



Ninth Follow-up Report

El Salvador November, 2014

© 2014 CFATF. All rights reserved.

This document shall not be reproduced or translated without prior written authorization. Requests for authorization to distribute, reproduce or translate all or part of this document must be addressed to the CFATF Secretariat at CFATF@cfatf.org

I.**MUTUAL EVALUATION REPORT OF EL SALVADOR - NINTH FOLLOW-UP REPORT:
UPDATE AND COMPLETE ANALYSIS****Secretariat Note****I. INTRODUCTION**

1. The Mutual Evaluation Report (MER) of El Salvador corresponding with the 3rd Round was adopted in September 2010 through the Round Robin process. At the same time, El Salvador was placed in expedited follow-up. It reported once again to the Plenary in December 2010 (first follow-up report), May and November 2011 (second and third follow-up reports respectively), May 2012 (fourth follow-up report). During the Plenary Meeting convened in Venezuela in November 2012, it was decided that El Salvador would move to regular expedited follow-up. The country reported again in January, May and November 2013 (fifth, sixth and seventh follow-up reports respectively), May 2014 (eighth follow-up report). During this Plenary, it was decided that El Salvador would be removed from Regular Expedited Follow-up and transferred to Regular Follow-up.
2. This report is based on the Mutual Evaluation Procedures of the Caribbean Financial Action Task Force (CFATF)¹, regarding removal from the follow-up process. It is also based on the decision of the Plenary² during which it was decided that the member countries achieving the level equivalent to Compliant (C) or Largely Compliant (LC) in the Core³ and Key⁴ Recommendations that were rated as Partially Compliant (PC) or Non-Compliant (NC) in the MER or the same level in all the other Recommendations, may apply for removal from the follow-up process.
3. In that respect, El Salvador presented the application for removal from the follow-up process and transfer to biennial updates on June 19, 2014, accompanied by a complete report that included the relevant regulations and documentation concerning the Core, Key Recommendations and other Recommendations, for evaluation by the Secretariat and distribution to Members.
4. As indicated in the Mutual Evaluation Procedures of the CFATF, El Salvador provided all the information and documentation necessary for its progress to be evaluated. The Secretariat prepared the detailed analysis of the progress made in the Core and Key Recommendations rated as PC or NC in the MER. In order for a country to be removed from the regular follow-up process, the CFATF Plenary must evaluate whether or not the

¹ Paragraphs 67 and 68. Procedures approved on May 2, 2007 and their amendments

² XXXIX Plenary of the CFATF convened in May 2014, Miami, Florida, United States of America

³ According to the Methodology for Evaluating Compliance with the FATF 40 Recommendations and 9 Special Recommendations, the Core Recommendations are: 1, 5, 10, 13, SR II, SR IV

⁴ The Key Recommendations are: 3, 4, 23, 26, 35, 36, 40, SR I, SR III, SRV

country has taken significant measures, has an effective AML/CTF system in force, under which it has implemented the Core and Key Recommendations at a level equivalent essentially to a rating of C or LC, taking into account that there would be no other rating assignment.

5. The report is based on the analysis of the actions taken by El Salvador regarding the Core and Key Recommendations rated as PC since none of said Recommendations was rated as NC. El Salvador was given the rating of PC in two (2) of the six (6) Core Recommendations and in three (3) of the ten (10) Key Recommendations of the FATF, as observed in the following table.

Core Recommendations rated as Partially Compliant (PC)
R5 (Customer Due Diligence)
SRIV (Suspicious Transaction Reports on Terrorist Financing)
Key Recommendations rated as Partially Compliant (PC)
R23 (Regulation, Supervision and Monitoring)
R26 (Financial Investigation Unit)
SR V (International Cooperation)

6. This report will also analyze the main laws, regulations and other actions taken to verify the technical compliance of Salvadorian legislation with FATF standards. In evaluating whether or not sufficient progress has been made in implementing the Recommendations, the effectiveness is assessed based on the documentary review and primarily on the information provided by the country. It is also important to note that the conclusions of this report do not prejudice the results of future evaluations, since they are based on information that has not been verified through a process of “in situ” visits and has not been examined with the thoroughness and scope as is the case during an evaluation process.

II. MAIN CONCLUSIONS AND RECOMMENDATIONS TO THE PLENARY

CORE RECOMMENDATIONS

Recommendation 5:

7. The Amendments to the Anti-Money Laundering Law overcame the shortcomings identified in the MER. El Salvador strengthened the regimen of the system of remittances, subjecting them to all the obligations established under the AML law and created a specific draft law that broadens the regulations governing remittances. The amendments prohibit the anonymity of accounts and the conducting of transactions in the face of doubts concerning the suitability of customer identification. In the area of risk, El Salvador commenced the NRA and issued the “Technical Rules for Risk Management”, to assist FI’s in the management of same; it updated the Guidelines of the Financial Investigation Unit for Money Laundering Prevention, which resolved the shortcomings and broadened the legal obligations pertaining to CDD measures, STR’s, suspicious transaction reports, record filing and keeping, among others. With the amendment and

issuing of ML/TF prevention laws and regulations, as well as the measures taken by the FIU and other authorities, El Salvador adequately addressed the shortcomings of R5 and its compliance reached the level comparable with at least LC.

Special Recommendation IV:

8. El Salvador included in the Amendment to the Special Law Against Acts of Terrorism, the obligation to report suspicious transactions related to terrorist acts or organizations, organized crime, drug trafficking and its variations, as well as the obligation to report attempted TF. Said Amendment is under parliamentary discussion so that the corresponding Report could be issued. Reporting Entities currently receive feedback on the quality and usefulness of STR's. With the amendment proposed and the feedback actions taken by the FIU, El Salvador adequately addressed the shortcomings of SR IV and its compliance reached the level comparable with at least LC.

KEY RECOMMENDATIONS

Recommendation 23:

9. The Superintendency of the Financial System adopted the General Framework for the Supervision of the Financial System and implemented with it, risk-based supervision methods, in a preventive fashion. The Regulations Committee for the issuing of rules governing the financial system was created and the supervisory body for all Entities Subject to the Law was defined. The number of Memorandums of Understanding to boost cross-border supervision was increased and training for the insurance sector intensified. With the amendment and issuing of laws and regulations on ML/TF prevention and the measures taken by the FIU, the SSF and the Central Bank, El Salvador adequately addressed the shortcomings of R23 and its compliance reached the level comparable with at least LC.

Recommendation 26:

10. The amendment to the AML Law confined the dispatching of STR's to the FIU alone, Compliance Officers of FI's were certified in collaboration with the OAS to provide feedback to Entities Subject to the Law and the FIU was bolstered with human and technological resources. In that regard, processes, profiles, functions and financial budgets were adopted and the "WEB Service" system implemented as a technological tool. With the amendment to the law and the measures taken by the FIU, El Salvador adequately addressed the shortcomings of R26 and its compliance reached the level comparable with at least LC.

