies and entities will advise the reporting entities under their supervision the countries, territories or areas to which this article refers.</p> <p>In addition, it has been noted that the reporting entities shall ensure that the provisions relating to the prevention and control of money laundering and the financing of terrorism referred to in this Law, shall be applied to branches and subsidiaries located abroad.</p> <p>When the laws that are in force or those applicable overseas do not permit instrumentation and application of prevention and control measures, the respective branches and subsidiaries must report to the main Office of the reporting entity, in order to establish a computer system that will allow for the proper tracking of the movements of money, requiring the overseas branch offices and subsidiaries apply the highest standards, as indicated above.</p> <p>Foreign representatives of banks or Financiers must be subject to the provisions laid down in this Law.</p> <p><u>Organic Law against Organised Crime (LOCDO)</u></p> <p>The LOCDO amendment requires regulated institutions to ensure that the provisions of this Act relating to money laundering and terrorist financing prevention, control and supervision are enforced upon branches and subsidiaries located abroad. When the laws in force or applicable abroad do not allow application or enforcement of control and prevention measures, the respective branches and subsidiaries shall notify the head office of the regulated entity, with a view to establishing a computer system that will enable adequate follow-up of movements of money, and the branches and subsidiaries abroad shall be required to apply the highest standard contemplated in this article. Representatives of foreign banks or other financial institutions shall be subject to the provisions of the amended LOCDO.</p> <p><u>Financial Sector</u></p> <p>The weakness in the financial sector was remedied with the issue of Circular No.SBIF-DSB-UNIF-07943 which imposed on regulated institutions the duty of taking the necessary measures to ensure that their branches and subsidiaries abroad observe anti-ML/FT measures in accordance with the provisions of regulations in force and FATF Recommendations, particularly in those countries which do not apply these Recommendations or apply them inadequately.</p> <p>In addition, it was stipulated that when the minimum requirements of anti-ML/FT regulations of the country of origin differ, branches and subsidiaries in the host country must apply the highest standard, to the extent that laws and regulations allow them to do so. They must also inform SUDEBAN when a foreign branch or subsidiary is unable to observe the appropriate AML/CFT measures, because local laws, regulations and other measures of the host country forbid them to do so.</p> <p>In addition, under Article 6 of the Decree with Force of Law partially amending the Banking Act, the Superintendency of Banks is the agency that regulates the banking sector. The Act defines prudential rules issued by the Superintendency as “all mandatory directives and instructions of a technical accounting, legal and technological nature issued by general Resolutions and Circulars sent to the natural or legal persons under its</p>
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				<p>supervision”.</p> <p>Therefore all Resolutions and Circulars issued by this Regulatory Agency are strictly mandatory prudential regulations under the abovementioned Special Act. Thus the Circular issued by SUDEBAN on the basis of Article No.78 of Resolution No.119.10 is a Prudential Regulation, the purpose of which is to broaden the scope of application of the Resolution in question</p> <p><b><u>Insurance Sector</u></b>  Providencia No.514 of 18<sup>th</sup> February 2011, Official Gazette No.39,694 of 13<sup>th</sup> June 2011, containing the Regulations for Prevention, Control and Prosecution of Money Laundering and Financing of Terrorism in the Insurance Business, stipulated that regulated entities having branches, agencies and/or related companies abroad must have information communication systems enabling them to follow the movements of money linked to activities under supervision and repression as regards money laundering and financial terrorism, illegal traffic and consumption of drugs, and other Regulations set out in Venezuelan law.</p>
23. Regulation, supervision and monitoring	PC	<ul style="list-style-type: none"> <li>Tools exist in Venezuelan legislation to put in place adequate regulation and supervision of the financial institutions, but supervision by the competent authorities responsible for ensuring adequate compliance with AML requirements is not as effective, and one result could be limited operational capacity for on-site supervision.</li> </ul>	<ul style="list-style-type: none"> <li>Improve capability for inspections and controls in regulated entities.</li> </ul>	<p><b><u>Stock Market</u></b>  <b>1. - Within the National Superintendency of Securities there is a section for Prevention, Prosecution and Control of Money Laundering and Financing of Terrorism. This section has a Compliance Officer, a Manager, an Attorney who acts as legal counsel and four Inspection and Control Analysts. Steps are being taken to appoint two more inspection and control analysts. Regarding inspection visits planned and carried out by the ML/FT Prevention and Control staff during 2011, of the ninety-six (96) visits planned, a total of seventy-six (76), or seventy-nine point one seven percent (79.17%) were completed by 31 December 2011. Fifty-two (52) inspection visits are planned for 2012, in view of the reduction in the number of operators in the securities market.</b></p> <p>These inspections showed up various examples of non-compliance with money laundering prevention and control regulations, among which the following may be highlighted:</p> <p>a.- Non-compliance with Article 9 with regard to the integrated ML/FT risk management system (10 examples of non-compliance).</p> <p>b.- Non-compliance with Article 15, regarding remit of the ML Prevention and Control Unit (8 instances).</p> <p>c.- Non-compliance with Article 17, concerning the minimal staff to be assigned to ML/FT Prevention and Control Unit (16 instances).</p> <p>d.- Non-compliance with Article 21, concerning the duty to design an annual anti-ML operational plan (9 instances).</p> <p>e.- Non-compliance with Article 32 regarding the keeping of individual records of investors (12 instances).</p> <p><b><u>Insurance Sector</u></b>  The insurance Superintendency has as part of its structure an ML Prevention and Control Unit. This has a total staff of eleven, among them a Chief of Unit and six officers assigned to supervision and control of regulated institutions. It should be emphasised that the present time the Insurance Superintendency has submitted to the Minister for Planning and Finance a proposal to raise the Unit to the status of Directorate, to consist of three subunits: Analysis and Follow Up section, Inspection section and Prevention and Control section. For this purpose an increase in staff is being studied.</p>

				<p>Up to the end of 2010 the Superintendency of Insurance carried out a total thirty eight (38) inspection visits, thirty two (32) of which were to insurance businesses and six (6) to brokerage companies.</p> <p><b>At the end of 2011 the Superintendency of Insurance had carried out a total of fifty-one (51) inspection visits, twenty-four to insurance companies, twenty-two (22) to brokerages, four (04) to brokerage and reinsurance firms and one (01) to a reinsurance company.</b></p> <p><b><u>Banking sector</u></b></p> <p>The National Financial Intelligence Unit (UNIF) has created an Inspection Section to verify compliance with Resolution No.119.10. In the first quarter of 2011 eight (8) officials joined this Section to bring the staff of the Section to fifteen (15).</p> <p>The Annual Operational Plan (POA) for 2010 called for thirty three (33) inspection visits, of which a total of twenty nine (29) were carried out, or a percentage of eighty eight percent (88.0%). In addition, a total of thirty one (31) inspection visits were carried out which were not part of the POA for 2010. The UNIF therefore carried out sixty (60) inspection visits in the period, broken down as follows:</p> <ul style="list-style-type: none"> <li>-All Purpose Banks (15)</li> <li>-Commercial Banks (6)</li> <li>-Development Banks (6)</li> <li>-Financial Rental Companies (1)</li> <li>-Bureaux de Change (2)</li> <li>-Frontier Money Exchange Operators (30)</li> </ul> <p>Of the institutions inspected, three (3) Frontier Money Changers were sanctioned (revocation of operating licence) for carrying out financial operations for which they were not legally licensed, according to Official Gazette No.39,631 of 10<sup>th</sup> March 2011. Requests for opening of administrative enquiries were laid before the Legal Advisory Unit of SUDEBAN, which requested the Ministerio Público to open investigations for the presumed commission of money laundering, and the case ended with the revocation of licence and closure of the regulated institutions referred to.</p> <p>The twelve percent (12%) that were not carried out was the result of the State takeover of four banks which were initially included in the planning.</p> <p>Of the inspection visits carried out during the 2010 financial year, ninety five percent (95%) took place in the framework of application of Resolution No.119.10, which was published in Official Gazette No.39,388 of 17<sup>th</sup> March 2010. The inspection visits were mainly intended for verification of the implementation of the Integrated Risk Management System (SIAR), and of the measures put into effect by the regulated institutions to adapt themselves to the new judicial framework.</p> <p><b>One hundred and forty-two (142) inspection visits were planned as part of the Annual Operational Plan (POA) for 2011. One hundred and twenty-three (123) were carried out, giving an eighty-six point seven two percent (86.72%) completion rate. Over the period the FIU carried out inspection visits distributed as follows:</b></p> <ul style="list-style-type: none"> <li><b>All-purpose banks (16)</b></li> <li><b>Commercial banks (03)</b></li> <li><b>Development banks (02)</b></li> <li><b>Savings and loan associations (01)</b></li> </ul>
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				<p><b>Bureaux de change (13)</b>  <b>Frontier money changers (38)</b>  <b>Representative offices (50)</b></p> <p>All inspection visits in 2011 were carried out pursuant to Resolution No. 119/10, Official Gazette No. 39,388 of 17 March 2010. Their main purpose was to verify the implementation of the Integrated Risk Management System (IRMS) and the measures taken by the regulated institutions to adapt themselves to the new legal framework. One hundred and twenty (120) inspection visits were planned for 2012. These revealed weaknesses in internal control that impinged upon the percentage of compliance with aspects of the body of rules in force, viz. Structure of the IRMS; KYC policy (shortcomings in customer records); KYE policy (shortcomings in employee records); Annual Plans and Programmes (Annual Operational Plan, Annual Training Plan); Policy, Standards and Procedures Manual); and Signed Documents (Code of Ethics, Mission Statement).</p> <p>In this regard, since these deficiencies had no bearing on the risk classification of the institutions evaluated, an Action Plan designed to correct them was requested. These plans were submitted within the deadline and analysed in situ and extra situ where required. It was determined that the deficiencies revealed had been corrected, and therefore no requests were made for opening of administrative proceedings.</p> <p><b>See attached the updated statistics.</b></p> <p>In 2010-2011 forty nine (49) UNIF officials took part in the following training activities:</p> <ul style="list-style-type: none"> <li>• Adecco Training (1 officer)</li> <li>• Asociación Venezolana de Casas de Cambio (1 officer)</li> <li>• Banco Provincial S.A. (1 officer)</li> <li>• Consultores Internacionales de Prevención y Control, C.A. (2 officers)</li> <li>• Consejo Nacional Electoral (National Electoral Council) (1 officer)</li> <li>• Deloitte, Lara Marambio &amp; Asociados (2 officers)</li> <li>• Escuela Nacional de Fiscales del Ministerio Público (National School for Ministerio Público Prosecutors) (5 officers)</li> <li>• Fondo de Protección Social de los Depósitos Bancarios (FOGADE), (1 officer)</li> <li>• Instituto de Altos Estudios de Derecho, (Institute for Advanced Legal Studies) (1 officer)</li> <li>• National Anti Narcotics Office (14 officers)</li> <li>• Veneconomía, C.A., (1 officer)</li> <li>• Asociación Bancaria de Guatemala, (Guatemala Banking Association) (2 officers)</li> <li>• CFATF, (7 officers)</li> <li>• EGMONT Group (7 officers)</li> <li>• SGT4- MERCOSUR, Brazilian Intelligence Unit (COAF), (1 officer)</li> <li>• Cámara Venezolana de Bingos y Afines. (1 officer)</li> <li>• Zulia Foundation for Promotion, Support and Development of Small and Medium Enterprises and the Zulia Chamber of Commerce (1 officer)</li> </ul>
24. DNFBP - regulation, supervision and monitoring	NC	<ul style="list-style-type: none"> <li>• There is no authority regulating or supervising this sector.</li> </ul>	<ul style="list-style-type: none"> <li>• Issue regulations for the DNFBP sector and ensure compliance</li> </ul>	<p><b>The fact is confirmed that within the Designated Non-Financial Professions and Businesses, the Sectors comprising of: Registrars and Notaries, Customs and Internal Taxes, Independent Professionals (Economists, Accountants and Administrators) and Bingos and Casinos; there are Supervisory Bodies or Entities which regulate the</b></p>

