



# 2nd Follow-Up Report

## VENEZUELA

May, 2010

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## I. Introduction

1. This document summarises the CFATF's analysis of the actions the country states it has taken to overcome the shortcomings identified in the mutual evaluation report discussed in the Plenary of May 2009 and adopted on September 25, 2009. It is based on information submitted by the country up to 15 March 2010.

2. This follow-up procedure applies only to recommendations receiving ratings of NC or PC. When they include any of the FATF core recommendations (Core Recommendations 1, 5, 10, 13, SR II and SR IV) the country is subject to enhanced follow-up and is required to submit a report at each meeting of the Plenary of Representatives (twice yearly). Venezuela is such a case.

3. Venezuela's ratings were unsatisfactory with respect to 31 of the FATF Recommendations, including ten (10) of the 16 Core and Key Recommendations, and it was therefore selected by the CFATF for the next prima facie review of June 2010.

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

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	

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

		Banks	Securities	Insurance	TOTAL
Number		59			
Assets	US\$	169.545.098,60 thousand USD			
Deposits	Total: US\$	126.139.473,95 thousand USD	9.396,13 million USD (capitalization)	3,31% of Gross Natl. Product	
	Non-residents: US\$ %				
International Links	Foreign-owned:				
	Subsidiaries abroad				

5. Venezuela provided no information on other elements of the financial system, such as remittance houses, bureaux de change, financial cooperatives, etc.

## II Summary of progress made by the country since the last evaluation.

6. Venezuela's main advance over the 2009 evaluation report is the issue of the new AML/CFT regulations applicable to the majority of financial institutions (those supervised by the Superintendency of Banks and Other Financial Institutions – SUDEBAN). SUDEBAN Resolution 119-10 was published in the Official Gazette and came into force on 17 March 2010. The CFATF Secretariat obtained access to this Resolution late, but a preliminary analysis shows that it embodies a large part of the actions recommended in the evaluation report. In view of the short time elapsed since its issue, it may be stated that the innovations it contains (such as ML/FT risk identification, measurement and management) have not been sufficiently implemented by the regulated institutions.

7. The Securities Commission, for its part, is still in the process of revising its rules to adapt them to FATF standards and the recommendations in the report.

8. According to the evaluation report, many of the deficient factors in the prevention regime derive from inadequate supervision of regulated entities, or the lack of evidence of such supervision taking place. In this regard, SUDEBAN has also made progress with some of the measures announced in the previous follow-up report, since it has achieved the budget allocations and the internal reorganisation necessary to create a specialised team of AML supervisors under the FIU. This group consists of 10 inspectors, most of whom were transferred from other SUDEBAN departments. For 2010 the group plans 48 on-site visits and 65 off-site activities.

9. The ONA (National Anti-Narcotics Office) reported that it is soon to convene all the AML/CFT agencies for technical discussion of the actions recommended in the evaluation report, to assign priorities and design a Plan of Action.

10. The following is a summary of the actions reported by the country with respect to the FATF recommendations with ratings of NC or PC. Following this is a Follow-up Table or Matrix submitted by the country.

### Recommendations 3 and 38: Provisional measures

11. The report requires Venezuela to

- a. provide statistics in support of the effectiveness of cautionary measures (including those taken at the request of foreign authorities); this is still awaited.
- b. computerise the information in records. A project for computerisation of the Registry and Notarial Offices throughout the country is in train. The contract has been awarded and the first two phases completed. The Secretariat does not know the details of the project.
- c. improve the identification of assets subject to confiscation. Training has been provided for ONA judicial personnel who support the recovery of assets subject to confiscation. Reorganisation of the Registries will also help to locate a person's assets more efficiently, but this is still pending.
- d. conclude agreements with other countries to coordinate seizure and confiscation actions. Pending.

12. Venezuela provided no figures on confiscations that would enable an opinion to be formed on the effective use of the provisional measures possible under the law. There is therefore no change in the opinion of the evaluators that *"the lack of precise statistics on confiscations and provisional measures in ML cases makes it impossible to evaluate the effectiveness of the measures"*.

**Recommendations 5, 6, 7, 8, 9: CDD**

13. The Superintendency of Banks (SUDEBAN) has now completed the process of revision of the anti-money laundering regulations at present in force, and in March issued a new Resolution (Res. 119-10, incorporating, according to a preliminary review by the Secretariat, the improvements recommended in the evaluation report.

14. Regarding the stock market sector, it was stated that the Securities Commission has already begun revising its regulations to adapt them to FATF standards and the recommendations in the report. No progress has been made in this area since submission of the October 2009 follow-up report.

15. Main pending actions:

- Improve regulation and implementation in securities sector
- Improve system of identification of beneficial owner in complex corporate structures
- Verify implementation of recently issued regulations put into practice the segmentation of customers and strengthen CDD for high risk cases.

**Recommendation 10: Record keeping**

16. The new SUDEBAN regulations will apparently incorporate the FATF's requirements. However, the Superintendencies gave no information as to whether they have already carried out inspections designed to verify compliance with the rules in force for all regulated entities as regards records/filing of information, as recommended in the report, especially for the stock market.

17. Main pending actions:

- Make compliance legally mandatory in all sectors
- Eliminate threshold of \$10,000.00 for recording transfers (the new Resolution 119-10 reaffirms the obligation to report transactions with certain characteristics, but does not set out the minimum information necessary for CDD for transactions below this threshold).
- Provide evidence of implementation in securities sector.

**Recommendations 13, 14 and SR IV**

**Reporting**

18. The deficiencies identified in the report as regards protection for persons reporting, prohibition of tipping off, and deadlines for submission of reports were apparently overcome with the new SUDEBAN regulations. The time limit for reporting was reduced to 48 hours. The same subjects would remain to be dealt with for the other categories of regulated entities (e.g. the securities and insurance sectors).

19. No action has been taken on the recommendation for removing from the law the requirement to send STRs simultaneously to the FIU and another body, although in practice only the FIU receives them. Nor was any information given about the legal amendments necessary to require reporting of all suspected terrorist-financing operations, and not only those related to funds of illicit origin.

20. Main pending actions:

- Remove from the law the reference to sending duplicate STRs to an agency other than the FIU
- Extend improved STR regulations to insurance and securities sectors, and other not so far covered by SUDEBAN
- Impose by law (and not merely by regulation) the duty to report any suspicion of FT, even in the case of funds of lawful origin.