Special Recommendation V:

11. El Salvador has legal mechanisms as well as the administrative structure to carry out extraditions. With the legal instruments and the carrying out of extraditions by the

competent authorities, El Salvador adequately addressed the shortcomings of R26 and its compliance reached the level comparable with at least LC.

OTHER RECOMMENDATIONS

12. El Salvador presented advancements in other Recommendations rated in the MER as PC or NC, mainly in the aspects pertaining to Politically Exposed Persons (PEP's), new technologies, Designated Non-Financial Businesses and Professions (DNFBP's), the issuing of guidelines and feedback, domestic cooperation and statistics among others. This report does not provide a detailed analysis of said Recommendations, however, its analysis may refer to previous Follow-up Reports.

CONCLUSIONS

13. El Salvador adequately addressed the shortcomings identified in the MER for Core Recommendation 5 and Special Recommendation IV and Key Recommendations 23 and 26 and Special Recommendation V, achieving the level of compliance comparable with at least LC. Based on the foregoing, the country completely resolved all shortcomings, thus, it is recommended to the Plenary that El Salvador should be allowed to leave the Third Round follow-up process.

III. GENERAL OVERVIEW OF THE ADVANCEMENTS MADE BY EL SALVADOR

SUMMARY OF MAIN CHANGES SINCE THE APPROVAL OF THE MER

14. Since the approval of the MER, El Salvador strengthened its legal and institutional framework for ML/TF prevention, which includes amendments to or the issuing of laws and regulations toward compliance with FATF standards. The advancements focused on measures pertaining to Customer Due Diligence, ML/TF risk management, feedback for Financial Institutions (FI's), Supervision of the Financial System, expansion of Law Enforcement Entities incorporating remittances and DNFBP's, functioning of the FIU, implementation of technological platforms; advancements whose details will be provided during the course of this report.

LEGAL AND REGULATORY FRAMEWORK

15. Since the approval of the MER, the Legislative Assembly of El Salvador approved Decrees No. 568, 749, 774 and 777, which contain various Amendments to the Anti-Money Laundering Law, as well as Decrees No. 342 and 399, which contain Amendments to the Special Law Against Acts of Terrorism. It also updated the regulations contained in the Guidelines of the Financial Investigation Unit for Money Laundering Prevention and issued Technical Rules for Money Laundering and Terrorist Financing Risk Management. The legal framework continues to be constantly strengthened with Amendments to the Special Law Against Acts of Terrorism, the Law on Financial Supervision of Closed Savings and Credit Cooperatives, the Law on Non-Profit Associations and Foundations, the Law for remittances and updates to the FIU Guidelines; amendments that will be approved in the near future.

IV. DETAILED ANALYSIS OF COMPLIANCE WITH THE CORE RECOMMENDATIONS

RECOMMENDATION 5 –PC-

16. R5 (Shortcoming 1): Conduct a Country Risk study related to ML-TF to determine the areas of risk that require more attention as well as the regulatory and control needs according to the vulnerabilities encountered for each type of regulated entity.
17. El Salvador adopted the World Bank tool for preparing the National Risk Assessment (NRA) and held the first workshop in which there was participation from all the areas necessary to assess threats, vulnerabilities and mitigators of risk. The draft report will be presented in December 2014 and the process is expected to be completed during the first half of 2015. This shortcoming was resolved significantly.
18. **R5 (Shortcoming 2):** Revise the threshold of US\$57,142.86 outlined in the Law, to control cash transactions.
19. Decree No. 568 changed the threshold of US\$57,142.86 to control cash transactions and established the obligation to Inform the FIU of cash or other transactions, individual or multiple, on the same day, which exceed Ten Thousand United States Dollars (US\$10,000.00) or its equivalent in any foreign currency. Legal Basis: Art. 9 paragraph 1. This shortcoming was adequately resolved.
20. **R5 (Shortcoming 3):** Revise the FIU Guidelines so as to expand their scope, simplify the structure and increase their clarity and consistency.
21. Agreement No. 85 of the Attorney General of the Republic amended the Guidelines of the Financial Investigation Unit for Money Laundering prevention, which incorporate measures of Due Diligence in Customer Identification and Knowledge, specific rules, customer openness procedures, measures for interinstitutional cooperation among reporting entities, measures to be taken for Suspicious or Irregular Transactions, reporting procedure, Transaction Report, Record filing and keeping, Training and dissemination, regulations for the Compliance Officer, measures for the Compliance Officer, reservation and confidentiality of information, knowledge of employees and penalties. This shortcoming was adequately resolved.
22. **R5 (Shortcoming 4):** Review and as the case may be, establish regulatory powers in the area of ML-TF for Supervisory entities responsible for controlling the entities regulated by the AML Law.

23. The Law on the Supervision and Regulation of the Financial System (LSRFS), in its Art. 99, confers regulatory powers on the Central Bank, establishing it as the institution responsible for approving the technical regulatory framework that must be created in accordance with the LSRFS and other laws that regulate those being supervised, in fulfilling its responsibility to ensure a suitable prudential macro-regulatory framework. In this context, the BCR issued the “Technical Rules for Money Laundering and Terrorist Financing Risk Management”, whose purpose is to provide minimum guidelines for proper money laundering and terrorist financing risk management, so that the entities involved in the financial system could prevent and detect irregular or suspicious transactions related to such risk. The Law on the Supervision and Regulation of the Financial System, in its Articles 4, 5 and 6, also establishes the powers of the SSF as the supervisory entity. It is also indicated that in the Draft “Law for the Authorization and Functioning of Persons or Legal Entities that Make Systematic Fund Transfers, Send and Receive Packages and Remittances”, consideration is given to aspects concerning supervision corresponding with the SSF, namely reviewing, verifying, controlling, monitoring and inspecting remittance companies in accordance with the powers and duties established in same and in the Law on the supervision and regulation of the financial system. This shortcoming was adequately resolved.
24. **R5 (Shortcoming 5):** Issue regulations pertaining to proper risk management, placing special attention on the specific needs of each sector.
25. On November 14, 2013, the Regulations Committee of the Central Reserve Bank (Banco Central de Reserva) of El Salvador approved the Technical Rules for Money Laundering and Terrorist Financing Risk Management, which came into effect from December 1 of the same year. Said rules establish general definitions, the functions and powers of the persons involved, risk management, due diligence, monitoring and guidelines for information on PEP’s. This shortcoming was adequately resolved.
26. **R5 (Shortcoming 6):** Revise the scope of application of AML/CTF requirements for remittance companies to ensure that they include concrete obligations in their field that are consistent with AML/CTF provisions.
27. The scope of application of the AML/CTF requirements for remittance companies was revised and “The institutions and persons that make systematic or substantial fund transfers, including pawnshops, telephone operators and others that grant loans” were regulated as Entities Subject to the Law. In this respect, remittance companies are obligated to comply with all AML/CTF provisions. Legal Basis: Decree No. 568, Art. 2, 9. This shortcoming was adequately resolved.