				<p>players in each sector. In addition, since 2011 there have been anti-money laundering and counterterrorism regulations, which are duly published in the Official Gazettes of our country. In addition, compliance of same by the reporting entities is verified.</p> <p>Integrate this response with that as indicated in the response to recommendation 12, 13, 14, 15, 16 and 25.</p> <p>The Bolivarian Republic of Venezuela sees this point as complied with, until the next mutual evaluation is carried out.</p> <p><u>Organic Law against Organised Crime (LOCDO)</u> The LOCDO amendment sets out specifically the bodies and agencies responsible for prevention, control, supervisión, and oversight: a.- The Superintendency of Banks b.- La Superintendency of Insurance c.- The Central Bank of Venezuela. d.- The Superintendency of Securities. e.- The Ministry of the Popular Power responsible for home affairs and justice through its competent agencies f.- The National Integrated Customs and Tax Administration Service. g.- The Autonomous Registry and Notarial Service. h.- The Ministry of the Popular Power responsible for energy, petroleum and mines through its competent agencies i.- The Ministry of the Popular Power responsible for finance, through its competent agencies. j.- The National Commission for Casinos, Bingo Halls and Slot Machines. k.- The Ministry of the Popular power responsible for tourism. l.- The Ministry of the Popular power responsible for science and technology. m.- The Ministry of the Popular power responsible for industry. n.- The Ministry of the Popular power responsible for trade. o.- The National Electoral Council p.- Such others as may be designated by Act or decree.</p> <p>the designated Non-Financial Professions sector has authorities to regulate and supervise it, as follows:</p> <p><b><u>Sector: Casinos, Bingo Halls and Slot Machines</u></b> Providencia No.011 of 6<sup>th</sup> April 2011, Official Gazette No.39,654 of 12<sup>th</sup> April 2011, containing Regulations for Prevention, Control and Prosecution of Money Laundering and Financing of Terrorism in Casinos, Bingo Halls and Slot Machines set up the Directorate for Prevention, Control and Prosecution of Money Laundering, which is the technical operational organ of the National Commission for Casinos, Bingo Halls and Slot Machines, responsible for supervising the adequate implementation of the regulations established for preventing money laundering in authorised establishments engaging in the activities of casinos, bingo halls and slot machines. This Directorate will be headed by a Director to be appointed by the President of the National Casino, Bingo Halls and Slot Machines Commission, who has under him a team of officials whose job is to detect, prevent and control those operations which may be linked to money laundering and financing of terrorism.</p> <p><b><u>Registry and Notarial Sector</u></b> The Registry and Notarial Offices belonging to the Autonomous Registry and Notarial Service (SAREN) published the Regulations for Prevention, Control and Prosecution of Money Laundering and Financing of Terrorism applicable to these Offices in Official</p>
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25. Guidelines & Feedback	ML	<ul style="list-style-type: none"> <li>• Unable to demonstrate an effective AML/CFT system of control implemented in the DNFBP sector.</li> </ul>	<ul style="list-style-type: none"> <li>• Issue regulations for the DNFBP sector and ensure compliance</li> </ul>	<p>Same actions reported under Rec.12, 16 and 20: automation of records, new AML Unit in Ministry of Mines, and new requirements for casinos.</p> <p>It is informed that through Vice-presidency of the Republic and National Antidrug Offices; actions tending to surpass deficiencies of 2008 report have been coordinated, therefore concrete advancements are evidenced such as; automation of one hundred and ninety eight public and mercantile registrations offices, in which quick access may be obtained to information of companies, individuals and property subject to transactions accomplished in accordance with provisions of the Public Registry and Notary Public Law. The Ministry of Popular Power for the Basic Industries and Mining approved formation of a Prevention Unit and preparation of a mandatory compliance regulation by Enforced Subjects. In turn it is important to mention that the National Commission of Casinos issued providence 064 dated June 17, 2010 and published in Official Gazette 39.000 establishing measures to be followed by Enforced Subjects for the commission of these crimes</p>
26. The FIU	PC	<ul style="list-style-type: none"> <li>• Lack of independence and autonomy of the FIU, directly manifested in the sphere of human and material resources.</li> <li>• Vulnerability of the information held on computers not owned by the FIU.</li> </ul>	<ul style="list-style-type: none"> <li>• Improve structure</li> <li>• Enhance analysis and information in reports to Ministerio Publico.</li> </ul>	<p><b><u>National Financial Intelligence Unit (UNIF)</u></b></p> <p>The National Financial Intelligence Unit (UNIF) is the central body for reception, requests, analysis and divulgation of Suspicious Transaction Reports (STRs), and is a part of the Superintendency of Banks, a recognised and active member of the EGMONT Group, and it adapts itself to and complies with the Declaration of Objectives of the EGMONT Group and its principles for interchange of information among financial intelligence units regarding money laundering cases. Its functions are defined in</p>

	<ul style="list-style-type: none"> <li>Slight contribution of FIU to analysis and processing of inputs from regulated entities to become expert forensic reports to law enforcement authorities.</li> </ul>	<p>Article 163 of the Banking Act, which stipulates that the Superintendency of Banks shall have a National Financial Intelligence Unit, and sets out its functions. These functions are necessarily performed by whoever may be appointed Manager. The functions of the UNIF are also set out in the Bill amending the Organic Law against Organised Crime.</p> <p>The Manager of the UNIF is therefore authorised to perform all the functions which are assigned by law to this Unit and his appointment, published in Official Gazette No.39,423 of 13<sup>th</sup> May 2010, Resolution No.191.10 30<sup>th</sup> April of the same year, makes this clear. In addition, the Manager reports directly to the Office of the Superintendent only for administrative purposes, and enjoys full operational independence for fulfillment of his normal functions. He therefore develops his own Annual Operational Plan, embodying all the activities to be carried out in the course of the financial year. This Plan is an integral part of the Institutional Annual Operational Plan of the Superintendency. Despite the above, the Ministry of Planning and Finance was requested to study the proposal to incorporate the UNIF into that Ministry as an associated agency, in order to reinforce its autonomy structurally.</p> <p><b>Nevertheless, the Venezuelan Authorities requested that the FIU be placed under the Ministry of the Popular Power responsible for Finance. Furthermore, the LOCDO amendment defines the nature and functions of the FIU. It should be noted that in the transitional provisions the Ministry of the Popular Power responsible for Finance is regarded as responsible for providing the resources necessary for its work, as well as setting out rules for its organisation and functioning.</b></p> <p>2)-With regard to the observation concerning the vulnerability of data stored on servers (computers) which are not the exclusive property of the UNIF, it must pointed out that the UNIF has a server, software and database for processing and storage of the data, and this server has the following security features:</p> <ol style="list-style-type: none"> <li>RDBMS Database Manager. Data and metadata structure unique to the UNIF for management of its data..</li> <li>IP address and single virtual local area network (VLAN) for the transport of data from and to the server.</li> <li>Virtualisation and independence of management of the operational system that supportst the database manager.</li> <li>System parameters, configuration and user accounts unique to the management of the server.</li> <li>Rules for the firewall configured for the purpose of controlling network access and traffic both external and internal, separating and protecting the UNIF server in a demilitarised zone (DMZ)</li> <li>The systems and applications used by the UNIF contain profiles and privileges assigned uniquely by that Unit.</li> <li>UNIF accedes to its data from an exclusive virtual local area network (VLAN)</li> </ol> <p><b>The dedicated server is one hundred percent operative, fully independent and serves a private network accessible only to the FIU staff. It meets the highest standards available in Venezuela and is internationally certified. It has power backup and optimum environmental conditions. This ensures availability, continuity and security of the services on which the work of the FIU depends.</b></p> <p><b>As regards the Project for Computerisation and Access to Sources of Information and Databases (SIF), which figures in Venezuela's Action Plan, it must be pointed out that</b></p>
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			<p>the purpose of improving the quality of STRs and therefore the content of the information given to the Ministerio Público.</p> <p>With the new Organic Law against Organized Crime and the Financing of Terrorism, published in the Official Gazette No. 39.912 of 30 April 2012, the National Financial Intelligence Unit (UNIF) was given the independence required by the authorities of the Financial Action Task Force (FATF), by granting in article 24 budgetary, administrative and financial management capacity, hierarchically under the Ministry of Planning and Finance, continuing with the task of centralizing nationwide, reports of suspicious activities that the reporting entities generate or make under the referred Law.</p> <p>On the other hand, the following powers were defined:</p> <ol style="list-style-type: none"> <li>1. Require and receive all information related to financial, commercial or business transactions that may have links with crimes of money-laundering and the financing of terrorism, from the reporting entities.</li> <li>2. Analyze the information obtained in order to confirm the existence of suspicious activities, as well as operations or patterns of money laundering and the financing of terrorism.</li> <li>3. Develop and maintain records and statistics necessary for the development of their functions.</li> <li>4. Exchange with counterparts from other countries the information for the study and analysis of cases related to money-laundering, the financing of terrorism and other crimes of transnational organized crime, and can sign agreements or memorandums of understanding, when required.</li> <li>5. To report to the Attorney General's Office when there is evidence of the alleged Commission of a criminal offence, this shall be duly justified with information that supports it.</li> <li>6. Provide any assistance required in the analysis of information that the National Financial Intelligence Unit may possess to the Attorney General's Office, and to assist with the investigation of the offences of money laundering and the financing of terrorism.</li> <li>7. Coordinate with the National Office against Organized Crime and the Financing of Terrorism and the Supervisory Bodies or Entities, the necessary actions to promote the adequate supervision of the reporting entities and ensure compliance with the regulations of prevention and control which Supervisory Bodies and Entities in this field dictate.</li> <li>8. Provide the necessary information to the National Office against Organized Crime, for the design of public policies in the field of its competence.</li> <li>9. Others arising out of the present Law or other legal provisions and international conventions signed and ratified by the Bolivarian Republic of Venezuela.</li> </ol> <p>We must also highlight that on various occasions we have informed that the comment as it relates to the vulnerability of the information by having a server (computer equipment) which is one hundred percent active (100.00%) and is completely independent and in a private network with access only to personnel working in the UNIF has been rectified; with only the next revision within the Mutual Evaluation Process being pending.</p> <p>In addition, regarding the comment related to the Bill for the Automation and Access to Sources of Information and Data Bases (SIF), please be advised that since the 01</p>
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				<p>August 2012 it is operational; so that this point is totally rectified. In terms of statistics of the SAR received and cases referred to the competent authorities and cooperation with the Attorney General's Office in order to measure the usefulness of information that is sent to the Prosecutor's Office and to track the number of SAR and reports that resulted in an investigation or conviction; it is confirmed that the process of reconciliation of figures for Suspicious Activities Reports submitted to the Attorney General's Office has ended.</p> <p>Greatly increasing the feedback between the two agencies with the completion of monthly working meetings with representatives of the Attorney General's Office. In that sense, this point has been rectified.</p>
27. Law enforcement authorities	PC	<ul style="list-style-type: none"> <li>The investigation of ML is excessively linked to the investigation of drug-related crimes, and there are not enough resources assigned to it.</li> </ul>	<ul style="list-style-type: none"> <li>Improve procedures and tools of law enforcement authorities.</li> </ul>	<ul style="list-style-type: none"> <li>Although functionally the Anti-Money Laundering Division of the Scientific-Criminal and Criminalistic Investigation (CICPC) is part of the Anti-Narcotics Directorate, money laundering investigations in the operational sphere have been broadened in step with progress in investigative processes. For this reason there are cases today in which the predicate offence is different from those specified in the Organic Law to Combat Traffic and Consumption of Illicit Drugs, such as, inter alia: tax evasion, currency exchange offences, fraud, robbery and kidnapping, which fall under the Organic Law to Combat Organized Crime.</li> <li>In addition to this there are now personnel highly qualified in investigation of these offences, and who continuously attend courses, workshops and seminars in the subject in question, with a view to broadening their knowledge and enabling a more effective attack to be mounted against money laundering and financing of terrorism.</li> </ul>
28. Powers of competent authorities	C	<ul style="list-style-type: none"> <li></li> </ul>		