**Recommendations 12, 16, 20 and 24: DNFBPs**

21. Venezuela has reported no practical progress in the matter of DNFBPs. All ratings in this area are NC. However, it is planned that all Registry offices in the country should have a “compliance officer” responsible for ML prevention, and a training course is being organised for the first 80 officers.

**Recommendation 21:**

**High-risk countries**

22. No information relating specifically to this recommendation was received. However, the deficiency identified in the report was lack of evidence of compliance with the (recently issued) requirements in this area by the financial institutions. It should be noted that SUDEBAN has created a specialised team of anti-money-laundering supervisors under the direction of the FIU. The team has already begun a first round of inspections (see R.23). No information was received as to how compliance with Recommendation 21 is being supervised and whether the authorities have already reached preliminary conclusions on the level of compliance by regulated entities.

**Recommendation 22:**

**Foreign branches and subsidiaries**

23. The new SUDEBAN Resolution seems partially to solve most of the shortcomings in this area. However, according to the information so far submitted no reference is made to the obligation the institutions should be under to apply the highest standards in their foreign branches.

**Recommendation 23:**

**Regulation and supervision**

24. The Superintendency of Banks and Other Financial Institutions (SUDEBAN) has created a specialised team of AML/CFT supervisors within the UNIF (Venezuela’s FIU). No similar steps have been taken for the supervision of other sectors (i.e. insurance and securities).

25. The new FIU supervision team has 10 inspectors assigned to it, 8 of whom have already been transferred from other SUDEBAN departments, and the remaining two posts are in the process of being filled by means of outside recruitment. From 2009 to March 2010 the team carried out 9 specific AML/CFT inspections.

26. Main pending actions:

- Strengthen AML/CFT supervision capability in all sectors outside SUDEBAN
- It seems unrealistic for the new team comprising 14 persons to carry out five times more special visits in 2010 than they did in 2009 (according to the plan shared with the Secretariat).

**Recommendation 26:**

FIU

27. In 2010 the FIU will implement several improvements in its procedures and available software. These are included in SUDEBAN's 2010 Operational Plan, which now has ministerial approval. These improvements include the development of software to improve information processing, as well as the assignment of a server to the FIU for its exclusive use. With a view to improving the usefulness of the information submitted for investigation of criminal cases, the FIU and the Ministerio Público will hold an initial discussion forum between the FIU and prosecutors, and have boosted their mutual training initiatives.

28. Main pending actions:

- Strengthen independence and autonomy of FIU (it is not clear whether there has been progress in this matter)
- Strengthen data security (eliminate necessity)
- of statistics on STRs received and cases forwarded to competent authorities
- Improve analysis and added value of information sent to the Fiscalía, and follow up the number of STRs/reports resulting in an investigation or conviction.

**Recommendation 27:**

Law enforcement authorities

29. Venezuela reports that money-laundering cases are now being investigated in which the predicate offence is not necessarily related to drug trafficking, and that this shows that the structural location of the competent authorities in specialized anti-narcotics agencies is of no importance. An ongoing effort to train investigators was also mentioned.

30. However, no firm data on the cases referred to or on the training imparted were received. It is suggested that Venezuela make this information available in the next report.

**Recommendation 30 and 32:** Resources and statistics

31. SUDEBAN has set up a specialized team of about 14 new anti-money laundering supervisors under the direction of the FIU. No information was provided about progress in the matter of compliance supervision resources in other areas.

32. Several police bodies provided ample information on the statistics they keep on their operations. However, no information was provided on any measure to improve integration of these statistics and their use in evaluating the effectiveness of the system.

**Recommendations 33 and 34:**

Legal persons and trusts

33. The national authority responsible for managing the Registers of all legal persons and registerable property (such as real estate and vehicles) is at present being systematised. The authorities affirm that all data entered in the system will be stored in rapid-access computer data bases. The plan also calls for old information, so far kept only in ledgers, to be entered into the system as well. This will provide for better

access to information on beneficial owner of companies and owners of property subject to confiscation. The above constitutes a practical step towards repairing the deficiencies identified in the report, which centre on the need to strengthen the public register.

### **Special Recommendations I and III: Conventions and freezing of terrorist assets**

No information was found to show the existence of any particularly rapid system for freezing terrorist assets in accordance with UN Security Council Resolutions.

### **Special Recommendation II: Criminalise FT**

Financing of terrorism is criminalised in Venezuela, but the law still need to be amended to:

- Criminalise financing of individual terrorists
- Amend definitions in the law which could give rise to problems of interpretation regarding autonomy of the offence
- Put the legislation into practice: although cases of terrorism occasionally arise, and some STRs have been received for suspicion of terrorism financing, no FT investigations have resulted.

### **Special Recommendation IV: STRs for FT**

34. Resolution 119.10 makes it clear that any suspicion must be reported even when the funds involved are of lawful origin. However, the report recommended that this should be specified in the law itself.

### **Special Recommendation VI and VII: Remittances and wire transfers**

35. It is likely that the creation of the specialized team of supervisors will improve verification of compliance by bureaux de change and value transfer services, but this has not yet been put into effect. Inspections of the frontier exchange operators in the states of Zulia, Táchira and Bolívar are planned.

36. The new regulation seeks to reinforce the duty of caution that the financial institutions should have with regard to this type of customer. However, the requirement to obtain information on the remitter applies only to cases where the transfer is to or from a country considered to be high risk, and there is no obligation to ascertain the account number in all cases.

### **Special Recommendation VII:**

37. With the new SUDEBAN AML regulations some of the deficiencies in customer identification requirements for wire transfer service providers are apparently solved

### **Special Recommendation IX:**

38. Venezuela has not set up an effective system for control of cross-border cash movement.

## **III Conclusion**

39. Venezuela has not yet taken all the actions recommended in the report, and is still unable to provide figures on investigations, confiscations and convictions that would demonstrate adequate use of the AML/CFT system. Nevertheless, SUDEBAN has made an important effort to strengthen the AML/CFT supervision regulation for the financial institutions within its mandate. With the new Resolution and the strengthened supervision, the shortcomings identified in several of the recommendations are apparently starting to be repaired. These efforts should continue, and it is to be hoped that by the next follow-up report Venezuela will be able to supply more concrete data in proof of the adequate implementation in practice of the new Resolution.

40. Revision of the AML regulations for the securities sector is still at a very preliminary phase. Nor have the authorities planned to introduce the necessary legislative amendments in important aspects such as eliminating the submission of STRs to an agency other than the FIU, and extending FT STR reporting obligations to cases where the funds are of lawful origin.

41. The authorities are urged to initiate as quickly as possible a coordinated process of planning among the various competent State agencies, to enable them to assign priorities and set goals, allocate each goal to the appropriate agency, and lay down time frames.