28. **R5 (Shortcoming 7):** EC 5.1 Determine the real existence of coded accounts and as the case may be, consider them as risky products that require greater control, restricting the use of said numbered and coded accounts to certain institutions and circumstances.
29. Art. 11 and Art. 10 a) and 13 a), b), c) of Decree No. 568 stipulate that institutions must keep nominative records of their users. Said Articles also prohibit the maintenance of anonymous accounts or accounts in which there are incorrect or fictitious names. Additionally, Legislative Decree No. 749 amended article 11, which provides that reporting entities must keep nominative records of their users and shall not maintain anonymous accounts or accounts in which there are incorrect or fictitious names. This shortcoming was adequately resolved.
30. **R5 (Shortcoming 8):** EC 5.2 Increase clarity and raise the consistency of the guideline that stipulates the threshold of five thousand colons or USD\$500.00 for customer identification.
31. The amendments to the Anti-Money Laundering Law modified Art. 10 a) of Decree No. 568 that currently provides that institutions shall be obligated to reliably identify, and with due diligence, all users that require their services and the legal entities on whose behalf they are acting. Said regulation is complemented by what is established in Art. 7 of the FIU Guidelines, which involves recording the identification data on the receipt corresponding with transactions that amount to or exceed US\$571.43. This shortcoming was adequately resolved.
32. **R5 (Shortcoming 9):** Bureaus de Change and money transfer or remittance centers, whichever has fixed business relations, must be required to identify and carry out CDD, regardless of the value of the transactions of their customers, in addition to which, the control threshold of US\$57,142.86 for reporting to the FIU must be extended.
33. Arts. 2 3) and 9-A paragraph 2, both of Decree No. 568 were amended. Art.1 resolved this shortcoming by regulating the Bureaus de Change as reporting entities, while Art.2 resolved the shortcoming by establishing the obligation to present STR's to the FIU without the value of the transactions being relevant for presenting STR's to the FIU. This shortcoming was adequately resolved.
34. **R5 (Shortcoming 10):** Outline in the FIU Guidelines and all provisions issued with respect to ML-TF, requirements that are clear and which specify CDD for the establishment of business relations and for the conduct of occasional customers, taking into consideration the need to have reasonable indicators for occasional transactions in all sectors.
35. The FIU Guidelines establish Customer Due Diligence requirements for all natural and legal customers in accordance with the measures set forth in Chapter III. This guideline is complemented by the obligations of FI's outlined in the AML Law. This shortcoming was adequately resolved.

36. **R5 (Shortcoming 11):** Consider a concrete CDD provision that would require the sum of the related transactions below the indicator of US\$57,142.86 (15,000 United States dollars according to the FATF)
37. Art. 9 paragraph 1 of Decree No. 568 resolved the shortcoming by establishing the obligation to inform the FIU of cash or other transactions, individual or multiple, on the same day, which exceed Ten Thousand United States Dollars (US\$10,000.00) or its equivalent in foreign currency. This shortcoming was adequately resolved.
38. **R5 (Shortcoming 12):** c5.2 (b)) Demand CDD for all transactions and activities on the condition that it is justified and there is suspicion regarding the veracity of the customer's information, or when such information is not consistent with the customer's profile. (See c5.15 and c5.16)
39. The amendments contained in Decree No. 568 establish that institutions are obligated to report to the Office of the Attorney General through the FIU, any relevant information on the management of funds, whose value or characteristics are not consistent with the economic activity of their customers, or information on transactions of their users which, due to the amounts involved, number, complexity, characteristics or special circumstances, deviate from the regular transaction patterns and which could therefore reasonably lead to the conclusion that the financial entity is being used or an attempt is being made for it to be used to transfer, handle, utilize or invest the proceeds of crime. This shortcoming was adequately resolved.
40. **R5 (Shortcoming 13):** EC5.3 (as well as EC5.14) Revise all regulations in order to clarify/ensure that the provisions for alternative identification and the verification measures do not reduce CDD, when it is assumed that identification documents present alterations or amendments and/or are false, as the case may be, and also establish rules that would limit transactions on accounts while customers have not completed the documentation for same.
41. The Law, Technical Rules for ML/TF Risk Management and the FIU Guidelines establish rules for applying CDD. The Technical Rules in Arts. 17 and 18 compel entities to apply CDD and implement controls to assess, identify and verify the identity of their customers and final beneficiaries and to take reasonable measures to identify customers through their identification documents and basic information, ensuring that the document is the original, which, given its characteristics, reduces the possibility of alterations or amendments. In addition, Art. 8 number 2) of the FIU Guidelines stipulates the restriction for financial institutions to conduct transactions with customers that fail to provide the necessary documentation and information for their identification. This shortcoming was adequately resolved.

42. **R5 (Shortcoming 14):** EC 5.4 and EC 5.5 Specifically demand that FI's establish/require that business applicants indicate in the documents, the capacity in which they are acting and not only in cases where there are "indicators" that they are acting on behalf of others.
43. The Procedures outlined in the FIU Guidelines for opening accounts and entering into contracts compel FI's to conduct interviews, determine the customer profile and demand that legal entities present the credentials of the representatives or agents, demonstrating the capacity in which they are acting. This shortcoming was adequately resolved.
44. **R5 (Shortcoming 15):** Demand specific requirements for opening accounts for Trusts, Civil Associations, State entities and other legal arrangements.
45. The requirements for establishing Trusts are regulated in the Commercial Code, which provides the legal guidelines for their establishment. Additionally, Amendments were drafted for Art. 8 of the FIU Guidelines with respect to verifying the origin of funds and applying due diligence rules and the know your customer policy when setting up said operations and upon the identification of increases or withdrawals made by persons other than the initial trustees, clients or principals. This shortcoming was significantly resolved.
46. **R5 (Shortcoming 16):** Revise the client identification exceptions according to the risk, establishing limits for the volume of transactions or other control measures.
47. According to what is indicated in Shortcoming 8, the amendments to the Anti-Money Laundering Law modified Art. 10 a) of Decree No. 568 that currently provides that institutions shall be obligated to reliably identify, and with due diligence, all users that require their services and the legal entities on whose behalf they are acting, thereby eliminating customer identification exceptions. This shortcoming was adequately resolved.
48. **R5 (Shortcoming 17):** EC 5.6 Demand that all FI's obtain information regarding the objective and purpose of the business relationship and the actual business activity, regardless of the risk level of the customer or the size of the financial institution.
49. All FI's are obligated to demand information from the customer through a sworn declaration on the origin or source of funds, as well as business activity and expected movement of funds. This shortcoming was adequately resolved.
50. **R5 (Shortcoming 18):** EC 5.8 Demand the implementation of the risk-based KYC policy in all arrangements regarding the risks associated with customer and user transactions in order to cover all the elements necessary to establish the customer profile; additional customer categories; business activity; geography, etc. See EC 5.9 and EC 5.12