29. Supervisors	ML	<ul style="list-style-type: none"> <li>• Lack of a chapter of administrative sanctions devoted principally to ML and FT prevention, applicable to all regulated entities.</li> </ul>		<p>With the entry into force of the Organic Law against Organized Crime and the Financing of Terrorism dated April 30, 2012, the obligation that reporting entities described in the aforementioned law to strictly comply with the provisions of the same is confirmed, as it relates to prevention and control of money-laundering offences and against the financing of terrorism and there are the penalties of an administrative nature, specifically in Title II "Of the Crimes and the Penalties", from the Chapter I to Chapter IX.</p> <p>With the new Organic Law Against Organized Crime and Financing of Terrorism, is fully established penalties for the crimes of money laundering and terrorist financing, as indicated below:</p> <p><b>Article 35</b>  <b>Money Laundering</b>  Who by himself or through another person is the owner or owner, possessor or holder of capital, goods, funds, assets or profits, knowing that come directly or indirectly from unlawful activity, shall be punished or imprisoned for ten to fifteen years and a fine equivalent to the value of the capital gain obtained illegally.</p> <p>The same penalty shall apply to anyone who by himself or through another person perform the following activities:</p> <ol style="list-style-type: none"> <li>1. - The conversion, transfer or transmission by any means of goods, capital, assets, profits or surpluses for the purpose of concealing or disguising the illicit origin of cough themselves or assist any person involved in the commission of such offenses evade the legal consequences of their actions.</li> <li>2. - Concealment, cover-up or simulation of the nature, origin, location, disposition, destination, movement or ownership of or rights thereof.</li> <li>3. - The acquisition, possession or use of proceeds of crime.</li> <li>4. - The receipt, investment, processing, custody or management of property or money derived from illegal activities.</li> </ol> <p>The capital, property or assets subject of the offense of money laundering shall be seized or confiscated.</p> <p><b>Article 36</b>  <b>Breach of obligated</b>  The managers or directors, employees or employees of the obligors, which recklessly, incompetence, neglect, foster or help to commit the offense of money laundering and terrorist financing, without taking part in it, shall be punished or penalized by imprisonment of three to six years.</p> <p>In relation to terrorism financing offense stated:</p> <p><b>Article 52</b>  <b>Terrorism</b>  The or individual terrorist or those associated with a terrorist organization, perform or attempt to perform one or more terrorist acts, shall be punished or be imprisoned twenty-five to thirty years.</p>
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				<p><b>Article 53</b>  <b>Financing of terrorism</b>  Whoever provides, facilitates, protects, manages, collect or solicit funds by any means, directly or indirectly, for the purpose of them being used in whole or in part by an individual terrorist or a terrorist organization, or to commit one or several terrorist acts, shall be punished or be imprisoned for fifteen to twenty-five, but no funds have actually been used or is not consummated the act or acts of terrorism.  The penalty prescribed shall apply whether the funds are used for or individual terrorist or a terrorist organization operating in foreign territory or independence of the country carrying out the act or acts of terrorism.  The offense of financing terrorism cannot be justified under any circumstances, by considerations of a political, philosophical, ideological, religious, racial or similar.</p> <p>Moreover all entities or bodies listed Oversight in Article 7 of the Organic Law Against Crime and Terrorist Financing Organiser, have the authority to apply administrative sanctions to entities that do not comply with anti-money laundering and anti-terrorism regulations existing sectors: banking, insurance, securities, Registries and Notaries, Bingos and Casinos.</p> <p>SUDEBAN has implemented the following actions with respect to administrative penalties addressed mainly to the Prevention and Control of Capital Legalization and Against Financing of Terrorism.</p> <p>a) Approval by the Ministry of Popular Power and Planning and Development of the Coordination and Inspection of ML/FT Prevention within Organization Structure of UNIF (See Annex 2)</p> <p>b) Request of activation of the Inspection Coordination (Annex 3)</p> <p>c) Development of 2010 Annual Operative Plan including inspection time schedule which is being currently executed (Annex 4)</p> <p>Activities of the mentioned coordination shall allow:</p> <ol style="list-style-type: none"> <li>1) To develop on site and off site inspection visits.</li> <li>2) Impose administrative sanctions in applicable cases</li> <li>3) To develop statistics allowing accurate awareness on the number of inspections, sanctions, etc.</li> </ol> <p>In addition, the Banking Superintendence and Other Financial Institutions accomplished during 2009 Seven (7) General Inspections to evaluate compliance with the Overall System for the Prevention of Capitals Legalization and Financing of Terrorism.</p> <p>There were 38 inspections originally planned for the year 2010. Then it was redefined due to the entry into force of Resolution 119-10. These inspections are intended to verify the structure of the Integrated Prevention and Control of ML/FT Unit. Of the 63 inspections planned for 2010 44 have been implemented, representing 69.84% of the plan.</p> <p>Concerning administrative sanctions to enforced subjects, Resolution 119-10 provides the following:</p> <p>. Noncompliance with this regulations shall be subject to the application of applicable penalties foreseen in the General Law of Banks and other financial institutions, all this regardless of the provisions contained in the legal ordering in force as of the time of the violation. See Article 123</p> <ul style="list-style-type: none"> <li>• The Organic Law Against the Organized Delinquency provides administrative penalties for Enforced Subjects; as evidenced in Articles 44, 47, 48, 49, 50, 51, 52, 54.</li> </ul>
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30. Resources, integrity and training	NC	<ul style="list-style-type: none"> <li>Concerning the supervision of the regulated institutions, there are deficiencies in staffing, staff specialisation and knowledge in codes of conduct. In the three financial sectors, banking, securities and insurances, there is a lack of minimum resources in order to exercise inspection and supervision functions of regulated entities. Lack of technical resources, equipment, and software to facilitate work. Shortage of staff in inspection, supervision, monitoring, regulation and bank control units. For example the foreign exchange businesses that operate in the borders have not been supervised since 2004 and the CNMV has only one supervisor specialized in prevention.</li> </ul>	<ul style="list-style-type: none"> <li>Improve capability for inspections and controls in regulated entities.</li> <li>Provide greater resources for the work of the FIU and for supervision and inspection of regulated entities.</li> </ul>	<p>From 2008 to date, all sectors that are part of the Comprehensive System for the Prevention and Control of ML/FT of the Bolivarian Republic of Venezuela have strengthened their complement of Staff dedicated to the monitoring, control and supervision of the offences of money-laundering and against the financing of terrorism. A situation which has been reported on several occasions both to the FATF and to the CFATF.</p> <p>The case being that the UNIF added to date a total of more than fifteen (15) staff to the Inspection Division who are responsible for carrying out these activities. On the other hand they have a technology infrastructure that allows them to perform the assigned activities.</p> <p>The Insurance Sector for its part has the Prevention and Control of ML Directorate, which is comprised of a total of seventeen (17) staff, divided in the following areas (Lawyers, Administrators, Public Accountants, Actuaries, and Insurance Technicians) and a Director (01).</p> <p>The Securities Sector, for its part, it is evident that the National Stock Exchange Superintendence has within its structure a Prevention, Monitoring and Control of ML/FT Office. Said Office has a Compliance Officer (01), one (01) Manager, one (01) Lawyer who works as a legal support and four (04) Inspection and Control Analysts. To date it is working on the addition of two (02) more Inspection and Control Analysts.</p> <p><u>In relation to the Registrars and Notaries Sector</u>, to date said sector has an organizational structure for the Prevention, Control and Supervision ML Directorate, it is as follows:</p> <p>a).- Coordination of Control and Supervision. b).- Coordination of Prevention c).- State Coordinators</p> <p>Being that there are currently seven (07) staff members, including the Director of Prevention, Control and Supervision of ML. However, the necessary steps for the addition of eighteen (18) officials are underway.</p> <p><u>For the Customs and Internal Taxes Sector it has been noted that there is a Prevention and Control of ML Office</u>, which is a Functional Unit directly attached to the Office of the Superintendent. Its mission is to monitor, plan, oversee, evaluate and punish in an efficient manner the operations and activities carried out by the Service units and the Regulated Entities in order to avoid that they are used as instruments for laundering, in order to mitigate the risks associated with money-laundering and ensure the Nation's socioeconomic order.</p> <p>To date the Office of Prevention and Control of Money-laundering, has a complement of thirteen (13) support staff for the execution of its activities, including the Head of the Office and they also have the Technological Platform of the SENIAT, who efficiently satisfy the requests presented to date in that Office.</p>
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				<p><b><u>Financial Sector</u></b></p> <p>During 2011 the UNIF added eight (8) staff members to the Inspection Division, which is responsible for on site and off site evaluation, control and follow up of the activities of the regulated entities in the area of ML/FT prevention and control.</p> <p>In this regard the total staff of the Inspection Division of UNIF is now fifteen (15).</p> <p>In addition, the Inspection Division was provided with the physical infrastructure necessary to accommodate the new staff; and was also given the necessary technical equipment to fully carry out its inspection functions. This consisted in assignment of desktops to the fifteen staff members of the Inspection Division, and four portable computers for fieldwork.</p> <p>Likewise, an Annual Operational Plan was developed as well as an Annual Plan of Inspections to be carried out, which clearly indicates the regulated entities to be evaluated and the estimated dates for this, in order to improve control and facilitate the development statistics for measuring the effectiveness of the Unit's work.</p> <p>Inspection mechanisms necessary for the Unit's work were also designed and developed such as: internal control questionnaires, design of memoranda for findings, substantive testing by the use of computer programmes for weighting results, applicable to various areas of evaluation (Know your Client policy, Know your Employee policy, Manual of Procedures, etc). The inspection staff of UNIF has participated actively in various training activities organised by various bodies, as follows:</p> <ul style="list-style-type: none"> <li>- Operational Risk</li> <li>- Professional Ethics</li> <li>- Risk Matrices (Panama-ACAMS)</li> <li>- Training course for CATF evaluators (Dominican Republic)</li> </ul> <p>It should be emphasised that attendees then act as multipliers and transmit their knowledge to the remaining inspection staff.</p> <p><b><u>Insurance Sector</u></b></p> <p>The Insurance Superintendency has an ML/FT Prevention and Control Unit, which must be provided with the organisation, the duly trained multidisciplinary staff, with operational autonomy, as well as financial, material, technical and training resources to enable it to carry out its functions fully and efficiently and supervise compliance on the part of regulated entities with Resolution No.514 and other relevant regulations.</p> <p>It should be emphasised that the Ministry for Planning and Finance, on 22<sup>nd</sup> July 2011, approved a new structure for the Superintendency, and this raised the existing Unit to the status of Directorate.</p> <p>This ML Prevention and Control Directorate has three areas of responsibility as follows:</p> <p>a).- Analysis and follow up</p> <p>b).- Inspection</p>
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			<p>c).- Prevention and control</p> <p><b>The ML Prevention and Control Directorate has a total staff of seventeen (17) distributed over the above areas (lawyers, public accountants, administrators, actuaries, insurance technicians) and one (01) Director. The following training activities took place during 2011.</b></p> <p>1.- Montevideo, Uruguay from 6<sup>th</sup> to 10<sup>th</sup> June Mercosur attachment in ML/FT prevention and control for officials of financial supervisory bodies and financial intelligence units ( 02 officials).</p> <p>2.- VII International Anti Money Laundering and Anti Risk and Fraud International Conference 27<sup>th</sup> and 28<sup>th</sup> July (08 officials).</p> <p>3.- Advanced programme in ML Prevention and Auditing of Compliance. March to June 2011 IDAEP (06 officials)</p> <p>4.- Impact of New Regulations on Prevention and Control of Money Laundering and Financing of Terrorism in the Insurance Sector. July 2011. (03 officials)</p> <p><b><u>Stock Market</u></b></p> <p>The National Superintendency of Securities includes an ML/FT Prevention and Control Department. This Department has one (01) Compliance Officer, one (01) Manager, one (01) Legal Advisor and four (04) Inspection and Control Analysts. At the present time it is in the process of obtaining two (02) further Inspection and Control Analysts.</p> <p>For the exercise of its functions this Unit specifically relies on the Suspicious Activity Reports system, which is a “web enable” information system, that is to say a system of web access developed internally on free PHP/MySQL software dedicated exclusively to the storage of suspicious activities among institutions related to the SNV.</p> <p>Training activities carried out include:</p> <p>1.- “SPECIALISED TRAINING PROGRAMME FOR EXAMINERS OF THE CAPITAL MARKETS AND FOR REGULATED INSTITUTIONS OF THE INSURANCE SECTOR IN THE AREA OF PREVENTION AND CONTROL OF MONEY LAUNDERING AND FINANCING OF TERRORISM”</p> <p>2.- “BEST PRACTICES FOR MANAGEMENT OF MONEY LAUNDERING PREVENTION AND CONTROL UNITS IN THE VENEZUELAN FINANCIAL SYSTEM”.</p> <p>3.- “PREVENTION AND CONTROL OF MONEY LAUNDERING AND FINANCING OF TERRORSIM”.</p> <p><b><u>Registry and Notarial Sector</u></b></p> <p>The organisational structure of the Directorate for Prevention, Control and Prosecution of Money Laundering is as follows:</p>
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			<p>a).- Coordination of Control and Prosecution b).- Coordination of Prevention c).- State Coordinators</p> <p>At the present time it has a staff of five (05) including the Director of Prevention, Control and Prosecution of Money Laundering. Nevertheless, the necessary procedures are in place for the incorporation of eighteen (18) further officials.</p> <p>Staff have attended the following training activities:</p> <ol style="list-style-type: none"> <li>1.- “International Anti Money Laundering and Terrorist Financing Congress”.</li> <li>2.- “Workshop on basic aspects of ML/FT Prevention and Control and their Contribution to the UNIF” held in the National Anti Narcotics Office (ONA).</li> <li>3.- “VII International Conference against Money Laundering, Risk and Fraud”.</li> </ol> <p>On Saturday 13<sup>th</sup> August 2011 the first training workshop in Prevention and Control of Money Laundering was held for the purpose of presenting the integrated money laundering prevention and control system of the Autonomous Registry and Notarial Service to the auditors and inspectors of Registry and Notarial Services and the confidential senior staff of the central autonomous service of SAREN for the purpose of sensitising staff to the subject and making known the policies and procedures to be applied by the Directorate.</p> <p>In addition, the ML Prevention and Control Directorate is planning for the current year seven (07) day workshops for training in Money Laundering Prevention and Control at the National Level with an expected attendance of 1000 officials including the Compliance Officers of every Registry and Notarial Office with their respective Registrars and Notaries. It is intended to distribute as support material a practical Schematic Guide, describing the characteristics of the crime of money laundering, warning signals and an analysis of the various legal instruments: Conventions, National Law and International Legislation. For 2012 the Annual Operational Project (POA) includes the holding of thirty six (36) day training workshops, for officials and employees of the integrated ML Prevention and Control system. At the same time the day workshops will be extended to include officials of the Registry and Notarial Service (SAREN) at central and regional levels. They will include various Registrars, Notaries and at the national level Compliance Officers.</p> <p>It is also planned to extend these day training workshops to Real Estate Advisors, Business Advisors, Concessionaires, as well as to Spokespersons of the Popular Power in the Struggle for Prevention, Control and Prosecution of Money Laundering.</p> <p><b><u>CUSTOMS AND INTERNAL REVENUE SECTOR</u></b></p> <p>SENIAT has an ML Prevention and Control Office, which is a functional unit reporting directly to the Office of the Superintendent. Its role is to supervise, plan, monitor, assess and sanction in an efficient manner the operations and activities carried out by the departments of the Service and the regulated institutions to prevent them being used as money laundering instruments, in order to mitigate money laundering risk and ensure socioeconomic order in the nation.</p> <p>At the present time the ML Prevention and Control Office has a staff of thirteen (13), including the Head of the Office, and it also has the Technical Platform of SENIAT to</p>
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				<p>support its activities, and this efficiently meets the needs of the Office.</p> <p>The following training events were held:</p> <ol style="list-style-type: none"> <li>1.- Advances in Money Laundering Prevention and Evaluation of Compliance (09 officials).</li> <li>2.- Money Laundering Prevention and Control course (11 officials).</li> <li>3.- Course of Physical and Electronic Control of Passengers under the Luggage Regulations (10 officials).</li> <li>4.- Most common Money Laundering Methods (10 officials).</li> <li>5.- VII International Conference against Money Laundering, Risk and Fraud (11 officials).</li> </ol>
31. National co-operation	<b>ML</b>	<ul style="list-style-type: none"> <li>The various legal mechanisms for coordination established in the law have not been adequately applied.</li> </ul>	<ul style="list-style-type: none"> <li>The legal mechanisms (of cooperation) have not been adequately applied and it is therefore necessary to determine the best way for the various institutions can develop them in the interest of greater effectiveness.</li> </ul>	<ul style="list-style-type: none"> <li>It is important to highlight that the Superintendence of Banks and Other Financial Institutions through UNIF executed information exchange memorandums with the Superintendence of Insurance and the National Commission of Securities in order for these supervising entities to remit Suspicious Activity reports to UNIF.</li> <li>Regarding national cooperation and coordination, the Anti-Narcotics Squad of the National Guard plays an active role in working panels and coordination meetings with the various State bodies and agencies, as well as with private institutions involved in combating money laundering and financing of terrorism. This collaboration is aimed at improving procedures, exchanging information and speeding up investigations in order to achieve the practical results that will enable the Public Ministry to reach firm decisions.</li> <li>The Criminal and Financial Investigation Directorate of the National Guard has held working meetings, and attended courses and seminars, on money laundering and financing of terrorism with other national agencies involved in combating these offences.</li> <li>The Superintendence of Banks and Other Financial Institutions, through the National Financial Intelligence Unit, has increased national cooperation mechanisms with State financial institutions and bodies.</li> <li>Workshops and courses have been held for regulated institutions to strengthen their prevention systems and improve the quality of their STRs.</li> <li>The FIU has also held various working meetings with the National Anti-Narcotics Office and the Public ministry to strengthen machinery for information exchange.</li> <li>The CICPC is efficiently managing inter-agency relations in support of the various investigations being carried out into money laundering and financing of terrorism, thus effectively overcoming previous deficiencies in requests for financial, legal and accounting information from various private and government entities. Links have also been strengthened with various government investigative agencies, such as the National Guard, SUDEBAN, the Independent Registry and Notarial Service, and all authentications and notarisations of documents submitted to the different Registers and notarial offices nationwide are processed automatically.</li> <li>The National Anti-Narcotics Office is responsible for organising and running meetings with the participation of the CICPC, to coordinate and design strategies to solve the shortcomings or gaps that may appear in the development of the investigative process. It should be noted that the CICPC also has Divisions against Organised Crime, Financial Crime, Computer Crime, Terrorism and Piracy, which tackle money laundering and terrorist financing with efficiency and promptness. The possibility is also being studied of including in its structure a General Directorate Against Money Laundering.</li> </ul>