30. It is recommended that the Plenary keep Venezuela under expedited <sup>1</sup> (six-monthly) follow-up and request a new progress report for the next Plenary, in November 2010. It is also recommended that Venezuela be requested to include in that report a summary of its Plan of Action to address the main shortcomings identified in the mutual evaluation report.

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<sup>1</sup> In accordance with the classification approved by the CFATF in 2010, to adapt the nomenclature to that of the FATF





**VENEZUELA**  
 2<sup>nd</sup> Progress Report with respect to the  
 Mutual Evaluation approved in May 2009

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
<b>Legal Systems</b>				
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>	
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>	<ul style="list-style-type: none"> <li>Recently during 2008 and 2009 in Venezuela several organizations of capital legalization have been dismantled guaranteeing huge size property of all types, the cases of which are currently under verbal trial phase with many probabilities of issuing condemnation rulings by virtue of the profound investigation accomplished and the joint work between institutions in charge of the fight against organized crime.</li> </ul>

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
				Within investigations managed by the commission of the crime for capital legalization 121 companies and more than 13 billion property have been secured.
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>	<ul style="list-style-type: none"> <li>The Autonomous Service of Registration and Notary Public Offices accomplishes and automation process of Registration and Notary Public Office at a local level (technical service and technological transfer agreement No. ALBET S.A.: E09-020-000) which shall take place in two stages. Stage 1, has been finished, and Stage 2 is currently in progress.</li> <li>The Antidrug National Office (ANO) in the professional improvement area has issued training courses in the area of appraisal of vehicles, apartments and farms to the personnel of attorneys responsible to accomplish the recovery act of property.</li> </ul> <p>Antidrug National Office has a Direction for the Management of Allocated Property.</p>
4. Secrecy laws consistent with the Recommendations	<b>C</b>	<ul style="list-style-type: none"> <li></li> </ul>	<ul style="list-style-type: none"> <li>Clarify access to information on branches in countries with strict secrecy laws.</li> </ul>	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 secrete</b> , lack of international treaties on the matter were introduced; likewise,

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
				<p>reduced or inexistent taxes. <b>See Article 32, paragraph 1, subparagraph n</b></p> <p>Likewise, the Banking Superintendence developed the Resolution project which prohibits enforced subject to accomplish and maintain operations with banks or financial institution with banking and/or investment license granted in such countries, states or jurisdictions with tax regimes of low fiscal load without monetary, banking or financial supervision or regulation with intense protection to the banking secrete.</p>
5. Customer due diligence	<b>PC</b>	<ul style="list-style-type: none"> <li>• ML and FT prevention legislation in the securities sector is poorly developed.</li> <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> </ul>	<ul style="list-style-type: none"> <li>• Improve prevention system in securities sector.</li> <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>A new Resolution was issued (119-10, effective as of April 2010) on AML&amp;CFT for financial institutions controlled by SUDEBAN.</p> <p>With respect to <b>Clients Due Diligence (CDD)</b>, Resolution 119-10 demands Enforced Subjects several obligations on CDD.</p> <p>With respect to the <b>Policy to Get to Know Your Client Better</b>, Enforced Subject must use different methods to verify the identity and the data supported by clients. The higher the risk level more detailed or strict methods must be used which may include the request of additional documentation, the contact or the visit to clients, telephone communications, independent verification of the client identity through a</p>

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
		<ul style="list-style-type: none"> <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>		<p>comparison of information provided by the client with information obtained from a consultant credit or investigation company or in a public data base or other source. May also include verification of references with other financial entities and obtainment of financial statements among other. <b>See Article 41.</b></p> <p>Likewise, Enforced Subject must ensure the quality of the information related with the capture of data of the identification Card of client and further updates. <b>See Article 41</b></p> <p><b>Trusts:</b> The referred Resolution demands Enforced Subject authorized as <b>Financial Institutions</b> the obligation to consider these type of products as high risk and ensure that there is adequate, exact and timely information on managed trusts, including information of the trustee and final beneficial owners. In addition, they must design mitigation measures in accordance with this risk level and the nature of the product. <b>See Article 65</b></p>
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</li> </ul>	<ul style="list-style-type: none"> <li>Establish ML and FT prevention rules for PEPs</li> </ul>	<p>With respect to <b>Politically Exposed Persons (PEP)</b> Resolution 119-10, contemplates the following aspects:</p> <p>a) Be considered high risk clients. <b>See Article 32, paragraph 1, subparagraph 1.</b></p> <p>b) Reasonable measures to mitigate risk</p>

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
		Prosecution of Money Laundering Operations Applicable to Entities Regulated by the Superintendency of Banks and Other Financial Institutions”, to adapt it to international standards.		<ol style="list-style-type: none"> <li>1. List of minimum requirements including, among other, obtainment of information with respect to origin of funds</li> <li>2. Obtain approval of higher management to establish commercial relations with such clients.</li> <li>3. <b>See Article 61</b></li> </ol> <p>Definition: refers to an individual that is or was a political figure el high level or close family members of his/her circle or of immediate co-operators. A high level political figure is an important officer of an entity executive, legislative, judicial or military of a foreign government elected or not, a high level member of a foreign political party or a high level executive of a corporation owned by a foreign government.</p> <p>Also this category includes any corporation, business or entity that has been created by such officer or for its benefit. According to the opinion related with close family members, the following are included: parents, brothers, spouses, sons or political related parties of PEP. The Intimate associate of a PEP is a public and commonly known person for its intimate association with the PEP and includes those who are in the position to accomplish financial transactions on behalf of PEP. <b>See Article 124</b></p>
7. Correspondent banking	<b>NC</b>	No regulations have been developed for correspondent banking since the	<ul style="list-style-type: none"> <li>• Establish ML and FT prevention rules for</li> </ul>	Correspondent Banking was included in Resolution 119-10 namely:

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
		<p>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.</p> <p>Nor is there any regulation for the remainder of the financial sectors.</p> <p>.</p>	Correspondent Banking	<p>a) Correspondent Banking and/or Correspondent Relations, is considered as a high risk Service. <b>See Article 32, paragraph 2, subparagraph b</b></p> <p>b) Enforced Subject who maintain correspondent relations, in addition to implement measures on due diligence procedures must apply the following controls.</p> <p><b>See Article 62</b></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>In Resolution 119-10 electronic banking or internet and/or transactions or business which are not “face to face”, or which do not imply the physical presence of the parties, are considered high risk Distribution Channels. <b>See Article 32, paragraph 3, subparagraph a.</b></p> <p>Enforced Subjects shall provide a policy of “Acknowledging the Client of Your Client” whenever the client is a financial institution considered with high risk, which in turn offers products or services to individuals that do have physical presence. <b>See Article 49</b></p> <p>In addition, Enforced Subjects must pay special attention to any ML/FT risk arising from the use of new technologies or technologies under development stage which hinder the verification of client identity are adopt measures to prevent the use with unlawful purposes for which</p>

