



Eighth Follow-Up Report

El Salvador
May 29th, 2014

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I. Introduction

1. This report summarizes the analysis by the CFATF Secretariat on the progress reported by El Salvador to overcome the deficiencies identified in the MER (IEM), adopted at the Plenary session of May 2010. El Salvador presented the Seventh Follow Up Report during the Plenary in the Bahamas in November 2013 and it was decided that El Salvador would continue in Regular Expedited Follow Up and report to the Plenary in May 2014. This is the Eighth Follow Up Report and is based on the information provided by El Salvador on March 14, 2014 and subsequently on April 10th of that year. El Salvador, according to the decision of the Plenary of November, 2011 is in the process of regular -expedited follow up, reporting semi-annually.
2. Five (5) of the sixteen (16) Core and Key FATF Recommendations were rated Partially Compliant (PC), as shown in the following table.

Table 1: Ratings of Core and Key Recommendations

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

3. Overall, the country's rating was PC or NC in twenty-six (26) of the FATF Recommendations.

Table 2: Non-Core and Key Recommendations rated Partially Compliant and Non-Compliant

Partially Compliant (PC)	Non-Compliant (NC)
05. Client Due Diligence	06. Politically exposed persons
08. New technologies & non face-to-face business	07. Correspondent banking
09. Third parties and introducers	12. DNFBP – R.5,6,8-11
17. Sanctions	16. DNFBP – R.13-15 & 21
21. Special attention for higher risk countries	24. DNFBP – regulation, supervision and monitoring
22. Foreign branches and subsidiaries	30. Resources, integrity and training
23. Regulation, supervision y monitoring	32. Statistics
25. Guidelines and Feedback	SR.VI AML requirements for money value transfer services
26. FIU	
29. Supervisors	
31. Domestic Cooperation	
33. Legal persons – beneficial owners	
39. Extradition	
SR.IV TF Suspicious Transactions Report	
SR.V International Cooperation	
SR.VII Wire transfer rules	
SR.VIII Non-profit organizations	
SR.IX Cross-border Declaration & Disclosure	

4. The following table is intended to provide insight into the size and risk of the main financial sectors.

Size and international integration of the financial sector as at March 31, 2014

		Banks	Other Credit Institutions *	Stock Market **	Insurance	TOTAL
Number of institutions	Total #	12	10	27	21	70
Assets	US\$	\$14,360,610,225.07	\$1,006,930,646.31	\$54,262,101.30	\$759,953,968.37	\$16,181,756,941.05
Deposits	Total: US\$	\$ 10,018,726,490.08	\$427,152,958.52	\$0.00	\$0.00	\$ 10,445,879,448.60
	% Non-resident	Figure not available	Figure not available	Figure not available	Figure not available	Figure not available
International Links	% Foreign-owned:	92.77%	0.00%	42.76%	80.58%	86.25%
	# Subsidiaries abroad (amount)	0	0	0	0	0

* Within the category "Other credit institutions" include: federation of credit unions, cooperative banks and savings and loan

** The "stock market" is comprised of the following entities: stock market, specializing in trust and custody company, brokerage houses, risk rating agencies, asset securitization companies and in warehouses. The stock market information has been considered to December 31, 2013 due to lack of information as of March 31, 2014.

Source: **Superintendency of the Financial System**

II. Scope of this Report

5. This report will focus on all Recommendations whose level of compliance remains Partially Compliant (PC) or Non-Compliant (NC) according to the IEM or the level reached during the monitoring process.
6. That is to say, focus will be placed on the Recommendations at the time, rated as PC, which are the following: Core Recommendations: 5 and Special Recommendation IV; Key Recommendations 23 and 26 and other Recommendations: 8, 9, 17, 21, 22, 29, and 31, Special Recommendations SR VII, VIII and IX. Likewise, Recommendations originally rated as NC, Recs. 6, 12, 16, 24, 25, 30, 32 and Special Recommendations VI will be assessed. ¹

III. Summary of the Progress achieved by El Salvador

7. Legislative Assembly of the Republic of El Salvador adopted Decree No. 568: Amendments to the Law Against Money Laundering and Assets, which were published in the Official Gazette on January 16, 2014, contained in the Volume No. 402, No. 9.

¹ Recommendation 7 will be excluded from this report (initially rated as NC) and Recommendations 39 and Special Recommendation V (initially classified as PC) because these were rectified, as explained in the third follow up report. Additionally, Recommendation 33 was not discussed as the noted deficiencies have been rectified by the evaluator according to the seventh follow up report.

8. Standards Committee of the Central Bank Reserve, adopted on November 14, 2013 Technical Standards for Risk Management and Money Laundering and Terrorist Financing through Session No. CN-14/2013.
9. Coordination with the World Bank was initiated to conduct the National Risk Assessment (NRA). During March the World Bank (WB), provided documentation for the purpose of organizing working groups and prepare the 1st phase of the project. The first video conference with members of the working group authorities will be held in April and the first workshop in June.
10. The implementation of Technical Cooperation Project of the Inter-American Development Bank (IDB) on diagnosis of DNFBPs and proposed regulatory framework began.
11. The Financial Investigation Unit (FIU) continued efforts to move closer to the DNFBPs sector, including the Salvadoran Association of Cargo Agents and Related Services (ASAC) and the Association of Travel Agencies (AVA).
12. The FIU developed processes for Financial Research, Reception and Assignment of ROS and Analysis Financial Reporting. FIU officers received training on National Assessment of Risk, FATF Methodology Evaluation, Intelligence Cycle and research processes and other trainings on issues of prevention of money laundering and assets. Outreach activities and feedback to compliance officers on the quality and consistency of Suspicious Activity Reports (SARs) were also conducted.
13. Implementation has begun regarding the IDB Technical Cooperation Project on Diagnostics of FIU Technology Platform.
14. Within the last quarter of 2013 and first of 2014, El Salvador presented nineteen (19) cases under investigation, of which six (6) were prosecuted and one (1) conviction was obtained in the amount of \$ 180,860.00. Also, seizures were made for the value of \$ 148,900.00
15. It is projected to implement Amendment to the Law on Supervision and Regulation of the Financial System, which include among other things, registration and penalties for transfer companies, which are currently considered as Subjects of Law Enforcement in accordance with the amendments to the Law Against Money Laundering and Assets.

Details on Core Recommendations:

Recommendation 5

16. El Salvador is in the process of drafting the ENR, using the methodology of the BM. It is imperative that the evaluation is completed to determine the areas of risk, regulation and control, according to the vulnerabilities found.
17. The Amendments to the Law Against Money Laundering and Assets rectified the deficiencies listed in the following table. Following are the reforms issued and legal basis for each recommended action:

Recommended Action	Decree No. 568	Legal Basis
Review the threshold of U.S. \$ 57,142.86 to control cash transactions.	Report to the FIU cash transactions or otherwise, single or multiple that in one day	Art. 9, 1st. Paragraph

Consider a specific provision requiring the CDD Total transactions linked below the indicator of U.S. \$ 57,142.86 (15 000 U.S. dollars in accordance with FATF)	exceed ten thousand dollars of the United States of America or its equivalent in any foreign currency	
Review the scope of the AML / CFT requirements for money transfer companies to ensure that they include specific obligations in its area consistent with AML / CFT provisions	Institutions and individuals who perform systematic or substantial transfers of funds, including pawnshops, telephone operators and others who lend are Subjects of Law Enforcement	Art. 2, 9)
6Require CDD for all transactions and activities where justified and there is suspicion about the veracity of customer information or when it differs from their profile. EC 5.15 and 5.16	Institutions are required to report to the Attorney General through the FIU any relevant information on fund management, the amount or characteristics not related to the economic activities of its clients, or transaction of its users that the amounts involved, quantity, complexity, features, or special circumstances that are distinct from the usual patterns of transactions and therefore could reasonably conclude that it might be using or pretending to use financial institution to transfer, manage, use or invest money or resources from illicit activities	Art. 10, e) III
Determine the actual existence of coded accounts and consider it appropriate risk products that require greater control by limiting the use of these accounts numbered and coded to certain institutions and circumstances. EC 5.1	Institutions must maintain nominative records of its users. These will not keep anonymous accounts or accounts in which they have incorrect or fictitious names.	Art. 11 Others: Art. 10 a) y 13 a), b) c)
Further clarity and increase the consistency of instruction that indicates the threshold of five thousand colones or U.S. \$ 500.00 for the identification of a client. EC 5.2	Institutions will be required to identify reliably and with due diligence to all users that require its services and legal persons on whose behalf they act.	Art. 10 a)
It is necessary for the exchange houses transmitters or remittance centres, who maintain relations fixed business to identify and conduct CDD, regardless of the amount of transactions of its customers and expand the control threshold of \$ 57,142.86 to reports to the FIU.	Foreign exchange houses are subject to law enforcement. The amount of transactions is irrelevant to submit STRs to the FIU.	Art. 2 3) Art. 9-A 2do. paragraph

18. The Technical Standards for Risk Management and Money Laundering and Financing of Terrorism, incorporating the amendments indicated in the table below, which rectified the recommended appropriate action:

Recommended Action	Technical Rules for Risk Management ALD/CFT	Legal Basis
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Issue rules on proper risk management with special attention to the specific needs of each sector.	Adopted by the Standards Central Reserve Bank of El Salvador on November 14, 2013. Effective from December 1, 2013.	
Require CDD for all transactions and activities where justified and there is suspicion about the veracity of customer information or when it differs from their profile. EC 5.15 and 5.16	Entities shall apply due diligence and implement controls to assess, identify and verify the identity of customers and beneficial owners; monitor their operations to properly manage risk.	Art. 17
Review all the rules to clarify / ensure that the provisions for alternative identification and verification measures do not reduce CDD in cases where identification documents show alterations, erasures and / or are false, as applicable and also set rules to limit operations in the accounts where clients have not completed the documentation thereof. EC5.3 (and also EC5.14)	Institutions should take reasonable steps to identify the customer through their identity and basic information, making sure that the document is original. In the case of legal persons, must also document their legal status, company name, economic activity, accreditation and identification of legal representative, shareholders and partners, with participation up 10%, knowing the economic activity, magnitude, frequency, characteristics.	Art. 18 * Integrates with Article 18 Technical Standards and article 8 paragraph 2) of the Instructions of the FIU
Require KYC risk-based implementation of all provisions of the above risks associated with customer transactions and users in order to cover all the elements necessary to establish the profile of the client; additional categories of customers; economic activity; geography, etc.. See EC 5.9 and EC 5.8 EC 5.12	The technical standards include the various risk factors generated by ML / FT. The standards contain technical stages of management and due diligence measures to be taken.	Chapter III Risk Management ML / FT Chapter IV Due Diligence
Provide adequate guidelines to assist FIs in developing risk management systems. EC 5.12	Adopted by Standards Central Reserve Bank of El Salvador on November 14, 2013. Effective from December 1, 2013.	
Regular update existing customer records.	Institutions should establish continuous procedures for updating general information of existing customers.	Art. 18 g)

19. The authorities updated for this report, the Instructions of the Financial Investigation Unit for the Prevention of Money Laundering and Asset enforced since July 2013, in addition to the observations in the previous follow up report, by the following actions:

Recommended Action	Instructions of the FIU for the prevention of ML	Legal Basis
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Check reasonable period for verifying the identification of newly formed corporations are complete, including strict requirements for risk reduction.	In justified cases, financial institutions may grant accounts or new contracts, within 60 working days to integrate the file identification.	Art. 8 numeral 8)
Grounds for refusal to open accounts or conduct transactions provided that the identification documents cannot be obtained or adequately verify or believed to have been altered or false	Failure to integrate, cancel the account or contract depending on the amount, frequency or nature, proceed as suspicious.	Art.8 Section 8) * Integrates with Article 18
Regular update of existing customer records	The client record should be updated based on the risk analysis carried out by the institution.	Art. 6 numeral 1) last line
Set rules that limit operations in the accounts where clients have not completed the documentation thereof. EC5.3 (and also EC5.14)	The institutions may not engage in transactions with customers who do not provide the documentation and information necessary for identification.	Art. 8 numeral 2)

20. According to advances presented only pending: a) to complete the development and implementation of the National Risk Assessment; b) to conclude the diagnosis of DNFBPs and given the regulatory framework in which regulatory powers in ML / FT to the supervisory bodies in charge of monitoring DNFBPs are established; c) to include specific requirements for opening accounts of Trusts, Civil Associations, state entities and not only identify the parties to sign a contract or receive increases in their operations or withdrawals as referred to in Article 8 paragraphs 9 and 10 of the Instructions of the FIU; d) Request a lower risk classification before applying Simplified Due Diligence measures.
21. Remarkable progress achieved by El Salvador in the implementation of this Recommendation. At present, the remaining observations are minimal; therefore substantial progress has been achieved with this recommendation.

Special Recommendation IV

22. It should be noted that Article 9-A 4th. paragraph of the newly reformed Law Against Money Laundering and Asset, establishes the obligation for regulated entities to report suspicious transactions when there are reasonable grounds to believe that the money or assets are related or could be used for terrorist acts or terrorist organizations organized crime, drug trafficking and all its variants.
23. Nevertheless, it should be mentioned the fact that the Law Against Money Laundering and Assets does not address issues related to terrorism, terrorist acts, terrorist groups and terrorist financing, which could be hampered by the application of the obligation to report suspicious transactions arising from financing of terrorism.
24. Pursuant to Decree No. 108 of the Legislature of the Republic of El Salvador, Special Law Against Acts of Terrorism, in Section 37, 8th. Paragraph states that "*Financial institutions give special and constant attention to the detection of goods and services and transactions suspected or having reasonable grounds an unlawful purpose and that they are linked or can be used to finance acts of terrorism, to*

which they must inform the Attorney General of the Republic, through the Financial Investigation Unit within a period not exceeding three days. ". This removes the restriction on transaction reporting of only persons included in the list of terrorists.

25. Nevertheless, it is suggested that the authorities should consider in the future reforming the Special Law Against Acts of Terrorism, which incorporates the obligation for financial institutions to report the following: a) Suspicious transactions where there are reasonable grounds to believe that money or assets are related or could be used for terrorist acts or terrorist organizations, organized crime, drug trafficking and all its variants b) attempted suspicious transactions related to terrorist financing, as in Art 9-A of the Law Against Money Laundering and Assets reformed in 2014.

Details on Key Recommendations:

Recommendation 23

26. The most important progress of regulation, in terms of this Recommendation, is the issue of the Technical Standards for Risk Management of ML / TF, which allow entities in the financial system to manage the risks of ML / FT according to risk profiles.
27. Regarding the consistent observation to reconsider the regulatory powers of the FIU, the authorities reiterated that these powers are general and not just for financial institutions. Regarding the non-financial system these powers facilitate the issuance of instructions regulatory in nature and for the financial system; the FIU issued specific guidelines established in its Instructions. Also, the fact that the Law on Supervision and Regulation of the Financial System created a Standards Committee to issue specific regulations for the financial system is stressed. From the above arguments, this recommended action has been rectified.
28. In accordance with Article 2 of Decree No. 498, as amended by Decree No. 568. regulated Law Enforcement entities are incorporated, among which are non-bank financial institutions that are not part of financial conglomerates. The supervision of these entities will be defined in the implementation of IDB Technical Cooperation Project on the Diagnosis of DNFBPs and proposed regulatory framework.
29. Regarding remittance entities, there is yet no special registration, operating licenses and regulations for the sector. For the previous follow up report, the authorities reported that they have a special bill that establishes registration requirements, a supervisor and auditor, the need for prior authorization and registration to operate, particular obligations on the prevention of money laundering and terrorist financing offenses and penalties for the remitter sector. For this report, the authorities reported that are they requesting an amendment to the Law on Supervision and Regulation of the Financial System, to include as supervised institutions, creating the registry and penalties.
30. The authorities continue to expand the MOUs to strengthen cross-border supervision and intensify the supervision of domestic financial institutions with activities abroad. Currently has a total of 30 MOUs signed with homologous units, associations and international organizations in Colombia (recently), Germany, New York, Panama, Spain, Peru, Mexico, Dominican Republic, Costa Rica, Nicaragua, Canada, Honduras , Argentina, Ecuador, Bolivia and Chile.
31. Regarding audits, authorities updated for this report, which continue to perform such work. During the last quarter of 2013 and first of 2014 10 audits to financial entities were performed.

32. Given that the authorities are providing continuous training, only the authorities are encouraged to monitor the implementation of training programs for agents and brokers of insurance and bonds.
33. The Recommendation provides substantial advances aimed at compliance. The only remaining recommended actions include: 1) Complete the Technical Cooperation Project IDB on the Diagnosis of DNFBPs and proposed regulatory framework defining the regulator and supervisor of all non-banking financial institutions that are not part of financial conglomerates b) Define the regulator, supervisor, registration and issuance of operating license of the remitter sector.

Recommendation 26

34. Decree No. 568 amended Article 9-A, which provides that Suspicious Activity Reports must be submitted to the FIU regardless of how relevant the amount of transactions for reporting purposes.
35. Regarding feedback mechanisms, the FIU through the Area Coordination Financial Analysis has taken steps to compliance officers, to improve the quality and consistency of ROS. Also face to face meetings and constant communication is maintained.
36. For this report, the authorities updated that during the last quarter of 2013 and first of 2014, it received 362 STRs and CTRs 1898 within the same period.
37. The FIU has an extensive program for Strengthening Financial Investigation Unit, which includes an analysis of the status and operation of the Unit, Mission, Vision, Objectives, Process, Profiles and specific Functions of each position and considerations of physical space. For this report, the following processes were incorporated, in order to permanently strengthen the Unit and raise the level of financial intelligence and investigation: Process of Financial Investigation Unit, Procedure 1.0: Reception and Assignment of Suspicious Transactions Reports, Local and International Assistance, Procedure 2.0 Financial Reporting and Analysis Procedure 4.0: International Assistance.
38. Regarding the technology platform, the IDB Technical Cooperation Project on Diagnosis of the technology FIU platform started, which will generate statistics, typologies and trends considered suspicious transaction patterns.
39. The Recommendation has made significant progress. It will be necessary to implement the following:
a) Increase the number of staff that make the FIU; b) Complete diagnosis of the technological platform in order to generate statistics, typologies and properly feed back to the financial institutions. From the progress achieved, substantial progress was made in compliance with this Recommendation.

Other Recommendations

Recommendation 8

40. The authorities reported that are requesting an amendment to the Technical Standards for Risk Management and Money Laundering and Financing of Terrorism, to widen the obligations to be met by Financial Institutions in relation to new technologies specifically as to what Rec.8 cited in consistent attention to threats of ML that may arise from developing technologies that might favour anonymity, and take measures to prevent its use for ML. Financial institutions must have policies and procedures

to mitigate the risks specific to business relationships or transactions that are not face to face. Due to the above, the implementation of this recommendation is underway.

Recommendation 12, 16 y 24

41. The Recommendations presented as progress, the start of the implementation of the IDB Technical Cooperation Project on the Diagnosis of DNFBPs and proposed regulatory framework. According to the schedule provided, the report is in the discussion phase. The FIU continues outreach work with the DNFBP sector and met the Salvadoran Association of Cargo Agents and Related Services (ASAC) and the Association of Travel Agencies (AVA), during the month of March.
42. Compliance with these recommendations requires the following: a) The approval of the regulatory framework to subject all DNFBPs to a regulatory framework and supervision, including among other things: the appointment of legally empowered authorities, the obligation to report suspicious transactions and maintaining internal controls in accordance with the provisions of Recommendation 16 of the FATF, and b) the designation of human and material resources to the work of regulation and supervision. Therefore, the status of compliance with these recommendations remains pending.

Recommendation 25

43. Regarding activities feedback, as noted above, the FIU continues efforts to move closer to the DNFBPs sector and met with the Salvadoran Association of Cargo Agents and Related Services (ASAC) and the Association of Agencies travel (AVA), during the month of March.
44. Upon issuance of guidelines, this recommendation remains pending. Full compliance requires the conclusion of that the regulatory framework for DNFBPs that is currently being developed.

Recommendations 30, 31 y 32

45. Regarding training requirements set out in Recommendation 30, the authorities reported that FIU officers received training on National Assessment of Risk, FATF Evaluation Methodology Intelligence Cycle and research processes and other trainings on issues of prevention of money laundering and assets.
46. Regarding resources and statistics covered in Recommendations 30 and 32 respectively, the FIU is developing its technology platform, and began the Draft IDB Technical Cooperation.
47. Again, for this report, the authorities provided statistics about twenty-eight (28) requirements for international assistance sent by Egmont and other means (pending and completed); six (6) international assistance received through Egmont and forty (40) local requests received; which impacts Recommendation 31.
48. Despite the progress indicated in each recommendation, the FIU is required to: a) Develop the technology platform that supports the activities of financial intelligence, research and monitoring b) Implement mechanisms that allow information to provide Law Enforcement Regulated Entities, periodic reports on statistics, typologies and trends, c) Have performance measurement systems, to report on the effectiveness of the AML / CFT system as indicated in the MER.

Recommendation Especial VI

49. Pursuant to Section 2 paragraph 9) of Decree No. 498, as amended by Decree No. 568, which is incorporated by regulated entities of Law Enforcement, institutions and natural persons performing systematic or substantial transfers funds, including pawn shops, and other telephone companies to provide loans.
50. The above action represents a step in the regulation of the sector funds transfer covered under paragraph 9 of Article 2 of the Act, as well as for remittance agencies regulated under Clause 14 of the Art, which do not belong to a financial conglomerate. Additionally, the authorities indicated that the Project Diagnostic for DNFBBs incorporate aspects related to such entities. However, the implementation of this Recommendation requires the following: a) Complete Diagnosis of DNFBBs and proposed regulatory framework that includes the following : i) Designation of competent authorities to carry out the registration , supervision and licensing operation regulated entities of Law Enforcement to conduct systematic fund transfers and remittance agencies ; ii) Establishment in the Act the requirement that corresponding regulated entities of Law Enforcement have an updated list of agents with whom to cooperate , as indicated in the listing MER .

Recommendation Especial IX

51. Compliance with this Recommendation made significant advances arising from the approval of the amendments to the Law Against Money Laundering and Assets, which included the following amendments: a) The statement of trans boundary transport tickets, money orders, personal or foreign checks or other bearer negotiable instruments, in domestic or foreign currency or securities in the amount of Ten Thousand Dollars of the United States or equivalent in foreign currency, (Art. 19 4th. Paragraph) b) registration of vehicles, air or sea entering the country and conduct inquiries (Article 19 1. Paragraph), c) checking the accuracy of the statements to which the law refers and establishing a procedure to conduct such verification (Art. 20).
52. The authorities reported that a training plan will be coordinated with Customs, so the only remaining observation for this recommendation is permanently performing training activities to the immigration authorities, on criminal typologies and trends in ML/ TF. Considering the above, it is considered that compliance with the Recommendation is satisfactory.

Recommendations 6, 9, 17, 21, 22, 29, RE VII y VIII

53. For this report, Recommendation 6 originally rated as NC and other Recommendations originally rated as PC, showed no updates.

IV. Conclusion

54. El Salvador approved the Amendments to the Law against Money Laundering and Asset and Technical Standards for Risk Management and Money Laundering and Terrorist Financing, which had a positive effect on the level of compliance with various Recommendations. Additionally, the Project was initiated to develop the National Risk Assessment with the World Bank and the Technical Cooperation Project on the diagnosis of the technological platform with the Inter-American Development Bank. Also processes were developed to strengthen the Financial Investigation Unit and participated in training and feedback to regulated entities of Law Enforcement.