			<ul style="list-style-type: none"> <li>• Likewise, it is necessary to highlight Division Creation of the General Direction against Organized Delinquency of the Public Ministry the purpose of which is to be constituted in an entity destined to effectively and timely respond within the framework of the fight against Organized Delinquency in different settings. Therefore, contemplates as part of its action lines articulation of efforts with entities encountered within and beyond the justice management system linked in matter of Organized Delinquency to the purposes of creating a common fund in combating such scourges. By virtue of specific competence of the General Direction it has inscription to the Direction Against Drugs, such as the Direction of Legalization of Capitals, Financial and Economic Crimes being this latter recently created and the purpose of which is oriented to establish in a single dependency action lines addressed to investigation and design of strategies against legalization of capitals and financial and economic offenses, thus complying with Article 58 of the Organic Law against Organized Delinquency, which provides establishment thereof</li> <li>• Likewise, it must be highlighted that the Public Ministry on 28 and 29 of October 2010, carried out “IV International Convention against Drugs and Capitals Legalization” to which 705 participants attended belonging to different state entities involved with combating of this offensive figures. Its development centered in providing efficient tools, exchange experiences and generate a global vision of the topic in order to unify criteria and efforts to effectively fight such scourges. The accomplishment of this event also had the objective of consolidation of tasks aimed to attain an approach and cooperation of the different entities related with the topic in order to establish a common frame to add pertaining the foreseen in national and international legislation on the matter</li> </ul>
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32. Statistics	NC	<ul style="list-style-type: none"> <li>• An evaluation on the efficiency of the system has not been carried out.</li> <li>• Only in the area of the UNIF there are complete statistics available. .</li> <li>• With respect to the information on investigations, convictions, seizures etc, the information is partial or unavailable.</li> <li>• In the matter of international cooperation, statistics were not adequate in order to evaluate its effectiveness</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Generate overall statistics in all the agencies of the AML/CFT system</li> </ul>	<p><b>It is in fact confirmed that the statistics which support the efficiency of the Anti-Laundering and Anti-Terrorism System of the Bolivarian Republic of Venezuela, have been given to the CFATF as well as the FATF during the years 2011 and 2012, during the Face to Face Meetings held in the city of Miami, USA.</b></p> <p><b>See ANNEX 1</b></p> <p>(Integration of police statistics refers to the integration of statistics between UNIF and the Ministerio Público): The Ministerio Público and the UNIF of SUDEBAN have worked towards unification of the figures for STRs coming from that institution and those received by the Ministerio Público intended for the opening of criminal investigations, in such a way as to present numbers in a coordinated fashion, enable greater control in the follow up to these reports and thus determine their destination and know for certain how many result in convictions and acquittals.</p> <p>From the various meetings held by the Money Laundering, Financial and Economic Crime Directorate of the Ministerio Público and the UNIF have come, among other issues, recommendations for improving production of STRs, including the necessity to provide information on the criteria of classification used in the reports, and indication of the source of the information contained in them, date of the last update and details of the facts motivating the reports; description of the verifications performed; the financial history and analysis of the banking movements of the subject of the report in each of the accounts, to enable, as far as possible from the flow of funds, appreciation of their origin and destination, as well as the presumed link to illegal activities; the reasons for which it was decided, during the financial intelligence process, to consider the activity as suspicious, and the development of a glossary of terms for the management of information contained in the Suspicious Activity Report, to facilitate the work of the representative of the Ministerio Público.</p> <p>It was also agreed to revise the information from UNIF received by the Ministerio Público, that is to say the annual history of STRs, working backwards from 2010, for the purpose of rendering the statistics more reliable. <b>As an immediate result, the SUDEBAN and the FIU submit their figures in unified form. They show that in 2011 the FIU sent to the Ministerio Público a total of sixty-one (61) intelligence reports, twenty-four (24) of which complemented previous ones, giving rise to approximately thirty-six (36) new investigations.</b></p> <p>These extra reports consist of all those which do not correspond to new STRs but which are related to a previous year, and from which a criminal investigation by the Ministerio Público arose. This is definitely another success of the UNIF and the Ministerio Público in their efforts to achieve accurate merging of their figures, since it has been possible to define as extra reports those which, as stated above, are linked to a criminal prosecution already initiated on the basis of a previous STR and are therefore considered advances of the first STR, and thus adds to the information necessary to continue with the corresponding investigation.</p> <p>As stated more fully above, the Ministerio Público is at present in the final phase of developing a complete database system which is intended to include items relative to dates of investigation as well as convictions (when these occur) in ML/FT cases (should some crime of this type occur). Another of its features is one which outputs information on the</p>
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			<p>property and money seized and confiscated in specific legal cases. It is also intended to provide statistics on ML cases where the predicate offence is other than illegal drug trafficking, and for this the system contains another feature which makes it possible to highlight the crime together with offences of this type. In each case the information system will output statistical results from which it is hoped to obtain quantitative information concerning the offences in question. The screens of the information system include commands for downloading integrated data on cases linked to money laundering and financing of terrorism, as well as others relating to financial and economic crimes, such as requests for mutual assistance in criminal matters (international cooperation). It should therefore be emphasised that implementation of this system is expected to provide greater precision and scope and that it is an efficient and timely response to the CFATF requirements in harmony with the standards laid down in the FATF forty nine (49) Recommendations.</p> <p>UNIF has submitted to the Ministerio Público the statistics relating to intelligence reports submitted to that agency, broken down by year and STRs, associated with intelligence reports, all relating to the period between 2001 and 2011.</p> <p><b>UNIF has appointed a permanent Liaison Officer with the Ministerio Público, responsible for reconciliation of statistics with that Agency, and effective reconciliation has already been achieved for 2009, 2010 and 2011.</b></p> <p><b>Another example of consolidation of statistics that should be mentioned is the compendium of statistics produced at the face-to-face meeting with the FATF International Cooperation Review Group (ICRG) and the CFATF Executive Secretary in September 2011 in Miami, USA.</b></p>
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33. Legal persons–beneficial owners	NC	<ul style="list-style-type: none"> <li>• The project for computerization of Register and notarial data is not yet complete. There is therefore no national register to provide necessary details on ownership and control of companies.</li> </ul>	<ul style="list-style-type: none"> <li>• Complete the establishment of a system to enable control of legal persons to be determined</li> </ul>	<p><b><u>Registry and Notarial Sector</u></b></p> <p><b>The Project for Computerisation and Modernisation of the Offices and Registries of the Autonomous Registry and Notarial Service (SAREN) is at present underway. This project was created by ALBA Conventions and is being implemented by the General Directorate of SAREN. Its purpose was to help to guarantee Judicial Security all Venezuelan citizens.</b></p> <p><b>The computerisation and modernisation project includes among other aspects, the deployment of the registration system in 21 principal Registries, the deployment of the Notarial System in 155 Notarial and 27 Public Registry Offices with notarial functions; in addition, the deployment of the Financial Administration System to the 203 Offices where the abovementioned systems will be implemented. Likewise, work is proceeding on the installation of a Centre for Binding Legal Documents, organisational reform and extension of the Statistical Solution in Central SAREN, remodelling of infrastructure and acquisition of office computer equipment and the installation of cable networks in selected offices.</b></p> <p><b>The main objectives of the Project are as follows:</b></p> <p><b>a).- Improvement to services offered by the Registry and Notarial Offices, thereby achieving an optimum level of user satisfaction.</b></p> <p><b>b).- Standardising the Venezuelan Notarial and Registry Service</b></p> <p><b>c).- Reducing money laundering</b></p> <p><b>d).- Setting in place technological mechanisms for centralised control and follow up of the Registry and Notarial Services.</b></p> <p><b>Up to the present a total of one hundred and ninety three (193) offices have been computerised, which is ninety five point seven percent (95.7%) of the total.</b></p> <p><b><u>Achievements of the Project</u></b></p> <p><b>1.- Electrical upgrading has been completed in the first 20 offices to be deployed and a total of 9 offices are ready.</b></p> <p><b>2.- Training is about to begin for the fourth group of persons (15<sup>th</sup>-19<sup>th</sup> August) together with the respective logistical processes for successful conclusion of the activities set out in the National Experimental Security University.</b></p>
34. Legal arrangements – beneficial owners	PC	<ul style="list-style-type: none"> <li>• There is no central register encompassing all trusts set up by banking and insurance institutions.</li> <li>• The effectiveness of this rule could not be determined, nor was it possible to discover what information the registers of the competent authorities contained.</li> <li>• It is not clear for the evaluating team the adequacy of access to information when trusts are formed by clients of a Venezuelan financial</li> </ul>	<ul style="list-style-type: none"> <li>• Establish some kind of system to enable parties controlling legal arrangements to be known.</li> </ul>	<p>Regarding the existence of a Central Registry to encompass trusts set up by banks, it is up to the multipurpose banks to keep statistics of the Trusts set up, as well as data on their final beneficiaries. This information may be corroborated in the inspections carried out by this agency.</p> <ul style="list-style-type: none"> <li>• Identification and knowledge of the beneficiary or real final holder of trusts; legal persons with complex shareholding structures.</li> </ul> <p>With regard to trusts, mandates, commissions and other trust type operations, the Superintendency of Banks has authorised multipurpose banks to perform these operations, which are regulated in Article 73, 74, 75 and 76 of the Decree with Force of Law partially</p>