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
				they shall apply policies and procedures to face any specific risk related with commercial relations or operations which do not imply physical presence of the parties. <b>See Article 59.</b>
9. Third parties and introducers	<b>NC</b>	<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>In Resolution 119-10, intermediaries are considered high risk channels, <b>See Article 32, paragraph 3, subparagraph d</b></p> <p>Financial Institutions that delegate intermediaries task to accomplish identification of clients and verification of identity, obtaining of information on the purpose or nature of the commercial relation or to attract new business must adopt adequate measures to ensure that the copies of identification data or other relevant documentation be delivered immediately by third parties whenever requested. <b>See Article 41</b></p> <p>It is important to highlight that the mentioned regulation defined intermediary as follows: <i>“is the activity that has the approach of purchasers and offerors for the acquisition of financial assets, intermediaries/brokers are used frequently to capture clients, private banking, securities market companies and insurance companies. See Article 124, paragraph 11.</i></p>
10. Record keeping	<b>PC</b>	<ul style="list-style-type: none"> <li>No verification of compliance with this</li> <li>Recommendation in the securities sector was possible,</li> </ul>	<ul style="list-style-type: none"> <li>Ensure compliance with record keeping in all sectors.</li> </ul>	Resolution 119-10 provides that Enforced Subjects shall keep during ten (10) years relevant documents or registration documents which evidence the



FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
		<p>since no private entity in this market was visited.</p> <ul style="list-style-type: none"> <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>• Threshold of \$10,000 for record-keeping on wire transfers.</li> </ul>		<p>accomplishment of operations and the relations of client business with the institution, as well as documents demanded by the identification of clients that would have accomplished or that would have created business relations with the Enforced Subject. Indicated terms shall be counted 1) for documents related with identification of clients as of the date in which the relation is finalized, 2) For those documents that accredit one operation as of the execution of it, 3) For report of activities as of the remission.</p> <p><b>See Article 51</b></p> <p>With respect to the Automation of Client Registration in the Banking Sector, most of the financial institutions have this information in electronic means.</p> <p>In addition, SUDEBAN is developing a System named “Overall Financial Information System FIS” which allows to obtain financial information from banking institution under the supervision of SUDEBAN, as well as on clients which shall turn into more effective the task of supervision and control of such institutions</p> <p>Concerning the securities sector, Resolution 178-2005 provides that enforced subjects must have individual information of each of the client that is those that accomplish investments in</p>

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
				securities, rights or investment units, it must also be ordered through registration conceived through physical, electronic or magnetic means and must be available for the competent authorities. Such registration that contain documents must be generated or received as a consequence of the operations accomplished and must be kept in accordance with the provisions of Article 48 of the Organic Law Against Organized Crime for at least a term of five (5) years; such term shall be counted as of the day in which the client relations are finished. As a minimum the information must contain at least data that fully identify client, according to the case.
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>Resolution 119-10 demands that Enforced Subjects must implement informatics systems that facilitate the detection of unusual operations. <b>See Article 90</b></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 <b>unusual and suspicious operations</b>, training programs for workers, supervision and auditing programs, legalization of mechanisms for internal control, protection of computerized programs to increase</p>

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
				efficiency and efficacy in risk management, <b>See Article 22</b>
12. DNFBP–R.5, 6, 8-11	NC	<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>The Ministry of Popular Power for Internal Relations and Justice (MPRIJ) jointly with the National Antidrug Office (ONA) accomplished pertinent actions to stimulate the process for the process for the publication of regulations in the sectors of non financial businesses and professions.</p> <p>National Commission of Casinos has advanced in the preparation of a new regulation to prevent legalization of capitals and financing of terrorism</p>
13. Suspicious transaction reporting	NC	<ul style="list-style-type: none"> <li>• - The law establishes an obligation to inform the FIU jointly with another entity that has not been established, which could affect its implementation as the legislation remains unclear.</li> <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>	<ul style="list-style-type: none"> <li>• Eliminate from the Law the obligation to send STRs to the “decentralized agency” in addition to the UNIF. Although this organ does not exist, it could cause future problems.</li> <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>Aspects of RAS in Resolutions 119-10:</b> this Regulation demands Enforced Subjects to analyze unusual characteristics that could be related with the financing or terrorism, submit for an extensive analysis and in cases in which the institution considers pertinent, classify the operation as suspicious must prepare the “Suspicious Activity Report (SAR)” and remit it to UNIF, <b>See Article 67 and 68</b></p> <p>In addition, at times when the Enforced Subjects decide to report suspicious cases for activities related with ML/FT, Compliance Officer must remit the corresponding “Suspicious Activities Report” (SAR) to UNIF using both electronic means as the written form in a term that shall not exceed forty eight</p>

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
				<p>hours (48) after the CPC ML/FT provides the need to report the operation as suspicious. For purposes of this report, it is not required that the Enforced Subject is certain that is dealing with an unlawful activity or that the funds arise from these type of activity. It is only necessary that the Enforced Subject consider that these are suspicious activities based on experience and analysis accomplished. <b>See Article 86</b></p> <p>It is worth stating that the Superintendence of Banks and other financial institutions through UNIF is receiving reports for suspicious activities arising from the Superintendence of Insurance and the Commission of National Securities.</p> <p>It is also important to highlight that the Superintendence of Banks and Other Financial Institutions through UNIF has entered into information exchange memorandums with the Superintendence of Insurance and the Commission of National Securities in order for this supervising entity to remit the reports of suspicious activities to UNIF.</p> <p>Written forms of Suspicious Activity Reports come together with a copy of the client identification card, identity document, RIF, and all documentation that backs the presumption of suspicious</p>