55. Core Recommendation 5 and Key Recommendations 23 and 26 initially rated as PC, offered significant progress, pending some minor aspects, as indicated in this report. Also, other Recommendations 12, 16, 24, 30, 31, 32, SR VI and SR. IX present significant progress but it is still necessary that the rules on approval DNFBPs to achieve full compliance. The SR IV requires some important modifications and Recommendations 8 and 25 remain in the same state as indicated in previous reports.
56. Given that El Salvador adopted most of the necessary reforms outlined in the Plenary of November 2013 and is taking action to implement the outstanding recommendations, it is recommended that El Salvador be removed from Regular Expedited Follow Up and is moved to Annual Regular Follow Up, with the particularity to remain in Regular Follow-Up for the next six months therefore reporting to the November 2014 Plenary. Based on the decision adopted by the International Cooperation Review Group (ICRG) during the Plenary in The Bahamas in November 2013 states that “All members in the follow-up process, whether in regular, expedited or enhanced, will be required to complete their reform process by the November 2014 Plenary; “reform process” should be interpreted as addressing all recommendations contained in the MER and/or Action Plan.”².
57. In addition, it is expected that under the provisions of paragraphs 67 and 68 of the Mutual Evaluation Processes and Procedures of the Caribbean Financial Action Task Force (CFATF); that El Salvador make a request to switch from regular follow up to biennial updates, accompanied by a full report including relevant documentation and regulations regarding Essential, Key Recommendations and other Recommendations for evaluation by the Secretariat and distribution to Members at the November, 2014 Plenary.

CFATF Secretariat
May, 2014.

² Summary Record. CFATF Plenary Meeting XXXVIII, Freeport, The Bahamas, November 2013. Agendum X. CFATF Working Group on FATF Issues (WGEI, WGTM, GNCG) Report.

EL SALVADOR
Matrix of Progress. 3rd Round of Mutual Evaluations
Changes included since the last follow-up report are in bold text

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

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
		<ul style="list-style-type: none"> Absence of controls and risk reduction for postponement of the verification of identification, including recently organized companies. 	<ul style="list-style-type: none"> Consider CDD concrete provisions that demands the amount of related transactions below US\$57,142.86 indicator (15 000 US dollars in accordance with FATF) c5.2 (b) Require CDD for all transactions and activities provided it is worth it and there is suspicion with respect to the veracity of client information or whenever it differs from its profile. (See c5.15 and c5.16) CE5.3 (and CE5.14) Review all regulations to clarity/guarantee that provisions for the alternative identifications and verification measures do not reduce CDD in assumptions that the identification documents show modifications, amendments and/or are false according to and likewise determine rules to limit operations of the accounts, concerning clients that have not completed documentation thereof. CE 5.4 and CE 5.5 Concretely require that FI to establish/require that applicants of businesses indicate in the documents, the capacity with which they act and not only in the cases in which there are "indicators" that they are acting in representation of third parties. Require specific requirements for the opening of trust accounts, Civil Associations, and State entities and other legal structures. Review identification exception of clients in accordance with the risk establishing volume limits of operations and other control measures CE 5.6 Require that all FI obtain information with respect to the purpose and object of the business relation and actual economic activity regardless of the client risk level and financial institution size. EC 5.8 Demand KYC implementation based on risk in all provisions beyond risks related with clients and users transactions in order to include all elements necessary for establishment of client's profile; additional client categories; economic activity; geography, etc. See CE 5.9 and CE 5.12 EC 5.9 Review sufficiently the exempt client list and request a minor risk classification before applying simplified CDD. EC 5.12 Provide adequate guidelines to assist FI in the development of risk management system. EC 5.14 Review reasonable term to complete verification of identification of recently organized moral persons, including strict requirements for risk reduction such as financial transaction prohibition of certain amounts or special characteristics such as transfers, regional check books, etc. Request from all regulated entities to reject to open an account or accomplish a transaction provided the required identification 	<p>b) Authorize the establishment, operation, start-up, suspension of operations, modification, revocation of approval, closing and other acts of the members of the financial system, in accordance with the laws, regulations or technical standards established in this regard. In the case of closure, coordinating action to establish the laws with other institutions involved;</p> <p>c) To monitor preventively risks to members of the financial system and how they are managed, ensuring the prudent maintenance of solvency and liquidity;</p> <p>d) To promote the efficient, transparent and orderly functioning of the financial system;</p> <p>e) Ensure that members of the financial system and those supervised complete, as appropriate, their businesses, events and operations in accordance with best financial practices to prevent the misuse of insider trading and market manipulation;</p> <p>f) To cooperate with the institutions responsible for the protection of consumer rights and competition, as well as the institutions responsible for guaranteeing the deposits of the public and the prevention of financial crime, according to what is prescribed by law</p> <p>g) Agree to the intervention of a member of the financial system in whose laws apply such a measure is referred to, except in the case of stock market entities for which the procedure is governed by Article 75 of this Act;</p> <p>h) To authorize the registration, registration entries, changes and cancellations to them, of the persons, institutions and operations that would be subject to this requirement, in accordance with the laws of this matter;</p> <p>i) Require that the supervised entities and institutions to be managed and controlled according to international best practices regarding risk management and corporate governance, according to the technical standards to be issued;</p> <p>j) Require the cooperation of other state institutions to perform their functions; also resolve within their technical and legal powers, requests that the latter will occur within the framework of their powers, in order to support the development of their respective duties, and</p> <p>k) Perform any other functions assigned according to law.</p> <p>The Superintendency may apply and enforce preventive and corrective measures. Also, if any, imposed sanctions that legally correspond to those supervised found responsible in the actions, events or omissions arising from same.</p> <p>For purposes of this Law, the term "monitor" includes: monitor, supervise, evaluate, inspect and control, while within the term "operations" shall be construed as including all those assets assigned to a particular purpose, as is the case in Securitization Funds, Pension Funds and others by the law.</p> <p>Supervision</p> <p>Art.31 .- The Superintendent and Assistant Superintendents will identify and develop the principles and characteristics of the monitoring process, objectives and stages to be covered and made known to the members of the financial system, the criteria and policies adopted to implement risk-based supervision and to verify compliance with the legal framework, taking into account international best practices. The Superintendent and Assistant</p>

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			<p>documents may not be obtained or verified adequately, always that there is thought that they have been altered and/or are false.</p> <ul style="list-style-type: none"> • 5.17 Demand update of client files that already exist in appropriate times. 	<p>Superintendents appreciate the technical contributions on the subject made by the members of the financial system.</p> <p>By defining the policies and criteria under which supervision will be conducted, the Superintendent and Deputy Superintendents should consider quantitative and qualitative factors to assess the suitability, adequacy and effectiveness of the management and control performed by those supervised, management of conflicts of interest, disclosure of relevant information and the existence of controls to prevent misuse of privileged or confidential information. Also, conduct continuous monitoring of financial markets to identify practices or behaviours that could undermine its efficiency and transparency, by implementing the measures.</p> <p>The Superintendent and Assistant Superintendents will meet at least every six months with members of the financial system and the Central Bank, to analyse trends in the financial system and discuss the principles and characteristics of the monitoring process</p> <p>Request for information Art. 32 .- The Superintendency, through the Superintendent, Assistant Superintendents or persons delegated by same, may require from those supervised direct access to all data, reports or documents on its operations via the means and form set.</p> <p>When deemed appropriate, the Superintendent may require direct access to real-time information systems of those monitored. Moreover, without prior notice, audits, inspections, reviews and any other steps necessary to comply with the law may be conducted. In those cases where the Superintendent observes that the supervisee has published information that does not reflect its true financial situation, publication of the information duly corrected must be required without prejudice to other legal actions to be initiated.</p> <p>The Superintendent, through the Superintendent, Assistant Superintendents or persons delegated, may undertake a special inspection to verify supervised aspects of the conduct of business or conglomerate to which it belongs, with the purpose of establishing compliance with legal requirements, statutory and regulatory requirements</p> <p>The Superintendent, Assistant Superintendents or persons delegated, will inform to the supervised of the deficiencies, excesses, irregularities or infractions noted in its operations, demanding their modification in accordance with regulation, without prejudice to advise on relevant administrative processes and the application of sanctions that might arise</p> <p>For purposes of this Law, members of the financial system may use microfilm, optical disk, magnetic media, electronic media or any other means to file documents and information in order to efficiently keep records, corresponding documents and reports, including securities. The copies or reproductions that derive from microfilm, optical disk, magnetic media, electronic or other means, have the same evidentiary value as the originals, provided they are certified by a notary</p> <p>Regarding the application of requirements ALD / CFT remittance companies, it is clear that they, according to Article 2 of the law against money laundering are also regulated entities and have submitted to the</p>

				<p>Legislative Assembly to amend the proposed law of supervision and regulation of the financial system in accordance with the provisions of Annex 1.</p> <p>It is required by law that both exchange houses and transfer or remittance centres to conduct CDD in accordance with Articles 2, 9, 11.12, 13.14, and specifically Article 10 of the law against money laundering.</p> <p>Article 10 paragraph "e" Romans I, II and III, of the ML Law and according to the reform proposal (Annex 1) states</p> <p>Article 10 of the ML Law: The Institutions, in addition to the obligations outlined in the preceding article, shall:</p> <ul style="list-style-type: none"> a) Identify reliably and with due diligence all users who require their services, as well as the identity of any other person or entity on whose behalf they are acting; b) File and keep documentation of operations for a period of five years, counted from the date of completion of each transaction; c) Train staff on processes and techniques of money laundering and assets so that they can identify anomalous or suspicious situations; d) Establish internal audit mechanism to verify compliance with the provisions of this Act; e) Under the terms provided in Article 4 Paragraph four of this Act, the Banks and Financial Institutions, Securities and Exchange Houses, adopt policies, rules and mechanism of conduct to be observed by its directors, officers and employees consisting of: <ul style="list-style-type: none"> I) A better understanding of economic activities conducted by their clients, the magnitude, frequency, basic characteristics of transactions in which they are currently involved and in particular of those who made any demand deposit, instalments, savings accounts, delivery of goods in trust or trust funds, or those deposited in safe deposit boxes; II) State that the volume, value and movement of client funds are related to economic activity thereof III) Report without fail, immediately and adequately to the Attorney General's Office, through the FIU and the Superintendency, any relevant information on fund management, the amount or nature unrelated to the economic activity of their customers transactions or users of the amounts involved, by number, complexity, characteristics. Or special circumstances that stray from the usual or conventional patterns of similar transactions and that such use could reasonably be concluded that it could be using or intending to use the financial institution to transfer, manage, use or invest money or resources from criminal activity <p>REFORM PROPOSAL:</p> <ul style="list-style-type: none"> I) A better understanding of economic activities conducted by their clients, the magnitude, frequency, basic characteristics of transactions in which they are currently involved and in particular of those who made any demand deposit, instalments, savings accounts, delivery of goods in trust or trust funds, or those deposited in safe deposit boxes. Customers at the request of the institutions will provide any financial documentation, accounting, tax, representative of the ownership, possession or ownership
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				<p>of movable and immovable property, proof of wages or income, and generally any information that the Commission considers necessary. If the client does not provide the information required by this institution or that the client presents a high risk, shall be entitled to terminate the contractual relationship with that customer.</p> <p>To be submitted to the standards committee of the Central Reserve Bank the reform project entitled: Technical Standards for the management of the risks of money laundering and asset and terrorist financing. In which it is established:</p> <p style="text-align: center;">CHAPTER IV CUSTOMER DUE DILIGENCE</p> <p>Due Diligence.</p> <p>Art. 16. - Entities shall apply due diligence, this signifying that the procedures and controls to reliably assess and identify their customers and monitor their operations, in order to properly manage the risk of ML / FT. Includes identification of people, the source of funds, economic activity, geographic location and other information necessary to know your customer and transactional profile setting.</p> <p>Institutions should adopt and implement policies and procedures to know their customers, as well as and customer linkage. It also should have policies for monitoring and continued follow up of operations or transactions, for the proper management and risk prevention of ML / FT.</p> <p>Art. 17.- Institutions should take reasonable steps to implement due diligence procedures to its clients, both individuals and legal entities, such as</p> <ul style="list-style-type: none"> a) Identify Customer reliably using their ID and other basic information requested by the entities at the time of recruitment. In the case of legal persons, other than identifying them, it should also be understood and documented its organizational structure, corporate name and economic activity conducted by the legal representative, shareholders and members of the Board, among others; b) Updated lists of natural or legal persons involved in crimes related to ML / FT derived from the publications of local and international agencies; c) Verify listings related to countries considered as jurisdictions of no or low taxation, individuals or companies linked to criminal acts, including terrorism and or have been entrusted with prominent public functions in the country or the country of origin (PEPs) prior to starting any business establishment or financial prospects; d) Properly verify the source of funds offered by customers, regardless of financial product or service requested, to establish that the source of their funds is lawful; e) Establish economic profiles of clients on transactions and services performed with the entity;

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				<p>f) Institutions should identify the ultimate beneficiaries in all transactions or operations performed by them;</p> <p>g) Establish continuous procedures for updating general information of existing customers;</p> <p>h) Keep detailed records of customers of the entity that have been linked to activities of ML / FT;</p> <p>i) Perform checks on transactions made by customers during the course of the business relationship, in order to ensure that transactions conducted correspond to the statement made by clients, their business and risk profile defined and including the origin of the funds and</p> <p>j) Monitor constantly customers or users who permanently or continuously, financial transactions with countries are considered jurisdictions with low or no taxation.</p> <p>Extended or enhanced due diligence. Art. 18.- In case the customer transactional behaviour warrants, organizations must apply extended or enhanced due diligence, especially in relation to the source of funds and monitor their operations considering its reasonableness and economic and legal justification, financial information must require support. Among the documents that may be required are: i) Financial statements ii) Proof of Income iii) Contracts iv) Tax returns; v) Proof of investment; vi) List of shareholders or partners; vii) Any other documentation supporting client operations.</p> <p>Request for information and updating Art. 19.- Customers are obliged to provide the information required by the entities, and to update the documentation provided or immediately report any changes that may occur</p> <p>Institutions according to its policy may provide for closing the accounts of their customers, if they do not provide the information requested within the established timeframe, for which they must follow the procedures set forth in the Commercial Code and the regulations protecting the rights of users of financial services.</p> <p>Due diligence for clients with financial remittance Art. 20.- Entities should apply due diligence to customers with the following financial remittance:</p> <p>a) Those who engage in the recruitment and placement of funds or lending, and</p> <p>b) Those who only engage in the placement of funds or lending in any form, that on a cumulative basis for a month perform operations at or above one hundred thousand U.S. dollars</p> <p>Request for information to customers with financial remittance</p>

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				<p>Art. 21.- In addition to the provisions of the "Handbook of Financial Investigation Unit to prevent money laundering and asset in financial intermediation institutions" and extended or enhanced due diligence documentation, institutions shall require clients with financial remittance when establishing a business relationship, and generally once every two years if deemed necessary, the following:</p> <ul style="list-style-type: none"> a) Code of ethics or conduct. b) Procedures Manual for the prevention of money laundering and asset, and terrorist financing. c) Training program for employees on the prevention of money laundering and asset, and terrorist financing. d) Portfolio of services and products. e) Details of officials under the company's management, names and positions held. f) Details of the members of board of directors or equivalent body, specifying their name, nationality and other general information. g) Details of owners, legal and natural persons, with equity equal to or greater than 10%. If owners who are corporations, the details of the owners must be provided thereof. h) Organizational Chart. <p>These information requirements shall conform to the legal nature of the Client.</p> <p>Alternative mechanism</p> <p>Art. 22. - Institutions may obtain the information set out in the previous article by questionnaires. They must obtain an affidavit of compliance from its clients with financial remittance or their legal representatives in the terms of Exhibit No. 2 of these Rules</p> <p>Evaluation</p> <p>Entities should assess or quantify the risk exposure of ML / FT, based on the probability of occurrence and impact and materiality of the risk of ML / FT in its various risk factors, and if they materialize , with associated risks</p> <p>The methodologies and tools to estimate or quantify the risk of ML / FT must be in accordance with the risk profile, the size and nature of its operations.</p> <p>Within its methodologies risk matrices shall be developed based on the profile of the entity, in which at least previously identify and include geographic areas, products and services, customers (individuals or corporations), and assign grades whose risks must be ranges between "High" or "Low", according to the methodology of categorization.</p> <p>Control and mitigation</p>

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				<p>Section 13. - At this stage the company must take measures to control the risk of ML / FT, must constantly evaluate the effectiveness of programs, policies, standards, procedures and existing internal controls in place, in case of failure to be effective and / or efficient, it should strengthen or implement new ones, in order to reduce the likelihood and impact that could be generated to materialize the risk of ML / FT.</p> <p>Monitoring and Communication.</p> <p>Institutions should provide systematic and timely monitoring risk factors for ML / FT, through ongoing monitoring activities, monitoring to facilitate early detection and correction of deficiencies in the steps of risk management ML / FT and develop reports allowing the evolution of this risk, efficiency and effectiveness of procedures, policies and controls implemented, likewise must analyse unusual and suspicious transactions detected in order to, among others , can be established where the fault resided in preventing such transactions to be conducted in the entity and in this way strengthen the procedures, policies and controls adopted, developed and executed</p> <p>Risk factors for ML / FT</p> <p>Art. 15.- Institutions should establish methodologies to segment risk factors and identify forms and typologies through which this risk could be presented, the main risk generating agents ML / FT, including: customers , products, services, distribution channels, and location or geographic location, which can be divided into segments and variables, such as</p> <p>a) For purposes of determining the risk of customer it must be considered, among others, factors such as:</p> <ul style="list-style-type: none"> • Frequent movements and / or unexplained accounts to different people. • Frequent movements and / or unexplained funds between people of different geographic locations. • Manufacturers, arms traffickers and intermediaries. • Embassies and Consulates of other countries. • Companies of securities transfer. • Customers whom the entity determines to be Politically Exposed Persons (PEPs) • Accounts held by third parties (e.g., accountants, lawyers or other professionals) for their clients, which does not disclose the identity of the end user to the bank. In addition, customer accounts presented by such third parties may incur higher risk cases if the financial institution makes unreasonable use of "know your customer" and enhanced due diligence. • Lists issued by international bodies indicating individuals suspected of criminal activity.

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				<p>b) For purposes of determining the risk of products and services it should be considered, among others, factors such as:</p> <ul style="list-style-type: none"> • International correspondent banking services involving international transactions such as payments to people who are not regular customers (e.g. acting as intermediary bank) and package delivery activities. • Services involving the marketing and delivery of checks and precious metals • Services inherently providing more anonymity or can easily cross borders, such as: <ul style="list-style-type: none"> ✓ Online Banking ✓ International transfers, ✓ Private investment firms, ✓ Trusts. • Wire transfers • Innovative Products, • Safety Boxes, • Stock market transactions on behalf of clients, • International Operations (forex trading, trading desk) • Purchase of monetary instruments <p>c) Among the distribution channels that may pose a greater risk are:</p> <ul style="list-style-type: none"> • Use of intermediaries or sub-agents, • ATMs • Electronic Banking • Kiosks • Regional Banking • Mobile Banking (cell phone use). <p>The FIU Manual was the subject of analysis by the entities involved in its application, supervision and execution, for the purpose of updating and clarifying the provisions of its content, as well as preserving the consistency and scope of same, through a structure that would facilitate its application. Subsequent to the consultation phase among the reporting entities, it has been prepared jointly by ABANSA, SSF and the FIU, a “Proposed Amendment to the FIU Manual”, falling within the context of amendments to the Law presented to the Congress of the Republic. This proposal will be submitted to the office of the Attorney General of the Republic for the corresponding approval.</p> <p>On May 17, 2013, through Agreement No. 085, the Attorney General of the Republic approved the Manual of the Financial Investigation Unit for the Prevention of Money Laundering, published in Official Gazette D.O. No. 119, volume 400, and dated July 01, 2013 (See document in</p>

				<p>Annex 1). The modification of the Manual involves the expansion of clarity and consistency of provisions, with a simplified structure.</p> <p>A request was presented to the World Bank (WB) on 30/May/13 to be beneficiaries of the NRA tool for the drafting of the Country Risk Map. Notification was received from the WB that the request had been approved on 16/July/13. A letter was presented to the WB representative in El Salvador for procedural formality on 18/July/13.</p> <p>On 09/September/13, the WB informed that approval was given for them to work with us on the National Risk Assessment, that they will include the regional office and that they are arranging the financing. Tentatively, the NRA of Central America may begin around December/2013 or January/2014. Awaiting the WB to define the commencement date of the project.</p> <p>The national money laundering and financing of terrorism (ML/FT) risk assessment methodology will be a self-assessment process comprising three phases with a duration of 6 to 9 months, in which a WB team will accompany El Salvador throughout the process and up to the completion of the risk assessment, when it has been duly documented. The tool consists of three phases and two missions, during which data gathering efforts will be carried out. Upon the completion of the national ML/FT risk assessment process, the expectation is to obtain results that would indicate the areas of high, medium and low risk in a reliable and trustworthy manner. All the data, information and statistics that support the assessment will be recorded and documented during the process, which will serve as confirmation of the assessment and a point of reference for future NRA's.</p> <p>The Attorney General of the Republic held an informative meeting with representatives of the Technical Secretariat of the President of the Republic, the Legislative Assembly, the Central Reserve Bank, the Superintendency of the Financial System, the Salvadorian Banking Association and the major banks of the country, to make known the results of the Sixth Follow-up Report of the CFATF, presenting El Salvador's current situation to the international community regarding compliance and the fight against Money Laundering and the Financing of Terrorism. The meeting was held at the Office of the Attorney General of the Republic at the Auditorium of the Training School for Prosecutors, on June 21, 2013.</p> <p>As follow-up to the matter concerning the Amendments to the Anti-Money Laundering Law (AMLL), the motions presented in the Legislative Assembly on amendments to the provisions of the AMLL were studied and analysed, with the Prosecutors of the FIU together with the Legal Advisor of the Attorney General of the Republic, Dr. Ramón Iván García being instructed toward that end, developing the following activities:</p> <ul style="list-style-type: none"> • 20 June/2013: Meeting in the Legislative Assembly with the President of the Commission on Public Security and Combating Drug Activity, Colonel José Antonio Armendáriz Rivas, for the
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				<p>purpose of promoting the proposal on amendments to the AMLL, reporting in turn on the commitments obtained during the CFATF Plenary in Managua, in May/2013</p> <ul style="list-style-type: none"> • 10 July/2013: Meeting in the Legislative Assembly with the Assistant of the President of the Commission on Public Security and Combating Drug Activity, arranging the acquisition of the files of the different motions to amend the AMLL. These were forwarded to the team of prosecutors on 11 July/2013 • 12 July/2013: The Head of the FIU, Mr. Tovías Menjívar, commissions the prosecutors Carlana Parada, Eugenia Maricela Campos and María Graciela Aragón to review and formulate observations on the proposal on amendments to the AMLL • 17 July/2013: Team of prosecutors working on observations on the files of the motion to amend the law, which they consolidate for discussion and observations in the Inter-institutional Committee on the Prevention of Money Laundering. • 18 July/2013: Dispatching of the consolidated proposal on amendments to the AMLL, to Dr. Ramón Iván García, Legal Advisor of the Attorney General of the Republic, for considerations and follow-up proposals. • 12, 16 and 19 August/2013: Meetings to review and compare the proposals on amendments to the AMLL, with Ms. Alessia Esteffi Herrera, Legal Collaborator of the FIU • 20 August/2013: Team of prosecutors commissioned presented the Legal Advisor of the Attorney General of the Republic with the law amendments deemed pertinent, reviewing in light of national regulations and international standards, the proposal on articles 2, 9, 9A, 9B, 9C, 18, 23 and 23B. • 23 August/2013: The proposal presented by the Inter-institutional Committee on the Prevention of Money Laundering was reviewed and the wording of articles: 4, 10, 13 14, 15, 19, 25 and 26A was proposed based on the regulations in force and other laws that are in the process of being approved, in addition to which, the problems involved in the application of articles 20 and 21 of the AMLL were discussed. • 27 August/2013: The Attorney General of the Republic held a meeting with the representatives of the Legislative Assembly who constitute the Commission on Public Security and Combating Drug Activity, for the purpose of presenting the importance of the amendments to the Money Laundering Law based on the international standards outlined in the FATF recommendations. The final version of the proposal on amendments to the AMLL was presented.
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				<p>August/13, the SSF dispatched a new version of the draft Standards incorporating the observations of the Office of the Treasury of the United States (TAO), the sixth CFATF report and the new FIU Manual, which was the subject of technical legal review. The BCR has defined an estimated schedule for developing the phases of the process pending approval, as follows:</p> <ol style="list-style-type: none"> 1) Meeting of the joint BCR-SSF team to reach consensus on the draft (23-27 Sep) 2) Public consultation with the industry (27 Sep - 11 Oct) 3) Analysis of comments of the joint BCR-SSF team (14 -18 Oct) 4) Receipt of the position of the SSF executive committee (21 - 23 Oct) 5) Approval by the BCR through its Standards Committee (25 Oct) <p>The Standards Committee of the Central Reserve Bank in Meeting No. CN-14/2013, dated November 14, 2013 approved the Standards for Risk Management and Money Laundering and Terrorist Financing.</p> <p>It is reported the approval of the reform of LCLDA Law published in Official Gazette on January 16, 2014, Volume No. 402, Number 9, Decree No. 568 - Amendments to the Law Against Money Laundering and Assets, see Article 9 amended.</p> <p>Work is being conducted in coordination with the World Bank on National Risk Assessment (NRA), according to the methodology developed by the World Bank, it is planned to start the process of self-evaluation in March with the provision of relevant documentation by the BM, so enabling to organize workgroups and begin preparation for the first workshop; in April it plans to organize video conference with members of authorities working group to coordinate the implementation of the 1st phase; during the month of June the workshop of the first phase of the ENR will be conducted.</p>
6. PEPs	NC	<ul style="list-style-type: none"> • Absence of provisions related with PEPs 	<ul style="list-style-type: none"> • Develop and issue specific regulations related with the control of PEPs taking into consideration all criteria indicated by FATF, as well as reference guides to determined standardized control mechanisms in all the regulated system. 	<p>Article 9-C.- The term politically exposed person, that natural person identified at the beginning or in the course of the contractual relationship, who serves or has served as senior public official in the national territory or country abroad, including their closest relatives, persons closely associated</p> <p>It will continue to consider National Politically Exposed Persons, those who had been listed in that capacity during the two years following the year in which they had resigned from office. When the officer has held the office of President or Vice President, the timeframe to be considered a PEP is five years.</p> <p>The institutions, in accordance with Article 2 of this Act, must establish an internal policy for the identification of politically exposed persons, and must require its customers to update with additional information about said condition.</p>