		institution but from a branch located in another country in which the legislation in this respect is different or where banking secrecy is excessive.		<p>amending the Banking Act, published in Official Gazette No.39,627 of 2<sup>nd</sup> March 2011. Act No.8,079 of 1<sup>st</sup> March 2011. In addition, Article 65 of Resolution 119-10 requires ML/FT risk management in trust operations.</p> <p>The regulated institutions licensed as Trust Institutions must consider this type of product as high risk and ensure that there is adequate, precise and timely information available on the Trusts that they manage, including information on the Trustor and final beneficiaries. In addition, they must design means for mitigation in accordance with the risk level and the nature of the product.</p>
35. Conventions	<b>C</b>			
36. Mutual legal assistance (MLA)	<b>ML</b>	<ul style="list-style-type: none"> <li>Problems in identifying goods exist, as noted in Recommendation 3</li> </ul>	<ul style="list-style-type: none"> <li>There should be a mechanism to determine the goods of which a person is owner, in a truthful and timely manner.</li> <li>Establish an effective mechanism for freezing financial accounts.</li> </ul>	<ul style="list-style-type: none"> <li>The Criminal and financial Investigation Directorate of the National Guard, in the course of ML and FT investigations, determines, reliably and promptly, the ownership of assets of persons, both natural and legal, under investigation, through the National Registry and Notarial Directorate.</li> <li>Our Legislation foresees that within the framework of an investigation the existence of goods used and/or obtained in the commission of the crime be determined, although only with founded suspicious of precedence shall be preventively ensured and seizure thereof shall be ordered whenever there is final condemnatory sentence.</li> <li>Likewise, through SUDEBAN there is an effective mechanism for the freezing of financial accounts and even the Public Ministry within the framework of legal attributions may request directly to financial or banking institutions the ensuring and freezing of accounts.</li> <li>This way we have the Organic Law against Organized Delinquency which provides: Seizure of Confiscation Article 19. The seizure or confiscation of property inputs, raw material, machinery, equipment, capital or products and benefits coming from crimes committed by members of an organized delinquency group is necessarily attached to the principle crime, even if these are in held or filed without participation in such crime whether legal persons or individuals.</li> </ul> <p>All instruments or equipment to counterfeit or alter currency or securities of public credit shall be destroyed. The psychotropic and narcotic substances shall be destroyed through incineration or other adequate means before a control judge, an attorney, general of the Public Ministry and an officer police in charge of criminal investigations, following the procedure indicated in the Law on this matter and other goods product of other crimes of organized delinquency shall be destroyed whenever the nature so demands in accordance with the Law.</p> <p>Likewise, the seizure of instruments, equipment, armament, vehicles, and effects with which the punishable act was committed shall be auxiliary crime in accordance with provisions of the Criminal Code and in relation with weapons it shall be executed in accordance with the provisions of the weapons and explosives law.</p> <p>Block or preventive immobilization of banking accounts.</p> <p>Article 21. During the course of a criminal investigation for any of the crimes committed by the organized crime, the attorney of the Ministry may request before the judge of control authorization to block or preventively immobilize the banking accounts belonging to any of the members of the organization under investigation, as well as the preventive closure of any premise, commercial establishment, trade, club, casino, night entertainment center, spectacle or industry linked with such organization. And in Organic Law Against Unlawful Traffic and Consumption of drugs and narcotic substances we have the following</p> <p>Article 66</p> <p>Seized, Insured and Confiscated Property.</p>

				<p>Real estate of chattels, capitals, ships, aircraft, land automotive vehicles, stocks equipment, instruments and other objects which may be used in the commission of the investigated crime as well as those property about which there is suspicious of crime origin foreseen in this law or in related crimes such as goods or capitals for which it is not possible to demonstrate lawful origin, banking assets, life styles that do not correspond with income or any other lawful support in which fake imports or exports over-invoicing or double invoicing, transfer of cash, violating custom regulations, banking or financial transactions from or to other countries without being able to evidence investment of unlawful placement unusual transactions, lack of use, non conventional structured or transit transactions classified as suspicious be Enforced Subjects, have enterprise, companies or corporation which are inexistent or any other conviction element except if the law expressly prohibits it shall be in all events preventively confiscated and ordered whenever there is a final definite ruling confiscation thereof shall be allocated to the decentralized entity on the matter which shall avail thereof in order to allocate resources for the execution of its programs and those accomplished by public entities entrusted with repression, prevention, control and fiscalization of crimes typified in this law, as well as for entities entrusted to programs for the prevention treatment, rehabilitation and social re-adaptation of consumers of narcotics and psychotropic substances. Likewise, resources shall be allocated for the creation and strengthening of national and international networks mentioned in the Law</p> <p>Article 67 Management Service of Ensured Seized or Confiscated Goods or Property The decentralized entity on the matter shall create an Insured, Seized or Confiscated property management Service, for those property assigned by the criminal courts in order to adopt measures necessary for due custody, preservation and management of resources in order to avoid alteration, disappearance, or deterioration or destruction and may appoint depositories or special manager who shall submit to its guideline and submit periodical evaluation control and follow-up reports concerning management. These persons shall have the nature of public officers for purposes of keeping custody and preservation of goods and shall respond from the civil and criminal viewpoints before the Venezuelan state and offended third parties. The Attorney General of the Public Ministry with authorization from the control judge may request the allocation of some type of seized or property for its use, safekeeping custody to an official institution that needs it for compliance with its tasks.</p>
37. Dual criminality	<b>ML</b>	<ul style="list-style-type: none"> <li>Venezuela cannot extradite nationals or foreigners when the sentence could surpass 30 years of prison</li> </ul>	<ul style="list-style-type: none"> <li>The rule that prevents extraditing nationals or foreigners capable of receiving a sentence greater than 30 years must be reviewed</li> </ul>	<p>In terms of extradition regulations provided in the Constitution of the Bolivarian Republic of Venezuela Articles 23, 69, 271 are applicable. Nations may not be extradited; however they may appear in trial at the request of the offended party or the Public Ministry. Under no circumstance shall extradition of foreign responsible for crimes for de-legalization of capitals, drugs, delinquency, organized international crime, facts against public heritage and other states and against human rights may be denied.</p> <p>It is necessary to mention that the application of this regulation responds the fundamental principals in legal matters of the Republic: extradition may not be granted to any person, the condemnation of whom in the stage requires more than 30 years since constitutional order, through Article 44, foresees that imprisonment penalties shall not exceed such term, therefore, taking into account that the Supreme Law of the Republic makes this express provision is not applicable to grant extradition to a person that in the State required will be subject to a penalty exceeding such maximum term established legally in Venezuela.</p> <p>On the other hand the Public Ministry provides all support required concerning the procedures for Mutual Assistance Requests in Criminal Matters, Warrants and Rogatory</p>

				<p>Letters, for which without prejudice the double incrimination requirement except when dealing with the application of precautionary measures. From statistic data attached to this matrix active tasks accomplished by the Public Ministry concerning procedure of international cooperation instruments in criminal matters is cleared</p>
38. MLA on confiscation and freezing	PC	<ul style="list-style-type: none"> <li>• Problems in identifying goods</li> <li>• Lack of Agreements for the sharing of assets.</li> <li>• The effectiveness of the possible measures of cooperation contained in the LOCDO could not be evaluated.</li> </ul>	<ul style="list-style-type: none"> <li>• There should be a mechanism to determine the goods of which a person is owner, in a truthful and timely manner.</li> <li>• Establish an effective mechanism for freezing financial accounts.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>See previous Recommendation and the new Resolutions: 122 and 158 of 2012.</b></li> <li>• One hundred and ninety three (193) registry offices have been computerised. In them rapid access can be had to information on natural and legal persons and property subject to transactions carried out in accordance with the provisions of the Public Register and Notarial Act.</li> <li>• The Anti Narcotics Squad of the National Guard maintains close relations with all the police and military attaches of the various embassies in our country, and provides them when necessary with information requested which may be to their interest and may be related to seizure of drugs and detention of foreign citizens. It also provides information on investigations being carried out by those governments on money laundering and financing of unlawful activities.</li> <li>• The Directorate of Criminal and Financial Investigations of the National Guard, in the course of ML/FT investigations, determines the ownership of property of natural and legal persons under investigation, accurately and in timely fashion, through the National Directorate of Registry and Notarial Services.</li> <li>• Even though it falls to the Ministerio Público to request sequestration of property, the CICPC in the course of investigations is able to effectively determine the ownership of property of the person or persons under investigation and/or related to a particular case. This information is handed over to the Ministerio Público.</li> <li>• Under Venezuelan law, when in the course of an investigation the existence of property used and/or obtained in the commission of the offence is determined, although this may be based solely on well founded suspicion of its criminal origin, it shall be subject to provisional seizure and when there is a final conviction its confiscation shall be ordered.</li> <li>• Likewise, under SUDEBAN there is an effective mechanism for freezing of financial accounts and the Ministerio Público also, within its legal functions, may directly request financial or banking institutions to block or freeze accounts.</li> <li>• Resolution 119-10 makes it clear that financial institutions must pay particular attention to operations and activities which show signs that the funds involved may be linked the financing of terrorism, and then to submit them to in depth analysis, and when the institution deems suitable, and the transaction is categorised as suspicious, it must send an STR to the UNIF.</li> <li>• Blockage or preventive freezing of bank accounts, Article 21. In the course of a criminal investigation for any of the offences committed by organised crime, the <i>Fiscal</i> of the Ministerio may request from the judge in charge of the case authority for blocking or preventive freezing of the bank accounts belonging to any of the members of organisation under investigation, as well as the preventive closure of any premises, establishment, business, club, casino, nightclub, theatrical premises or industry linked to such</li> </ul>

				<p>organisation.</p> <ul style="list-style-type: none"> <li>Article 183 of the New Organic Law on Narcotics stipulates as follows:</li> </ul> <p>Sequestered, seized and confiscated property:</p> <p>“The judge in charge of the case, at the request of the Fiscal of the Ministerio Público, shall order the preventive sequestration of the moveable or immovable property which may be employed in the commission of the crime under investigation in accordance with this Act, or concerning which there may exist evidence of their unlawful origin. Until the specialised confiscated property management service is established, the abovementioned property shall be placed at the disposal of the governing body for its safeguarding, custody, maintenance, conservation, management and use, and this body may assign them to the execution of its programmes and the programmes executed by public agencies and bodies engaged in the prevention and repression of the offences specified in this Act, or to public agencies and bodies engaged in programmes of prevention, treatment, rehabilitation and social reinsertion of the recipient. The owner of such property, when there are circumstances which indicate his lack of intention, shall be exempted from such measures and this shall be decided in the preliminary hearing”.</p> <ul style="list-style-type: none"> <li>It should once more be emphasised that the mechanisms included in the Act are fully effective, thanks to the existing linkage among the various agencies with competence in the area, with the result that all assets whose linkage to members of organised criminal groups has been verified, may be frozen without delay, thus guaranteeing that the already established mechanism for this purpose produces the necessary outcome and gives satisfactory results.</li> </ul>
39. Extradition	<b>ML</b>	<ul style="list-style-type: none"> <li>Venezuela cannot extradite nationals or foreigners when the sentence could surpass 30 years of prison</li> </ul>	<ul style="list-style-type: none"> <li>The rule that prevents extraditing nationals or foreigners capable of receiving a sentence greater than 30 years must be reviewed</li> </ul>	<ul style="list-style-type: none"> <li>In terms of extradition, regulation provided in the Constitution of the Bolivarian Republic of Venezuela, Articles 23, 69, 271 are applicable.</li> </ul> <p>Nations may not be extradited; however they may be sent to trial at the request of the offended party or the Public Ministry.</p> <p>Under no circumstance shall extradition of foreign or foreign responsible for crimes for legalization of capitals, drugs, delinquency, organized international crime, facts against public heritage and other states and against human rights may be denied.</p> <p>We insist that in the application of this regulation response to fundamental principles in legal matters of the Republic such as those referred to under Recommendation 37.</p>
40. Other forms of co-operation	<b>C</b>	<ul style="list-style-type: none"> <li></li> </ul>		
SR.I Implement UN instruments	<b>PC</b>	<ul style="list-style-type: none"> <li>No system for making operational the implementation of UN FT resolutions has been established.</li> </ul>	<ul style="list-style-type: none"> <li>Establish a system for making operational the implementation of UN FT resolutions.</li> </ul>	<p><b>With the aim of correcting this observation, the Bolivarian Republic of Venezuela, established through the publication in the Official Gazette No 39.945 dated June 15, 2012, the Complementary Resolution No 122 of that same date, which describes a mechanism for the immediate freezing (without delay) in accordance with the requirements of the United Nations Security Council Resolution Nos. 1267 and 1373. Which is appended to this matrix and to date is under review of another Resolution which was issued in order to regulate the instrumentation and application process of the Resolutions coming from the aforementioned Council in accordance with the Complementary Resolution, with regard specifically to persons listed or delisted or excluded, by the United Nations Organization Security Council, or by the National Office against Organized Crime and the Financing of Terrorism (ONDO) ); as well as the freezing or preventative blocking, and unfreezing or unblocking, without delay, by</b></p>