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
				activity and all documentation necessary to facilitate the evaluation and analysis of the facts, operations and activities reported. <b>See Article 86</b>
14. Protection & no tipping-off	<b>PC</b>	<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>Resolution 119-10 provides that the Report of Suspicious Activities is not a criminal denouncement and does not require formalities and requirements for this mode to proceed nor implies criminal or civil liability against the obliged subjects or its employees, or for whoever subscribes it. Clients may not invoke the confidentiality or intimacy effective rules to demand civil or criminal liabilities to employees or the enforced subject for the reveal of any information provided this latter reports the existence of grounded suspicious of criminal activities to the competent authorities even when the presumptive or irregular activity has not been accomplished. <b>See Article 86.</b></p> <p>In addition, employees of the obliged subjects may not warn clients that have made verifications or have notified authorities of activities that may give signs of being related with ML/FT. Neither may they deny banking or financial assistance or suspend relations or close their accounts while undergoing phases of the judicial or police investigation process except if there is authorization to that end issued by the competent judge. Likewise, it shall</p>

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
				increase actions for the control on accounts and maintain SUDEB informed through UNIF on suspicious operations accomplished. <b>Article 97</b>
15. Internal controls, compliance & audit	<b>ML</b>	<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>With respect to auditor, internal controls and compliance Resolution 119-10 provides the following:</p> <p>a) Audits for the compliance program against ML/CF shall be made by internal auditors, external auditors or other independent qualified third parties. This is a practice for the Enforced Subject to accomplish audits in compliance proportionally with its CL/FT risk profile.</p> <p>Auditors of the compliance program to combat ML/FT must accomplish test to verify specific compliance with LOCDO, other effective regulations and evaluate relevant management information systems.</p> <p>Audit must be based in risk and programs shall vary in accordance with the size of the institution, complexity, scope of activities, risk profile, quality of control tasks, geographic diversity and use of technology. Audit program based on effective risk shall cover all financial institution activities. Frequency and scope of each audit shall vary in accordance with the risk valuation. The evidence must be held the Board of Directors and the Management to identify areas which have weaknesses and require more strict</p>

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
				<p>revisions.</p> <p>As a minimum, the independent tests must include the following, despite the scope of the revision is limited to a particular areas or activity:</p> <ol style="list-style-type: none"> <li>1. One evaluation of the effectiveness of the compliance program against ML/FT containing the Manual of Policies and Procedures for the Management of ML/FT Risk.</li> <li>2. A revision of the risks evaluation of the Financial Institution (products, services, clients, entities and geographic locations)</li> <li>3. Tests of adequate transactions which are based on risk and verification of compliance with the financial institution with the demands of the effective regulations.</li> <li>4. An evaluation of efforts of the management to achieve a solution of observations made by the regulating entity in audits and previous inspections which includes progress with respect to compliance with corrective measures imposed.</li> <li>5. A revision of the annual training program concerning scope and content.</li> <li>6. A revision effectiveness of the monitoring and detection system of suspicious activities related with ML/FT. (automated systems, or manuals or a combination of both) <b>Seer Article 69.</b></li> </ol> <p>b) Audit unit of the Enforced Subject must prepare and execute an “Annual</p>

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
				<p>Program for the Evaluation and Control” in order to evidence the level of compliance with the effective regulations and the plans programs and internal controls adopted by the institution to prevent, control and detect operations, which are presumed as related with the ML/FT. Such program must be of restricted use or confidential and indicate dependencies to be audited, frequency of audits or approximate dates and aspects subject to inspection at each time. <b>See Article 30.</b></p> <p>c) Approval by the Popular Power Ministry for the Planning and Development of the Coordination and Inspection of ML/FT Prevention within Organization Structure of UNIF (<b>See Annex 2</b>)</p> <p>b) Application for the activation of inspection coordination (<b>Annex 3</b>)</p> <p>c) Development of 2010 Annual Operative Plan including inspection time schedule which is being currently executed (<b>Annex 4</b>)</p> <p>Activities of the mentioned coordination shall allow:</p> <p>a) Develop on site and off site inspection visits.</p> <p>b) Impose administrative sanctions in applicable cases</p> <p>c) Develop statistics that allow to exactly</p>



FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
				<p>be aware of the number of inspections, sanctions, etc.</p> <ul style="list-style-type: none"> <li>It is important to highlight the study which being subject of Resolution 178-2005 “Regulations for the Prevention, Control and Fiscalization of Operations for the Legalizations of Capitals Applicable to the Venezuelan Capital Market”, in order to adjust it to the demands of the capitals market and consequently strengthen prevention and control mechanisms for the legalization of capitals.</li> </ul>
16. DNFBP–R.13-15 & 21	<b>NC</b>	<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>(response equal to Rec.12)</p> <p>In “Norms Related with management and Fiscalization of Risks Related with Legalization of Capital and Financing of Terrorism Crimes Applicable to Institutions Regulated by the Banking Supeintendence and other Financial Institutions”, it is demanded that Enforced Subjects must consider as high risk clients persons entrusted to the list of business and activities including several categories of DNFBPs:  <b>See Article 32, paragraph 1</b></p>
17. Sanctions	<b>ML</b>	<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>Concerning administrative sanctions to the Enforced Subjects, Resolution 119-10 provides the following:  Noncompliance with this regulation shall be subject of the application of penalties applicable in accordance with the general</p>

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
				<p>Law of Banks and other financial institutions; all this regardless of the provisions contained in the legal effective ordering at the time of the violation. <b>See Article 123</b></p> <p>In addition, SUDEBAN has implemented the following actions with respect to administrative sanctions addressed mainly to the topic of the prevention and control of Capital Legalization and Against Financing of Terrorism.</p> <p>a) Approval by the Ministry of the Popular Power for the Planning and Development of the Coordination for the Inspection of ML/FT prevention within the Organization Structure of UNIF (<b>See Annex 2</b>)</p> <p>b) Request for the activation of coordination of inspection (<b>Annex 3</b>)</p> <p>c) Development of 2010 Annual Operative Plan including a time schedule for the inspection which shall is currently being executed (<b>Annex 4</b>)</p> <p>d) Activities of the mentioned coordination shall allow:</p> <ol style="list-style-type: none"> <li>1. Develop on site and off site inspections visits</li> <li>2. Impose administrative fines in those cases in which is applicable</li> <li>3. Develop statistics that allow to acknowledge exactly the number of inspections, sanctions, etc.</li> </ol>
18. Shell banks	<b>C</b>	•		