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				<p>The institutions should have reinforced policies and procedures for politically exposed persons, designed to comply with due diligence, especially in relation to the origin of their funds and monitor their operations considering its reasonableness and economic and legal justification.</p> <p>Any business relationship with a politically exposed person must have prior authorization, at least, from a senior executive institution.</p> <p>Regulation of the Law will develop the content in this article.</p> <p>However, approval is yet to be received from the Congress regarding the requested amendments to the Law and efforts have been undertaken to define what could constitute the development of said point in the Regulation of the Law concerning the content of article 9-C pertaining to PEP's. Toward that end, a "Proposal for the development of the Regulation" has been prepared in such a manner that it would be a standard that would clearly simplify the application and control of the regulation.</p> <p>This proposal has been analysed, reviewed and observed jointly by ABANSA, the SSF and the FIU. It should be pointed out that granting authorization to the competent authority, over certain amendments and/or improvements in the Regulation of the Law, the FIU Manual and other standards, is in some way subject to the approval by the Honourable Legislative Assembly of the proposals to amend the Law; however, efforts are being undertaken proactively in the framework of the amendment proposal presented, in such a manner that it would contain plans or proposals developed to promote advancement in the area.</p> <p>On May 17, 2013, through Agreement No. 085, the Attorney General of the Republic approved the Manual of the Financial Investigation Unit for the Prevention of Money Laundering, published in Official Gazette D.O. No. 119, volume 400, and dated July 01, 2013 (See document in Annex 1). A provision covering PEP's was included in the following articles:</p> <p><u>CHAPTER VIII. Article 16, number point 10.</u> "Institutions shall ensure that the integration of the Compliance Office is at all times adjusted to suit the needs presented. The Compliance Office shall have the following powers: (...) 10. Prepare controls for Politically Exposed Persons (PEP's), Cooperatives, Designated Non-Financial Businesses and Professions (DNFBP's), Local or Foreign Correspondent Banks, Foreign Trade, International Transfers, Family Remittances, stock exchange intermediation and social security systems, among others".</p> <p>The Attorney General of the Republic held an informative meeting with representatives of the Technical Secretariat of the President of the Republic, the Legislative Assembly, the Central Reserve Bank, the</p>

				<p>Superintendency of the Financial System, the Salvadorian Banking Association and the major banks of the country, to make known the results of the Sixth Follow-up Report of the CFATF, presenting El Salvador’s current situation to the international community regarding compliance and the fight against Money Laundering and the Financing of Terrorism. The meeting was held at the Office of the Attorney General of the Republic at the Auditorium of the Training School for Prosecutors, on June 21, 2013.</p> <p>As follow-up to the matter concerning the Amendments to the Anti-Money Laundering Law (AMLL), the motions presented in the Legislative Assembly on amendments to the provisions of the AMLL were studied and analysed, with the Prosecutors of the FIU together with the Legal Advisor of the Attorney General of the Republic, Dr. Ramón Iván García being instructed toward that end, developing the following activities:</p> <ul style="list-style-type: none"> • 20 June/2013: Meeting in the Legislative Assembly with the President of the Commission on Public Security and Combating Drug Activity, Colonel José Antonio Armendáriz Rivas, for the purpose of promoting the proposal on amendments to the AMLL, reporting in turn on the commitments obtained during the CFATF Plenary in Managua, in May/2013 • 10 July/2013: Meeting in the Legislative Assembly with the Assistant of the President of the Commission on Public Security and Combating Drug Activity, arranging the acquisition of the files of the different motions to amend the AMLL. These were forwarded to the team of prosecutors on 11 July/2013 • 12 July/2013: The Head of the FIU, Mr. Tovías Menjívar, commissions the prosecutors Carlana Parada, Eugenia Maricela Campos and María Graciela Aragón to review and formulate observations on the proposal on amendments to the AMLL • 17 July/2013: Team of prosecutors working on observations on the files of the motion to amend the law, which they consolidate for discussion and observations in the Inter-institutional Committee on the Prevention of Money Laundering. • 18 July/2013: Dispatching of the consolidated proposal on amendments to the AMLL, to Dr. Ramón Iván García, Legal Advisor of the Attorney General of the Republic, for considerations and follow-up proposals. • 12, 16 and 19 August/2013: Meetings to review and compare the proposals on amendments to the AMLL, with Ms. Alessia Esteffi Herrera, Legal Collaborator of the FIU • 20 August/2013: Team of prosecutors commissioned presented the Legal Advisor of the Attorney General of the Republic with the law amendments deemed pertinent, reviewing in light of national
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				<p>regulations and international standards, the proposal on articles 2, 9, 9A, 9B, 9C, 18, 23 and 23B.</p> <ul style="list-style-type: none"> • 23 August/2013: The proposal presented by the Inter-institutional Committee on the Prevention of Money Laundering was reviewed and the wording of articles: 4, 10, 13 14, 15, 19, 25 and 26A was proposed based on the regulations in force and other laws that are in the process of being approved, in addition to which, the problems involved in the application of articles 20 and 21 of the AMLL were discussed. • 27 August/2013: The Attorney General of the Republic held a meeting with the representatives of the Legislative Assembly who constitute the Commission on Public Security and Combating Drug Activity, for the purpose of presenting the importance of the amendments to the Money Laundering Law based on the international standards outlined in the FATF recommendations. The final version of the proposal on amendments to the AMLL was presented. • 3, 10, 13, and 16 September/2013: The OAG/FIU technical team agreed to attend meetings with the Commission on Public Security and Combating Drug Activity to discuss the proposals on amendments to the Money Laundering Law. These meetings did not take place due to the absence of a quorum of the members of the commission • 12 September/2013: The OAG/FIU technical team met with representatives of the Commission on Public Security and Combating Drug Activity, to review and address technical consultations regarding the proposal on amendments to the AMLL • 17 September/2013: The Attorney General of the Republic held a meeting with the Representatives of the Commission on Public Security and Combating Drug Activity, outlining the importance of approving the amendments to the Money Laundering Law, by virtue of the benefits and setbacks stemming from their approval or rejection. • 24 September/2013: Call to a meeting with the Commission on Public Security and Combating Drug Activity to continue the discussion on the proposals on amendments to the Money Laundering Law. • 03 October/2013: The discussion on the amendments to the AML Law continues in the Legislative Assembly, with serious commitment and clarity among the members of the Commission on Public Security and Combating Drug Activity, regarding the impact and importance of their approval • 08 October/2013: The Attorney General of the Republic held a meeting at the President’s house, outlining the importance of
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				<p>approving the amendments to the AML Law, by virtue of the requirements of the international standards, thereby seeking to draw closer the positions between the central government and the representatives of the Legislative Assembly, which would lead to the effective approval of the amendments.</p>
7. Correspondent bank	NC	<ul style="list-style-type: none"> Absence of provisions related with Correspondence Banks and cross-border business 	<ul style="list-style-type: none"> Develop and issue prudent regulations about potential activities of Correspondent Bank in El Salvador taking into account all criteria indicated by FATF. 	<p>The SSF approved the standard for the provision of correspondent banking services through the board in session No. CD-25/11 dated July 20, 2011 which is identified as NPB4-51 standard. Schedule 2. Which contains prudential regulations for potential correspondent banking activities</p> <p>With respect to banks and sole purpose controller a reform to standard NPB1-11 was approved which aims to establish minimum requirements and procedures to be followed by domestic banks and corporations of sole purpose controllers, so that the SSF authorizes them to invest in subsidiaries in foreign countries. The reform consists of specific regulations requiring financial institutions in the field of ML / FT to ensure that their foreign subsidiaries observe measures consistent with home country requirements and recommendations of FATF. Annex 3</p> <p>The reform project issued by the standards committee of the Central Reserve Bank provides as follows:</p> <p>Risk factors for ML / FT</p> <p>Art. 15.- Institutions should establish methodologies to segment risk factors and identify forms and typologies through which this risk could be presented, the main risk generating agents ML / FT, including: customers , products, services, distribution channels, and location or geographic location, which can be divided into segments and variables, such as</p> <p>c) For purposes of determining the risk of customer it must be considered, among others, factors such as:</p> <ul style="list-style-type: none"> Frequent movements and / or unexplained accounts to different people. Frequent movements and / or unexplained funds between people of different geographic locations. Manufacturers, arms traffickers and intermediaries. Embassies and Consulates of other countries. Companies of securities transfer. Customers whom the entity determines to be Politically Exposed Persons (PEPs) Accounts held by third parties (e.g., accountants, lawyers or other professionals) for their clients, which does not disclose the identity of the end user to the bank. In addition, customer accounts presented by such third parties may incur higher risk cases if the financial institution makes unreasonable use of "know your customer" and enhanced due diligence. Lists issued by international bodies indicating individuals suspected of criminal activity.

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

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				<p>If the area of compliance demurs to the new product or service, it is not approved. If there are recommendations or changes to it for implementation, while these changes are not implemented, that product or service is not approved</p> <p>The draft reform entitled: Standards for managing risks of money laundering and asset and terrorist financing, establishes the following minimum control mechanisms for operations with modern technology and non-face to face business. This project will be presented in the following days to the Standards Committee of the Central Reserve Bank for approval. Estimated approval for the month of November this year.</p> <p>Electronic Financial Transactions Art.27. - The entity providing electronic banking services must keep a log of access and use the system to record and track transactions made by the customer. Electronic financial transactions include those transactions performed through ATMs, Internet, telephone transactions or any other service that may be carried out electronically.</p> <p>Efforts have begun toward the development of a plan of the system of demands for compliance to be considered in order to regulate and control this type of operation. In that regard, ABANSA, SSF and the FIU are together designing, analysing and reviewing a "Proposed standard for operations conducted through Modern Technologies".</p> <p>This proposal is being analysed, reviewed and observed jointly by ABANSA, the SSF and the FIU. It should be pointed out that granting authorization to the competent authority, over certain amendments and/or improvements in the Regulation of the Law, the FIU Manual and other standards, is in some way subject to the approval by the Honourable Legislative Assembly of the proposals to amend the Law; however, efforts are being undertaken proactively in the framework of the amendment proposal presented, in such a manner that it would contain plans or proposals developed to promote advancement in the area.</p> <p>The Central Reserve Bank (BCR) reported on 8/July/13 through the Department for Financial System Standards that the draft "Technical Standards on Money Laundering and Financing of Terrorism Risk Management" prepared by the SSF and forwarded to the BCR on 22/Nov/2012, sent for review on 10/Dec/2012 to the Technical Assistance Office (TAO) of the Treasury of the United States, to the Advisor Carol Mesheske, whose observations were received on 13/Jun/2013, was still under review by the Legal Department of the BCR. On 12/September/13, the BCR updated the status of the draft, reporting that it was reviewed by the Legal Department on the powers of the Standards Committee on the matter, and under technical review by the Department for Financial System Standards; and also that on 23 August/13, the SSF dispatched a new version of the draft Standards incorporating the observations of the Office of the Treasury of the United States (TAO), the sixth CFATF report and the new FIU Manual,</p>

				<p>which was the subject of technical legal review. The BCR has defined an estimated schedule for developing the phases of the process pending approval, as follows:</p> <ol style="list-style-type: none"> 1) Meeting of the joint BCR-SSF team to reach consensus on the draft (23-27 Sep) 2) Public consultation with the industry (27 Sep - 11 Oct) 3) Analysis of comments of the joint BCR-SSF team (14 - 18 Oct) 4) Receipt of the position of the SSF executive committee (21 - 23 Oct) 5) Approval by the BCR through its Standards Committee (25 Oct) <p>As follow-up to the matter concerning the Amendments to the Anti-Money Laundering Law (AMLL), the motions presented in the Legislative Assembly on amendments to the provisions of the AMLL were studied and analysed, with the Prosecutors of the FIU together with the Legal Advisor of the Attorney General of the Republic, Dr. Ramón Iván García being instructed toward that end, developing the following activities:</p> <ul style="list-style-type: none"> • 20 June/2013: Meeting in the Legislative Assembly with the President of the Commission on Public Security and Combating Drug Activity, Colonel José Antonio Armendáriz Rivas, for the purpose of promoting the proposal on amendments to the AMLL, reporting in turn on the commitments obtained during the CFATF Plenary in Managua, in May/2013 • 10 July/2013: Meeting in the Legislative Assembly with the Assistant of the President of the Commission on Public Security and Combating Drug Activity, arranging the acquisition of the files of the different motions to amend the AMLL. These were forwarded to the team of prosecutors on 11 July/2013 • 12 July/2013: The Head of the FIU, Mr. Toviás Menjivar, commissions the prosecutors Carlana Parada, Eugenia Maricela Campos and María Graciela Aragón to review and formulate observations on the proposal on amendments to the AMLL • 17 July/2013: Team of prosecutors working on observations on the files of the motion to amend the law, which they consolidate for discussion and observations in the Inter-institutional Committee on the Prevention of Money Laundering. • 18 July/2013: Dispatching of the consolidated proposal on amendments to the AMLL, to Dr. Ramón Iván García, Legal Advisor of the Attorney General of the Republic, for considerations and follow-up proposals. • 12, 16 and 19 August/2013: Meetings to review and compare the proposals on amendments to the AMLL, with Ms. Alessia Esteffi Herrera, Legal Collaborator of the FIU • 20 August/2013: Team of prosecutors commissioned presented the Legal Advisor of the Attorney General of the Republic with the law
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				<p>amendments deemed pertinent, reviewing in light of national regulations and international standards, the proposal on articles 2, 9, 9A, 9B, 9C, 18, 23 and 23B.</p> <ul style="list-style-type: none"> • 23 August/2013: The proposal presented by the Inter-institutional Committee on the Prevention of Money Laundering was reviewed and the wording of articles: 4, 10, 13 14, 15, 19, 25 and 26A was proposed based on the regulations in force and other laws that are in the process of being approved, in addition to which, the problems involved in the application of articles 20 and 21 of the AMLL were discussed. • 27 August/2013: The Attorney General of the Republic held a meeting with the representatives of the Legislative Assembly who constitute the Commission on Public Security and Combating Drug Activity, for the purpose of presenting the importance of the amendments to the Money Laundering Law based on the international standards outlined in the FATF recommendations. The final version of the proposal on amendments to the AMLL was presented. • 3, 10, 13, and 16 September/2013: The OAG/FIU technical team agreed to attend meetings with the Commission on Public Security and Combating Drug Activity to discuss the proposals on amendments to the Money Laundering Law. These meetings did not take place due to the absence of a quorum of the members of the commission • 12 September/2013: The OAG/FIU technical team met with representatives of the Commission on Public Security and Combating Drug Activity, to review and address technical consultations regarding the proposal on amendments to the AMLL • 17 September/2013: The Attorney General of the Republic held a meeting with the Representatives of the Commission on Public Security and Combating Drug Activity, outlining the importance of approving the amendments to the Money Laundering Law, by virtue of the benefits and setbacks stemming from their approval or rejection. • 24 September/2013: Call to a meeting with the Commission on Public Security and Combating Drug Activity to continue the discussion on the proposals on amendments to the Money Laundering Law. • 03 October/2013: The discussion on the amendments to the AML Law continues in the Legislative Assembly, with serious commitment and clarity among by the members of the Commission on Public Security and Combating Drug Activity, regarding the impact and importance of their approval • 08 October/2013: The Attorney General of the Republic held a meeting at the President's house, outlining the importance of approving the amendments to the AML Law, by virtue of the requirements of the international standards, thereby seeking to draw
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				<p>closer the positions between the central government and the representatives of the Legislative Assembly, which would lead to the effective approval of the amendments.</p> <p>The Standards Committee of the Central Reserve Bank in Meeting No. CN-14/2013, dated November 14, 2013 approved the Standards for Risk Management and Money Laundering and Terrorist Financing.</p> <p>It is reported the approval of the reform of LCLDA Law published in Official Gazette on January 16, 2014, Volume No. 402, Number 9, Decree No. 568 - Amendments to the Law Against Money Laundering and Assets, see Article 9 amended.</p>
<p>9. Third party and intermediary submitters</p>	<p>PC</p>	<ul style="list-style-type: none"> • Lack of specific regulations concerning the use of intermediaries that may accomplish certain CDD diligences on behalf of FI • Lack of requirements for FI (Insurance and Money Transmitters) to “immediately” obtain CDD information of third parties given that such entities are not expressly included in the FIU instructions • Inadequate supervision/monitoring of Money transmitters and paying agents (to whom compliance is conferred) by transmitter institution for AML/CFT obligations compliance. 	<ul style="list-style-type: none"> • Issue specific rules that prohibit or regulate the use of third parties by FI to accomplish some CDD procedures. • Include Money Transmitters and Insurers in the FIU Instructions, since is not the possibility to fully comply with Instructions related with obligations derived from the Law and its relevant regulation concerning client knowledge is weakened. • Establish concrete requirements in the provision, (especially for money transmitters and Insurers) for FI to immediately obtain information of third parties that accomplish CDD on their behalf. • Establish adequate control mechanisms to verify that the obligation of insurance companies to monitor compliance of their agents for obligations related with AML/CFT is complied with. • Consider the possibility of implementing a system that demands remittance senders or money transmitters to monitor operations and compliance with provisions of the paying agents (over whom must comply with some CDD elements). 	<p>Article 10 of the ML Act is strong and "sufficiently" clear that institutions in addition to the obligations outlined in the preceding article shall have the following</p> <p>"Art 10 .- The institutions, in addition to the obligations set forth in the preceding article, shall have the following:</p> <p>a) Identify reliably and with due diligence all users who require their services, as well as the identity of any other person or entity on whose behalf they are acting;</p> <p>b) File and keep documentation of operations for a period of five years, counted from the date of completion of each transaction;</p> <p>c) Train staff on processes and techniques of money laundering and assets so that they can identify anomalous or suspicious situations;</p> <p>d) Establish internal audit mechanism to verify compliance with the provisions of this Act;</p> <p>e) Under the terms provided in Article 4 Paragraph four of this Act, the Banks and Financial Institutions, Securities and Exchange Houses, adopt policies, rules and mechanism of conduct to be observed by its directors, officers and employees consisting of:</p> <p>I) A better understanding of economic activities conducted by their clients, the magnitude, frequency, basic characteristics of transactions in which they are currently involved and in particular of those who made any demand deposit, instalments, savings accounts, delivery of goods in trust or trust funds, or those deposited in safe deposit boxes;</p> <p>II) State that the volume, value and movement of client funds are related to economic activity thereof</p> <p>III) Report without fail, immediately and adequately to the Attorney General's Office, through the FIU and the Superintendency, any relevant information on fund management, the amount or nature unrelated to the economic activity of their customers transactions or users of the amounts involved, by number, complexity, characteristics. Or special circumstances that stray from the usual or conventional patterns of similar transactions and that such use could reasonably be concluded that it could be using or intending to use the financial institution to transfer, manage, use or invest money or resources from criminal activity</p>

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

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

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				<p>Shall be punished in a similar manner to those who disclose or divulge any information that is privileged or subject to secrecy about the business, acts and operations of the members of the financial system or on the matters communicated to them, or take advantage of the information for personal gain or third parties, without prejudice to any criminal penalties that may be applicable.</p> <p>Not included in the foregoing paragraph, the information required by the judicial authorities, the Attorney General's Office and other authorities in the exercise of his legal authority, or give appropriate information to the public as provided by law</p> <p>Nor to be provided to the Superintendent with respect to the information service of bank credit, as determined by this Law and other applicable laws as well as information that is required by foreign supervisory bodies in the exercise of its powers.</p> <p>The information required by the tax offices will be provided by those supervised in accordance with the stipulations of the special law that regulates this matter.</p> <p>The members of private sector financial system will be jointly liable for the damages caused to third parties who acts or omissions of its directors, managers, officers and employees in the exercise of their functions. Regarding the members of the public sector's financial system, they will respond according to the provisions of Article 245 of the Constitution.</p> <p>With respect to DNFBP's, like the Financial Investigation Unit, efforts have been undertaken to develop closer relations with the sector, in coordination with the Superintendency of the Financial System and with support from Organizations such as the CFATF and OTA, in such a manner that we have achieved the following:</p> <ul style="list-style-type: none"> • An initial approach with the reporting entities (DNFBP's), through the "Training course targeting Designated Non-Financial Businesses and Professions (DNFBP's)" with support from the Caribbean Financial Action Task Force (CFATF) and the Government of the Kingdom of Spain, held on September 17-21, 2012. • Regional Approach at the level of Financial Investigation Units and Supervisors through the "Regional Workshop on Supervision to Prevent Money Laundering and Combat Terrorist Financing for DNFBP's", with support from the Technical Assistance Office of the Treasury of the United States, held on April 8-9, 2013. <p>On 03/June/13, steps began with the Inter-American Development Bank (IDB) with a view to joining its project on cooperation and specialized technical support for AML/CFT. The country's request had to be channelled through the Technical Secretariat of the President (STP),</p>