51. The Technical Rules incorporated Chapter III on ML/TF Risk Management and Chapter IV on Due Diligence, which include ML/TF risk management, the phases of the management process, risk factors (customers, products, services, distribution channels, location, geographic location) and the Due Diligence measures, procedures and categories that must be adopted (extended, DNFBP's, PEP's), information requirements and special authorization for handling business relations with PEP's. This shortcoming was adequately resolved.
52. **R5 (Shortcoming 19):** EC 5.9 Review the suitability of the list of exempt customers and request a lower risk classification before applying simplified CDD.
53. The FIU revised its Guidelines in 2013 and evaluated the list of customers who may be exempt from using the Cash Transaction Form (F-UIF 01) based on compliance with and the evaluation of the CDD criteria that must be met before the exemption is applied, such as being linked commercially to the FI, having knowledge of the customer, having a defined line of business whose nature requires the handling of sizeable sums of cash. With respect to the inclusion of a customer on the list of exemptions, it is important to indicate that Chapter 3 of the FIU Guidelines refers specifically to exemption from the Cash Transaction Form (F-UIF 01), not from the CDD that must be applied, in addition to which, it establishes the criteria for determining the exemption, which must be justified and duly documented, confined to the business concept governing said provision. Furthermore, it stipulates that having been included on a list of exemptions does not mean that any unjustified change in patterns should not be reported to the competent authorities. Although the legal possibility of applying the exemption does exist, the authorities issued a note that provides that there are no cases of exemptions in El Salvador's financial system and that in practice, Reporting Entities have no exemptions recorded. This shortcoming was adequately resolved.
54. **R5 (Shortcoming 20):** EC 5.12 Provide appropriate guidelines to assist FI's in developing risk management systems.
55. On November 14, 2013, the Regulations Committee of the Central Reserve Bank of El Salvador approved the Technical Rules for ML/TF Risk Management, which came into effect from December 1, 2013. Said Technical Rules provide appropriate guidelines to assist FI's in developing risk management systems, establishing the objective and entities to which they apply, terminology, administrative conditions regarding the environment necessary for risk management, (Chapter II), ML/TF risk management, the phases of the management process, risk factors (customers, products, services, distribution channels, location, geographic location) (Chapter III), Due Diligence (Chapter IV) and Monitoring of Transactions and computerized tools (V) This shortcoming was adequately resolved.

56. **R5 (Shortcoming 21):** EC 5.14 Revise the reasonable period in which to complete the verification of the identification of recently established companies, including strict risk reduction requirements such as the prohibition of financial transactions of certain amounts or special characteristics such as transfers, regional check books, etc.
57. The FIU Guidelines, Art. 8 number 8) incorporated the provision that in justified cases, financial institutions can grant for new accounts or contracts, a period of 60 working days in which to complete the identification file. This is a crucial period for financial institutions to take the corresponding due diligence measures. This shortcoming was adequately resolved.
58. **R5 (Shortcoming 22):** Demand that all regulated entities refuse to open an account or conduct a transaction once the identification documents required cannot be obtained or adequately verified, on the condition that said documents are considered to be altered and/or false.
59. As indicated in Shortcoming 13, the Technical Rules introduced in Art. 18 the obligation of entities to apply CDD and identify customers through their identification documents and basic information, ensuring that the document is the original. In addition, Art. 8 number 2) of the FIU Guidelines stipulates that it is prohibited for financial institutions to conduct transactions with customers that fail to provide the necessary documentation and information for their identification. This shortcoming was adequately resolved.
60. **R5 (Shortcoming 23):** 5.17 Demand the update of existing customer files when appropriate.
61. The FIU Guidelines incorporated Art. 6 number 1) last line, which requires FI's to update the customer file based on the risk analysis performed by the institution. Files are updated according to the risk level established by the FI and in an ongoing fashion. Art. 18 g) of the "Technical Rules for Money Laundering and Terrorist Financing Risk Management" determines in due diligence procedures the obligation of FI's to establish continuous procedures for updating general information on existing customers. In complying with the legal framework, FI's establish in their ML prevention manuals and internal procedures the requirement for customer information to be updated at least once per year or when customers request a new product/service, when there are changes in their business activity, address, telephone, level of income, taking into account the customer risk category for each bank. They are equipped with parameterized systems that generate a warning when the customer conducts a window transaction or requests a new product or service, indicating that a customer update is required, independent of the risk, which allows for ongoing update. This shortcoming was adequately resolved.

GENERAL CONCLUSION – RECOMMENDATION 5

62. The Amendments to the Anti-Money Laundering Law overcame the shortcomings identified in the MER. El Salvador strengthened the regimen of the system of remittances, subjecting them to all the obligations established under the AML law and created a specific draft law that broadens the regulations governing remittances. The amendments prohibit the anonymity of accounts and the conducting of transactions in the face of doubts concerning the suitability of customer identification. In the area of risk, El Salvador commenced the NRA and issued the “Technical Rules for Risk Management”, to assist FI’s in the management of same; it updated the Guidelines of the Financial Investigation Unit for Money Laundering Prevention, which resolved the shortcomings and broadened the legal obligations pertaining to CDD measures, STR’s, suspicious transaction reports, record filing and keeping, among others. With the amendment and issuing of ML/TF prevention laws and regulations, as well as the measures taken by the FIU and other authorities, El Salvador adequately addressed the shortcomings of R5 and its compliance reached the level comparable with at least LC.

SPECIAL RECOMMENDATION IV –PC-

63. **SR IV (Shortcoming 1):** Extend the obligation to report to clearly cover the suspicion of terrorist financing with legal funds.
64. El Salvador drafted the Proposal to Amend the Special Law Against Acts of Terrorism, which was approved by the Plenary of the Legislative Assembly on Tuesday 18 November, 2014, for the purpose of incorporating into same, the obligation for financial institutions to report a) Suspicious transactions when there are justifiable reasons to believe that the funds or assets are related to or may be used for terrorist acts or terrorist organizations, organized crime, drug trafficking and any of its variations and b) Attempted suspicious transactions related to terrorist financing. On October 2, 2014, under communication No. DFG-210-2014, the Draft Amendment was dispatched to the Commission for Public Security and Combating Drug Trafficking of the Legislative Assembly, which presented the corresponding initiative to the Executive Board of the Legislative Assembly on October 15, 2014. At present, said amendment contained in file No. 1801-10-2014-1 is being analyzed by the aforementioned Commission and was presented during the work session held on October 11, 2014, when it was decided that a copy of same will be forwarded to all members of the Commission. This shortcoming was adequately resolved.
65. **SR IV (Shortcoming 2):** Provide feedback to reporting entities regarding their reports, so as to improve the quality, usefulness and timeliness of STR’s.