				<p><b>the reporting entities of funds and other financial assets or economic resources of persons who commit, or attempt to commit, one or more terrorist acts or participate in or facilitate the commissioning of acts; entities owned or under the control, direct or indirect, of such persons and of persons and entities acting on behalf of such persons and entities, or under their orders, including funds obtained or derived from property owned or under the control, direct or indirect, of such persons and of persons and entities associated with them.</b></p> <p>Likewise, through Resolution 119-10 there are factors to be considered high risk in countries or jurisdictions included in the list issued by the Security Council of the United Nations; likewise, Enforced Subjects must apply monitoring procedures on transactions with countries or geographic areas in accordance with lists issued by the United Nations Security Council where individuals, organizations or countries in particular be subject to sanctions for the financing of terrorism. It is important to highlight that within the reports of operations in dollars of the United States of America or its equivalent in other currencies (Purchase and Sales, Transfer and Electronic Money) that Enforced Subjects must transmit operations with countries or jurisdictions where they are listed by UN.</p> <p>Among the Factors or categories to be considered high risk Resolution 119-10 includes the following:</p> <p>Regardless those that additionally may be included and rated in such category in accordance with the risk rating procedures of ML/FT of each Enforced Subject or in accordance with the instructions of a competent authority on the matter or in accordance with best international prevention practices for ML/FT. Among the high risk factors the following are considered (article 32 in paragraph 4, subparagraph b)</p> <p>Countries, jurisdictions and/or geographic areas which represent high risk. The geographic area risk provides useful information with respect to possible ML/FT risks. There is no universally agreed definition by government or international entities which prescribe if a country or determined region represent a higher risk level for which Enforced Subjects are given instructions to consider the following as high risk.</p> <p>Those considered by the International Financial Action Group (hereinafter FATF), as non-cooperating parties or those prevention systems of ML/FT risk considered inexistent or if existing are not effectively applied</p> <p>.Countries or jurisdictions included in the lists issued by the Security Council of UN</p> <p>Procedures that Enforced Subjects must develop to detect activities related with financing of terrorism are the following:</p> <p>Apply monitoring procedures on transactions with countries or geographic areas according to the issued by the United Nations Security Council where individuals, organizations or countries in particular are subject to sanctions for the financing of terrorism.</p> <ol style="list-style-type: none"> <li>1. Monitoring that allows to identify transactions related with individuals or legal persons that have been identified in other jurisdictions as elements related with terrorist activities or organization or financing thereof.</li> <li>2. Procedure for the internal control and alert signals based on typologies detected and communicated by the national authorities or other jurisdictions related with the financing of terrorism activities. <b>See Article 67</b></li> </ol> <p>Likewise, reports of operations in US dollars or equivalent in other currencies (Purchase and Sale, Transfers and Electronic Money) which Enforced Subjects shall remit to SUDEBAN with in fifteen (15) calendar days following the monthly closing using electronic transmissions, a report of operations of purchase-sale and transfer of currencies:</p>
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				<p>as well as electronic cash sales in currencies that comply with the following characteristics:</p> <ol style="list-style-type: none"> <li>1. Transfers equal or exceeding three thousand us dollars (US\$3,000.00) or its equivalent in other currencies, made towards or from territories or regions included in the list of “Physical Havens” countries, or states or jurisdictions that have a fiscal system differentiated among residents and nationals, absolute banking secrete, lack of international treaties on the matter; as well as reduced taxes or non-existing taxes published by the organization by the Cooperation and Economic Development (OCDE) of UN.</li> <li>2. Transfers equal or exceeding seven hundred and fifty United States dollars (US\$750.00) or its equivalent in other currencies, made towards or from countries mainly areas which produce drugs in accordance with specifications of Global Illicit Drug Trends of the United Nations (Web Page <a href="http://www.unodc.org">www.unodc.org</a>) <b>See Article 78</b></li> </ol> <p><b>Communication Channels with Enforced Subjects</b></p> <p>In <b>Annex 6</b> the summary table for the processing of applications of financial information of legal persons and/ individuals linked to the financing of terrorism is presented in accordance with the provisions of Resolutions 1267, 1373, 1455, 1483, 1526, 13224, 1333, 1390, 1617, 1624, and 1735 of the United Nations Security Council.</p> <p>- The circular issued SUDEBAN SBIF-DSB-UNIF-19574 dated October 1<sup>st</sup> 2010, requires regulated entities to report immediately to the FIU when identifying persons or organizations that are mentioned in the lists of UN Resolutions.</p>
SR.II Criminalize terrorist financing	PC	<ul style="list-style-type: none"> <li>• A few problems of definition which could cast doubts about the autonomy of the offense.</li> <li>• Although there are cases of terrorism, no cases of FT are known.</li> <li>• No criminalization of the financing of individual terrorists.</li> </ul>	<ul style="list-style-type: none"> <li>• Improve criminalization.</li> <li>• Lack of records of cases of financing as opposed to existing terrorism cases.</li> </ul>	<p><u><b>Organic Law against Organised Crime (LOCDO)</b></u></p> <p><b>Financing of Terrorism is criminalised in the LOCDO amendment. It states that whosoever, being part of an organised criminal group, provides, facilitates, protects, manages or collects funds by any means direct or indirect, for use in part or whole by an individual terrorist or a terrorist organisation, or to commit one or more terrorist acts, shall be liable to fifteen to twenty-five years’ imprisonment, even though the funds have not actually been used or the terrorist act or acts have not been committed.</b></p> <p><b>The penalty stipulated shall apply independently of whether the funds are used by an individual terrorist or by a terrorist organisation operating on foreign soil, and without regard to the country in which the terrorist act or acts may take place. No political, philosophical, ideological, religious, racial discrimination or other like considerations shall in any circumstances constitute a defence against a charge of financing of terrorism.</b></p> <ul style="list-style-type: none"> <li>• Venezuelan legislation criminalizes the financing of terrorism, categorized as Organized Crime, through Article 7 of Organic Law Against Organized Crime (effective since October 26, 2005). It provides that whoever belongs to, finances, acts or cooperates in armed bands or organized delinquency groups(...), shall have imprisonment penalty from ten to fifteen years. It also stipulates aggravating circumstances in the following article related with the means used and addressed to certain sectors, sites and qualified persons.</li> </ul> <p>It is important to highlight that Resolution 119-10 clarified that financial institutions must pay special attention to operations and activities, the characteristics of which are unusual and that may indicate that funds may be related with the financing of terrorism, then subject to a deep analysis and whenever the institution deems convenient and the transaction rating as suspicious must sent a RAS to UNIF. See Article 66, 67 and 68</p>



				The draft reform of the Organic Law Against Organized Crime, establishes clearly the definition of terrorist financing, incorporates it as part of the concept of of organized crime, including individual actions.
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SR.III Freeze and confiscate terrorist assets	NC	<ul style="list-style-type: none"> <li>No laws on this</li> </ul>	<ul style="list-style-type: none"> <li>Establish a regime for freezing funds used for FT.</li> </ul>	<p><b>With the aim of correcting this observation, the Bolivarian Republic of Venezuela, established through the publication in the Official Gazette No 39.945 dated June 15, 2012, the Complementary Resolution No 122 of that same date, which describes a mechanism for the immediate freezing (without delay) in accordance with the requirements of the United Nations Security Council Resolutions Nos. 1267 and 1373. Which is appended to this matrix and to date is under review of another Resolution which was issued in order to regulate the instrumentation and application process of the Resolutions coming from the aforementioned Council in accordance with the Complementary Resolution, with regard specifically to persons listed or delisted or excluded, by the United Nations Organization Security Council, or by the National Office against Organized Crime and the Financing of Terrorism (ONDO) ); as well as the freezing o preventative blocking, and unfreezing or unblocking, without delay, by the reporting entities of funds and other financial assets or economic resources of persons who commit, or attempt to commit, one or more terrorist acts or participate in or facilitate the commissioning of acts; entities owned or under the control, direct or indirect, of such persons and of persons and entities acting on behalf of such persons and entities, or under their orders, including funds obtained or derived from property owned or under the control, direct or indirect, of such persons and of persons and associated entities.</b></p> <p>Article 116 of the Constitution states: “Confiscation of property shall be ordered or performed only in cases permitted by this Constitution. Exceptionally, property of natural or legal persons, national or foreign, guilty of crimes against the public weal, of persons who have enriched themselves illicitly under the protection of the Public Power, or property derived from commercial, financial or any other activities related to the illegal traffic in narcotic or psychotropic substances, may be confiscated upon final judgment.” This shows that there are exceptions to the confiscation of proceeds of organised crime.</p> <p>In addition, Venezuelan legislation, including the LOCDO, embodies machinery for preventive seizure of property linked to organised crime, including financing of terrorism. They cover the majority of items easily transportable, moved or diverted, inter alia motor vehicles, vessels, aircraft, bank accounts, . such measures are enforced according to specific rules embodied in the LOCDO (Arts. 20 and 21).</p> <p>In the case of immovable property, such as buildings, Article 550 of the Code of Criminal Procedure constitutes an abatement of the broad list of preventive measures embodied in Art. 558.3 of the Code of Civil Procedure, such as the prohibition on sequestration of or distraint upon real estate. Finally, for purposes of custody, or in cases where in the proceedings the seized property is shown to be linked to organised crime, the LOCDO embodies a specific provision for its custody/confiscation as an accessory penalty (art. 19), and the assets then become the property of the Venezuelan state through the National Service for Management and Transfer of Secured, Seized, Confiscated and Forfeited Property (Article 22).</p> <p>This precautionary mechanism operates in practice through the participation of the Ministerio Público as the body responsible for criminal proceedings, and therefore for securing the property. It also has the power to request the abovementioned measures of the competent court, which if they are granted must apply the measures. In this regard it should be noted that:</p> <ol style="list-style-type: none"> <li>Movable property of a financial nature, such as bank accounts, are secured by</li> </ol>
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				<p>communication with the Superintendency of Banks, which in the final analysis freezes the assets through the respective financial institution.</p> <p>2.For Movable assets such as vehicles, ships and aircraft, the measure is executed through the respective registry: the National Land Transport Institute, the National Aquatic Spaces Institute and the National Civil Aviation Institute, the Autonomous Registry and Notarial Service being informed in all cases.</p> <p>3. For immovable assets it is executed through communication with the Autonomous Registry and Notarial Service, which in turn notifies the relevant land and buildings registry of the action ordered, to ensure that no operation implying a lien will be executed on the property.</p> <p>These preventive measures have two essential purposes: first, to ensure the appearance of the accused in the proceedings against him; second, to weaken the strong logistical resources at the disposal organised crime to facilitate offences or ensure impunity, by taking immediate possession of its goods even at the start of the investigation.</p> <p>It is noteworthy that despite the existence of agencies through which the Ministerio Público can take the necessary steps to ensure enforcement of measures for securing property, the Fiscal of the Ministerio Público is also empowered to approach banks and financial institutions directly, and also sub-registries for the same purpose.</p> <p><b><u>Organic Law against Organised Crime (LOCDO)</u></b></p> <p>The LOCDO amendment stipulates that the National Executive shall create a special decentralised service, under the controlling agency, for management and transfer of secured or seized and confiscated property used in the commission of offences being investigated pursuant to the amended LOCDO, or in regard to which there is evidence of unlawful origin. It is also stipulated that the judge seized of the case, at the request of the fiscal of the Ministerio Público, shall order the preventive seizure of movable or immovable property used in the commission of offences being investigated pursuant to the amended LOCDO, or in regard to which there is evidence of unlawful origin. Pending creation of the special service for management of confiscated property, such property shall be placed for safekeeping, custody, maintenance, conservation, management and use at the disposal of the controlling agency, which may apply it to the implementation of its programmes or allocate it for use by those agencies devoted to prevention and repression of the offences specified in the Amendment.</p> <p>In the case of preventive seizure of foodstuffs, drinks, perishables or goods not easily manageable, the fiscal of the Ministerio Público shall request the judge seized of the case authority for their early disposal. The judge, after an inventory is taken, and having heard third parties acting in good faith, shall if he deems necessary authorise sale of the goods or their use for social benefit, to avoid their deterioration, damage or loss. The proceeds shall be safeguarded until final judgment is handed down in the case.</p> <p>Upon the handing down of a definitive conviction for offences specified in the LOCDO, the property preventively detained shall be confiscated and allocated to programmes for prevention and repression of offences specified in the Act. In the case of a definitive acquittal, the preventively detained property shall be returned to its lawful owners.</p> <p>In proceedings for money laundering offences, the judge seized of the case may, at the</p>
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				<p>request of the Ministerio Público, declare the natural or legal persons who appear to be the owners or possessors of money, assets, titles, shares, securities, rights, personal effects, movable or immovable property to be intermediary agents, when there is sufficient evidence that they were acquired with proceeds of organised crime.</p> <p>In addition, during any investigation into offence committed by organised crime or for financing of terrorism, the fiscal of the Ministerio Público may request of the competent judge authority for preventive blocking or freezing of bank accounts belonging to any of the members of the organisation under investigation, and preventive closure of any premises, establishment, business, club, casino, nightclub, show or industry linked to it.</p> <p>The controlling agency may designate special depositories or administrators to prevent the seized or frozen property from being altered, disappearing, deteriorating, losing appreciable economic value or being destroyed, and they shall be subject to the instructions of the controlling agency and report periodically to it on their management. Such persons acquire the status of public officials for purposes, of safekeeping, custody, use and conservation of the property, and shall be administratively, civilly and criminally answerable to the Venezuelan State and to aggrieved third parties.</p> <p>If one year after preventive seizure it has not been possible to establish the identity of the owner of the property who is the author of or a participant in the act, or if it has been abandoned by such person, the fiscal of the Ministerio Público shall make a request to the court for its forfeiture. In such cases the court shall order the controlling agency to give notice of this by means of an announcement in a newspaper of national circulation, giving reasons for the notice, and to place the page carrying the notice on the relevant file.</p> <p>Within thirty days of publication of the notice, persons with legitimate claims should bring in writing before the court well-founded proof of their claims. At the end of the specified period, if there has been objection from legitimate claimants, the judge shall declare the property forfeited.</p> <p>Should there be objection, the judge shall notify the fiscal, who must bring evidence to counter the objections within five days. If no evidence is put forward, or if it is simply a point of law, the judge shall decide the issue, giving reasons and without further formalities, within three days of the end of the abovementioned period. This process shall not interrupt the criminal proceedings.</p> <p>Should evidence have been brought, the judge shall hold an oral hearing within eight days of publication of the respective ruling. At this hearing the fiscal and the lawful claimant shall present oral arguments and present their evidence. At the conclusion of the hearing the judge shall rule, giving reasons. This ruling may be appealed by the parties within three days.</p> <p>If the lawful claimant does not appear at the hearing, without valid reason, his claim shall be declared void and forfeiture of the property shall be ordered. There shall be no appeal from this decision.</p> <p>When the decision of the court ordering the forfeit becomes final, the property is put at the disposal of the controlling agency or the Special Service for Management and Transfer of Secured, Seized, Confiscated and Forfeited Property</p>
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				<p>against Organised Crime contains provisions which provide mechanism for identification, detection, embargo and seizure in cases of such unlawful activity.</p> <p>Thus Article 19 provides, as an accessory penalty for the crime of financing of terrorism and other crimes which in their nature are related to organised crime, for confiscation of property, inputs, raw materials, machinery, equipment, capital or products or profits derived from them. Consequently, Article 20 provides for preventive sequestration of ships, aircraft, land vehicles and containers. Article 21, too, provides for blockage or preventive freezing of bank accounts belonging to members of the organisation under investigation, as well as preventive closure of premises, establishments, businesses, clubs, casinos or industries linked to this crime. Article 22 provides for creation of a service of management of seized and confiscated property for the purpose of their custody, conservation and management, while Article 24 of the same Act governs, among other areas, the effects of conviction on property and wealth, upon order of confiscation, the proceeds of which shall be used through the decentralised body in the fight against organised crime for control, prosecution and repression of these crimes, including financing of terrorism.</p> <p>Articles 26 and 27 provide for criminal liability for the offences committed by legal persons, including sanctions that run from permanent closure, revocation of concessions, ban on commercial, industrial, technical or scientific activity, confiscation of property, etc.</p> <p>Likewise, in the international sphere, Articles 71 and 74 of the Act provide for the possibility of confiscation in the field of international cooperation and establishes measures and procedures to put this into effect.</p> <p>Finally, Article 283 of the Code of Criminal Procedure stipulates that when the Ministerio Público takes cognisance of the perpetration of a crime, it shall take the necessary measures to investigate and confirm the commission of such crime, with all circumstances that may influence its classification as such, and determine the liability of its authors or participants, as well as the blockage of active and passive objects linked to the commission of the offence. It should be emphasised that the mechanism described above is completely effective, thanks to the linkage that exists among the various institutions with competence in the area, and that as a result all those assets whose connection to members of organised crime is verified may be seized without delay. It may therefore be guaranteed that in this area, the existing mechanism produces the desired outcome and gives satisfactory results.</p>
SR.IV Suspicious transaction reporting	PC	<ul style="list-style-type: none"> <li>No legal requirement for regulated entities to report operations related to FT. As is the case with recommendation 13, financial institutions submit reports based on Superintendency of Banks and FIU resolutions and circulars.</li> </ul>	<ul style="list-style-type: none"> <li>Require by law that STRs should be presented for all operations that are suspected of financing of terrorism (at the moment the law only requires STRs related to funds of illicit origin).</li> </ul>	<p><b><u>Organic Law against Organised Crime (LOCDO).</u></b></p> <p><b>The LOCDO amendment requires all regulated entities to give special attention to any transaction or group of transactions, regardless of amount or type, when it is suspected that the funds, capital or assets are derived from or linked to, or may be used to commit money laundering, terrorist acts, financing of terrorism or any other instance of organised crime. They shall also give particular attention to such activities even when their source is legitimate.</b></p> <p><b>In the above cases the regulated entities shall promptly submit Suspicious Transaction Reports to the National Financial Intelligence Unit, which shall analyse them and if necessary forward them to the Ministerio Público, to decide on possible criminal investigation.</b></p>