				<p>thus on 27/June/13, the request to the STP was facilitated so that it could present it to the IDB (received at the STP on 8/July/13).</p> <p>On 15/July/13, steps were taken with the Legal Advisor appointed by the Technical Secretariat of the President to follow-up the CFATF matter, in order to promptly facilitate the request presented by the OAG/FIU. On 15/July/13, the STP issued an official request to the IDB, a copy of which was received at the OAG/FIU on 19/July/13</p> <p>On 16/August/13, the Cooperation Project began, through the 1st IDB/FIU Videoconference, to review the work areas, establish needs and define the Work Plan. It was determined that the technical cooperation would focus on the following components:</p> <ol style="list-style-type: none"> 1. Assessment of DNFBP's 2. Proposed regulatory framework, whose format could have two options: (a) An annex suggesting standards that should be developed by the country; or instead, (b) Drafting of the standards proposed 3. Development of information systems (statistics). Will involve steps for coordination with another FIU in order to include an Internship that would allow knowledge, replication and adjustment of computerized systems for El Salvador's FIU (with a higher likelihood than it would be with the IVE of Guatemala). <p>On 27/August/13, the 2nd Videoconference was held to review the Terms of Reference, in order to commence the process for expressing interest, so that the consultants could present their candidates for the project.</p> <p>On 10 September/13, the IDB published the Expressions of Interest with their respective Terms of Reference for the Consultations on DNFBP's and the FIU Technological Platform, so that the consultants could submit an offer for professional services and forward their CV's no later than 17 September/2013. On 19 September/2013, the IDB informed that it had completed the evaluation of candidates. A 3rd videoconference has been scheduled for 26/September/2013, to discuss the candidates, reach consensus and for the IDB to proceed with the contracting. Tentatively, the contracting of consultants would be carried out during the first week of October/2013</p> <p>On 30/September/13, the 3rd Videoconference was held to review and evaluate, based on the Terms of Reference, the list of consultants nominated for the project. The various alternatives were discussed, pending the verification of the availability of time to commence the project</p> <p>On 02/October/13, the 4th Videoconference was held, during which a decision was taken on the two consultants with whom work will be done in the project. The IDB will carry out the corresponding administrative contracting procedures, in order to officially commence the consultations. In addition, we were notified of the acceptance by the IVE of Guatemala regarding the internship request to learn about the technological development experienced, agreeing that direct communication would be established with Erick Estuardo Ramos Sologaitoa, the Superintendent of</p>
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				<p>Special Verification and Eduardo Antonio Soto Álvarez, the Director of the Prevention and Compliance Department, to determine the dates and details of the internship.</p> <p>On 10/October/13, the Videoconference was held with the IVE of Guatemala, to define the topics of interest that will be covered in the internship, establishing as a possible date, the first week of November. Confirmation of dates pending.</p> <p>The Office of the Attorney General of the Republic, through the Financial Investigation Unit, carried out an activity entitled "Training on the AML/CFT Regulatory Framework targeting Designated Non-Financial Businesses and Professions (DNFBP's)", on 30 and 31 July/13 at the OAG, at the Auditorium of the Training School for Prosecutors. The training ran for two days, with an approximate duration of seven and a half teaching hours per day, which included theoretical presentations on the local regulatory framework and a practical workshop.</p> <p>Attending the event were vehicle importers, institutions conducting fund transfers, dealers of precious metals and stones, the hotel industry, casinos and gaming houses, real estate and property agents and travel agencies. Also participating in said activity was the Superintendency of Business Obligations, the Supervisory entity responsible for monitoring compliance by reporting entities and DNFBP's, in order to achieve project continuity and links regarding AML/CFT supervision.</p> <p>As a result of the training activity for DNFBP's, communication and follow-up have been maintained with the Salvadorian Association of Vehicle Distributors (Asociación Salvadoreña de Distribuidores de Vehículos -ASALVE), which brings together the new motor vehicle distributors in the country, thereby achieving significant advancements in the area of AML/CFT compliance in this sector. Following the training offered by the FIU, the distributors belonging to the ASALVE have begun to appoint Compliance Officers; in addition, ASALVE notified the FIU on 04 September/2013 that the Association contracted a consultant to formulate the "Manual of Money Laundering Prevention Policies" for each of its members; and to also plan training on AML with an estimated duration of twelve hours, for the officials appointed as Compliance Officers.</p> <p>On May 17, 2013, through Agreement No. 085, the Attorney General of the Republic approved the Manual of the Financial Investigation Unit for the Prevention of Money Laundering, published in Official Gazette D.O. No. 119, volume 400, and dated July 01, 2013 (See document in Annex 1). A provision on DNFBP's was included in the following articles:</p> <p>CHAPTER III. Article 8. PROCEDURE FOR THE OPENING OF ACCOUNTS OR ANY TYPE OF PRODUCT OR CONTINUATION OF SAME WITH OTHER</p>
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				<p>INSTITUTIONS SUBJECT TO THE CONTROL OF THE ANTI-MONEY LAUNDERING LAW.</p> <p>The procedures described below apply to the opening of any type of product, the validity of those existing, the transfer of any type of funds, trusts, mandates, commissions, safety boxes and the granting of loans under any category, carried out with other Institutions subject to the control of the Anti-Money Laundering Law and especially the following:</p> <p>Commodity Exchanges and Agricultural Services; Imports or exports of agricultural products and inputs and new vehicles; Institutions and individuals making regular or substantial fund transfers, including those granting loans; Casinos and gaming houses; Trade in precious metals and stones; Real estate transactions; Travel agencies and those handling air, ground transport of cargo and maritime transport; Shipping and courier agencies; Construction companies; Private security agencies; and Hotel Industry.</p> <p>Financial institutions in general, banks, their branches, agencies and subsidiaries, for all operations involving the opening of products, the validity of those existing, the transfer of any type of funds, investments, trusts, mandates, commissions, safety boxes and the granting of loans under any category, will demand of those conducting the activities and the Institutions listed in the preceding paragraph, in addition to the requirements established in the current manual, the following: presentation to the FIU by any means, of the following verifications:</p> <ol style="list-style-type: none"> 1. Verify the existence of a compliance unit, whose function in the Institution is to protect it against the introduction of monies, fees or assets that are the proceeds of criminal activities and that they in turn, enter the financial institution by virtue of the relationship with said client. 2. Verify the appointment of a managing executive (Compliance Officer) by the Institution's highest administrative body to assume the following responsibilities: establish and implement the code of conduct/ethics, verify compliance with the Anti-Money Laundering Law and the Special Law Against Terrorist Acts, formulate and execute procedures for prevention against Money Laundering and the Financing of Terrorism, design adequate effective and quality controls, so as to prevent the Institution from being used for illegal purposes; and in turn, serve as a "reputational" element in its domain and who will also function as the liaison officer in the area of AML/CFT compliance with the FIU and the other institutions subject to the control of the Law. 3. Prepare, and take steps until approval is obtained from the Institution's highest administrative body, compliance manuals or a
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				<p>comprehensive prevention system consisting of guidelines that would define the specific procedures to be adopted by the entity in order to safeguard itself against Money Laundering and the Financing of Terrorism (ML and FT), which must comply with the national and international standards issued for such purpose.</p> <p>4. Verify the annual drafting of a work plan for the compliance office.</p> <p>5. Verify the implementation of an ongoing training program for all staff, since all employees of the institution are responsible for protecting its integrity in the event of the possible introduction of criminal proceeds. Responsibility for compliance with anti-money laundering standards belongs to all employees and officials, according to the responsibilities conferred on them in the internal manuals.</p> <p>6. Verify the existence of a computerized or automated system to conduct risk analyses in a timely and effective manner.</p> <p>7. Verify the existence of an audit system, to prove the overall effectiveness of the prevention and compliance program regarding AML/CFT.</p> <p>8. At the request of the reporting entity and upon the corresponding evaluation and analysis by the FIU, compliance with some of the abovementioned verifications may be waived.</p> <p>CHAPTER VIII. Article 16, number point 10. “Institutions shall ensure that the integration of the Compliance Office is at all times adjusted to suit the needs presented. The Compliance Office shall have the following powers: 10. Prepare controls for Politically Exposed Persons (PEP’s), Cooperatives, Designated Non-Financial Businesses and Professions (DNFBP’s), Local or Foreign Correspondent Banks, Foreign Trade, International Transfers, Family Remittances, stock exchange intermediation and social security systems, among others”.</p> <p>Regarding the draft IDB technical cooperation on the Diagnosis of AFPND and proposed regulatory framework, following progress has been made :</p> <ul style="list-style-type: none"> • Review gaps of the standard (November 2013) • First on site visit (05 to 06 December 2013) • Review of proposed regulations (January 2014) • Second on site visit on 29 and 30 January 2014 • Discussion of draft report (07/March 2014) <p>Outreach work with APFND sector continues, have met with the Salvadoran Association of Cargo Agents and Related Services (ASAC) on March 12 to discuss general aspects of the obligations as regulated entities; The ASAC union organized a first outreach activity of the regulatory framework for its unionized companies on March 20, 2014, in which FIU also had the opportunity to participate. Similarly, an outreach activity of the general regulatory framework with the Association of Travel Agencies (AVA) on March 20, 2014.</p>
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16. DNFBP – R.13-15 & 21	NC	<ul style="list-style-type: none"> • There is no regulation on the matter of prevention and detection of ML and FT applicable to DNFBPs. • There are no authorities empowered to accomplish regulation and supervision tasks of DNFBPs. 	<ul style="list-style-type: none"> • DNFBPs must be required to report suspicious operations and keep internal controls for the prevention and detection of operations related with ML and FT T, in terms of the provisions contained in Recommendation 16 of FATF. 	<p>In accordance with Article 2 of the LCDLA APNFDS not all regulated entities are to report suspicious transactions, however, proposed amendment to include the rest of APNFDS in the terms established by FATF. Annex 1 has been presented to the Legislative Assembly dated August 12, 2011</p> <p>According to Article 31 and 32 of the Law of Supervision and Regulation of Financial System, the authority empowered to regulate and supervise APNFDS is the Superintendent of Financial System. These articles read as follows:</p> <p>Supervision</p> <p>Art.31 .- The Superintendent and Assistant Superintendents will identify and develop the principles and characteristics of the monitoring process, objectives and stages to be covered and made known to the members of the financial system, the criteria and policies adopted to implement risk-based supervision and to verify compliance with the legal framework, taking into account international best practices. The Superintendent and Assistant Superintendents appreciate the technical contributions on the subject made by the members of the financial system.</p> <p>By defining the policies and criteria under which supervision will be conducted, the Superintendent and Deputy Superintendents should consider quantitative and qualitative factors to assess the suitability, adequacy and effectiveness of the management and control performed by those supervised, management of conflicts of interest, disclosure of relevant information and the existence of controls to prevent misuse of privileged or confidential information. Also, conduct continuous monitoring of financial markets to identify practices or behaviours that could undermine its efficiency and transparency, by implementing the measures.</p> <p>The Superintendent and Assistant Superintendents will meet at least every six months with members of the financial system and the Central Bank, to analyse trends in the financial system and discuss the principles and characteristics of the monitoring process</p> <p>Request for information</p> <p>Art. 32 .- The Superintendency, through the Superintendent, Assistant Superintendents or persons delegated by same, may require from those supervised direct access to all data, reports or documents on its operations via the means and form set.</p> <p>When deemed appropriate, the Superintendent may require direct access to real-time information systems of those monitored. Moreover, without prior notice, audits, inspections, reviews and any other steps necessary to comply with the law may be conducted. In those cases where the Superintendent observes that the supervisee has published information that does not reflect</p>

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				<p>its true financial situation, publication of the information duly corrected must be required without prejudice to other legal actions to be initiated. The Superintendent, through the Superintendent, Assistant Superintendents or persons delegated, may undertake a special inspection to verify supervised aspects of the conduct of business or conglomerate to which it belongs, with the purpose of establishing compliance with legal requirements, statutory and regulatory requirements</p> <p>The Superintendent, Assistant Superintendents or persons delegated, will inform to the supervised of the deficiencies, excesses, irregularities or infractions noted in its operations, demanding their modification in accordance with regulation, without prejudice to advise on relevant administrative processes and the application of sanctions that might arise</p> <p>For purposes of this Law, members of the financial system may use microfilm, optical disk, magnetic media, electronic media or any other means to file documents and information in order to efficiently keep records, corresponding documents and reports, including securities. The copies or reproductions that derive from microfilm, optical disk, magnetic media, electronic or other means, have the same evidentiary value as the originals, provided they are certified by a notary</p> <p>Currently under debate in Congress the bill that aims to regulate cooperatives about 734 of which are located in so-called non-financial businesses and professions designated, thereby enhancing the recommendations 12, 16 and 24 , since they fall within the scope of supervision, regulation and if necessary punishable for breach under AML / CFT legislation.</p> <p>The main debate centres on which of the institutions should be the body responsible to perform an audit, which could well be the Superintendency of the Financial System (SSF), or the National Institute of Cooperative Development (INSAFOCOOP).</p> <p>For further illustration we provide the following link: http://elmundo.com.sv/rechazan-que-ssf-vigile-cooperativas</p> <p>With respect to DNFBP's, like the Financial Investigation Unit, efforts have been undertaken to develop closer relations with the sector, in coordination with the Superintendency of the Financial System and with support from Organizations such as the CFATF and OTA, in such a manner that we have achieved the following:</p> <ul style="list-style-type: none"> • An initial approach with the reporting entities (DNFBP's), through the "Training course targeting Designated Non-Financial Businesses and Professions (DNFBP's)" with support from the Caribbean Financial Action Task Force (CFATF) and the Government of the Kingdom of Spain, held on September 17-21, 2012.

FATF 40 Rec.	Rating	Factors underlying rating	Recommended Actions	Actions Informed by Country
				<ul style="list-style-type: none"> • Regional Approach at the level of Financial Investigation Units and Supervisors through the “Regional Workshop on Supervision to Prevent Money Laundering and Combat Terrorist Financing for DNFBP’s”, held on April 8-9, 2013, with support from the Technical Assistance Office of the United States Treasury in preparing a country assessment and proposals to regulate these matters. (See attached file Plan of Action El Salvador DNFBP’s). <p>On 03/June/13, steps began with the Inter-American Development Bank (IDB) with a view to joining its project on cooperation and specialized technical support for AML/CFT. The country’s request had to be channelled through the Technical Secretariat of the President (STP), thus on 27/June/13, the request to the STP was facilitated so that it could present it to the IDB (received at the STP on 8/July/13).</p> <p>On 15/July/13, steps were taken with the Legal Advisor appointed by the Technical Secretariat of the President to follow-up the CFATF matter, in order to promptly facilitate the request presented by the OAG/FIU. On 15/July/13, the STP issued an official request to the IDB, a copy of which was received at the OAG/FIU on 19/July/13</p> <p>On 16/August/13, the Cooperation Project began, through the 1st IDB/FIU Videoconference, to review the work areas, establish needs and define the Work Plan. It was determined that the technical cooperation would focus on the following components:</p> <ol style="list-style-type: none"> 1. Assessment of DNFBP’s 2. Proposed regulatory framework, whose format could have two options: (a) An annex suggesting standards that should be developed by the country; or instead, (b) Drafting of the standards proposed 3. Development of information systems (statistics). Will involve steps for coordination with another FIU in order to include an Internship that would allow knowledge, replication and adjustment of computerized systems for El Salvador’s FIU (with a higher likelihood than it would be with the IVE of Guatemala). <p>On 27/August/13, the 2nd Videoconference was held to review the Terms of Reference, in order to commence the process for expressing interest, so that the consultants could present their candidates for the project.</p> <p>On 10 September/13, the IDB published the Expressions of Interest with their respective Terms of Reference for the Consultations on DNFBP’s and the FIU Technological Platform, so that the consultants could submit an offer for professional services and forward their CV’s no later than 17 September/2013. On 19 September/2013, the IDB informed that it had completed the evaluation of candidates. A 3rd videoconference has been scheduled for 26/September/2013, to discuss the candidates, reach consensus and for the IDB to proceed with the contracting.</p>

				<p>Tentatively, the contracting of consultants would be carried out during the first week of October/2013</p> <p>On 30/September/13, the 3rd Videoconference was held to review and evaluate, based on the Terms of Reference, the list of consultants nominated for the project. The various alternatives were discussed, pending the verification of the availability of time to commence the project</p> <p>On 02/October/13, the 4th Videoconference was held, during which a decision was taken on the two consultants with whom work will be done in the project. The IDB will carry out the corresponding administrative contracting procedures, in order to officially commence the consultations. In addition, we were notified of the acceptance by the IVE of Guatemala regarding the internship request to learn about the technological development experienced, agreeing that direct communication would be established with Erick Estuardo Ramos Sologaistoa, the Superintendent of Special Verification and Eduardo Antonio Soto Álvarez, the Director of the Prevention and Compliance Department, to determine the dates and details of the internship.</p> <p>On 10/October/13, the Videoconference was held with the IVE of Guatemala, to define the topics of interest that will be covered in the internship, establishing as a possible date, the first week of November. Confirmation of dates pending.</p> <p>The Office of the Attorney General of the Republic, through the Financial Investigation Unit, carried out an activity entitled "Training on the AML/CFT Regulatory Framework targeting Designated Non-Financial Businesses and Professions (DNFBP's)", on 30 and 31 July/13 at the OAG, at the Auditorium of the Training School for Prosecutors. The training ran for two days, with an approximate duration of seven and a half teaching hours per day, which included theoretical presentations on the local regulatory framework and a practical workshop.</p> <p>Attending the event were vehicle importers, institutions conducting fund transfers, dealers of precious metals and stones, the hotel industry, casinos and gaming houses, real estate and property agents and travel agencies. Also participating in said activity was the Superintendency of Business Obligations, the Supervisory entity responsible for monitoring compliance by reporting entities and DNFBP's, in order to achieve project continuity and links regarding AML/CFT supervision.</p> <p>As a result of the training activity for DNFBP's, communication and follow-up have been maintained with the Salvadorian Association of Vehicle Distributors (Asociación Salvadoreña de Distribuidores de Vehículos -ASALVE), which brings together the new motor vehicle distributors in the country, thereby achieving significant advancements in the area of AML/CFT compliance in this sector. Following the</p>
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				<p>training offered by the FIU, the distributors belonging to the ASALVE have begun to appoint Compliance Officers; in addition, ASALVE notified the FIU on 04 September/2013 that the Association contracted a consultant to formulate the “Manual of Money Laundering Prevention Policies” for each of its members; and to also plan training on AML with an estimated duration of twelve hours, for the officials appointed as Compliance Officers.</p> <p>On May 17, 2013, through Agreement No. 085, the Attorney General of the Republic approved the Manual of the Financial Investigation Unit for the Prevention of Money Laundering, published in Official Gazette D.O. No. 119, volume 400, and dated July 01, 2013 (See document in Annex 1). A provision on DNFBP’s was included in the following articles:</p> <p>CHAPTER III. Article 8. PROCEDURE FOR THE OPENING OF ACCOUNTS OR ANY TYPE OF PRODUCT OR CONTINUATION OF SAME WITH OTHER INSTITUTIONS SUBJECT TO THE CONTROL OF THE ANTI-MONEY LAUNDERING LAW.</p> <p>The procedures described below apply to the opening of any type of product, the validity of those existing, the transfer of any type of funds, trusts, mandates, commissions, safety boxes and the granting of loans under any category, carried out with other Institutions subject to the control of the Anti-Money Laundering Law and especially the following:</p> <p>Commodity Exchanges and Agricultural Services; Imports or exports of agricultural products and inputs and new vehicles; Institutions and individuals making regular or substantial fund transfers, including those granting loans; Casinos and gaming houses; Trade in precious metals and stones; Real estate transactions; Travel agencies and those handling air, ground transport of cargo and maritime transport; Shipping and courier agencies; Construction companies; Private security agencies; and Hotel Industry.</p> <p>Financial institutions in general, banks, their branches, agencies and subsidiaries, for all operations involving the opening of products, the validity of those existing, the transfer of any type of funds, investments, trusts, mandates, commissions, safety boxes and the granting of loans under any category, will demand of those conducting the activities and the Institutions listed in the preceding paragraph, in addition to the requirements established in the current manual, the following: presentation to the FIU by any means, of the following verifications:</p>
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				<p>1. Verify the existence of a compliance unit, whose function in the Institution is to protect it against the introduction of monies, fees or assets that are the proceeds of criminal activities and that they in turn, enter the financial institution by virtue of the relationship with said client.</p> <p>2. Verify the appointment of a managing executive (Compliance Officer) by the Institution’s highest administrative body to assume the following responsibilities: establish and implement the code of conduct/ethics, verify compliance with the Anti-Money Laundering Law and the Special Law Against Terrorist Acts, formulate and execute procedures for prevention against Money Laundering and the Financing of Terrorism, design adequate effective and quality controls, so as to prevent the Institution from being used for illegal purposes; and in turn, serve as a “reputational” element in its domain and who will also function as the liaison officer in the area of AML/CFT compliance with the FIU and the other institutions subject to the control of the Law.</p> <p>3. Prepare, and take steps until approval is obtained from the Institution’s highest administrative body, compliance manuals or a comprehensive prevention system consisting of guidelines that would define the specific procedures to be adopted by the entity in order to safeguard itself against Money Laundering and the Financing of Terrorism (ML and FT), which must comply with the national and international standards issued for such purpose.</p> <p>4. Verify the annual drafting of a work plan for the compliance office.</p> <p>5. Verify the implementation of an ongoing training program for all staff, since all employees of the institution are responsible for protecting its integrity in the event of the possible introduction of criminal proceeds. Responsibility for compliance with anti-money laundering standards belongs to all employees and officials, according to the responsibilities conferred on them in the internal manuals.</p> <p>6. Verify the existence of a computerized or automated system to conduct risk analyses in a timely and effective manner.</p> <p>7. Verify the existence of an audit system, to prove the overall effectiveness of the prevention and compliance program regarding AML/CFT.</p> <p>8. At the request of the reporting entity and upon the corresponding evaluation and analysis by the FIU, compliance with some of the abovementioned verifications may be waived.</p> <p><u>CHAPTER VIII. Article 16, number point 10.</u> “Institutions shall ensure that the integration of the Compliance Office is at all times adjusted to suit the needs presented. The Compliance Office shall have the following powers: 10. Prepare controls for Politically Exposed Persons (PEP’s), Cooperatives, Designated Non-Financial Businesses and Professions</p>
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				<p>(DNFBP's), Local or Foreign Correspondent Banks, Foreign Trade, International Transfers, Family Remittances, stock exchange intermediation and social security systems, among others".</p> <p>Regarding the draft IDB technical cooperation on the Diagnosis of AFPND and proposed regulatory framework, following progress has been made :</p> <ul style="list-style-type: none"> • Review gaps of the standard (November 2013) • First on site visit (05 to 06 December 2013) • Review of proposed regulations (January 2014) • Second on site visit on 29 and 30 January 2014 • Discussion of draft report (07/March 2014) <p>Outreach work with APFND sector continues, have met with the Salvadoran Association of Cargo Agents and Related Services (ASAC) on March 12 to discuss general aspects of the obligations as regulated entities; The ASAC union organized a first outreach activity of the regulatory framework for its unionized companies on March 20, 2014, in which FIU also had the opportunity to participate. Similarly, an outreach activity of the general regulatory framework with the Association of Travel Agencies (AVA) on March 20, 2014.</p>
17. Sanctions		<ul style="list-style-type: none"> • With respect to remittance entities and non-banking financial entities not supervised by the SSF and SS there is no sanctioning regime extended and proportional to the seriousness of the offenses committed concerning noncompliance with AML-CFT regulations • There is no possibility of non-monetary sanctions or the closing of violating entities, as well as sanctions to officers thereof due to specific noncompliance in the prevention of AML and FT, when dealing with remittance entities and non-banking financial entities not supervised by the SSF and SS. 	<ul style="list-style-type: none"> • Develop effective, proportional and dissuasive penalty schemes in accordance with the type of offenses committed, criteria for the increase of the sanction in the penalty and in case of relapsing clear and timely application mechanisms. • Establish a statistic system of applied sanctions according to the type of entity, type of seriousness and lack and amount of applied sanctions. • Define sanctions mechanisms for entities which are not subject to the supervision of specific entities such is the case of remittance companies and trade entities. • Regulate sanction schemes for officers, directors, and high level management regulated entities that through their negligence does not comply with requirements to combat ML and FT. • Consider the application or inclusion of non-monetary penalties for the noncompliance with AML/LFT requirements for entities not subject to authorization requirements by SSF or SV which includes a process to delete from the registry in cases of reincidence or serious offense of the Law. 	<p>There has been a bill to the Legislative Assembly to the effect for the reform of the law on supervision and regulation of the financial system to include remittances as members of the financial system, which according to Articles 2, 7, 31, 32, 37 and 38 of the Act, shall be authorized, supervised, and regulated by the SSF.</p> <p>The LSRSF establishes sanction system ranging from a written reprimand to the revocation of the authorization has been granted to members of the financial system, including APNFDS and remitters in accordance with Article 7 of the LSRSF</p> <ul style="list-style-type: none"> •