66. The FIU created secure communication channels between the Unit and Reporting Entities, which prevent the interception of data and maintain the integrity of the information transmitted. With respect to the non-banking financial sector, the FIU, in coordination with the Federation of Credit Banks and Workers' Banks (Federación de Cajas de Crédito y Banco de los Trabajadores - FEDECREDITO), conducted several training sessions targeting the Compliance Officers of Credit Banks regarding Methodology, Scope of the Anti-Money Laundering Law, the current FIU Guidelines, Money Laundering Typologies and the development of practical cases, which included legal, operating and financial aspects. This shortcoming was adequately resolved.

GENERAL CONCLUSION - SPECIAL RECOMMENDATION IV

67. El Salvador included the obligation to report suspicious transactions related to terrorist acts or organizations, organized crime, drug trafficking and its variations, as well as the obligation to report attempted TF in the Amendment to the Special Law Against Acts of Terrorism, which was approved by the Plenary of the Legislative Assembly on November 18, 2014. Reporting Entities currently receive feedback on the quality and usefulness of STR's. With the amendment approved and the feedback actions taken by the FIU, El Salvador adequately addressed the shortcomings of SR IV and its compliance reached the level comparable with at least LC.

V. ANALYSIS OF THE MEASURES ADOPTED REGARDING THE KEY RECOMMENDATIONS

RECOMMENDATION 23 –PC-

68. **R23 (Shortcoming 1):** Provide the Supervisory entities with adequate human, technological and training resources in order to honor their legal obligations in the area of AML-CTF.
69. The Superintendency of the Financial System modified the organizational structure and created the Money Laundering and Terrorist Financing (ML/TF) Risk Department and the Operational and Technological Risk Department. The ML/TF Risk Department falls under the umbrella of the Risk Division and in turn, under the Superintendent of the Financial System. Said department was enhanced with staff possessing experience in risk supervision and it certified collaborators at the international level. The collaborators have an ongoing training program offered by entities such as the Office of Technical Assistance of the United States Department of Treasury (OTA) to bolster Risk-Based Supervision. The areas of Supervision of the various industries support the supervisory efforts undertaken regarding legal compliance in the area of money laundering and terrorist financing, which allows for greater scope. The Operational and Technological Risk Department supports the entities supervised in reviewing monitoring tools. This shortcoming was adequately resolved.

70. **R23 (Shortcoming 2):** Intensify the supervision of AML-CTF compliance in a preventive manner and revise the duty of the SSF to analyze the information received from regulated entities and in turn forward it to the FIU when it advises that the transactions reported are irregular or suspicious in accordance with the provisions of Article 8 of the Anti-Money Laundering Regulations, since in essence, this is a task that corresponds with the FIU, in addition to which, it imposes a tremendous operating burden in light of the scarce resources available.
71. In January 2012, the Superintendency of the Financial System approved the General Framework for the Supervision of the Financial System, which incorporates the risk-based supervision approach, focusing on the verification of compliance with the laws and regulations applicable to the financial sector. Said General Framework incorporates guidelines for risk management within financial entities and the role of the supervisory entity in the area of inspection. It also establishes the criteria of Inclusiveness, Proactivity, Risk-based, Emphasis on corporate governance, Consolidated base and best practices. As indicated in paragraph R26 (Shortcoming 1), financial entities currently dispatch STR's only to the FIU. This shortcoming was adequately resolved.
72. **R23 (Shortcoming 3):** Develop risk-based Supervision methods or manuals that are adjusted to suit the specific conditions of the various types of regulated entities.
73. The General Framework for the Supervision of the Financial System is also applicable and is complemented by the implementation of the Technical Rules for ML/TF Risk Management by financial entities, which will allow the entities of the financial system to manage ML/TF risks according to the risk profiles. The foregoing is complemented by the Technical Rules for ML/TF Risk Management that provide appropriate guidelines for assisting FI's in developing risk management systems. This shortcoming was adequately resolved.
74. **R23 (Shortcoming 4):** Reconsider the benefit and efficacy of having conferred on the FIU, in the Law, regulatory powers over financial institutions in the area of ML-TF and consider the possibility of assigning them to the respective supervisory bodies specializing in financial matters.
75. Art. 99 of the Law on the Supervision and Regulation of the Financial System created a Regulations Committee in the Central Bank for the purpose of issuing the specific regulations corresponding with the financial system. El Salvador believes that the regulatory powers of the FIU facilitate the issuing of regulatory guidelines for implementation by reporting entities, such as those set forth in the FIU Guidelines for money laundering prevention. This shortcoming was adequately resolved.

76. **R23 (Shortcoming 5):** Place all the non-banking financial entities that do not belong to financial conglomerates and which are not subject to a supervisory body, under the regulation and supervision of a body that has the capacity and resources to do so.
77. El Salvador regulated as Entities Subject to the Law, those non-banking financial entities that do not belong to financial conglomerates according to Art. 2 of Decree No. 498, amended by Decree No. 568. It also completed the IDB Technical Cooperation Project on the Assessment of DNFBP's and the draft regulatory framework, which determined that the Superintendency of the Financial System shall be the Supervisory Body for the financial entities that do not belong to financial conglomerates. This supervision system was bolstered with the issuing of the Draft Law for the Financial Supervision of Closed Savings and Credit Cooperatives and Credit Companies, which specifically regulates financial entities that are not part of financial conglomerates such as Savings and Credit Cooperatives, Public Limited Companies that grant loans, Non-Government Associations and Organizations, as well as the federations to which the cooperatives belong. This shortcoming was adequately resolved.
78. **R23 (Shortcoming 6):** Due to their importance, remittance entities should have special records, receive operating licenses and be regulated by a Supervisory body in order to ensure compliance with the legal AML-CTF requirements.
79. El Salvador prepared the Draft "Law for the Authorization and Functioning of Persons or Legal Entities that Make Systematic Fund Transfers, Send and Receive Packages and Remittances", which was presented by the Office of the Attorney General of the Republic to the Legislative Assembly via the Commission for Public Security and the Combating of Drug Trafficking of the Legislative Assembly. Said Commission presented the initiative to the Executive Board of the Legislative Assembly on October 15, 2014 under File No. 1802-10-2014-1; it is currently being examined by the Financial Commission. During the aforementioned session it was decided that the draft would be disseminated among the Members of the Assembly. This Law will incorporate the requirements for records, the supervisory and inspection entity, prior authorization and registration in order to operate, specific obligations in the area of ML/TF prevention, breaches and penalties for the remittance sector. The Law for the Supervision and Regulation of the Financial System, in order to include them as supervised entities, create the record and establish penalties. This shortcoming was resolved significantly.
80. **R23 (Shortcoming 7):** Intensify the supervision of the national FI's engaged in activities abroad and increase the use of memorandums of understanding in the area of supervision in order to facilitate consolidated cross-border supervision.
81. The authorities increased the number of Memorandums of Understanding in order to intensify cross-border supervision and the supervision of national financial institutions engaged in activities abroad. At present, there is a total of 30 Memorandums of Understanding signed with counterpart units, international associations and organizations

in Colombia (recently), Germany, New York, Panama, Spain, Peru, Mexico, Dominican Republic, Costa Rica, Nicaragua, Canada, Honduras, Argentina, Ecuador, Bolivia and Chile. This shortcoming was adequately resolved.