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
19. Other forms of reporting	<b>C</b>	•		
20. Other NFPB & secure transaction techniques	<b>C</b>	• No examination of the enforcement of controls in other sectors was possible.	• Study feasibility of extending AML/CFT controls to high risk sectors other than DNFBPs	The Ministry of Popular Power for Internal Relations and Justice (MPPRIJ) jointly with the National Antidrug Office (NAO) accomplishes actions pertinent for the strengthening of the prevention of capital legalization as well as the implementation of data base in registrations and Notary Public Offices and promoting process for the publication of regulations in sector of nonfinancial activities and professions.
21. Special attention for higher risk countries	<b>NC</b>	• No evidence of procedures and policies for prevention and control within the supervised institutions which ensure compliance with this obligation under the Venezuelan regulations.	• Verify the effectiveness of recently issued regulations with respect to monitoring relations with countries that do not comply with the FATF recommendations.	Resolution 199-10 deals with issues related with special attention for countries with higher risk, based on a focus based on risk. To that respect the mentioned regulation provides the following: a) Constituted legal persons and those established in countries, states or jurisdictions where there is a fiscal system differentiated among residents and nationals strict banking secrete, lack of international treaties on the matter as well as inexistent or reduced taxes are considered as high risk clients. <b>See Article 32, paragraph 1, subparagraph n</b> b) Although it is true that there is no definition universally agreed by international governments or entities that provides whether a country or determined region represents a higher level risk Enforced Subjects are instructed to consider as countries or high risk areas,

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
				<p>the following:</p> <ul style="list-style-type: none"> <li>• Those considered by FATF, as non-cooperating parties or those the ML/FT risk prevention systems of which are considered inexistent or if exist are not being effectively applied.</li> <li>• Countries or jurisdiction included in the list issued by the Council of Security of the United Nations.</li> <li>• Those considered by the organization or the United Nations as high incidence in the production, traffic and/or consumption of illegal drugs.</li> <li>• Those considered by international entities that work to combat ML/FT as offshore financial centres, countries, states or jurisdictions that have a differentiated fiscal system between residents and nationals, strict banking secrete, lack of international treaties on the matter, as well as reduced or inexistent taxes.</li> <li>• Countries identified by “Serious Sources” as having significant levels of corruption and other criminal activities.</li> <li>• National geographic areas whenever there is public information of official entities that these are being frequently used for the transit or traffic of unlawful drugs, illegal</li> </ul>

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
				<p>immigrants or any other form of illegal traffic of persons, smuggling of goods or money in cash.</p> <ul style="list-style-type: none"> <li>• Geographic areas identified by the Enforced Subjects in accordance with experience by the history of money towards transactions, reports of specialized entities in fight against organized crime and amount of suspicious activity reports detected in determined geographic area. <b>See Article 32, paragraph 4</b></li> </ul> <p>With respect to financing of terrorism, Enforced Subjects shall apply procedures to detect these type of crimes, namely:</p> <ol style="list-style-type: none"> <li>1. Apply monitoring procedures on transactions with countries in geographic areas according to lists issued by the United Nations Security Council where individuals, organizations or countries in particular are subject to sanctions by the financing of terrorism.</li> <li>2. Monitoring which allows to identify transactions related with companies or individuals that have been identified in other jurisdictions as elements related with terrorist organizations or activities or financing thereof.</li> <li>3. Internal control procedures and alert signals based on typologies detected and spread by national authorities or other jurisdictions related with financing of terrorist activities. <b>See</b></li> </ol>

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country Article 67
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>In Resolution 119-10, it is provided that the Compliance Officer shall coordinate and supervise compliance with the effective regulation and internal controls of other administrative dependencies, the responsibility of which is the execution of plans, programs and regulations concerning prevention and control of ML/FT risk, <u>including branches and agents.</u> See <b>Article 14 paragraph 6</b></p> <p>It is important to highlight the study which is being subject of Resolution 178-2005 "Regulations for the Prevention, Control and Fiscalization of Operations for the Legalization of Capitals Applicable to the Venezuelan Capital market", in order to adjust it to demands of the capital market and consequently strengthen prevention and control mechanisms for legalization of capitals in this aspects.</p> <p>Financial groups form part of the Enforced Subjects.</p> <p>Whenever dealing with Financial Groups likewise a Party Responsible for Compliance shall be appointed in each of the group companies.</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</li> </ul>	<ul style="list-style-type: none"> <li>Improve capability for inspections and controls in regulated entities.</li> </ul>	<p>Superintendence of banks and Other Financial Institutions during 2009 accomplished seven general AML/CFT inspections until March 2010. Likewise</p>

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
		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.		<p>general inspections have been made on ML/FT matters and it is foreseen that for the whole year there shall be a total of 38 General Inspections, without taking into account Special Inspections.</p> <p>In addition, SUDEBAN has accomplished the following actions:</p> <p>a) Approval by the Ministry of Popular Power and Planning and Development of the Coordination and Inspection for the Prevention of ML/FT within the Organization Structure of UNIF. (<b>See Annex 2</b>)</p> <p>b) Request of the activation of the Inspection Coordination (<b>Annex 3</b>)</p> <p>c) Development of 2010 annual operative plan, including inspection time schedule which is currently being executed (<b>Annex 4</b>)</p> <p>Activities of the mentioned coordination shall allow:</p> <p>a) To develop on site and off site inspection visits.</p> <p>b) Impose administrative sanctions whenever applicable.</p> <p>c) Develop statistics that allow accurate acknowledgement on the number of inspections, sanctions, etc.</p>
24. DNFBP - regulation, supervision and monitoring	<b>NC</b>	<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>Resolution 119-10 demands Enforced Subjects to consider persons included in a list of business which include several DNFBPs as high risk clients</p> <p><b>See Article 32, paragraph 1</b></p>
25. Guidelines &	<b>ML</b>	<ul style="list-style-type: none"> <li>Unable to demonstrate an</li> </ul>	<ul style="list-style-type: none"> <li>Issue regulations for the</li> </ul>	

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
Feedback		effective AML/CFT system of control implemented in the DNFBP sector.	DNFBP sector and ensure compliance	
26. The FIU	<b>PC</b>	<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>•</li> <li>• Vulnerability of the information held on computers not owned by the FIU.</li> <li>•</li> <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>	<ul style="list-style-type: none"> <li>• Improve structure</li> <li>• Enhance analysis and information in reports to Ministerio Publico.</li> </ul>	<p>In order to improve the functional and operational capability of the National Financial Intelligence Unit, General Management of Technology has accomplished the following requirements:</p> <ul style="list-style-type: none"> <li>a) A programme allows strengthening the analysis of financial intelligence in Reports of Suspicious Activities, in order for these to be more useful.</li> <li>b) File management software (work-flow) to control, measure and follow-up communications handled by the UNIF.</li> <li>c) A system of control and risk of the Suspicious Activities Reports, which allows to enable the information contained in them electronically and be able to accomplish business intelligence.</li> <li>d) A control and registration system for persons requested before UNIF.</li> <li>e) A server for the exclusive use of the Financial Intelligence National Unit, to store and process all information</li> </ul>



FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
				<p>managed by UNIF, with sufficient security, backup and confidentiality mechanisms for information.</p> <p>In addition, training activities have been strengthened for those who receive and offer training by UNIF officers</p> <ul style="list-style-type: none"> <li>Several technical meetings, working desks, and mutual training activities have taken place between the UNIF and Public Ministry, in order to improve quality of Suspicious Activity Reports and for these to be used as forensic evidence</li> </ul>
27. Law enforcement authorities	<b>PC</b>	<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</li> </ul>

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
				<p>Crime.</p> <ul style="list-style-type: none"> <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	<b>C</b>	•		

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
29. Supervisors	<b>ML</b>	<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>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 (<b>See Annex 2</b>)</p> <p>b) Request of activation of the Inspection Coordination (<b>Annex 3</b>)</p> <p>c) Development of 2010 Annual Operative Plan including inspection time schedule which is being currently executed (<b>Annex 4</b>)</p> <p>Activities of the mentioned coordination shall allow:</p> <p>1) To develop on site and off site inspection visits.</p> <p>2) Impose administrative sanctions in applicable cases</p> <p>3) To develop statistics allowing accurate awareness on the number of inspections, sanctions, etc.</p> <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, until March 2010, likewise, general inspections have taken place in matters of ML/FT and it is</p>

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
				<p>foreseen that for the whole year there be a total of 38 General Inspections without including Special Inspections.</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.</p> <p><b>See Article 123</b></p>
30. Resources, integrity and training	<b>NC</b>	<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</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>SUDEBAN has implemented the following actions tending to improve resources and Organizational Structure. See above answer)</p> <p>In addition, SUDEBAN is developing a system named "FIS Financial Overall Information System" which shall allow obtaining financial information of banking Institutions and the supervision of SUDEBAN, as well as its clients which shall optimize the management of supervision and control of such institutions.</p> <p>According to Resolution 119-10 whenever external auditors or legal persons specialized in prevention in control of ML/FT issue unfavourable opinions related with the compliance by enforced subjects their legal obligations foreseen in LOCDO and this regulations, the entity may accomplish a special</p>

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
		specialized in prevention.		<p>inspection to evidence exactness of the opinion issued and demand the relevant corrective actions. <b>See Article 76</b></p> <p>Likewise, companies belonging to financial groups subject to the inspection, supervision, vigilance, regulation and control of SUDEBAN are obliged to implement SIAR ML/FT which provided in Article 6 of this Resolution and give strict compliance to provisions of this regulation concerning all applicable matters attending the nature of its businesses, products and services offered, clients and geographic areas in which they operate. Any doubt in relation with applicability of the provisions contained in this article shall be grounds for consultation with SUDEBAN. <b>See Article 118</b></p> <p>It is important to highlight that the Superintendence of Banks and Other Financial Institutions during 2009 accomplished Seven (7) General Inspections to evaluate compliance with the Overall System for the Prevention of Capitals Legalization and Financing of Terrorism, until March 2010; likewise, general inspections have taken place in matters of ML/FT and it is foreseen that for the whole year there be a total of 38 General Inspections without including Special Inspections.</p>
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</li> </ul>	<ul style="list-style-type: none"> <li>The legal mechanisms (of cooperation) have not been adequately applied and it is</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</li> </ul>

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
		applied.	therefore necessary to determine the best way for the various institutions can develop them in the interest of greater effectiveness.	<p>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.</p> <ul style="list-style-type: none"> <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</li> </ul>

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
				<p>cooperation mechanisms with State financial institutions and bodies.</p> <ul style="list-style-type: none"> <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</li> </ul>

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
				<p>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.</p>



FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
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>	<ul style="list-style-type: none"> <li>• Systematic statistics on nationwide drug seizures effected by the Regional Anti-Narcotics Intelligence Units and Special Anti-Narcotics Units, as well as seizures effected by the large Regional Units of the National Guard throughout the country. It should be noted that all seizures trigger a process of reporting to the Public Ministry and later investigation. In addition to the above, it keeps up-to-date statistics on cases investigated in the specific area of money laundering.</li> <li>• All movable and immovable assets seized by the National Guard are placed at the disposal of the National Anti-Narcotics Office for custody and management.</li> <li>• The Criminal and Financial Investigation directorate of the National Guard keeps an up-to-date statistical register of money laundering and terrorist financing investigations ordered by the prosecutors of the Public Ministry.</li> </ul> <p>It is relevant to highlight that the Superintendence of Banks and Other Financial Institutions during 2009 accomplished Seven (7) General Inspections to evaluate compliance of the Overall System for the Prevention of</p>

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
				<p>capital Legalization and Financing of Terrorism until March 2010, likewise General Inspections have taken place in matters of ML/FT and it is foreseen that for all of the year be a total of 38 General Inspections without taking into account Special Inspections.</p> <p>SUDEBAN has implemented the following actions with respect to administrative sanctions, mainly addressed to the topic for the Prevention and Control of Legalization of Capitals and Against Financing of Terrorism.</p> <p>a) Approval by the Ministry of the Popular Power for the Planning and Development of the Coordination of Inspections and Prevention of ML/FT within the Organization Structure of UNIF (<b>See Annex 2</b>)</p> <p>b) Request for the activation of inspection coordination (<b>Annex 3</b>)</p> <p>c) Development of 2010 Annual Operative Plan including inspection time schedule currently being executed (<b>Annex 4</b>)</p> <p>Activities of the mentioned coordination shall allow:</p> <ul style="list-style-type: none"> <li>a) To develop on site and off site inspection visits</li> <li>b) Impose administrative sanctions in those cases in which they are applicable.</li> <li>c) Develop statistics that allow to</li> </ul>

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
				<p>exact awareness on the number of inspections, fines, etc.</p> <p>Currently UNIF is participating in the Overall Financial Information Project in its final phase which shall allow SUDEBAN to electronically recover all financial information useful of the National Banking System which provides the power to evaluate banking management and through technological tools (software) intelligence of business can be accomplished to improve supervision and control activities on enforced subjects. Likewise it provides automation and <b>timely access to information sources and data bases</b></p> <p>UNIF has always maintained adequate statistics on received and remitted cases, currently there is personnel entrusted exclusively in the incorporation of information in data base reflecting statistic results of all cases, response times of UNIF and through a study accomplished in the meeting of the Operative Group of Egmont Group which took place on February 28, 2010 in Mauricious about measures to improve exchange of information among Financial Intelligence Units. It was evidenced that UNIF of Venezuela is among those that respond to the request of information in less than one week.</p> <p>. For statistics related with Resolutions of the security Council of UN since year 2003, SUDEBAN has communicated the</p>

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
				financial institutions all list of terrorist and terrorist organizations prepared by the UN Security Council. No link has yet been detected with Venezuela.