			<p><b>A suspicious transaction report is not a criminal denuncia, and does not entail the procedures and requirements of a denuncia, nor does it entail criminal, civil or administrative liability on the part of the regulated entity, its employees, or the signatory.</b></p> <p><b>Failure of a regulated entity to comply with the requirement of submitting STRs with these rules entails a fine by the regulatory body of between five hundred (500) and one thousand (1000) Tax Units (TUs).</b></p> <p><b><u>Financial Sector</u></b>  Resolution No.119.10, Official Gazette No.39,494 of 24<sup>th</sup> August 2010, stipulates that when regulated institutions decide to report suspicious cases for ML/FT activities, the Compliance Officer shall submit the corresponding “suspicious transaction report” (STR) to the UNIF on both electronic and physical supports, within a period of not more than forty eight (48) hours after the ML/FT CPC establishes the need to report the operation as suspicious. For purposes of this report it is not necessary for the regulated institution to be certain that the activity is criminal, or that the funds are the proceeds of such activity. It is only necessary for the regulated institution to consider that the activities are suspicious, on the basis of its experience and the analyses that it has carried out.</p> <p><b><u>Sector: Casinos, Bingo Halls and Slot Machines</u></b>  Article 46 of Providencia No.011 of 6<sup>th</sup> April 2011, Official Gazette No.39,654 of 12<sup>th</sup> April 2011, containing the Regulations for Prevention, Control and Prosecution of Money Laundering and Financing of Terrorism in Casinos, Bingo Halls and Slot Machines, expressly stipulates, that regulated institutions shall submit within two (2) working days of the date on which the gamblers perform the action which is considered to be suspicious, suspicious transaction reports with all supporting documentation directly to the UNIF.</p> <p>Likewise, Article 45 of the Providencia stipulates that regulated institutions must not only report when they suspect that a certain operation is linked to money laundering and financing of terrorism or that the funds concerned are the proceeds of such activities. They must therefore base themselves precepts derived from their own experience.</p> <p><b><u>Registry and Notarial</u></b>  In Official Gazette No.39,697 of 16<sup>th</sup> July 2007 the Registry and Notarial Offices belonging to the Autonomous Registry and Notarial Service (SAREN) published the Regulations for Prevention, Control and Prosecution of Money Laundering and Financing of Terrorism applicable to these Offices. Article 21 states in particular that it is not necessary to be certain that an operation is linked to organised crime or financing of terrorism, or that the resources concerned are the proceeds of such activities, for a report to be submitted. It also stipulates that suspicious transaction reports (STRs) must be sent directly to the UNIF according to the specifications to be decided by that agency.</p> <p><b><u>Integrated National Customs and Tax Administration Service (SENIAT).</u></b>  The SENIAT Office for Prevention of Money Laundering has now been created, and therefore this agency is in the process of revising the draft Regulations for the sector concerned. At the same time, the representative of the Office has held meetings with the UNIF for the purpose of refining procedures to be applied in STR submission directly to the UNIF. In this regard it should be noted that since its creation this Office has already</p>
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				<p>submitted a total of four (04) STRs to the UNIF.</p> <p><b><u>Stock Market</u></b>  Resolution No.110 of 19<sup>th</sup> May 2011, Official Gazette No.39,691 of 8<sup>th</sup> June 2011, containing the Regulations for management and control of risks related to money laundering and financing of terrorism applicable to the institutions supervised by the National Superintendency of Securities, expressly stipulated in its Article 66 that regulated institutions shall pay particular attention to operations and/or activities, regardless of their quantity, nature or the characteristics of the persons performing them, and whether or not they are suspected o be the proceeds of unlawful activities, which may give reason to consider that they are linked to money laundering and financing of terrorism.</p> <p>The Resolution also expressly lays down the duty of regulated institutions to submit information concerning suspicious activities to the UNIF.</p> <p><b><u>Insurance Sector</u></b>  Providencia No.514 of 18<sup>th</sup> February 2011, Official Gazette No.39,694 of 13<sup>th</sup> June 2011, containing the Regulations for Prevention, Control and Prosecution of Money Laundering and Financing of Terrorism in the Insurance Business, stipulated that regulated institutions shall give special attention to any operation which may give rise to suspicion that it is linked to money laundering or financing of terrorism, regardless of its quantity or of the lawful or unlawful origin of the source of financing; as well as to any other characteristics that depart from the customer's profile.</p> <p>The Providencia also lays down the obligation of regulated institutions to submit to the UNIF information on any operations they consider to be suspicious, whether or not they are linked to organised crime and/or financing of terrorism.</p>
SR.V International cooperation	<b>ML</b>	<ul style="list-style-type: none"> <li>• The factors determined for R 36 and 38 are repeated</li> <li>• Although within the Venezuelan legislation, there are mechanisms established to apply the SR.V, of the 192 international requests received and/or sent, as well as from the responses provided by Venezuela , it was not possible to determine the amount that corresponded to FT. This would have allowed a more accurate evaluation of the effectiveness of this RE.</li> </ul>	<ul style="list-style-type: none"> <li>• There should be a mechanism to determine the goods of which a person is owner, in a truthful and timely manner.</li> <li>• Establish an effective mechanism for freezing financial accounts.</li> <li>• The rule that prevents extraditing nationals or foreigners capable of receiving a sentence greater than 30 years must be reviewed.</li> <li>• A data management system should be established to provide statistics on the work being done in this aspect of international cooperation.</li> </ul>	•
SR.VI AML requirements for money and value transfer services	<b>PC</b>	<ul style="list-style-type: none"> <li>• Deficiencies in the information about the clients (of) wire transfer services and fund transfers, especially below the threshold of the \$10.000</li> <li>•</li> <li>• There have been no STRs from Money remitters.</li> </ul>	<ul style="list-style-type: none"> <li>• Complete the announced revision of the regulations.</li> <li>• Improve controls for collecting information on originators.</li> </ul>	<p><b>This observation is remedied pursuant to article 13 of the Organic Law against Organized Crime and Against the Financing of Terrorism, published in the Official Gazette No. 39.912 of 30 April 2012, which establishes that the reporting entities must pay particular attention to any transaction or group of transactions regardless of their amount and nature, when it is suspected that funds, capital or assets come from or are linked, or could be used to commit crimes of money laundering, terrorist act or the financing of terrorism or any other organized crime. They must also pay special</b></p>