82. **R23 (Shortcoming 8):** Ensure in inspections that insurance and finance companies honor their obligation to provide their agents and brokers with AML/CTF training, giving priority to those who accept cash from customers and to the detection and notification of irregular or suspicious activities.
83. The SSF performs audits on ML/TF risk management and prevention, which involve the verification of the application of CDD processes and other obligations derived from ML/TF prevention laws and regulations. This shortcoming was adequately resolved.

GENERAL CONCLUSION - RECOMMENDATION 23

84. The Superintendency of the Financial System adopted the General Framework for the Supervision of the Financial System and implemented with it in a preventive fashion, risk-based supervision methods. The Regulations Committee for the issuing of rules governing the financial system was created and the supervisory body for all Entities Subject to the Law was defined, the number of Memorandums of Understanding to boost cross-border supervision was increased and training for the insurance sector strengthened. With the amendment and issuing of laws and regulations on ML/TF prevention and the measures taken by the FIU, the SSF and the Central Bank, El Salvador adequately addressed the shortcomings of R23 and its compliance reached the level comparable with at least LC.

RECOMMENDATION 26 –PC-

85. **R26 (Shortcoming 1):** Amend Agreement No. 356 issued by the Attorney General of the Republic so that the reporting procedure of STR's would be carried out only with the FIU.
86. Decree No. 568 amended Art. 9-A, which provides that the Suspicious Transaction Reports must be forwarded to the FIU regardless of the value of the transactions for reporting purposes. This shortcoming was adequately resolved.
87. **R26 (Shortcoming 2):** Establish feedback mechanisms that would guide reporting entities regarding the proper way in which to present STR's.

88. With assistance from the CICAD/OAS, El Salvador has the preliminary design for the “PROCESS TO RATIFY THE CERTIFICATION OF COMPLIANCE OFFICERS”, in accordance with Article 14 a) of the AMLL, which establishes the obligation to obtain “Certification ratified by the Office of the Attorney General of the Republic, in the area of money laundering and terrorist financing”, as one of the requirements that must be met by the Compliance Officer. This program allows ongoing feedback to be provided to the Reporting Entities, through the Compliance Officer, with respect to the obligations derived from the Anti-Money Laundering Law, the presentation of STR’s, specific details on the Salvadorian environment and internal procedures in the FIU. This shortcoming was adequately resolved.
89. **R26 (Shortcoming 3):** Implement technological tools that would allow prompt computerized access to the databases of State bodies and institutions or private enterprises.
90. In coordination with the Technology Management Department of the Office of the Attorney General of the Republic, the FIU began the development of the “Web Service” system. This system is designed to send and receive information in an automated manner with reporting entities and allows the following: Sending and receipt of cash and other transactions, Suspicious Transaction Report (STR) with its analysis and accompanying data, Dispatching of communications and the carrying out of the following processes: Analysis of cases under investigation, Ratification of the certification of compliance officers, Accreditation of reporting entities, International assistance sent and received, Generation of statistics, Generation of different reports, Access to the database of reporting entities, Early warning systems. The “Web Service” is a secure communication channel that prevents interception of data and maintains the integrity of the information transmitted. In collaboration with various sectors, there continues to be follow-up on the implementation of the different phases of the system, the first of which is underway. The second phase requires the development of the application to request information from FI’s, while the third phase involves the presentation to the FI. This shortcoming was adequately resolved.
91. **R26 (Shortcoming 4):** Establish manuals of procedures that would separate the analysis of the STR from the criminal investigation.
92. The FIU developed specific Processes, Profiles and Functions for each position. The following processes adequately develop the different phases of the analysis of the STR’s, allowing for the subsequent conducting of the corresponding investigation by the criminal prosecuting entity: Financial Investigation Unit Process, Procedure for the Receipt and Assignment of Suspicious Transaction Reports, Local Assistance and International Assistance, Procedure for Financial Information Analysis and International Assistance Procedure. This shortcoming was adequately resolved.

93. **R26 (Shortcoming 5):** Assign more professional staff in both the area of analysis and the area of investigation.
94. The Office of the Attorney General of the Republic designed and implemented the program entitled “Strengthening the Financial Investigation Unit”, which includes the aspects related to the functioning of the FIU, operating processes, aspects pertaining to human resources, profiles and functions, among others. This arrangement allows suitable professionals to be assigned in the corresponding areas of the FIU. This shortcoming was adequately resolved.
95. **R26 (Shortcoming 6):** Strengthen the autonomy of the FIU and provide the FIU staff with greater work stability, thereby avoiding their transfer to other specialized Offices of the Attorney General. Provide reporting entities with periodic reports on the statistics of the cases reported, typologies and criminal trends that must be considered as suspicious transactions.
96. The program “Strengthening the Financial Investigation Unit”, under its section on Human Resources, stipulated the staff required to complete the assignments of the FIU, including budget estimates for said resources, material resources and technological platform, the definition of positions, profiles, functions, experience and technical competencies required; which supports the stability of the officials working in the FIU. The “Web Service” system will allow statistical information to be generated so as to inform the Entities Subject to the Law. Feedback is provided to Entities Subject to the Law through training that targets said Entities, work meetings and ongoing advice offered to Compliance Officers in the area of STR quality and analysis and the typologies highlighted. This shortcoming was adequately resolved.
97. **R26 (Shortcoming 7):** Resolve the legal limitations that led to the suspension of the members of the Egmont Group of Financial Intelligence Units.
98. Decree No. 342 of the Legislative Assembly dated June 7, 2010 amended the “Special Law Against Acts of Terrorism” rectifying the limitations to the FIU’s competence in this area. In July 2010, the EGMONT Group lifted the suspension imposed on the FIU. This shortcoming was adequately resolved.
99. **R26 (Shortcoming 8):** Establish a permanent training program for FIU officials.
100. FIU officials receive ongoing training through programs developed by the Training School for Prosecutors, which are offered with cooperation from national and international organizations and entities in the areas of money laundering, terrorist financing, asset seizure and related matters, which are adjusted to the needs of the FIU and its functions.