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

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

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				<p><i>financing of terrorism measures, due to prohibitions of laws, regulations and other measures enforced in the State where the branch or subsidiary is located.</i></p> <p>The proposed amendment to rule NPB4-51 was approved by the standards committee of the Central Reserve Bank on 30th April, 2012, effective as of May 14, 2012</p>
<p>23. Regulation, supervision, monitoring</p>	<p>PC</p>	<ul style="list-style-type: none"> • Insufficient resources (personal, equipment, training) by supervision entities to accomplish their oversight functions. • Lack of control and supervision of remittance entities and other non-banking financial entities that do not form part of a Financial Conglomerate 	<ul style="list-style-type: none"> • Provide supervision entities with human resource, Technology and training sufficient to comply with legal obligations related with AML- CFT matters. • Reinforce compliance supervision of AML-CFT of preventive nature and review the obligation of SSF to analyse information submitted by regulated entities and in turn submitted to FIU whenever there is warning that in reported operations are irregular or suspicious in accordance with the provisions contained in Article 8 of the Regulation of Anti-Money Laundering Law, being this an essence a tasks of FIU in addition to imply large operative burden given the lack of available resources. • Reinforce AML-CFT compliance supervision from the preventive view point and review the supposed duty of SSF to analyse irregular or suspicious operations, since this is the essential tasks of FIU. • Develop supervision methods and manuals based on risks adequate to specific conditions of the different types of regulated entities. • C23.1. Reconsider the convenience and efficacy of having granted in Law of FIU regulatory powers in terms of ML-FT concerning financial institutions and evaluate the possibility to assign them to the relevant supervision entities, specialized in financial matters. • C 23.1 and C 23.2 Place all non-banking financial entities which are not part of financial conglomerates and are not subject to control entities, under the regulation and supervision of an entity with the sufficient capacity and resources to do so. • C23.5 and 23.6 Remittance entities for their importance must have a special registration, receive license permit, and be ruled by a supervision entity in order to guarantee compliance with legal AML/ CFT requirements. • Intensify the supervision of national FI with activities abroad and increase the use of memorandums of understanding in matters supervision to facilitate consolidated trans-border supervision. • Ensure in inspection that insurance and guarantee companies comply with the training obligation in AML/LFT topics for their agents and brokers, prioritizing those who accept cash 	<ul style="list-style-type: none"> • Amend the law of the Superintendencia del Sistema Financiero to give it authority to monitor and penalize these companies. This draft is finalized for presentation to the Legislature. <p>[Note by the Secretariat: it is not clear which companies referred]</p> <p>Article 31 of LSRSF establishes: Supervision</p> <p>Art.31 .- The Superintendent and Assistant Superintendents will identify and develop the principles and characteristics of the monitoring process, objectives and stages to be covered and made known to the members of the financial system, the criteria and policies adopted to implement risk-based supervision and to verify compliance with the legal framework, taking into account international best practices. The Superintendent and Assistant Superintendents appreciate the technical contributions on the subject made by the members of the financial system.</p> <p>By defining the policies and criteria under which supervision will be conducted, the Superintendent and Deputy Superintendents should consider quantitative and qualitative factors to assess the suitability, adequacy and effectiveness of the management and control performed by those supervised, management of conflicts of interest, disclosure of relevant information and the existence of controls to prevent misuse of privileged or confidential information. Also, conduct continuous monitoring of financial markets to identify practices or behaviours that could undermine its efficiency and transparency, by implementing the measures. The Superintendent and Assistant Superintendents will meet at least every six months with members of the financial system and the Central Bank, to analyse trends in the financial system and discuss the principles and characteristics of the monitoring process.</p> <p>It is important to clarify that the regulation emanates not only from the Financial Investigation Unit through specific guidelines that are established in the FIU Manual, but also through specific regulations outlined by the supervisory entity, the SSF.</p> <p>With respect to DNFBP’s (Remittance Companies), like the Financial Investigation Unit, in coordination with the Superintendency of the Financial System and with support from the Technical Assistance Office of the United States Treasury, a country assessment and proposals to regulate these matters have been prepared, using a Regional approach at the level of Financial Investigation Units and Supervisors through the “Regional Workshop on</p>

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			<p>from clients and the detection and notice of irregular or suspicious activities.</p>	<p>Supervision to Prevent Money Laundering and Combat Terrorist Financing for DNFBP's", held on April 8-9, 2013. (See attached file Plan of Action El Salvador DNFBP's).</p> <p>The Attorney General of the Republic held an informative meeting with the El Salvadorian authorities, among them representatives of the Technical Secretariat of the President of the Republic, the Legislative Assembly, the Central Reserve Bank, the Superintendency of the Financial System, the Salvadorian Banking Association and the major banks of the country, to make known the results of the Sixth Follow-up Report of the CFATF, presenting El Salvador's current situation to the international community regarding compliance and the fight against Money Laundering and the Financing of Terrorism. The meeting was held at the Office of the Attorney General of the Republic at the Auditorium of the Training School for Prosecutors, on June 21, 2013.</p> <p>On 22 July/2013, the Superintendency of the Financial System was asked to give an account of the advancements made, reporting the following on 27 August 2013:</p> <p>Since the entry into force of the Law on the Supervision and Regulation of the Financial System on 02 August 2011, the ML/FT Risk Department has been bolstered with the incorporation of two technical auditors, one with experience in bank supervision and the other with experience in the area of pension systems, therefore, the Department consists of the Head and five technical auditors, who possess International Certifications (ACAMS and INTER AMERICAN COMMUNITY AFFAIRS), with this being a specialized area, and in addition, it has a supervisory system in which the technical areas provide support for the evaluation of aspects related to verifying compliance with the elements pertaining to the prevention of money laundering and the financing of terrorism.</p> <p>As regards the preventive supervision of AML/CFT compliance, in January/2012, the SSF approved the "General Framework for the Supervision of the Financial System", which contains among other aspects, the supervisory criteria and policies based on risks and compliance, which provides that the Salvadorian financial system is supervised pursuant to the provisions set forth in the legal framework applicable, the international best practices and the level of development of each of the industries that are supervised. The supervision involves among others, the following criteria and policies:</p> <p>a) Inclusiveness: applies to all entities and operations supervised in each of the industries regulated. In situ and extra situ supervisory processes will be carried out in each entity and operation supervised. For financial groups, all businesses managed by the conglomerate will be reviewed</p> <p>b) Risk-based: The supervisory process that will be carried out by the SSF focuses on the evaluation of the management of the major risks to which the entities are exposed, with a prospective vision of same and</p>

				<p>with the ongoing follow-up of the operations that they conduct. The response of the supervisor will be related to the evaluation performed on the risk management efforts undertaken by the entities, based on those businesses or activities that are of recurring importance</p> <p>c) Incorporates best practices: Supervision will be carried out considering the best practices and international standards pertaining to each of the industries supervised.</p> <p>It also has “Rules on the Procedure for Gathering and Dispatching Electronic Information on Irregular or Suspicious Transactions” (NPB4-41), which are in force and in the process of being updated, specifically those aspects pertaining to the incorporation of reporting entities in accordance with the provisions of Art. 7 of the Law on the Supervision and Regulation of the Financial System (LSRSF). It also has the “Draft Technical Standards for Money Laundering and Financing of Terrorism Risk Management”, which are being discussed for approval by the Standards Committee of the CRB, which contains risk-based supervisory guidelines.</p> <p>The supervision methods are adjusted to suit the conditions of the various entities supervised and include questionnaires targeting the Compliance and Internal Auditing Offices of the different sectors supervised: Banks, Insurances, Securities, Pensions and Cooperative Banks; in addition to which, there is a methodology for supervising money laundering and financing of terrorism risk management, based on a “Risk Guide”, which rates the risk level of the various financial institutions, evaluating the following components:</p> <ul style="list-style-type: none"> a) Organizational structure of the Compliance Office b) Functions of the Compliance Officer c) Work plan of the Compliance Office d) Analysis of the money laundering risk conducted by the financial institutions e) Reports submitted to the FIU and SSF on irregular or suspicious transactions and cash transactions f) Staff training program on the prevention of money laundering and financing of terrorism g) Functioning of the money laundering prevention committee h) Manuals, internal control procedures and code of ethics i) Computerized tools to control and monitor the operations conducted by clients j) Due diligence in knowing the client, in terms of his identification, economic activity and transactional profile k) Reviews conducted by internal and external auditors <p>The SSF has memorandums of understanding with several countries, among them Canada, Colombia and Central American countries, and this facilitates cross-border supervision and allows more intense supervision of national financial institutions with activity abroad.</p> <p>During the supervisory process carried out by the SSF on Insurance and Finance Companies, compliance with the legal provisions on money laundering prevention is verified, which involves among other aspects, the preparation and development of training programs for their staff.</p>
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				It is reported the approval of the reform of LCLDA Law published in Official Gazette on January 16, 2014, Volume No. 402, Number 9, Decree No. 568 - Amendments to the Law Against Money Laundering and Assets, see Article 2 Amended.
24. DNFBP-regulation, supervision and monitoring	NC	<ul style="list-style-type: none"> • There is no regulation in terms of prevention and detection of ML and FT applicable to DNFBPs. • No authority is empowered to accomplish regulation and supervision of DNFBPs. 	<ul style="list-style-type: none"> • DNFBPs, including casinos must be subject to a regulatory and supervision framework in terms of ML and FT, through authorities legally empowered for such purpose and with provisions and rules that allow adequate compliance with this Recommendation 	<p>According to Legislative Decree number 592 dated 14 January 2011 was approved and made effective on 02 August 2011, which contains the Law of Supervision and Regulation of Financial System, provides that the Superintendent of Financial System is the body responsible for regulation and risk-based supervision. Here are some articles related to the implementation of this recommendation</p> <p>Supervised 7.- are subject to the provisions of this Act and therefore the supervision of the Superintendent:</p> <ul style="list-style-type: none"> a) The Central Reserve Bank with regard to the provisions of paragraph 1) of Article 4 of this Act; b) Banks incorporated in El Salvador, its overseas offices and subsidiaries, branches and offices of foreign banks established in the country; c) Companies in accordance with the law, members of financial conglomerates, or the Superintendent declared as such, including both their holding companies and their member societies;) Institutions pension fund managers; e) Insurance companies, their foreign branches and branches of foreign insurance companies established in the country; f) The stock exchanges, brokerage houses, companies that specialize in the storage and safekeeping of securities, rating agencies, institutions providing ancillary services to the stock market, the agents specializing in valuation of securities and general deposit warehouses; g) The cooperative banks, the savings and credit societies and associations regulated by the Law on Cooperative Banks and Savings and Credit; h) The Companies of Mutual Guarantees and its local refinancers i) The companies that offer complementary services to financial services of the members of the financial system, particularly those involved as investors; j) The management companies or operators of payment systems and securities settlement; k) The Social Housing Fund and the People's National Housing Fund; l) The INPEP and ISSS, the latter with regard to the Public Pension System, the System of Occupational Risks and Health technical reserves; m) The Social Welfare Institute of the Armed Forces; n) The Agricultural Development Bank, the Mortgage Bank of El Salvador, SA, and Multisectoral Investment Bank; o) The Salvadoran Investment Corporation; p) The currency exchange houses; q) The securitization; r) The Deposit Insurance Institute and the Sanitation Fund and Financial Empowerment in all matters relating to its laws and regulations;

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

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				<p>others, shall be punished in accordance with the provisions of this Act, without prejudice to the responsibility to them for damages caused. Shall be punished in a similar manner to those who disclose or divulge any information that is privileged or subject to secrecy about the business, acts and operations of the members of the financial system or on the matters communicated to them, or take advantage of the information for personal gain or third parties, without prejudice to any criminal penalties that may be applicable.</p> <p>Not included in the foregoing paragraph, the information required by the judicial authorities, the Attorney General's Office and other authorities in the exercise of his legal authority, or give appropriate information to the public as provided by law</p> <p>Nor to be provided to the Superintendent with respect to the information service of bank credit, as determined by this Law and other applicable laws as well as information that is required by foreign supervisory bodies in the exercise of its powers.</p> <p>The information required by the tax offices will be provided by those supervised in accordance with the stipulations of the special law that regulates this matter.</p> <p>The members of private sector financial system will be jointly liable for the damages caused to third parties who acts or omissions of its directors, managers, officers and employees in the exercise of their functions. Regarding the members of the public sector's financial system, they will respond according to the provisions of Article 245 of the Constitution.</p> <p>With respect to DNFBP's, like the Financial Investigation Unit, efforts have been undertaken to develop closer relations with the sector, in coordination with the Superintendency of the Financial System and with support from Organizations such as the CFATF and OTA, in such a manner that we have achieved the following:</p> <ul style="list-style-type: none"> • An initial approach with the reporting entities (DNFBP's), through the "Training course targeting Designated Non-Financial Businesses and Professions (DNFBP's)" with support from the Caribbean Financial Action Task Force (CFATF) and the Government of the Kingdom of Spain, held on September 17-21, 2012. • Regional Approach at the level of Financial Investigation Units and Supervisors through the "Regional Workshop on Supervision to Prevent Money Laundering and Combat Terrorist Financing for DNFBP's", held on April 8-9, 2013, with support from the Technical Assistance Office of the United States Treasury in preparing a country assessment and proposals to regulate these matters. (See attached file Plan of Action El Salvador DNFBP's). <p>On 03/June/13, steps began with the Inter-American Development Bank (IDB) with a view to joining its project on cooperation and specialized technical support for AML/CFT. The country's request had to be</p>

				<p>channelled through the Technical Secretariat of the President (STP), thus on 27/June/13, the request to the STP was facilitated so that it could present it to the IDB (received at the STP on 8/July/13).</p> <p>On 15/July/13, steps were taken with the Legal Advisor appointed by the Technical Secretariat of the President to follow-up the CFATF matter, in order to promptly facilitate the request presented by the OAG/FIU. On 15/July/13, the STP issued an official request to the IDB, a copy of which was received at the OAG/FIU on 19/July/13</p> <p>On 16/August/13, the Cooperation Project began, through the 1st IDB/FIU Videoconference, to review the work areas, establish needs and define the Work Plan. It was determined that the technical cooperation would focus on the following components:</p> <ol style="list-style-type: none"> 1. Assessment of DNFBP's 2. Proposed regulatory framework, whose format could have two options: (a) An annex suggesting standards that should be developed by the country; or instead, (b) Drafting of the standards proposed 3. Development of information systems (statistics). Will involve steps for coordination with another FIU in order to include an Internship that would allow knowledge, replication and adjustment of computerized systems for El Salvador's FIU (with a higher likelihood than it would be with the IVE of Guatemala). <p>On 27/August/13, the 2nd Videoconference was held to review the Terms of Reference, in order to commence the process for expressing interest, so that the consultants could present their candidates for the project.</p> <p>On 10 September/13, the IDB published the Expressions of Interest with their respective Terms of Reference for the Consultations on DNFBP's and the FIU Technological Platform, so that the consultants could submit an offer for professional services and forward their CV's no later than 17 September/2013. On 19 September/2013, the IDB informed that it had completed the evaluation of candidates. A 3rd videoconference has been scheduled for 26/September/2013, to discuss the candidates, reach consensus and for the IDB to proceed with the contracting. Tentatively, the contracting of consultants would be carried out during the first week of October/2013</p> <p>On 30/September/13, the 3rd Videoconference was held to review and evaluate, based on the Terms of Reference, the list of consultants nominated for the project. The various alternatives were discussed, pending the verification of the availability of time to commence the project</p> <p>On 02/October/13, the 4th Videoconference was held, during which a decision was taken on the two consultants with whom work will be done in the project. The IDB will carry out the corresponding administrative contracting procedures, in order to officially commence the consultations. In addition, we were notified of the acceptance by the IVE of Guatemala regarding the internship request to learn about the technological development experienced, agreeing that direct communication would be</p>
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				<p>established with Erick Estuardo Ramos Sologaitoa, the Superintendent of Special Verification and Eduardo Antonio Soto Álvarez, the Director of the Prevention and Compliance Department, to determine the dates and details of the internship.</p> <p>On 10/October/13, the Videoconference was held with the IVE of Guatemala, to define the topics of interest that will be covered in the internship, establishing as a possible date, the first week of November. Confirmation of dates pending.</p> <p>The Office of the Attorney General of the Republic, through the Financial Investigation Unit, carried out an activity entitled "Training on the AML/CFT Regulatory Framework targeting Designated Non-Financial Businesses and Professions (DNFBP's)", on 30 and 31 July/13 at the OAG, at the Auditorium of the Training School for Prosecutors. The training ran for two days, with an approximate duration of seven and a half teaching hours per day, which included theoretical presentations on the local regulatory framework and a practical workshop.</p> <p>Attending the event were vehicle importers, institutions conducting fund transfers, dealers of precious metals and stones, the hotel industry, casinos and gaming houses, real estate and property agents and travel agencies. Also participating in said activity was the Superintendency of Business Obligations, the Supervisory entity responsible for monitoring compliance by reporting entities and DNFBP's, in order to achieve project continuity and links regarding AML/CFT supervision.</p> <p>As a result of the training activity for DNFBP's, communication and follow-up have been maintained with the Salvadorian Association of Vehicle Distributors (Asociación Salvadoreña de Distribuidores de Vehículos -ASALVE), which brings together the new motor vehicle distributors in the country, thereby achieving significant advancements in the area of AML/CFT compliance in this sector. Following the training offered by the FIU, the distributors belonging to the ASALVE have begun to appoint Compliance Officers; in addition, ASALVE notified the FIU on 04 September/2013 that the Association contracted a consultant to formulate the "Manual of Money Laundering Prevention Policies" for each of its members; and to also plan training on AML with an estimated duration of twelve hours, for the officials appointed as Compliance Officers.</p> <p>On May 17, 2013, through Agreement No. 085, the Attorney General of the Republic approved the Manual of the Financial Investigation Unit for the Prevention of Money Laundering, published in Official Gazette D.O. No. 119, volume 400, and dated July 01, 2013 (See document in Annex 1). A provision on DNFBP's was included in the following articles:</p>
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				<p>in which FIU also had the opportunity to participate. Similarly, an outreach activity of the general regulatory framework with the Association of Travel Agencies (AVA) on March 20, 2014.</p> <p>Regarding the draft IDB technical cooperation on the Diagnosis of AFPND and proposed regulatory framework, have made the following progress :</p> <ul style="list-style-type: none"> • Review gaps of the standard (November 2013) • First site visit (05 to 06 December 2013) • Review of proposed regulations (January 2014) • Second site visit (29 and 30 January 2014) • Discussion of draft report (07/mar 2014) <p>Outreach work with APFND sector continues, have been meeting with the Salvadoran Association of Cargo Agents and Related Services (ASAC) on March 12 to discuss general aspects of the obligations as required subjects; The ASAC union organized a first outreach activity of the regulatory framework for its unionized on March 20, 2014, in which FIU also had the opportunity to participate. Similarly, an outreach activity of the general regulatory framework with the Association of Travel Agencies (AVA) on March 20, 2014 were reported.</p>
25. Guides and Feedback	NC	<ul style="list-style-type: none"> • FIU and other competent authorities do not accomplish feedback processes to reporting entities. • No updated guides or guidelines have been issued to support regulated entities in the compliance with AML-CFT regulations • FIU has not given feedback to entities about quality and timeliness of suspicious transaction reports. • No guidelines have been issued for any type of DNFBPs. 	<ul style="list-style-type: none"> • Supervision authorities together with FIU and other necessary authorities must indicate guidelines, guides and technical documents in order for the regulated parties to increase AML/CFT obligations, particularly with respect to new ML and FT risks, ML/FT techniques and methods in the stages of organization and preparation of money laundering. This would help to implement CDD requirement in function of risk according to the type of regulated entity. • FIU should develop training meeting or workshops to reinstruct regulated parties on the quality, timeliness, and exactness of the suspicious or irregular operations reports, taking into account best practices of FATF on information mechanisms. • In addition to issue regulation necessary to implement obligations contained in Law for DNFBP must issue guidelines adequate to the nature of such institutions 	<p>According to Legislative Decree number 592 dated 14 January 2011 was approved and made effective on 02 August 2011, which contains the Law of Supervision and Regulation of Financial System, provides that the Superintendent of Financial System is the body responsible for regulation and risk-based supervision. Here are some articles related to the implementation of this recommendation</p> <p>Supervised 7.- are subject to the provisions of this Act and therefore the supervision of the Superintendent:</p> <ol style="list-style-type: none"> a) The Central Reserve Bank with regard to the provisions of paragraph 1) of Article 4 of this Act; b) Banks incorporated in El Salvador, its overseas offices and subsidiaries, branches and offices of foreign banks established in the country; c) Companies in accordance with the law, members of financial conglomerates, or the Superintendent declared as such, including both their holding companies and their member societies; d) Institutions pension fund managers; e) Insurance companies, their foreign branches and branches of foreign insurance companies established in the country; f) The stock exchanges, brokerage houses, companies that specialize in the storage and safekeeping of securities, rating agencies, institutions providing ancillary services to the stock market, the agents specializing in valuation of securities and general deposit warehouses; g) The cooperative banks, the savings and credit societies and associations regulated by the Law on Cooperative Banks and Savings and Credit; h) The Companies of Mutual Guarantees and its local refinancers

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				<p>i) The companies that offer complementary services to financial services of the members of the financial system, particularly those involved as investors;</p> <p>j) The management companies or operators of payment systems and securities settlement;</p> <p>k) The Social Housing Fund and the People's National Housing Fund;</p> <p>l) The INPEP and ISSS, the latter with regard to the Public Pension System, the System of Occupational Risks and Health technical reserves;</p> <p>m) The Social Welfare Institute of the Armed Forces;</p> <p>n) The Agricultural Development Bank, the Mortgage Bank of El Salvador, SA, and Multisectoral Investment Bank;</p> <p>o) The Salvadoran Investment Corporation;</p> <p>p) The currency exchange houses;</p> <p>q) The securitization;</p> <p>r) The Deposit Insurance Institute and the Sanitation Fund and Financial Empowerment in all matters relating to its laws and regulations;</p> <p>s) Products and services;</p> <p>t) Other institutions and operations by the law.</p> <p>When reference is made to the financial system or financial system members should be understood are those mentioned in the previous paragraphs.</p> <p>They are also subject to the supervision of the Superintendent of operations carried out by bodies and institutions listed above, as well as members of the administrative, legal representatives, agents, officers, directors, managers, internal auditors and other personnel of the members of the financial system. Also to be monitored, whether persons or companies, are external auditors, companies specialized in providing credit information services operating in El Salvador, insurance brokers, agents brokers, stockbrokers, the stock positions, and the licensees referred to the Law on Commodity Exchanges and Services, the pension service agents, experts, actuaries, auditors, liquidators and other professionals, specifically regarding the performance of their functions and services in the members of the financial system.</p> <p>Also subject to supervision by the Superintendency are issuers of publicly offered securities, with particular emphasis in relation to compliance with the obligations imposed by laws, regulations and technical exchanges.</p> <p>When the text of this Act refers to the supervised or monitored, should be understood are those mentioned in this article</p> <p>Art. 37 .- Those supervised must provide, upon request of the Superintendent, by any means it deems appropriate, without offering any confidential or proprietary, the review of its business, acts, operations, assets, books, accounts, files, documents , correspondence, databases and information systems in all matters pertaining to activity monitoring</p>