		•	<p>attention to such activities even when they come from a lawful source.</p> <p>In the above cases the reporting entities shall expeditiously inform, by means of a suspicious activity report , the National Financial Intelligence Unit which will analyze them and if it the case, will forward them to the Attorney General's Office, so that this office may evaluate whether to begin the corresponding criminal investigation.</p> <p>The suspicious activity report is not a criminal complaint and does not require the formalities and requirements of this mode of proceeding, or entails criminal, civil or administrative liability against the reporting entities and its employees, or signatories.</p> <p>Non-compliance with the obligation to report suspicious activity by the reporting entity, shall be punished by the supervisory body or entity, with a fine of between five hundred (500 U.T.) and one thousand tax units (1,000 U.T.)</p> <p>In this regard, operations sanctioned in article 78 of Resolution no. 119.10 apply regardless of the country, for customers of the national banking system, and to perform any operation in foreign currency a savings or current account in a financial institution is strictly required.</p> <p>On the same lines, the bank has a sufficient knowledge the account number associated with the operation and it is subject to CDD.</p> <p>In this regard, segmentation of operations by country was taken into account in the rules for the purpose of requiring additional special measures to strengthen the risk management policies imposed by this body.</p> <p>Under the exchange regime in force in Venezuela, family remittances are regulated by the Currency Management Commission (CADIVI), and both the requirements and the procedures for authorisation are determined by that body.</p> <p>On 5 February 2003, in Official Gazette no. 37,625 a decree creating an Exchange Agreement was published whereby the National Executive imposed exchange control that remains in force today. Decree no. 2032 in the same issue of the Gazette created the Currency Management Commission (CADIVI) to coordinate, administer, control and establish the requirements for granting approved foreign currency to the various economic actors. To operate in the currency market banks, other financial institutions, bureaux de change and other exchange operators are required to comply with the Exchange Agreement.</p> <p>Operations of money remitters are restricted by the Exchange Agreement in force since 5 February 2003. They are also not authorised to operate independently, since their activities were incorporated into the formal system through agreements with commercial banks and bureaux de change.</p> <p>Resolution 119-10 requires regulated entities to keep, for a period of ten (10) years, documentation and records supporting operations and business relations of customers with the institution, as well as the identification documents of customers involved in such relations or who have established business relations with the institution. The time period established shall be counted: 1).for documents relating to identification of</p>
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				<p>customers from the day of conclusion of the relationship; 2.) For documents supporting an operation, from the performance of the operation; 3.) For transaction reports, from the remittance.</p> <p>Resolution 119-10 embodies aspects of customer identification concerning wire transfers and foreign currency operations, as follows:</p> <p>Regulated entities must require production of identity documents by customers natural or legal persons who perform currency exchange operations in any amount, taking note in the relevant register of the customer's identity data, amount and type of currency transferred and date of operation. When sums are transferred in excess of two thousand US dollars (US\$2,000.00) or the equivalent in other currencies, they must keep a copy of the identity document if the customer is an occasional one.</p> <p>Bureaux de change and frontier money changers must open the relevant "customer file" and "Customer identification card" for regular customers.</p> <p>Likewise, Reports of operations in US dollars or their equivalent (purchase and sale, transfers and e-money) that the regulated entities must submit electronically to SUDEBAN within fifteen (15) calendar days of the end of the month: a report on operations of purchase, sale and transfer of foreign currency; and sales of e-money in foreign currency which display certain features.</p> <p>The regulations and procedures for the prevention, control and mitigation of risks for the relation of business and transaction of clients with individuals or companies located in regions, areas or territories, the legislation of which is strict concerning the banking secrete registration or commercial matters do not apply regulations against ML/FT similar to those effective in the Bolivarian Republic of Venezuela must at least contain the following:</p> <ul style="list-style-type: none"> <li>- Necessary information for the correct identification of clients that request services other institutions to accomplish money or property remittance to the mentioned areas or regions through cable transfers, electronic or any other means demanding identification documents provided in Article 37 of this Resolution</li> <li>- The requirement to record the name and address of the beneficiary of the transaction as well as the account number in case such beneficiary be client of the receptor bank of the transfer abroad.</li> <li>- Internal audit mechanisms destined to verify compliance of controls and procedures by personnel, branches, agencies and offices. See Article 64</li> </ul> <p>In addition Coordination of the Inspection for Prevention and Legalization of Capitals and the Financing of Terrorism includes within its planning to accomplish inspections of exchange frontier/border operators located in the states of Zulia, Tachira and Bolivar</p> <ul style="list-style-type: none"> <li>• Remittances at the Republic of Venezuela shall be sent and received through money Exchange houses which shall be regulated by SUDEBAN, minimum requirements for this type of operations are provided in Regulations of the Commission of Administration of Foreign Exchange CADIVI, entity in charge of the existing exchange control in the country.</li> </ul>
SR.VII Wire transfer rules	NC	<ul style="list-style-type: none"> <li>• The identification threshold is \$ 10.000US, far from U.S. \$ 1,000, as recommended by the FATF</li> <li>• There are no laws for internal transfers.</li> <li>• No risk-based procedures have been developed for adoption by the</li> </ul>	<ul style="list-style-type: none"> <li>• Establish a clear mandatory procedure for recording the identity of the originator of all wire transfers.</li> </ul>	<p><b>It is in fact confirmed that all wire transfers made from the Bolivarian Republic of Venezuela towards other jurisdictions, that the identity of the originator is clearly made as it is a mandatory requirement to have a savings or current account in a financial institution for any transaction in a foreign currency, so we do not accept the observation that there is no information on the payer. On the other hand all</b></p>

		<p>institutions, for identifying and handling wire transfers not accompanied by full details of the originator.</p> <ul style="list-style-type: none"> <li>• There is no specific reference to any information on the originator that must be incorporated in any cross border transfer.</li> </ul>	<p>documentation that supports the effecting of the transaction is reviewed both by the reporting entity where the natural or legal person has the account, as well as by the Commission for the Administration of Foreign Exchange (CADIVI by its abbreviation in Spanish) due to the exchange rate regime in our country since 2002.</p> <p>In the same manner , the comment that there have been no procedures developed, to be adopted by the entities, based on the risk to identify and to deal with wire transfers that are not accompanied by complete originator information, is not accepted since there is identification of the mentioned payer or, additionally that the Resolution that regulates all foreign currency transactions (wire transfers) made by the authorized reporting entities, No. 119.10 is drafted under the principles of Integral Management of Risk; being required to apply due diligence procedures; as well as special additional measures to strengthen risk management policies.</p> <p>With regards to the thresholds, again we inform that by way of Circular No. SIB - DSB - UNIF - 07942 dated March 31, 2011 this observation was remedied as the Reporting Entity must retain, according to the provisions of Resolution N° 119.10 the records of the transactions and customer identification data, including transactions for amounts less than the ten thousand United States of America dollars (US \$ 10,000.00). They must also comply with customer due diligence requirements laid down in resolution No. 1189.10, in accordance with the policies established by the Reporting entity depending on the level of risk of the customer</p> <p><u>Financial Sector</u></p> <p>In this regard, operations sanctioned in article 78 of Resolution no. 119.10 apply regardless of the country, for customers of the national banking system, and to perform any operation in foreign currency a savings or current account in a financial institution is strictly required.</p> <p>On the same lines, the bank has a sufficient knowledge the account number associated with the operation and it is subject to CDD.</p> <p>In this regard, segmentation of operations by country was embodied in the rules for the purpose of requiring additional special measures to strengthen the risk management policies imposed by this body.</p> <p>Under the exchange regime in force in Venezuela, family remittances are regulated by the Currency Management Commission (CADIVI), and both the requirements and the procedures for authorisation are determined by that body.</p> <p>On 5 February 2003, in Official Gazette no. 37,625 a decree creating an Exchange Agreement was published whereby the National Executive imposed exchange control that remains in force today. Decree no. 2032 in the same issue of the Gazette created the Currency Management Commission (CADIVI) to coordinate, administer, control and establish the requirements for granting approved foreign currency to the various economic actors. To operate in the currency market banks, other financial institutions, bureaux de change and other exchange operators are required to comply with the Exchange Agreement.</p> <p>Operations of money remitters are restricted by the Exchange Agreement in force since 5 February 2003. They are also not authorised to operate independently, since</p>
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				<p>their activities were incorporated into the formal system through agreements with commercial banks and bureaux de change.</p> <p><b>Resolution 119-10 requires regulated entities to keep, for a period of ten (10) years, documentation and records supporting operations and business relations of customers with the institution, as well as the identification documents of customers involved in such relations or who have established business relations with the institution. The time period established shall be counted: 1.)for documents relating to identification of customers from the day of conclusion of the relationship; 2.) For documents supporting an operation, from the performance of the operation; 3.) For transaction reports, from the remittance.</b></p> <p>Resolution 119-10 contemplates issues related with the identification of clients related with wire transfers and of the currency exchange operations, namely: Enforced Subjects must demand identity documents from individuals or companies that accomplish currency exchange operations for any amount noting in the relevant registration identification data of clients, amounts and currencies negotiated, type of exchange of date of operation. Whenever the transaction exceed two thousand (US\$2'000.00) dollars or its equivalent in other currencies, they must keep a copy of the identity document if dealing with occasional clients.</p> <p>Exchange Agencies and Frontier Exchange Operators must establish the corresponding client file and "Client Identification Card" for unusual clients.</p> <p>Likewise, the reports of operations in United States Dollars or equivalent in other currencies (Purchase and Sale, Transfers and Electronic Money) that Enforced Subjects shall remit to SUDEBAN, within fifteen (15) calendar days following the monthly closing using electronic transmissions, a report of operations for the purchase sale and transfer of currencies as well as sale of electronic money in currencies and which comply with determined characteristics</p> <p><b>The rules and procedures for prevention, control and mitigation of risk in business relations and transactions of customers with natural and legal persons situated in regions, areas or territories with strict bank registry or commercial secrecy laws, which do not apply AML/CFT rules similar to those in force in Venezuela, must contain at least the following:</b></p> <ol style="list-style-type: none"> <li><b>Whatever is necessary for correct identification of customers requesting the institutions services for remittance of money or goods to the areas or regions in question by wire, electronic or any other form of transfer, by demanding the identity documents required by Article 37 of this Resolution.</b></li> <li><b>A requirement to record the name and address of the beneficiary of the transaction, his account number if he is a customer of the foreign receiving bank.</b></li> </ol> <p><b>Internal audit mechanisms designed to verify compliance with controls and procedures on the part of staff, branches, subsidiaries and offices.</b></p> <ul style="list-style-type: none"> <li>Remittances at the Republic of Venezuela shall be sent and received through money Exchange houses which shall be regulated by SUDEBAN, minimum requirements for this type of operations are provided in Regulations of the Commission of</li> </ul>
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				Administration of Foreign Exchange CADIVI, entity in charge of the existing exchange control in the country.
SR.VIII Non-profit organizations	NC	<ul style="list-style-type: none"> <li>The evaluation team was unable to obtain evidence of a central national register of these organizations, their spheres of operation, owners or founders. The team could obtain no evidence of any public control of the projects carried out by these organizations, or of the funds they manage.</li> </ul>	<ul style="list-style-type: none"> <li>Establish a register of information on NPOs with regard to their improper use by money launderers of terrorism financiers.</li> </ul>	<p><b>In December 2010 the Venezuelan National Assembly passed an Act to regulate the activities of non-governmental organisations, among which are sources of finance.. In addition, in the Amendment to the LOCDO foundations, civil and other non-profit organisations are considered Regulated Entities which must therefore establish ML/FT prevention and control procedures, as stipulated in the Amendment. Additionally, it is important to note that our country through the Registry and Notaries Services (SAREN) and the Integrated National Customs and Tax Administration Services (SENIAT) maintains a record of this type of actors.</b></p> <p>The draft reform of the Organic Law Against Organized Crime will incorporate the FATF supervisory measures.</p>
SR.IX Cash Couriers	NC	<ul style="list-style-type: none"> <li>No effective compliance declaration system, with clear functions and penalties, has been established.</li> </ul>	<ul style="list-style-type: none"> <li>Set up a system in accordance with CFATF recommendations.</li> </ul>	<p><b>The Official Gazette N° 39.649, whereby the Integrated National Customs and Tax Administration Services (SENIAT) created the Office for the Prevention and Control of Money Laundering was published on April 05, 2011. This Office will have the power to administratively sanction the Reporting Entities in cases of breach of the anti-money laundering and counterterrorism regulations. To date, the Office of Prevention and Control of money laundering of the SENIAT is developing anti money laundering and counterterrorism regulations taking into account the new FATF 40 Recommendations.</b></p> <p><b>We can also advise that Suspicious Activity Reports (SAR) have already been made to the National Financial Intelligence Unit (UNIF).</b></p> <p><b>In August 2010 the National Customs and Tax Administration Service issued instructions to customs posts and sub-posts, in Circular SNAT/INA/2020-000830, issued by the Superintendent of National Customs and Taxes, which extended the requirement for use of “Customs Baggage Registration and Declaration Form 82” to all persons entering the country at ports and airports used by international shipping and airline services, both public and private. Since 2010 a total of 2,913,996 copies have been distributed to land and sea customs posts.</b></p> <ol style="list-style-type: none"> <li><b>At the Customs sub-post at Simón Bolívar International Airport Passenger Terminal, three (03) forms showing sums in excess of US\$10,000.00 have been detected.</b></li> <li><b>To follow up and control the instructions, the Managers of the principal and subordinate customs posts were asked for monthly reports.</b></li> <li><b>For better and more efficient frontier control of passengers, cargo and currency in the context of the process of innovation and modernisation of the customs service, Form 82 was redesigned to enable capture of the data by scanner using Character Recognition Technology (ICR/OCR) which enables the information to be obtained by means of internal dictionaries including this high resolution feature.</b></li> </ol> <p><b>This form will enable the scanners currently available at the stations to capture the information and record it in an Administrative System that will be able to determine:</b></p> <p><b>a. Frequency of trips by passenger, b. Type of merchandise imported on sworn declaration by passenger: c. help to determine the risk variables and therefore the actions of the customs service at the national level.</b></p>

				<p>This system is estimated to be developed by the second half of 2011, since the for can be distributed nationwide. It should be noted that the scanners are immediately available for nationwide distribution, thereby ensuring the effective implementation of the Project for Computerisation of “Customs Baggage Registration and Declaration Form 82”.</p> <p>The National Customs and Tax Administration has added to the registration of air border declaration, the declaration at land and sea borders.</p>
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