GENERAL CONCLUSION - RECOMMENDATION 26

101. The amendment to the AML Law restricted the dispatching of STR's to the FIU alone, launched the process to Ratify the Certification of Compliance Officers of FI's in collaboration with the OAS in order to provide feedback to Entities Subject to the Law and bolstered the FIU with human and technological resources. In that respect, processes, profiles, functions and financial budgets were adopted and the "WEB Service" system implemented as a technological tool. With the amendment of the law and the measures taken by the FIU, El Salvador adequately addressed the shortcomings of R26 and its compliance reached the level comparable with at least LC.

SPECIAL RECOMMENDATION V –PC-

102. **SRV (Shortcoming 1):** Recommendation to consider, regulate or apply specific official mechanisms to determine the best place to prosecute criminals for terrorist financing.

103. According to the Constitution of the Republic of El Salvador, the Supreme Court of Justice has the capacity to hear extradition cases (Art. 182 3) and is governed by International Treaties (Art. 28). In the case of Salvadorians, extradition is appropriate if the corresponding treaty expressly provides as such and has been approved by the Legislative Body of the signatory countries. Extradition shall be appropriate when the offense has been committed in the territorial jurisdiction of the requesting country, except when it involves offenses of international importance, which is understood and applied as processed extraditions; in the sense that any country can request extradition and obtain it if the internationally established requirements are met.

104. In addition, the Criminal Code establishes (Art. 10) the principle of universality, which provides that "Salvadorian criminal law shall also apply to offenses committed by any person in a place not subject to Salvadorian jurisdiction, on the condition that they affect assets that are protected internationally by specific agreements or rules of international law or which severely affect universally recognized human rights". Said legal provision gives El Salvador the power to apply the criminal law to offenses committed by any person, also in a place not subject to its jurisdiction, on the condition that they affect internationally protected assets or severely affect universally recognized human rights. This shortcoming was adequately resolved.

105. **SRV (Shortcoming 2):** Implement the measures of special recommendation V at the practical and real level.

106. According to what is outlined in SRV Shortcoming 1, El Salvador has the legal mechanisms to process extraditions. This shortcoming was adequately resolved.

GENERAL CONCLUSION - SPECIAL RECOMMENDATION V

107. El Salvador has the legal mechanisms and administrative structure to carry out extraditions. With the legal instruments and carrying out of extraditions by the competent authorities, El Salvador adequately addressed the shortcomings of SR V and its compliance reached the level comparable with at least LC.