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				<p>Also, their administrators and staff must provide, upon request of the Superintendent, all the information and explanations necessary to clarify any matter within its jurisdiction, mandatory to provide the assistance that it requests.</p> <p>Supervisees and their shareholders should provide all information necessary to keep the public registers referred to in the laws governing them, on time and in the manner to be determined.</p> <p>Employers of members of the Pension Savings System and Public Pension System should indicate a specific location in the city of San Salvador for notifications, or where appropriate, to commission a person residing in that city to hear and present or remove documents on their behalf.</p> <p>Art.38 .- The directors, administrators, staff members and managers of the financial system who contravene the provisions of laws, regulations or standards or any act or omission causing injury to the said member or others, shall be punished in accordance with the provisions of this Act, without prejudice to the responsibility to them for damages caused. Shall be punished in a similar manner to those who disclose or divulge any information that is privileged or subject to secrecy about the business, acts and operations of the members of the financial system or on the matters communicated to them, or take advantage of the information for personal gain or third parties, without prejudice to any criminal penalties that may be applicable.</p> <p>Not included in the foregoing paragraph, the information required by the judicial authorities, the Attorney General's Office and other authorities in the exercise of his legal authority, or give appropriate information to the public as provided by law</p> <p>Nor to be provided to the Superintendent with respect to the information service of bank credit, as determined by this Law and other applicable laws as well as information that is required by foreign supervisory bodies in the exercise of its powers.</p> <p>The information required by the tax offices will be provided by those supervised in accordance with the stipulations of the special law that regulates this matter.</p> <p>The members of private sector financial system will be jointly liable for the damages caused to third parties who acts or omissions of its directors, managers, officers and employees in the exercise of their functions. Regarding the members of the public sector's financial system, they will respond according to the provisions of Article 245 of the Constitution.</p> <p>The information required by the tax offices will be provided by supervised in accordance with the stipulations of the special law that regulates this matter.</p> <p>The members of private sector financial system jointly liable for the damages caused to third parties who acts or omissions of its directors, managers, officers and employees in the exercise of their functions. Regarding the members of the financial system</p>

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				<p>public respond according to the provisions of Article 245 of the Constitution.</p> <p>In coordinating the efforts of ABANSA, the SSF and the FIU, a feedback activity has been planned with banks, non-banking financial institutions, PFA's and Credit Cards, focusing on Suspicious Operation Reports” This feedback will focus primarily on strengthening the aspects to be considered in an operation that is going to be reported as suspicious, the weaknesses, strengths and opportunities for improving the current reports, in addition to which, statistics on what is currently reported by institutions will be presented and guidelines will be established on the manner in which institutions should report a suspicious operation. Said activity is scheduled to take place during the first week in June 2013.</p> <p>On 03/June/13, steps began with the Inter-American Development Bank (IDB) with a view to joining its project on cooperation and specialized technical support for AML/CFT. The country's request had to be channelled through the Technical Secretariat of the President (STP), thus on 27/June/13, the request to the STP was facilitated so that it could present it to the IDB (received at the STP on 8/July/13).</p> <p>On 15/July/13, steps were taken with the Legal Advisor appointed by the Technical Secretariat of the President to follow-up the CFATF matter, in order to promptly facilitate the request presented by the OAG/FIU. On 15/July/13, the STP issued an official request to the IDB, a copy of which was received at the OAG/FIU on 19/July/13</p> <p>On 16/August/13, the Cooperation Project began, through the 1st IDB/FIU Videoconference, to review the work areas, establish needs and define the Work Plan. It was determined that the technical cooperation would focus on the following components:</p> <ol style="list-style-type: none"> 1. Assessment of DNFBP's 2. <u>Proposed regulatory framework, whose format could have two options: (a) An annex suggesting standards that should be developed by the country; or instead, (b) Drafting of the standards proposed</u> 3. Development of information systems (statistics). Will involve steps for coordination with another FIU in order to include an Internship that would allow knowledge, replication and adjustment of computerized systems for El Salvador's FIU (with a higher likelihood than it would be with the IVE of Guatemala). <p>On 27/August/13, the 2nd Videoconference was held to review the Terms of Reference, in order to commence the process for expressing interest, so that the consultants could present their candidates for the project.</p> <p>On 10 September/13, the IDB published the Expressions of Interest with their respective Terms of Reference for the Consultations on DNFBP's and the FIU Technological Platform, so that the consultants could submit an offer for professional services and forward their CV's no later</p>

				<p>than 17 September/2013. On 19 September/2013, the IDB informed that it had completed the evaluation of candidates. A 3rd videoconference has been scheduled for 26/September/2013, to discuss the candidates, reach consensus and for the IDB to proceed with the contracting. Tentatively, the contracting of consultants would be carried out during the first week of October/2013</p> <p>On 30/September/13, the 3rd Videoconference was held to review and evaluate, based on the Terms of Reference, the list of consultants nominated for the project. The various alternatives were discussed, pending the verification of the availability of time to commence the project</p> <p>On 02/October/13, the 4th Videoconference was held, during which a decision was taken on the two consultants with whom work will be done in the project. The IDB will carry out the corresponding administrative contracting procedures, in order to officially commence the consultations. In addition, we were notified of the acceptance by the IVE of Guatemala regarding the internship request to learn about the technological development experienced, agreeing that direct communication would be established with Erick Estuardo Ramos Sologaistoa, the Superintendent of Special Verification and Eduardo Antonio Soto Álvarez, the Director of the Prevention and Compliance Department, to determine the dates and details of the internship.</p> <p>On 10/October/13, the Videoconference was held with the IVE of Guatemala, to define the topics of interest that will be covered in the internship, establishing as a possible date, the first week of November. Confirmation of dates pending.</p> <p>The Office of the Attorney General of the Republic, through the Financial Investigation Unit, carried out an activity entitled "Training on the AML/CFT Regulatory Framework targeting Designated Non-Financial Businesses and Professions (DNFBP's)", on 30 and 31 July/13 at the OAG, at the Auditorium of the Training School for Prosecutors. The training ran for two days, with an approximate duration of seven and a half teaching hours per day, which included theoretical presentations on the local regulatory framework and a practical workshop.</p> <p>Attending the event were vehicle importers, institutions conducting fund transfers, dealers of precious metals and stones, the hotel industry, casinos and gaming houses, real estate and property agents and travel agencies. Also participating in said activity was the Superintendency of Business Obligations, the Supervisory entity responsible for monitoring compliance by reporting entities and DNFBP's, in order to achieve project continuity and links regarding AML/CFT supervision.</p>
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				<p>As a result of the training activity for DNFBP's, communication and follow-up have been maintained with the Salvadorian Association of Vehicle Distributors (Asociación Salvadoreña de Distribuidores de Vehículos -ASALVE), which brings together the new motor vehicle distributors in the country, thereby achieving significant advancements in the area of AML/CFT compliance in this sector. Following the training offered by the FIU, the distributors belonging to the ASALVE have begun to appoint Compliance Officers; in addition, ASALVE notified the FIU on 04 September/2013 that the Association contracted a consultant to formulate the "Manual of Money Laundering Prevention Policies" for each of its members; and to also plan training on AML with an estimated duration of twelve hours, for the officials appointed as Compliance Officers.</p>
26. FIU	PC	<ul style="list-style-type: none"> • Simultaneous delivery of STR, both to FIU as to SSF which affect confidentiality of reports and creates parallel FIU in other entities. The number of officers that make up FIU, and their capacity to analyse information is very reduced relative to the number of reports received. • FIU has insufficient autonomy to accomplish its tasks. Attorney General of the Republic frequently removes attorneys from FIU to assign it to other tasks of the Attorney General's Office and is empowered to give instructions to FIU about which cases are considered priority and which not. • There is no adequate access to databases of public entities and private subjects authorized by ML Law • There is no operative division among analysis and criminal investigation, with the judicial function having higher priority, which reflects lack of technical autonomy in the essential work to produce financial intelligence. • Public information about statistics and typologies is not produced. 	<ul style="list-style-type: none"> • Amend Agreement N° 356 issued by the Attorney General's Office of the Republic in order for report procedure of STR to be made only before FIU. • Establish a feedback mechanism that allows orientation to obliged subjects on the adequate manner to submit STR. • Implement technological tools that allow rapid information Access to data bases to State entities and institutions or private companies. • Establish procedural manuals that reach a division between STR analysis and criminal investigation. • Assign more provisional personnel for both analysis and investigation area. • Strengthen FIU's autonomy and provide higher labour stability to officers that integrate FIU, thus avoiding transfers to other specialized Prosecutors' Offices. • To provide periodical reports to obliged subjects on cases reported criminal statistics typologies, and trends, that shall be considered as suspicious operations. • To resolve all the legal limitations that grounded the suspension of the membership of Egmont Group of Financial Intelligence Units. • To establish a permanent training program for FIU officers. 	<ul style="list-style-type: none"> • There is no provision or law that grants FIU functions to the SSF or other agencies. • Part of the efforts made by the FIU are implementing or improving the system of data transmission, reporting, query and analysis of information through advanced technological tools. • This project involves the acquisition of technological equipment as well as proper training for both the analysis area and the technology area. • With regards to the legal limitations identified in the mutual evaluation, which resulted in the suspension of the FIU's membership by the Egmont Group, they were fully corrected by Decree No. 342 issued by the Legislative Assembly, • On July 14, 2010 the President of the Egmont Group, Mr. Boudewijn Verhelst, officially notified the Financial Investigation Unit's full restitution of our status as an active member of the Egmont Group. This took effect immediately and rehabilitated our access to the Egmont Group's secure network for sharing financial information with other intelligence units worldwide. <p>The IDB has approved a technical assistance project to develop legal clauses that establish budgetary and operational autonomy of the FIU, such technical assistance to date is already contracted and begins on 01 October, 2012 and whose completion date is also scheduled for the month of November of this year. (Annex 2)</p> <p>A technical assistance agreement has been signed with the Treasury Department of the United States of America by which technical and strategic advice will be obtained for developing and implementing international enforcement against offenses relating to ML and FT</p> <p>The Law against Money Asset Laundering provides: FINANCIAL INVESTIGATION UNIT. Art. 3. - Create the Financial Investigation Unit for the crime of money laundering, as the primary office of the Attorney General's Office, which in</p>

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		<ul style="list-style-type: none"> • FIU is suspended by the Egmont Group. • There is no permanent training program for FIU officers 		<p>the context of this Law may be shortened FIU. The requirements and incompatibilities to belong to the FIU, will be developed in the Organic Law of Public Prosecutions</p> <p>PART III POSITION OF ATTORNEY GENERAL CHAPTER I Establishment and Scope. Position of Attorney General Article 46 .- The Attorney General’s position is established to regulate the service relationship between the Attorney General’s Office and its officers and employees, helping to ensure the security of tenure, as well as staff development and effective performance of the public functions of the institution. Including Tax Career Art. 47 .- falls within the position of Attorney General:</p> <p>a) Auxiliary staff, and b) administrative officers and employees of the institution</p> <p>The Attorney General, the Prosecutor and the Auditor General, in response to the timing of his appointment, will be included in the position for the period of holding the position, unless at the date of his appointment it was already included.</p> <p>Position of Attorney General Article 48 .- The position of Attorney General is governed by the provisions of this Act and the regulations under the same issued by the Attorney General, under the Fiscal Council, the regime will prevail over any general provision, enacted for the admission, hiring, promotion, promotion, transfer, resignation or removal of public officials and employees. Regulation of the Position of Attorney General Article 49 .- The regulation of the position of Attorney General will follow basic rules</p> <p>a) The development and regular updating of the Manual of Classification of Positions. b) The Attorney Roster, structured on said manual and using the classification criteria advised by the technical administration c) The selection, admission and recruitment through public competition. d) Ongoing assessment of performance of officials and employees. e) The ongoing mandatory training of personnel, and under the School of Training for Attorneys or for other entities with which the Attorney General agrees to the provision of related services.</p> <p>f) The promotions and substitution of vacancies, obtained through competition and based on personal performance, skills, knowledge, skills and experience. g) The hours of work, permits and licenses, transfers and swaps.</p>

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				<p>h) The procedures for imposing administrative penalties established by this law.</p> <p>Financial Investigation Unit Article 70 .- The Attorney General shall organize and direct the Financial Investigation Unit, FIU, for investigation of the Crime of Money and Asset Laundering and is a primary office of the Attorney General's Office with functional dependence of the Attorney General . Its integration Article 71 .- Financial Investigation Unit will consist of:</p> <p>a) The Head of the Unit. b) Auxiliary Agents appointed by the Attorney General. c) Accountants. d) Financial experts or professionals with expertise in banking systems, business administration, public finance and / or customs. e) Information and intelligence analysts; f) Administrative personnel</p> <p>His appointment, removal and disciplinary action will be subject to the general system of the employees of his Office and will be developed in the respective Regulations. On 19 November 2010, the SSF notified by the Attorney General's Office that the FIU as of that date in compliance with the relevant procedures has access to the historical data base of said entity. Note IRC-RR-18959, dated November 19, 2010, and signed by the mayor of Hazard Functions conglomerate, Mr. César Augusto Ortiz Saggeth</p> <p>. Art. 9 .- The institutions are obliged to inform in writing or electronically within five working days to the FIU of any transaction or individual cash transactions made by each customer or on the same day that exceeds ten thousand dollars of the United States of America or its equivalent in any other currency, regardless of whether or not deemed suspicious transaction. The deadline for submitting information is calculated from the day after the operation or transaction was conducted</p> <p>Insurance companies must report to the Superintendency of all payments made as compensation for the risks they insure in excess of the amount stated in the previous paragraph.</p> <p>The entities mentioned in subparagraphs a), h) i) of Article 2 of this Act, are also required to submit the report referred to in the first paragraph of this Article, only for purposes of monitoring and control, to the tax or regulatory or related supervisory entity, in which none will perform the function of generating financial intelligence</p> <p>For the purposes of this section it shall be taken into consideration the regulations that will in effect be issued. Article 9-A .- The suspicious transaction reports should be submitted to the Financial Investigation Unit within five working days from the time when,</p>

				<p>according to the analysis performed, there is sufficient evidence to be considered irregular</p> <p>The institutions will also be required to report the attempted suspicious transactions. The FIU will issue the form to report the attempted suspicious transactions</p> <p>These reports are also given to the appropriate entity of control or supervision, solely for purposes of monitoring and control, which in no case shall perform the function of generating financial intelligence.</p> <p>A major initiative to combat money laundering and terrorist financing, is the initiative of the President of the Republic for the purposes of promoting the enactment of the Law of Extinction of Domino which aims to enhance the powers of the authorities to identify, secure and forfeit assets of an illegitimate source. Further enhancing the capabilities to provide a broad international cooperation in confiscation and seizure of property, also boosting the capabilities and budget of the FIU is that through this law 20% of the assets seized is assigned.</p> <p>For further illustration we provide the following link:</p> <p>http://www.lapagina.com.sv/nacionales/54491/2011/07/28/Funes-presentara-ley-para-confiscar-bienes-fruto-del-crimen-organizado</p> <p>In coordinating the efforts of ABANSA, the SSF and the FIU, a feedback activity has been planned with banks, non-banking financial institutions, PFA's and Credit Cards, focusing on Suspicious Operation Reports” This feedback will focus primarily on strengthening the aspects to be considered in an operation that is going to be reported as suspicious, the weaknesses, strengths and opportunities for improving the current reports, in addition to which, statistics on what is currently reported by institutions will be presented and guidelines will be established on the manner in which institutions should report a suspicious operation. Said activity is scheduled to take place during the first week in June 2013.</p> <p>On 03/June/13, steps began with the Inter-American Development Bank (IDB) with a view to joining its project on cooperation and specialized technical support for AML/CFT. The country's request had to be channelled through the Technical Secretariat of the President (STP), thus on 27/June/13, the request to the STP was facilitated so that it could present it to the IDB (received at the STP on 8/July/13).</p> <p>On 15/July/13, steps were taken with the Legal Advisor appointed by the Technical Secretariat of the President to follow-up the CFATF matter, in order to promptly facilitate the request presented by the OAG/FIU. On 15/July/13, the STP issued an official request to the IDB, a copy of which was received at the OAG/FIU on 19/July/13</p>
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				<p>Republic, to provide technical assistance for the general design of the certification mechanism to be used, training for national instructors and the design of the curriculum for the certification modules, especially regarding the following topics: a) Money laundering typologies through electronic banking and stock operations; b) Financial Analysis and Forensic Auditing; and c) Management and Operating Effectiveness of Financial Investigation or Analysis Units.</p> <p>08 October/2013: Public and private sector officials, together with Mr. Nelson Mena and Dr. John Grajales of the CICAD/OAS, held a meeting to coordinate the certification program, in order to define those who will take part in the formulation of the program and in the profile of the certification project</p> <p>09 October/2013: There was an Exchange of Notes between the OAG and the CICAD/OAS, which formalized the assistance that the CICAD/OAS would provide in the “<i>Program for Certification in Anti-Money Laundering and Combating the Financing of Terrorism</i>”</p> <p>In order to strengthen the Financial Investigation Unit, the Attorney General of the Republic and the General Management, instructed the Operations and Modernization Directorate (DOM), to determine the various needs and adequate strengthening of the FIU, through the study, formulation and analysis of the corresponding processes and manuals of procedures. Additionally, the Human Resource Directorate was instructed, through the Performance Evaluation and Follow-up Department, to prepare job descriptions for the different functional positions of the FIU.</p> <p>The General Management has mandated the implementation of the strengthening of the FIU based on the reports presented by both Directorates, which include, among others, the following improvements:</p> <ul style="list-style-type: none"> • Human resources: The staff assigned to the FIU will be increased by 85%, establishing a structure with a higher operating capacity according to the demand for the activities of the Unit. The areas of financial, legal, technological and administrative analysis will be reinforced • Technological platform: Will be bolstered with new servers, firewall, central UPS, videoconferencing equipment, 12 IBM systems, licenses for Microsoft SQL server and Microsoft Visual Net Study, high

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				<p>capacity printer, security access system and temperature and humidity sensor, among others</p> <ul style="list-style-type: none"> • Strengthening of Furniture and Equipment: Assignment of station computers, docking station computer, ergonomic chairs, shelving, robot filing cabinets and roller shutter filing cabinets • Reconditioning of installations, including physical separation by areas and redistribution on the ground
29. Supervisory powers	PC	<ul style="list-style-type: none"> • Remittance entities and non-financial banking entities which are beyond supervision of SSF and SS (leasing companies, credit cards, general warehouse stores, etc.) are not subject of on-site inspections or are demanded documentation to verify compliance with AML-CFT • With respect to remittance entities and non-banking financial institutions which are not supervised by SSF and SS – are not applied a specific sanctions regime in case information requirements are not adequately met in order to verify compliance with AML-CFT 	<ul style="list-style-type: none"> • Extend powers of the existing supervising entities in order to be able to make inspection and compliance supervision visits to remittance entities and non-banking financial entities that do not form part of financial conglomerates. • Establish a sanction regime specific for the noncompliance with the obligation of attending requirements of the supervision entities. 	<p>CHAPTER III Of the Constitution, Official Registration and Authorization to Operate Art. 16.- Once the Cooperative is incorporated, official recognition and registration in the National Register of Cooperatives INSAFOCOOP will be requested, in order to obtain legality, the Cooperative shall submit certification of the Constitution signed by the Secretary of the Administrative Board. Seat registration and cancellation of same by dissolution and liquidation of the Cooperative registered, will be published in extract only once in the Official Journal. Registry office to deliver the respective warrant for publication.</p> <p>TITLE IX SANCTIONS CHAPTER I Sanctions Article 91. - The sanctions that the Salvadoran Institute for Cooperative Development may impose Cooperative Associations are as follows: . a) A fine of one hundred THOUSAND colon through prior resolution or statement and the corresponding trial; b) Temporary suspension of members of the Administration and Security Agencies in the performance of their duties and replaced by the respective alternates; c) Temporary suspension or cancellation of authorization to operate; h) provisional Intervention for the sole purpose of protecting property and assets of the Cooperative in extreme cases of abnormality. The General Assembly shall be convened by the INSAFOCOOP, according to the Statutes, and this is held within a period not exceeding thirty days from the start of the Intervention during which decisions were taken on the continuation or completion of the intervention.</p> <p>Article 92. - The penalties referred to in the preceding article shall be governed by the regulations of this law. Art. 1.-Create the Salvadoran Institute for Cooperative Development as a public corporation, with autonomy in economic and administrative aspects. In the context of this Law and respective regulations may be called simply "Institute" or "INSAFOCOOP." Its primary residence will be the city of San Salvador. The Act establishing the Salvadoran Institute for Cooperative Development, states: Section 2.-The duties of the Institute a) The implementation of the General Law of Cooperative Associations;</p>

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

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				<p>Article 6.-The control measures will have an educational purpose, but if control actions are observed to have irregularities, the Institute shall adopt the measures established by the law on this matter.</p>
<p>30. Resources, integrity and training</p>	<p>NC</p>	<ul style="list-style-type: none"> • FIU does not have the necessary number of officers to adequately develop tasks (paragraphs 35 and 45 of Section 2.5) • There is a lack of functional autonomy for FIU, since it depends directly from operative and human resource decisions established by the Attorney General’s Office. (see Section 2.5) • The real estate where FIU is located lack modules or physical spaces for adequate storing and custody of documents. • FIU has no technological tools that allow direct informatic access to date bases of State entities and institutions or private companies, to obtain investigation or analysis information in an efficient manner or at least more rapidly (section 2.5) • FIU lacks a permanent and adequate training program addressed to officers. (Section 2.5). 	<ul style="list-style-type: none"> • FIU has not necessary number of officers to adequately develop tasks. • Lack of functional autonomy for FIU since it directly depends from operative decisions and human resource defined by the Attorney General’s office of the Republic. • Real estate where FIU is located lacks modules or physical spaces for adequate storage and custody of documents. • FIU has no technological tools that allow informatic direct access to databases of state or private companies to obtain analysis or investigation information rapidly or at least more efficiently. • FIU has no permanent and adequate training program addressed to its officers. • 	<p>The Law against Money Asset Laundering provides: FINANCIAL INVESTIGATION UNIT. Art. 3. - Create the Financial Investigation Unit for the crime of money laundering, as the primary office of the Attorney General's Office, which in the context of this Law may be shortened FIU. The requirements and incompatibilities to belong to the FIU, will be developed in the Organic Law of Public Prosecutions</p> <p>PART III POSITION OF ATTORNEY GENERAL CHAPTER I Establishment and Scope. Position of Attorney General Article 46 .- The Attorney General’s position is established to regulate the service relationship between the Attorney General's Office and its officers and employees, helping to ensure the security of tenure, as well as staff development and effective performance of the public functions of the institution. Including Tax Career Art. 47 .- falls within the position of Attorney General:</p> <p>a) Auxiliary staff, and b) administrative officers and employees of the institution</p> <p>The Attorney General, the Prosecutor and the Auditor General, in response to the timing of his appointment, will be included in the position for the period of holding the position, unless at the date of his appointment it was already included.</p> <p>Position of Attorney General Article 48 .- The position of Attorney General is governed by the provisions of this Act and the regulations under the same issued by the Attorney General, under the Fiscal Council, the regime will prevail over any general provision, enacted for the admission, hiring, promotion, promotion, transfer, resignation or removal of public officials and employees. Regulation of the Position of Attorney General Article 49 .- The regulation of the position of Attorney General will follow basic rules a) The development and regular updating of the Manual of Classification of Positions. b) The Attorney Roster, structured on said manual and using the classification criteria advised by the technical administration c) The selection, admission and recruitment through public competition. d) Ongoing assessment of performance of officials and employees.</p>