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
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>The Autonomous Registration and Notary Public Service through to Automation Project for Office of Registry and Notary Public at a national level (technological transfer and technical service agreement No ALBET S.A. E09-020-000), which is accomplished in two phases, phase one, already finished and phase two, currently in progress. In this sense currently though the SAREN Management System there may be access to information about property and legal persons that accomplish transactions before this service in 80% expecting for January 2010 that network allows 100%.</p> <p>In Resolution 119-10 in accordance with the risk grading 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 practices for the prevention of ML/FT. Among the high risk factors the following products and /or services that represent high risk are included: Trust and Assets Management Services. <b>See Article 32, paragraph 2, subparagraph g</b></p> <p>In Resolution 119-10 it is provided that Enforced Subjects authorized as trust institutions must consider this type of high risk products and ensure that his information is adequate, exact and timely for managed trusts including information of trustee and beneficial owners. In addition, mitigate measures shall be</p>

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
				adopted in accordance with the risk level and the nature of the products. <b>See Article 65</b>
34. Legal arrangements – beneficial owners	<b>PC</b>	<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 institution but from a branch located in another country in which the legislation in this respect is different or where banking secrecy is excessive.</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>	
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</li> </ul>

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
				<p>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.</p> <ul style="list-style-type: none"> <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</p>

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
				<p>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</p>



FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
				<p>Organic Law Against Unlawful Traffic and Consumption of drugs and narcotic substances we have the following Article 66</p> <p>Seized, Insured and Confiscated Property. 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</p>

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
				<p>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</p> <p>Management Service of Ensured Seized or Confiscated Goods or Property</p> <p>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</p>

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
				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.
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.</p> <p>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>
38. MLA on confiscation and freezing	<b>PC</b>	<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>The Anti-Narcotics Squad of the National Guard maintains close relations with all the police and military attaches of the various embassies active in our country, and provides them promptly with information they request that is of interest to them and is related to drug seizures and detention of foreign nationals. It also provides information relevant to investigations being carried out by those governments into money laundering</li> </ul>

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
				<p>and financing of illegal activities.</p> <ul style="list-style-type: none"> <li>• The Direction of Criminal and Financial Investigations of the Bolivarian National Guard in the course of investigations about Legalization of Capitals and Financing of Terrorism determined the ownership title of the property of the persons, both companies and individuals under investigation, in an accurate and timely manner through the National Direction of Registration and Notary Public Offices</li> <li>• Although requests for securing assets are the province of the Public Ministry, the CICPC, in the course of investigation, is able to determine effectively the ownership of assets of the person(s) under investigation and/or connected to a given investigation. This information is submitted to the Public Ministry.</li> <li>• Our Legislation foresees that within the framework of an investigation, existence of goods used and/or obtained in the commission of the crime must be determined, even with a single suspicion of criminal origin for which they shall be preventively seized and the confiscation shall be ordered whenever there is final and definite condemnation sentence</li> <li>• Likewise, through SUDEBAN there is an effective mechanisms for the</li> </ul>

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
				<p>freezing of financial accounts and even the Public Ministry within the framework of legal attributions may directly request financial or banking institutions the preventive seizure or freezing of accounts</p> <ul style="list-style-type: none"> <li>Resolution 119-10 clarified that financial institution must pay special attention to operations and activities which are unusual and may indicate that funds could be related with the financing of terrorism and then being subject to a profound analysis and whenever the institution deems convenient the transaction is classified as suspicious must send RAS to UNIF <b>See Article 66, 67 and 68</b></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. Nations may not be extradited; however they may be sent to trial at the request of the offended party or the Public Ministry.</li> </ul> <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>
40. Other forms of co-	<b>C</b>	<ul style="list-style-type: none"> <li></li> </ul>		

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
operation				
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>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>

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
				<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 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</li> </ol>

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
				<p>organization or financing thereof.</p> <p>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></p> <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: as well as electronic cash sales in currencies that comply with the following characteristics:</p> <p>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.</p> <p>2. Transfers equal or exceeding seven hundred and fifty United States dollars</p>



FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
				<p>(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>) See <b>Article 78</b></p> <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>
SR.II Criminalize terrorist financing	<b>PC</b>	<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>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 <b>Article 66, 67 and 68</b></p>

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
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>	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. <b>See Article 66, 67 and 68</b>
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>	Resolution 119-10 provides that Enforced Subject must give must give special attention to operations and activities, the characteristics of which are unusual and that may indicate that funds could be related with the financing of terrorism, then submit them to an extensive analysis and in all events that the institution considers it applicable and rates the operation as suspicious must prepare the Suspicious Activities Report and submit it to UNIF. <b>See Article 68</b>
SR.V International cooperation	ML	<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</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</li> </ul>	UNIF has always maintained adequate statistics and received and remitted cases Egmont Group prepared a study in which it highlighted that UNIF of Venezuela is among those entities that respond to information request in less than one week. To that respect UNIF has implemented the following measures. a) Statistics of received and sent requests have improved for the exchange of information between FIU, classifying it per type of crime in the year 2009, a total

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
		evaluation of the effectiveness of this RE.	<p>than 30 years must be reviewed.</p> <ul style="list-style-type: none"> <li>A data management system should be established to provide statistics on the work being done in this aspect of international cooperation.</li> </ul>	<p>of 2 request were received in relation with financing of terrorism and 72 linked to the legalization of capitals, in addition 2010 it was added to classify applications in accordance with the adjacent crime to the capital legalization crime.</p> <p>b) Response time have been reduced for application accomplished by other FIU at an average of 0 to 7 days.</p> <p>All regulations mentioned in the recommendations 36 and 38, or our party, are perfectly applicable to the Financing of Terrorism crime.</p> <p>Concerning the status of mutual assistance application there is a control of active and passive Rogatory and should this are being executed or not the control of which is attached hereto</p>
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> <li></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>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</li> </ul>

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
				<p>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</p> <ul style="list-style-type: none"> <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>
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</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>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</p>

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
		<p>been developed for adoption by the 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>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. <b>See Article 44</b></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>1. See Article 78</b></p>
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</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</li> </ul>	.

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
		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.	terrorism financiers.	
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>	