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

				<p>this Article, only for purposes of monitoring and control, to the tax or regulatory or related supervisory entity, in which none will perform the function of generating financial intelligence</p> <p>The Law against Money Asset Laundering provides: FINANCIAL INVESTIGATION UNIT. Art. 3. - Create the Financial Investigation Unit for the crime of money laundering, as the primary office of the Attorney General's Office, which in the context of this Law may be shortened FIU. The requirements and incompatibilities to belong to the FIU, will be developed in the Organic Law of Public Prosecutions</p> <p>PART III POSITION OF ATTORNEY GENERAL CHAPTER I Establishment and Scope. Position of Attorney General Article 46.- The Attorney General's position is established to regulate the service relationship between the Attorney General's Office and its officers and employees, helping to ensure the security of tenure, as well as staff development and effective performance of the public functions of the institution. Including Tax Career Art. 47.- falls within the position of Attorney General:</p> <ul style="list-style-type: none"> a) Auxiliary staff, and b) administrative officers and employees of the institution <p>The Attorney General, the Prosecutor and the Auditor General, in response to the timing of his appointment, will be included in the position for the period of holding the position, unless at the date of his appointment it was already included.</p> <p>Position of Attorney General Article 48.- The position of Attorney General is governed by the provisions of this Act and the regulations under the same issued by the Attorney General, under the Fiscal Council, the regime will prevail over any general provision, enacted for the admission, hiring, promotion, promotion, transfer, resignation or removal of public officials and employees. Regulation of the Position of Attorney General Article 49.- The regulation of the position of Attorney General will follow basic rules</p> <ul style="list-style-type: none"> a) The development and regular updating of the Manual of Classification of Positions. b) The Attorney Roster, structured on said manual and using the classification criteria advised by the technical administration c) The selection, admission and recruitment through public competition. d) Ongoing assessment of performance of officials and employees. e) The ongoing mandatory training of personnel, and under the School of Training for Attorneys or for other entities with which the Attorney General agrees to the provision of related services.
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				<p>f) The promotions and substitution of vacancies, obtained through competition and based on personal performance, skills, knowledge, skills and experience.</p> <p>g) The hours of work, permits and licenses, transfers and swaps.</p> <p>h) The procedures for imposing administrative penalties established by this law.</p> <p>Financial Investigation Unit Article 70 .- The Attorney General shall organize and direct the Financial Investigation Unit, FIU, for investigation of the Crime of Money and Asset Laundering and is a primary office of the Attorney General's Office with functional dependence of the Attorney General . Its integration Article 71 .- Financial Investigation Unit will consist of:</p> <p>a) The Head of the Unit. b) Auxiliary Agents appointed by the Attorney General. c) Accountants. d) Financial experts or professionals with expertise in banking systems, business administration, public finance and / or customs. e) Information and intelligence analysts; f) Administrative personnel</p> <p>His appointment, removal and disciplinary action will be subject to the general system of the employees of his Office and will be developed in the respective Regulations. On 19 November 2010, the SSF notified by the Attorney General's Office that the FIU as of that date in compliance with the relevant procedures has access to the historical data base of said entity. Note IRC-RR-18959, dated November 19, 2010, and signed by the mayor of Hazard Functions conglomerate, Mr. César Augusto Ortiz Saggeth</p> <p>. Art. 9 .- The institutions are obliged to inform in writing or electronically within five working days to the FIU of any transaction or individual cash transactions made by each customer or on the same day that exceeds ten thousand dollars of the United States of America or its equivalent in any other currency, regardless of whether or not deemed suspicious transaction. The deadline for submitting information is calculated from the day after the operation or transaction was conducted</p> <p>Insurance companies must report to the Superintendency of all payments made as compensation for the risks they insure in excess of the amount stated in the previous paragraph.</p> <p>The entities mentioned in subparagraphs a), h) i) of Article 2 of this Act, are also required to submit the report referred to in the first paragraph of this Article, only for purposes of monitoring and control, to the tax or</p>

				<p>regulatory or related supervisory entity, in which none will perform the function of generating financial intelligence</p> <p>For the purposes of this section it shall be taken into consideration the regulations that will in effect be issued.</p> <p>As part of the initiative launched by the President of the Republic for the purposes of promoting the enactment of the Law of Extinction of Domino which aims to enhance the powers of the authorities to identify, secure and forfeit assets of an illegitimate source.</p> <p>Further enhancing the capabilities and budget of the FIU that through this law will be assigned 20% of confiscated assets to strengthen its operational capacity.</p> <p>For further illustration we provide the following link:</p> <p>http://www.lapagina.com.sv/nacionales/54491/2011/07/28/Funes-presentara-ley-para-confiscar-bienes-fruto-del-crimen-organizado</p> <p>The Inter-American Development Bank jointly with the government of El Salvador, have held consultations in order to establish the operational autonomy of the FIU, which is now in its second phase.</p> <p>In the month of January next year, the Treasury Department of the United States jointly with the FIU will provide training in the area of research techniques in the field of money laundering and terrorist financing to FIU staff, SSF, Ministry of Finance, National Civil Police, and other institutions involved in combating AML / CFT.</p> <p>Subsequently trainings are planned with regulated entities, SSF, PNC, among others, in the area of typologies together with the Treasury Department of the United States of America.</p> <p>Memorandum of understanding was signed with the U.S. Treasury regarding technical cooperation. As part of its commitment to strengthening the FIU. Refer to MOU for better illustration.</p> <p>On Tuesday October 23, 2012, the head of the FIU held a meeting with the Minister of Finance with the main objective of the assign the necessary resources to the Unit to complete a team of financial analysts to that unit. Acquiring the Minister's commitment for the next fiscal year to allocate necessary capacity according to the technical study by virtue of the demand for labour that FIU undertook to present</p> <p>On 03/June/13, steps began with the Inter-American Development Bank (IDB) with a view to joining its project on cooperation and specialized technical support for AML/CFT. The country's request had to be</p>
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				<p>channelled through the Technical Secretariat of the President (STP), thus on 27/June/13, the request to the STP was facilitated so that it could present it to the IDB (received at the STP on 8/July/13).</p> <p>On 15/July/13, steps were taken with the Legal Advisor appointed by the Technical Secretariat of the President to follow-up the CFATF matter, in order to promptly facilitate the request presented by the OAG/FIU. On 15/July/13, the STP issued an official request to the IDB, a copy of which was received at the OAG/FIU on 19/July/13</p> <p>On 16/August/13, the Cooperation Project began, through the 1st IDB/FIU Videoconference, to review the work areas, establish needs and define the Work Plan. It was determined that the technical cooperation would focus on the following components:</p> <ol style="list-style-type: none"> 1. Assessment of DNFBP's 2. Proposed regulatory framework, whose format could have two options: (a) An annex suggesting standards that should be developed by the country; or instead, (b) Drafting of the standards proposed 3. <u>Development of information systems (statistics). Will involve steps for coordination with another FIU in order to include an Internship that would allow knowledge, replication and adjustment of computerized systems for El Salvador's FIU (with a higher likelihood than it would be with the IVE of Guatemala).</u> <p>On 27/August/13, the 2nd Videoconference was held to review the Terms of Reference, in order to commence the process for expressing interest, so that the consultants could present their candidates for the project.</p> <p>On 10 September/13, the IDB published the Expressions of Interest with their respective Terms of Reference for the Consultations on DNFBP's and the FIU Technological Platform, so that the consultants could submit an offer for professional services and forward their CV's no later than 17 September/2013. On 19 September/2013, the IDB informed that it had completed the evaluation of candidates. A 3rd videoconference has been scheduled for 26/September/2013, to discuss the candidates, reach consensus and for the IDB to proceed with the contracting. Tentatively, the contracting of consultants would be carried out during the first week of October/2013</p> <p>On 30/September/13, the 3rd Videoconference was held to review and evaluate, based on the Terms of Reference, the list of consultants nominated for the project. The various alternatives were discussed, pending the verification of the availability of time to commence the project</p> <p>On 02/October/13, the 4th Videoconference was held, during which a decision was taken on the two consultants with whom work will be done in the project. The IDB will carry out the corresponding administrative contracting procedures, in order to officially commence the consultations. In addition, we were notified of the acceptance by the IVE of Guatemala regarding the internship request to learn about the technological development experienced, agreeing that direct communication would be</p>
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				<p>established with Erick Estuardo Ramos Sologaitoa, the Superintendent of Special Verification and Eduardo Antonio Soto Álvarez, the Director of the Prevention and Compliance Department, to determine the dates and details of the internship.</p> <p>On 10/October/13, the Videoconference was held with the IVE of Guatemala, to define the topics of interest that will be covered in the internship, establishing as a possible date, the first week of November. Confirmation of dates pending.</p> <p>On May 02/2013, the Superintendency of the Financial System (SSF) was asked to provide access to the Web ROS (Web STR) Computer System and its database, for the purpose of accessing the suspicious transaction reports submitted by the entities supervised by the SSF, as well as its database, which would allow the generation of intelligence statistics by the FIU. The SSF dispatched user names and access codes for FIU officials on 25 June/2013.</p> <p>On 19 July/2013, the SSF was asked to prepare an information report through the WEBROS (WEBSTR) System, to which the FIU has access, indicating the areas of interest that had to be included in said report, for the generation of statistical intelligence information. On 16/August/13, the SSF informed that it had fulfilled the request, making access available to the FIU and generating said report.</p> <p>As a means of strengthening the knowledge and capabilities of the officials of the Financial Investigation Unit (FIU), it took part in the training offered by the: IMMIGRATION AND CUSTOMS ENFORCEMENT ACADEMY (ICE), HSI INTERNATIONAL DIVISION, through the Embassy of the United States of America in El Salvador, which was developed on 10 July to 09 August, 2013, in CHARLESTON, SOUTH CAROLINA, attended by Mr. José Vaquerano, the Financial Analyst of the FIU.</p> <p>The training consisted of developing a practical case of money laundering, covering all phases, among them: Telephone calls, interviews, surveillance, undercover operations, business raids, raids and seizure at laundering houses, preservation of evidence, court testimony and presentation of judgment. Also addressed were matters related to: Financial crimes, Contraband and human trafficking, as well as cybercrime.</p> <p>PROGRAM FOR CERTIFICATION IN ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM</p> <p>29 August/2013: Coordination efforts began on the proposed Training Program, for the purpose of developing a program for Certification in Anti-Money Laundering and Combating the Financing of Terrorism, with regulatory components based on international standards and national legislation, through which investigators, prosecutors, judges and officials of the financial sector and other reporting entities, will be able to obtain</p>
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				<p>accreditation that would guarantee preparation, knowledge and proper application for compliance with the standards against money laundering and the financing of terrorism. A work team was established, comprising the Salvadorian Banking Association (ABANSA), the Superintendency of the Financial System (SSF), the National Anti-drug Commission (CNA) and the Financial Investigation Unit (FIU)</p> <p>11 September/2013: A request was made to the Executive Secretary of the CICAD, through an official note from the Attorney General of the Republic, to provide technical assistance for the general design of the certification mechanism to be used, training for national instructors and the design of the curriculum for the certification modules, especially regarding the following topics: a) Money laundering typologies through electronic banking and stock operations; b) Financial Analysis and Forensic Auditing; and c) Management and Operating Effectiveness of Financial Investigation or Analysis Units.</p> <p>08 October/2013: Public and private sector officials, together with Mr. Nelson Mena and Dr. John Grajales of the CICAD/OAS, held a meeting to coordinate the certification program, in order to define those who will take part in the formulation of the program and in the profile of the certification project</p> <p>09 October/2013: There was an Exchange of Notes between the OAG and the CICAD/OAS, which formalized the assistance that the CICAD/OAS would provide in the “Program for Certification in Anti-Money Laundering and Combating the Financing of Terrorism”</p>
31. Domestic cooperation	PC	<ul style="list-style-type: none"> • A real public policy has not been implemented in terms of domestic coordination and cooperation. 	<ul style="list-style-type: none"> • Create in the existing inter-institutional groups, formal working agendas that analyse compliance with principles regulated in the Law and in Regulations, studying the degree of operability, implementation and efficacy of the system. • Implement the establishment of the coordination and creation of a real coordination public policy. • Establish second or third level regulations developing instruments or principles in the laws 	<p>CHAPTER IV INTERAGENCY COLLABORATION</p> <p>16.- The State agencies and institutions and especially the Ministry of Finance, the Central Bank, Registry of Property and Mortgages and public inspection agencies shall be required to provide direct access in electronic form or their respective databases and related collaborative research activities and crimes covered by this law, at the request of the FIU in accordance with the provisions of the regulations</p> <p>Art. 17.- The Attorney General's Office may request information from any state agency, autonomous, private, or natural persons for the investigation of money and asset laundering, being obligated to provide the requested information.</p> <p>Art.18.- With the collaboration of the entities mentioned in Article 16 of this Act, the Attorney General's Office will create and maintain a database related to money and assets laundering, which collect information both nationally and internationally. For purposes of greater efficiency, the information that these institutions obtain through research and discovery of money and assets laundering will</p>

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				<p>be shared and, if possible, exchanged with other national and international institutions.</p> <p>Law of Supervision and Regulation of Financial System provides: Collaboration with foreign counterparts and other State institutions Art. 34 .- The Superintendency may act on behalf of foreign supervisory counterparts agencies when they request such actions in the exercise of its functions and when they are subject to rules of cooperation, at least, are comparable to those established by the Salvadoran laws, can sign cooperation documents needed for this purpose. The Superintendency will require the cooperation of such bodies necessary for the performance of their duties.</p> <p>Authorize the Superintendency to request and obtain from other units of public administration and especially the Ministry of Finance, the Superintendent of Corporate Obligations, the Superintendency of Competition, the Consumer Protection, Ministry of Labour and Social Welfare, the ISSS of INPEP National Registry of Natural Persons and the National Records Center, information and data it considers necessary for the performance of their duties.</p> <p>This information will be confidential. When the Superintendency requires any information, the certification shall not be subject to payment of any law. The above institutions and agencies shall promptly provide the Superintendent , with the information it requires and that they possess under the exercise of its powers and functions for which the Superintendent shall convene or establish mechanisms of direct access to the databases of these institutions and agencies</p> <p>They refer to the accompanying statistical data that is including assistance provided by the FIU to different prosecutors</p> <p>On May 17, 2013, through Agreement No. 085, the Attorney General of the Republic approved the Manual of the Financial Investigation Unit for the Prevention of Money Laundering, published in Official Gazette D.O. No. 119, volume 400, dated July 01, (See document in Annex 1). A provision on inter-institutional cooperation was included in the following articles</p> <p>CHAPTER III. Article 8. INTER-INSTITUTIONAL COOPERATION AMONG THE REPORTING ENTITIES REFERRED TO IN ARTICLE 2 OF THE ANTI-MONEY LAUNDERING LAW</p> <p>The current guidelines are geared toward giving support and trust to all reporting entities included in article 2 of the Anti-Money Laundering Law, in the relations maintained among themselves, and is a joint component in the fight against Money Laundering and the Financing of Terrorism.</p>

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				<p>Therefore, all reporting entities will assist in the implementation and optimal execution of the policies necessary to prevent them from becoming legal vehicles for incorporating illegal goods, funds or fees.</p> <p>In that respect, consultation processes may be carried out among them, without diminishing their own principles of confidentiality or those enshrined in the laws. Also, in their business relations, they must be united and must warn other entities if they are perceived as vulnerable or that they represent a risk and indicate the points which, in their opinion, should be reinforced in order to achieve a level of compliance that would generate trust in their actions.</p>
32. Statistics	NC	<ul style="list-style-type: none"> • FIU has not been able to implement information mechanisms that offer obliged subjects periodical reports on statistics, typologies and criminal trends (Section 2.5) • Law enforcement authorities do not have systems to measure results, that allow to effectively analyse AML/CFT systems 	<ul style="list-style-type: none"> • 	<p>On 19 November 2010, the SSF notified by the Attorney General's Office that the FIU as of that date in compliance with the relevant procedures has access to the historical data base of said entity. Note IRC-RR-18959, dated November 19, 2010, signed by the mayor of Hazard Functions conglomerate, Mr. César Augusto Ortiz Saggeth</p> <p>On May 02/2013, the Superintendency of the Financial System (SSF) was asked to provide access to the Web ROS (Web STR) Computer System and its database, for the purpose of accessing the suspicious transaction reports submitted by the entities supervised by the SSF, as well as its database, which would allow the generation of intelligence statistics by the FIU. The SSF dispatched user names and access codes for FIU officials on 25 June/2013.</p> <p>On 19 July/2013, the SSF was asked to prepare an information report through the WEBROS (WEBSTR) System, to which the FIU has access, indicating the areas of interest that had to be included in said report, for the generation of statistical intelligence information. On 16/August/13, the SSF informed that it had fulfilled the request, making access available to the FIU and generating said report.</p> <p>On 03/June/13, steps began with the Inter-American Development Bank (IDB) with a view to joining its project on cooperation and specialized technical support for AML/CFT. The country's request had to be channelled through the Technical Secretariat of the President (STP), thus on 27/June/13, the request to the STP was facilitated so that it could present it to the IDB (received at the STP on 8/July/13).</p> <p>On 15/July/13, steps were taken with the Legal Advisor appointed by the Technical Secretariat of the President to follow-up the CFATF matter, in order to promptly facilitate the request presented by the OAG/FIU.</p>

				<p>On 15/July/13, the STP issued an official request to the IDB, a copy of which was received at the OAG/FIU on 19/July/13</p> <p>On 16/August/13, the Cooperation Project began, through the 1st IDB/FIU Videoconference, to review the work areas, establish needs and define the Work Plan. It was determined that the technical cooperation would focus on the following components:</p> <ol style="list-style-type: none"> 1. Assessment of DNFBP's 2. Proposed regulatory framework, whose format could have two options: (a) An annex suggesting standards that should be developed by the country; or instead, (b) Drafting of the standards proposed 3. <u>Development of information systems (statistics). Will involve steps for coordination with another FIU in order to include an Internship that would allow knowledge, replication and adjustment of computerized systems for El Salvador's FIU (with a higher likelihood than it would be with the IVE of Guatemala).</u> <p>On 27/August/13, the 2nd Videoconference was held to review the Terms of Reference, in order to commence the process for expressing interest, so that the consultants could present their candidates for the project.</p> <p>On 10 September/13, the IDB published the Expressions of Interest with their respective Terms of Reference for the Consultations on DNFBP's and the FIU Technological Platform, so that the consultants could submit an offer for professional services and forward their CV's no later than 17 September/2013. On 19 September/2013, the IDB informed that it had completed the evaluation of candidates. A 3rd videoconference has been scheduled for 26/September/2013, to discuss the candidates, reach consensus and for the IDB to proceed with the contracting. Tentatively, the contracting of consultants would be carried out during the first week of October/2013</p> <p>On 30/September/13, the 3rd Videoconference was held to review and evaluate, based on the Terms of Reference, the list of consultants nominated for the project. The various alternatives were discussed, pending the verification of the availability of time to commence the project</p> <p>On 02/October/13, the 4th Videoconference was held, during which a decision was taken on the two consultants with whom work will be done in the project. The IDB will carry out the corresponding administrative contracting procedures, in order to officially commence the consultations. In addition, we were notified of the acceptance by the IVE of Guatemala regarding the internship request to learn about the technological development experienced, agreeing that direct communication would be established with Erick Estuardo Ramos Sologaistoa, the Superintendent of Special Verification and Eduardo Antonio Soto Álvarez, the Director of the Prevention and Compliance Department, to determine the dates and details of the internship.</p>
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				<p>On 10/October/13, the Videoconference was held with the IVE of Guatemala, to define the topics of interest that will be covered in the internship, establishing as a possible date, the first week of November. Confirmation of dates pending.</p> <p>On 30/September/13, the 3rd Videoconference was held to review and evaluate, based on the Terms of Reference, the list of consultants nominated for the project. The various alternatives were discussed, pending the verification of the availability of time to commence the project</p> <p>On 02/October/13, the 4th Videoconference was held, during which a decision was taken on the two consultants with whom work will be done in the project. The IDB will carry out the corresponding administrative contracting procedures, in order to officially commence the consultations</p>
33. Beneficial legal persons	PC	<ul style="list-style-type: none"> • Low degree of efficacy • Opacity of bearer shares 	<p>Establish network connections so that all public institutions, especially FIU have access to RNC information through data transmission means and consequently develops activities in a more efficient manner.</p> <p>Provide the obligation of updating data of actual holders of the shares in the corporate books, and the registration of such books to be mandatory at the RNC deposit, allowing establishment of beneficial owners of the corporations</p> <ul style="list-style-type: none"> • 	<p>The FIU has initiated a process of implementing access to databases maintained by the CNR through the signing of a cooperation agreement for access to direct, accurate and expeditious information, So far there have been several meetings between the IT departments of each institution CNR / FIU having been approved and finalized the compatibility of the technological resources necessary for that purpose. It should be noted that already these technological tools are being used to achieve its implementation, pending only the signing of the memorandum of cooperation.</p> <ul style="list-style-type: none"> •
39. Extradition	PC	<ul style="list-style-type: none"> • No internal laws that regulate clearly, in detailed and adequate manner the extradition and the procedures thereof • Article 28 of the Constitution could be interpreted as a limitation to extradition when dealing with internationally transcendent (internationally relevant) crimes. • It could not be verified with concrete statistics the application of active extraditions at the request of other countries. 	<p>To transfer to the ordinary legal regime (laws) the constitutional imperative of regulating extradition.</p> <p>To transfer to the ordinary legal regime (laws) procedures for extradition.</p> <p>To clarify active and passive extradition, both of Salvadorian citizens and foreign.</p> <p>To establish simplified procedures for extradition allowing direct transmission of extradition petitions.</p> <p>Study that persons may be extradited over the base only of third country trial or arrest orders.</p>	<p>As has been recognized by the assessment team, in the executive summary paragraph 8 of its report, concluded that: "In the Salvadoran system the principle of Integration of the Act is applied based on this principle under international treaties with other states or international organizations, constitute laws in the Republic of El Salvador. Operators of justice also commonly use this principle to fill apparent gaps in the law caused by technical errors or lack of legislative clarity of some provisions. "</p> <p>In this respect, it is not accurate that in El Salvador it is not clearly regulated the extradition process (active and passive) since as stipulated Article 182 paragraph 3 of the Constitution of the Republic of El Salvador, this corresponds to the Judiciary body through the Supreme Court to grant extradition in accordance with the procedure established by Article 28 of the Constitution.</p> <p>It should be clarified that Article 28 of the Constitution of the Republic, contrary to the statement by the evaluation team cannot be construed as a</p>

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

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SR.IV Report suspicion of FT	PC	<ul style="list-style-type: none"> • Obligation to report is limited to operations of persons mentioned in the lists of the Attorney General’s Office or international entities • The law establishes a limited obligation to report suspicious of FT without considering it a precedent crime of ML • STRs for Non-concluded (attempted) suspicious operations are not required nor reported. 	<ul style="list-style-type: none"> • Extend the reporting obligation to clearly cover suspicions of terrorism financing with legal funds. • Give feedback to reporting entities to improve quality, usefulness and timeliness of STRs. • Review, update and clarify the FIU Instruction, which has not been modified since 2002, in order to incorporate recent international developments in terms AML/CFT and to eliminate ambiguities existing in several of its provisions. 	<ul style="list-style-type: none"> • Through legal reform of May 7 this year (amendment to the CFT Law), there is an obligation for FI to report transactions suspicious of FT in general terms, without any limitation. • It is important to note that in the Salvadoran legal system any criminal activity that produces goods, funds or rights either directly or indirectly is a criminal activity that generates money laundering. See Article 6, paragraph one. (This clarification was made to the assessment team and was inexplicably not taken into account) <i>[Note by the Secretariat: criticism in the report relates specifically to funds other than proceeds of crime]</i> • Pursuant to the provisions of Article 10 paragraph e Roman III of the AML Law, FI's are required to report any relevant information on management of funds, which involves reporting attempted transactions (This clarification was made to the assessment team who considered our arguments valid). <i>[Note by the Secretariat: according to the report there is still a need for an explicit requirement]</i> <p>Under reforms to the Special Law Against Acts of Terrorism by Order No. 342 dated May 7, 2010, published in the Official Gazette No. 100, Volume 387, provides as follows: modify eighth paragraph of Article 37, and merge two new subsections as the ninth and tenth, and consequently the current subsections Ninth and Tenth become Eleventh and Twelfth therefore such amendment and additions shall read as follows: "financial institutions give special and permanent attention to the detection of goods and services and transactions that are suspected or have reasonable grounds to have an unlawful purpose and that they are linked or can be used to finance acts of terrorism, and which must be reported to the Attorney General's Office, through the Financial Investigation Unit no later than three days.</p> <p>This without prejudice to the duty to inform the Financial Investigation Unit of the Attorney General's Office, in the case of persons included in the lists mentioned in the preceding paragraphs. The Financial Investigation Unit will receive and analyse those reports for which they have the power to require information from institutions or any entity or report public or private person, likewise the Financial Investigation Unit may share such information on a national or international level under the parameters of confidentiality and legality, for the discovery of criminal acts. "</p> <p>The 6th Follow-up Report made mention of the carrying out of a feedback activity on Suspicious Transaction Detection and Reports on 14 and 15 May/13, in which there was participation from 97 persons from Banks, Cooperative Banks, Savings and Credit Companies, Remittance Companies, Insurance Companies, Cooperative Associations conducting financial transfers, Pension Fund Administrators, Stock Exchanges, Credit Card Issuers and the</p>

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				<p>Federation of Cooperative Savings and Credit Associations of El Salvador (Federación de Asociaciones Cooperativas de Ahorro y Crédito de El Salvador)</p> <p>On the seventeenth day of May two thousand and thirteen, through Agreement No. 085, the Attorney General of the Republic approved the Manual of the Financial Investigation Unit for the Prevention of Money Laundering, published in Official Gazette D.O. No. 119, volume 400, and dated July 01, 2013 (See document in Annex 1). A clarification was included to cover the suspicion of the Financing of Terrorism in the following articles:</p> <p>CHAPTER III. Article 9 “Special Provision. Institutions must report as Suspicious or Irregular Operations or Transactions to the Financial Investigation Unit (FIU) of the Office of the Attorney General of the Republic and to the competent Supervisory Body, those clients or users who have evidence or knowledge by any means, that they are directly or indirectly linked or related to any of the illegal activities referred to in article 6 of the Anti-Money Laundering Law, and particularly to Acts of Terrorism at the local level or of international importance. Toward that end, an analysis must be performed on the Client or User, the operation that is the subject of the report, including: the products presented with the entity, as well as the operations or transactions carried out, regardless of their number. The report shall proceed on the condition that the supporting evidence established in Art. 12 of the Regulations of the Anti-Money Laundering Law are involved. In addition, the Institutions must notify the FIU in advance, of the decision to close or cancel commercial relations or accounts of those clients, of those who are presumed to be directly or indirectly linked or related to the offences mentioned in the preceding paragraph, so that the FIU could intervene in a timely fashion, thereby avoiding the loss of evidence and the impossibility of preventive measures being imposed and/or criminal action taken by the Public Ministry”</p>
SR.V International Cooperation	PC	<ul style="list-style-type: none"> • Lack or no real implementation of measures established to cooperate internationally in terms of FT. • The same deficiencies with respect to R.36 and 39 affect compliance with RE.V with respect to extraditions and other forms of cooperation: low implementation of measures to cooperate internationally; lack of 	<ul style="list-style-type: none"> • To transfer to the ordinary legal regime (laws) the constitutional imperative of regulating extradition. • To transfer to the ordinary legal regime (laws) procedures for extradition. • To clarify active and passive extradition, both of Salvadorian citizens and foreign. • To establish simplified procedures for extradition allowing direct transmission of extradition petitions. 	<ul style="list-style-type: none"> • With regards to the legal limitations identified in the mutual evaluation, which resulted in the suspension of the FIU’s membership by the Egmont Group, they were fully corrected by Decree No. 342 issued by the Legislative Assembly. <p>On July 14, 2010 the President of the Egmont Group, Mr. Boudewijn Verhelst, officially notified the Financial Investigation Unit’s full restitution of our status as an active member of the Egmont Group. This took effect immediately and rehabilitated our access to the Egmont Group’s secure network for sharing financial information with other intelligence units worldwide.</p>

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		<p>laws and procedures that clearly regulate extradition; absence of statistics about practical implementation</p>	<ul style="list-style-type: none"> • Study that persons may be extradited over the base only of third country trial or arrest orders. • Study simplified extradition procedures for persons that given consent to suspend formal extradition procedures 	<p>As has been recognized by the assessment team, in the executive summary paragraph 8 of its report, concluded that: "In the Salvadoran system the principle of integration of the Law is applied. Based on this principle, international treaties according to legislation with other states or international organizations are laws in the Republic of El Salvador. Operators of justice also commonly use this principle to fill apparent gaps in the law caused by technical errors or lack of legislative clarity of some provisions. "</p> <p>In this respect, it is true that in El Salvador is not clearly regulated the extradition process (active and passive) and that as stipulated in Article 182 paragraph 3 of the Constitution of the Republic of El Salvador, corresponds to Judiciary body by the Supreme Court to grant extradition in accordance with the procedure established by Article 28 of the Constitution.</p> <p>It should be clarified that Article 28 of the constitution of the Republic, contrary to the statement by the assessment team, cannot be interpreted as limiting the extradition in the case of crimes of international concern, two strong and specific reasons::</p> <p>1.- - the Salvadoran penal code regulates the principle of universality, Article 10 which states: "It will also apply Salvadoran criminal law to crimes committed by anyone in a place not subject to Salvadoran jurisdiction, provided that they affect property protected internationally by specific agreements or international law or involves a serious impairment to universally recognized human rights"</p> <p>The statute empowers the Salvadoran government to apply criminal law to crimes committed by anyone, even in a place not subject to its jurisdiction, provided that they affect property protected internationally or with severe impairment involving the internationally recognized human rights.</p> <p>2. The correct interpretation of Article 28 of the Constitution of the Republic is in the sense that those crimes of international significance, not only may require the extradition of the responsible authorities of the countries where the crime was committed, but because they are legally protected internationally, of any country, as elaborated in Article 10 of the penal code.</p> <p>Article 28 of our Constitution states quite the opposite, namely: "El Salvador grants asylum to foreigners who wish to reside in its territory except as provided by law and International Law. It may not be included in exceptional cases to persons persecuted for political reasons only.</p> <p>Extradition shall be regulated according to International Treaties and in the case of Salvadorans, only proceed if the relevant treaty is expressly established and approved by the Legislature of the signatory countries. In any case, its provisions should enshrine the principle of reciprocity and grant Salvadorans all criminal and procedural guarantees established by this Constitution.</p>

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				<p>The extradition will proceed when the offense was committed within the territorial jurisdiction of the requesting country, except in the case of crimes of international significance, and may not be stipulated in any case for political crimes, but in consequence of these ordinary offenses. Ratification of Extradition Treaties require two-thirds vote of the elected deputies</p> <p>Having analysed the recommendation and the essential criteria, with due respect we consider that this issue was addressed improperly since what is required by the recommendation does not correspond to the factors supporting the rating, or that the conclusions issued are equivocal with a different standard than that required by the recommendation and enshrined in international law.</p>
SR.VI	NC	<ul style="list-style-type: none"> • There is no system that requires persons that accomplish asset transmission activities, to obtain a registration or authorization for the accomplishment of such activities. • There are no authorities legally empowered to regulate and supervise above mentioned persons in terms of ML and FT prevention. • The obligations foreseen in AML law and Regulation for this type of business have the same deficiencies identified in Section 4 of this report with respect to other financial institutions. • The Law does not foresee penalties for noncompliance applicable to transfer service providers 	<ul style="list-style-type: none"> • Appoint competent authorities in order for them to develop the registration and/or granting of the license to individuals and legal persons that provide securities or money transfer services, which shall maintain updated list with data of operators of this type of service, being further responsible to ensure compliance with the requirements established for the registration or granting of the license, as applicable. • Establish in the Law the obligation for the providers of these type of services to abide by FATF Recommendations. • Establish systems that allow authorities to accomplish an adequate monitoring of fund transfer service providers. • Establish in the Law the obligation that operators of these services have an updated list of agents with which they cooperate that shall be available to the financial authorities determined. 	<p>Proposal has been made to reform the Law on Supervision and Regulation of the Financial System in the sense to add an article seven, which would be as follows: Subparagraph "t": "Just as every person or company who carries out, on behalf or on behalf of another person or entity, operations of transfer of funds or assets, primarily or essentially, on regular or periodic basis, or in addition to other activities, and other entities as established by law "</p> <p>On May 17, 2013, through Agreement No. 085, the Attorney General of the Republic approved the Manual of the Financial Investigation Unit for the Prevention of Money Laundering, published in Official Gazette D.O. No. 119, volume 400, and dated July 01, 2013 (See document in Annex 1). A provision on money transfer services was included in the following articles</p> <p><u>CHAPTER IV. Article 10.</u> Multiple Operations - Cash Transactions: Correspond with those daily cash transactions less than ₡500,000.00 or its equivalent in foreign currency, which are conducted at one or several offices, during one month calculated as provided for in article 3, sub-paragraph 2 of the Regulations of the Anti-Money Laundering Law, for the benefit of the same person, but whose total exceeds that amount.</p> <p>The Systems Department of each institution will generate by client, at the close of each calendar month, a printed or electronic list, for branches or agencies and a copy for the Compliance Office.</p> <p>The Database generated must also be dispatched electronically to the FIU and to the Inspection Bodies during the first five working days of every month, in the format deemed necessary by the FIU.</p> <p>The Systems Department of those institutions that provide the Money Transfer and Family Remittance services or other Electronic Means of</p>

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				<p>Payment, a Database of the Money Transfer operations (Remittances/Payments) and Family Remittances (Remittances and Payments), for accumulated amounts equal to or higher than €500,000.00 or its equivalent in foreign currency, within one calendar month, whether transfers/remittances sent or received; Each institution will also be responsible for being Diligent when verifying clients or users who stay below said amount, in the operations involving Transfers and Family Remittances or other Electronic Means of Payment, and must monitor such operations in order to prevent money laundering and the financing of terrorism. The Fields that constitute the aforementioned Database will be communicated by the FIU.</p> <p>In addition, the databases on Money Transfers and Family Remittances or other Electronic Means of Payment, must be made available to the FIU and to the Supervisory Bodies and must be forwarded to them, within the five working days of each month, in the electronic format deemed necessary by the FIU.</p> <p>Based on the review and analysis of this list, the agencies will be in a position to determine those clients who usually, in conducting their business, during the month, do not handle this sum of money. The operations carried out by said Clients must be reported to the Compliance Office as an irregular or suspicious operation in the respective format and duly documented.</p> <p>To control these operations, it will not be necessary to complete the form F-UIF01, without affecting the obligation to report them as irregular or suspicious when there is sufficient supporting evidence.”</p>
SR. VII	PC	<ul style="list-style-type: none"> Remittance entities are not subject to supervision or registration on behalf of financial authorities, which prevents authorities from being aware of adequate compliance with the recommendation 	<ul style="list-style-type: none"> Expressly enforce remittance entities to gather adequate and significant information with respect to transfer orders, as well as to accomplish a detailed examination and control of funds transfers related with suspicious activities in consequence with RE.VII and modify SFF instructions on wire transfers in order to meet all RE requirements. 	<p>Proposal has been made to reform the Law on Supervision and Regulation of the Financial System in the sense of adding a subparagraph to article seven, which would be as follows: Subparagraph "t": "Just as every person or company the conducts, on behalf or on behalf of another person or entity, operations of transfer of funds or assets, primarily or essentially, on a regular or periodic basis, or in addition to other activities, and other entities indicated by law</p> <p>In the new proposed reforms entitled Technical standards to manage the risks of money laundering and asset and terrorist financing it has been proposed through the standards committee of Central Reserve Bank on this recommendation as follows :</p> <p>Risk factors for ML / FT Art. 15.- Institutions should establish methodologies to segment risk factors and identify forms and typologies through which this risk could be presented, the main risk generating agents ML / FT, including: customers , products, services, distribution channels, and location or geographic location, which can be divided into segments and variables, such as</p>

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				<p>e) For purposes of determining the risk of customer it must be considered, among others, factors such as:</p> <ul style="list-style-type: none"> • Frequent movements and / or unexplained accounts to different people. • Frequent movements and / or unexplained funds between people of different geographic locations. • Manufacturers, arms traffickers and intermediaries. • Embassies and Consulates of other countries. • Companies of securities transfer. • Customers whom the entity determines to be Politically Exposed Persons (PEPs) • Accounts held by third parties (e.g., accountants, lawyers or other professionals) for their clients, which does not disclose the identity of the end user to the bank. In addition, customer accounts presented by such third parties may incur higher risk cases if the financial institution makes unreasonable use of "know your customer" and enhanced due diligence. • Lists issued by international bodies indicating individuals suspected of criminal activity. <p>f) For purposes of determining the risk of products and services it should be considered, among others, factors such as:</p> <ul style="list-style-type: none"> • International correspondent banking services involving international transactions such as payments to people who are not regular customers (e.g. acting as intermediary bank) and package delivery activities. • Services involving the marketing and delivery of checks and precious metals • Services inherently providing more anonymity or can easily cross borders, such as: <ul style="list-style-type: none"> ✓ Online Banking ✓ International transfers, ✓ Private investment firms, ✓ Trusts. • Wire transfers • Innovative Products, • Safety Boxes, • Stock market transactions on behalf of clients, • International Operations (forex trading, trading desk) • Purchase of monetary instruments <p>c) Among the distribution channels that may pose a greater risk are:</p> <ul style="list-style-type: none"> • Use of intermediaries or sub-agents, • ATMs • Electronic Banking • Kiosks • Regional Banking

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				<ul style="list-style-type: none"> • Mobile Banking (cell phone use). <p>However, approval is yet to be received from the Central Reserve Bank regarding the amendments proposed entitled Technical Standards for managing the risks of money and asset laundering and the financing of terrorism. Together, ABANSA, the SSF and the FIU have continued their efforts pertaining to the issue of Remittance Companies. Toward that end, work is underway to design a “Draft Standard for Remittance Companies”, an ad-hoc standard on the operations of said companies that would specifically and clearly outline the proper and important obligations to facilitate its application and control.</p> <p>This proposal is being analysed, reviewed and observed jointly by ABANSA, the SSF and the FIU. It should be pointed out that granting authorization to the competent authority, over certain amendments and/or improvements in the Regulation of the Law, the FIU Manual and other standards, is in some way subject to the approval by the Honourable Legislative Assembly of the proposals to amend the Law; however, efforts are being undertaken proactively in the framework of the amendment proposal presented, in such a manner that it would contain plans or proposals developed to promote advancement in the area.</p> <p>The Central Reserve Bank (BCR) reported on 8/July/13 through the Department for Financial System Standards that the draft "Technical Standards on Money Laundering and Financing of Terrorism Risk Management" prepared by the SSF and forwarded to the BCR on 22/Nov/2012, sent for review on 10/Dec/2012, to the Technical Assistance Office (TAO) of the Treasury of the United States, to the Advisor Carol Mesheske, whose observations were received on 13/Jun/2013, was still under review by the Legal Department of the BCR. On 12/September/13, the BCR updated the status of the draft, reporting that it was reviewed by the Legal Department on the powers of the Standards Committee on the matter, and under technical review by the Department for Financial System Standards; and also that on 23 August/13, the SSF dispatched a new version of the draft Standards incorporating the observations of the Office of the Treasury of the United States (TAO), the sixth CFATF report and the new FIU Manual, which was the subject of technical legal review. The BCR has defined an estimated schedule for developing the phases of the process pending approval, as follows:</p> <ol style="list-style-type: none"> 1) Meeting of the joint BCR-SSF team to reach consensus on the draft (23-27 Sep) 2) Public consultation with the industry (27 Sep - 11 Oct) 3) Analysis of comments of the joint BCR-SSF team (14 -18 Oct) 4) Receipt of the position of the SSF executive committee (21 - 23 Oct) 5) Approval by the BCR through its Standards Committee (25 Oct)

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SR. VIII	PC	<ul style="list-style-type: none"> • There is no revision of the sectorial normative regulation to prevent the use of NPO in the financing of terrorism. Criterion VIII.1 • No evaluations take place analysing vulnerabilities of the NPO sectors with risk of FT. Criterion VIII.2 • The risks of use in the financing of terrorism are not communicated to the sector • There are no adequate mechanisms to sanction violations of NPO regulations. Criterion VIII.3.2 	<ul style="list-style-type: none"> • Review suitability of regulations of non-profit entities concerning regulation for the prevention of the misuse of these entities in relation with risk related with money laundering of financing of terrorism. • Implement exchange of information referring to NPOs. • Accomplish periodic evaluations analysing possible risk vulnerabilities for financing of terrorism. • Accomplish comparative monitoring or relational ratios with homologous international sectors. • Communicate to non-profit entities sector the risk or vulnerability of the sector's abuse for money laundering and financing of terrorism. • Establish and regulate a supervising entity of NPOs. 	<p>It has been proposed reform of the Law of Non-Profit Associations and Foundations Non-Profit in the following sense:</p> <p>Article 58-A. Registration Procedure Any association or non-profit organization that wishes to collect, or receive, grant or transfer funds, must be included in the registration of associations of non-profit organizations. The initial application for registration must include the name, surname, address and telephone number of all persons who have been entrusted duties relating to operations of the association, especially the president, the vice president, the secretary general, board member and treasurer, as appropriate. Any change in the identity of those responsible must be notified to the authority responsible for maintaining the registration. (Ministry of Interior).</p> <p>Article 39-A. Donations. Any donation made to an association or organization covered by this law, regardless the amount must be included on a register maintained for this purpose by the association or organization, which shall include full details of the donor, the date, the characteristics and the amount of the donation</p> <p>The record shall be maintained for a period of not less than five years and made available upon request by any competent authority to supervise non-profit organizations and, when requested, the tax authorities or court charged with a criminal investigation.</p> <p>When the donor wishes to remain anonymous, the registry identification may be omitted, but the association or other organization shall be obliged to disclose his identity to the authorities responsible for criminal investigation, if they so request.</p> <p>Non-profit associations and organizations are required to deposit in one or more bank accounts established in authorized banking institutions, all sums of money they give as gift or in the context of transactions to be conducted.</p> <p>Article 40-A Mandatory Declarations. Any donation in cash in an amount equal to or exceeding ten thousand dollars of the United States of America shall be submitted within three days of a statement or report, to be registered with the Financial Investigation Unit, who will design the respective form used for that purpose. Any donation is also subject to the filing of a statement to the Financial Investigation Unit when it is suspected that funds have been or may be linked to the commission of crimes.</p> <p>Art. 40 subparagraph 4°. Non-profit associations and organizations are required to present its corresponding financial statements of the preceding year, duly accredited, to</p>

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				<p>the Ministry of Interior, within a timeframe of three months as of the date of closure off the fiscal year.</p> <p>Article 83-A. Prohibited Associations. Without prejudice to the prosecution, the Minister of the Interior may, by administrative decision, subject to appropriate sanction procedure, order temporarily prohibiting of operations or dissolution of non-profit associations and foundations, with full knowledge of the facts, to encourage, promote, organize or engage in criminal acts</p> <p>Art 42. Control of the State. Current provision: "The associations and foundations will also be audited by the Ministry of Finance and the Court of Auditors of the Republic, according to their competence."</p>
SR. IX	PC	<ul style="list-style-type: none"> • There is no output report system for cross-border transportation of Money or bearer negotiable instruments. • There is no adequate revision system for passengers. • PNC and FIU do not accomplish analysis of the relevant travelling forms • Customs authorities do not have adequate training and feedback of typologies by FIU. • No sanctions foreseen for any type of noncompliance with obligation to declare (except the offender is condemned with the ML crime). 	<p>Review suitability of regulations of non-profit entities concerning regulation for the prevention of the misuse of these entities in relation with risk related with money laundering of financing of terrorism.</p> <p>Implement exchange of information referring to NPOs.</p> <p>Accomplish periodic evaluations analysing possible risk vulnerabilities for financing of terrorism.</p> <p>Accomplish comparative monitoring or relational ratios with homologous international sectors.</p> <p>Communicate to non-profit entities sector the risk or vulnerability of the sector's abuse for money laundering and financing of terrorism.</p> <p>Establish and regulate a supervision entity for NPOs.</p> <ul style="list-style-type: none"> • 	<p>Proposal has been made to reform the ML law to make it mandatory to declare money, securities in bearer form, at the moment of departure from the country, therefore:</p> <p>Any person entering or leaving the territory of the Republic by any means, regardless of nationality, must declare notes, drafts, personal checks or others, domestic or foreign currency or securities, bearer negotiable instruments in the amount of ten thousand dollars or more or the equivalent in another currency, otherwise will be required to explain such circumstances by way of affidavit.</p> <p>The last of the considerations that support the rating, is false, since the law contains penalties for ML if persons fail to, give false or misleading statement about money, as established in Articles 20 and 21 of the Act , which states the following:</p> <p>Article 20. - It is reasonable view of the Attorney General of the Republic in accordance with relevant regulations, the verification of the veracity of the statements. The misrepresentation, omission or inaccuracy of the statement will result in the retention of valuables and the promotion of appropriate criminal action under this law.</p> <p>Art. 21. - If within thirty days of retention, it is not conclusively demonstrated the legality of their origin, money and securities held shall be confiscated. If it is established that the legality of the source, those responsible for the misrepresentation, omission or inaccuracy incur a penalty of five percent of the total amount of retained value, which will be paid to the corresponding collector of the Ministry of Finance.</p> <p>In the case of confiscation, the customs authority shall forward the securities withheld at the Attorney General's Office within eight hours of retention.</p> <p>Most of the factors supporting the rating and recommended actions made</p>

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				<p>by the evaluation team, are not adjusted to the criteria required by Special Recommendation IX. For better understanding we have highlighted in red.</p> <p>The recommendation states: "IX. Cash couriers Countries should have measures to detect physical cross-border transportation of cash and bearer negotiable instruments, including a declaration system or other disclosure obligation. Countries should ensure that their competent authorities have the legal authority to stop or restrain cash and bearer negotiable instruments suspected of being related to terrorist financing or money laundering, or that are falsely declared or disclosed.</p> <p>Countries should ensure that effective, proportionate and dissuasive sanctions are available to be applied to people who make false declaration or disclosure. In those cases where the cash or bearer negotiable instruments are related to terrorist financing or money laundering, countries should also take measures, including legislative ones consistent with Recommendation 3 and Special Recommendation III, which will enable confiscation of such currency or instruments. "</p> <p>Note: Training and feedback are required by Recommendation 30 and should not be addressed in this special recommendation. Otherwise it would be double jeopardy for our country.</p>