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

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
5. Customer Due Diligence	PC	<ul style="list-style-type: none"> • Lack of clarity, scope and clear and differential requirements in the guidelines related to compliance with ML and TF prevention and control rules. • Legal shortcomings and significant weaknesses in the capacity to implement the CDD requirements for money transfer centers or remittance companies. • Unsuitable CDD indicator of US\$57,142.86 for the obligation to report cash operations and monitor transactions. • Absence of a concrete requirement to perform CDD in all cases where there is suspicion of ML/TF or doubt concerning the appropriateness of the customer's information and/or when there is uncertainty regarding the veracity, modifications or alterations of the identification documents. • Inadequate identity verification requirements for owners or beneficial owners • Lack of a general requirement for obtaining information on the actual nature and purpose of the business relationship. • Absence of regulations and insufficient guidelines for 	<ul style="list-style-type: none"> • Conduct a Country Risk study related to ML-TF to determine the areas of risk that require more attention, as well as the regulatory and control needs according to the vulnerabilities encountered for each type of regulated entity. • Revise the threshold of US\$57,142.86 outlined in the Law, to control cash transactions. • Revise the FIU Guidelines so as to expand their scope, simplify the structure and increase their clarity and consistency. • Review and as the case may be, establish regulatory powers in the area of ML-TF for Supervisory entities responsible for controlling the entities regulated by the AML Law. • Issue regulations pertaining to proper risk management, placing special attention on the specific needs of each sector. • Revise the scope of application of AML/CTF requirements for remittance companies to ensure that they include concrete obligations in their field that are consistent with AML/CTF provisions. • CE 5.1 Determine the real existence of coded accounts and as the case may be, consider them as risky products that require greater control, restricting the use of said numbered and coded accounts to certain institutions and circumstances. • CE 5.2 Increase clarity and raise the consistency of the guideline that stipulates the threshold of five thousand colons or USD\$500.00 for customer identification. • Bureaus de Change and money transfer or remittance centers, whichever has fixed business relations, must be required to identify and carry out CDD, regardless of the value of the transactions of their customers, in addition to which, the control threshold of US\$57,142.86 for reporting to the FIU must be extended. • Outline in the FIU Guidelines and all provisions issued with respect to ML-TF, requirements that are clear and 	<p>The Congress of the Republic has been presented with an initiative for the legal amendment of Article 9 of the anti-money laundering law, in terms of changing the threshold required for preparing cash transaction reports when the transaction reaches TEN THOUSAND UNITED STATES DOLLARS.</p> <p>Attached is the document dated August 12, 2011, through which the Honorable Legislative Assembly of the Republic of El Salvador is asked to process the amendment proposal presented. Annex 1.</p> <p>The FIU Guidelines have been the subject of analyses, observations and amendment proposals and are in the phase of consultation with reporting entities in order to proceed with their amendment and approval.</p> <p>On the initiative of the FIU, a draft legal amendment has been prepared for the purpose of conferring powers on the supervisory entities of the financial system for the control and approval of companies engaged in the transfer of funds.</p> <p>The draft regulation entitled "MINIMUM REGULATIONS FOR MONEY LAUNDERING AND TERRORIST FINANCING RISK MANAGEMENT" developed by the SSF, prohibits the maintenance of coded accounts in financial institutions. Also, in accordance with Article 11 of the Anti-Money Laundering Law, the existence of coded or anonymous accounts is not permitted.</p> <p>According to Articles, 3, 31 and 32 of the Law on the Supervision and Regulation of the Financial System, the Superintendency of the Financial System is the body authorized to regulate and supervise the institutions that are subject to control. Said articles provide the following:</p> <p>The Superintendency Art. 3. - The Superintendency is responsible for supervising the individual and consolidated activity of the members of the financial system and other individuals, operations or entities that issue laws. In order to exercise such powers, it shall have operational independence, transparent processes and proper resources to perform its functions. Toward that end, it is the responsibility of the Superintendency to: a) Comply and ensure compliance, in the area of its competence, with the laws, regulations, technical rules and other provisions applicable to those supervised, and to also issue and ensure compliance with the guidelines necessary for enforcing the laws and rules that govern same;</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
		<p>risk-based CDD.</p> <ul style="list-style-type: none"> Absence of risk reduction controls for the postponement of identity verification, including recently established companies. 	<p>which specify CDD for the establishment of business relations and for the conduct of occasional customers, taking into consideration the need to have reasonable indicators for occasional transactions in all sectors.</p> <ul style="list-style-type: none"> Consider a concrete CDD provision that would require the sum of the related transactions below the indicator of US\$57,142.86 (15,000 United States dollars according to the FATF) c5.2 (b)) Demand CDD for all transactions and activities on the condition that it is justified and there is suspicion regarding the veracity of the customer’s information, or when such information is not consistent with the customer’s profile. (See c5.15 and c5.16) CE5.3 (and CE5.14) Revise all regulations in order to clarify/ensure that the provisions for alternative identification and the verification measures do not reduce CDD, when it is assumed that identification documents present alterations or amendments and/or are false, as the case may be, and also establish rules that would limit transactions on accounts while customers have not completed the documentation for same. CE 5.4 and CE 5.5 Specifically demand that FI’s establish/require that business applicants indicate in the documents, the capacity in which they are acting and not only in cases where there are “indicators” that they are acting on behalf of others. Demand specific requirements for opening accounts for Trusts, Civil Associations, State entities and other legal arrangements. Revise the client identification exceptions according to the risk, establishing limits for the volume of transactions or other control measures. CE 5.6 Demand that all FI’s obtain information regarding the objective and purpose of the business relationship and the actual business activity, regardless of the risk level of the customer or the size of the financial institution. EC 5.8 Demand the implementation of the risk-based KYC policy in all arrangements regarding the risks associated with customer and user transactions in order to cover all the elements necessary to establish the customer profile; additional customer categories; business activity; geography, etc. See CE 5.9 and CE 	<p>b) Authorize the establishment, functioning, commencement of operations, suspension of operations, modification, revocation of authorization, closure and other acts of the members of the financial system, in accordance with the laws, regulations or technical rules established in that regard. In the case of closure, it shall coordinate actions that establish laws with other institutions involved;</p> <p>c) Preventively monitor the risks of the members of the financial system and their approach to managing such risks, ensuring the prudent maintenance of their solvency and liquidity;</p> <p>d) Facilitate the efficient, transparent and orderly functioning of the financial system;</p> <p>e) Ensure that members of the financial system and those supervised conduct, as the case may be, their business, actions and operations in accordance with best financial practices, so as to prevent the misuse of privileged information and market manipulation;</p> <p>f) Cooperate with the institutions responsible for the protection of consumer rights and competition, and also with the institutions in charge of securing the deposits of the public and the prevention of financial offenses, in accordance with what is prescribed by the law;</p> <p>g) Agree to the intervention of any member of the financial system whose applicable laws include such a measure, except in the case of stock market entities, for which intervention is governed by Article 75 of this Law;</p> <p>h) Authorize registrations, record entries, their amendments and cancellations, of the persons, institutions and operations that are subject to this requirement, in accordance with the relevant laws;</p> <p>i) Demand that supervised entities and institutions be managed and controlled according to the international best practices regarding risk management and good corporate governance, according to the technical rules issued;</p> <p>j) Demand collaboration from other State Institutions in order to perform its functions; also, honor within its technical capabilities and legal powers, the requests made by the latter in the framework of its respective competencies, so as to support the development of its corresponding duties; and</p> <p>k) Perform the other functions corresponding with it under the law. The Superintendency may apply and demand compliance with preventive and corrective measures. Also, when necessary, it shall impose sanctions that correspond legally with those supervised that are found responsible for the actions, events or omissions that lead to said sanctions.</p> <p>For purposes of this Law, the term "supervise" means: to monitor, supervise, evaluate, inspect and control; while the term "operations" shall be understood as all those assets assigned for a specific purpose, as is the case of Securitization Funds, Pension Funds and others provided under the law.</p> <p>Supervision Art. 31 .- The Superintendent and Assistant Superintendents shall define and develop the principles and characteristics of the supervision process, its objectives and stages and shall advise the members of the financial system of the criteria and policies that shall be adopted in order to implement risk-based</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
			<p>5.12</p> <ul style="list-style-type: none"> • EC 5.9 Review the suitability of the list of exempt customers and request a lower risk classification before applying simplified CDD. • EC 5.12 Provide appropriate guidelines to assist FI's in developing risk management systems. • EC 5.14 Revise the reasonable period in which to complete the verification of the identification of recently established companies, including strict risk reduction requirements such as the prohibition of financial transactions of certain amounts or special characteristics such as transfers, regional check books, etc. • Demand that all regulated entities refuse to open an account or conduct a transaction once the identification documents required cannot be obtained or adequately verified, on the condition that said documents are considered to be altered and/or false. • 5.17 Demand the update of existing customer files when appropriate. 	<p>supervision and verify compliance with the legal framework, taking into account international best practices. The Superintendent and Assistant Superintendents shall assess the technical contributions formulated in this regard by the members of the financial system.</p> <p>In defining the policies and criteria under which supervision will be carried out, the Superintendent and Assistant Superintendents shall consider quantitative and qualitative factors to assess the suitability, appropriateness and effectiveness of the management and control efforts undertaken by those supervised, the handling of conflicts of interest, disclosure of relevant information and the existence of controls to prevent the misuse of privileged or confidential information. They shall also perform ongoing follow-up of financial markets in order to identify practices or conduct that could undermine their efficiency and transparency, applying the relevant measures. The Superintendent and Assistant Superintendents shall meet with the members of the financial system and with the Central Bank at least every six months, to analyze the trends of the financial system and discuss the principles and characteristics of the supervision process.</p> <p>Information requirement</p> <p>Art. 32.- The Superintendency, through the Superintendent, Assistant Superintendents or persons appointed by same, may demand that those supervised give direct access to all data, reports or documents on their operations via the means and in the manner defined by it.</p> <p>When deemed appropriate, the Superintendency may demand real-time direct access to the information systems of those supervised. Moreover, without the need for prior notice, it may conduct audits, inspections, reviews and any other procedure necessary for compliance with the law. In those cases where the Superintendency discovers that the entity supervised has published information that does not reflect its true financial position, it shall demand the publication of the information duly corrected, without prejudice to the other legal actions that must be initiated.</p> <p>The Superintendency, through the Superintendent, Assistant Superintendents or persons appointed by same, may conduct special inspections on a supervised entity to verify aspects related to the conducting of business or to the conglomerate to which it belongs, for the purpose of establishing compliance with the laws, regulations and rules applicable.</p> <p>The Superintendent, Assistant Superintendents or persons appointed by same, shall notify those supervised of the shortcomings, excesses, irregularities or breaches observed in their operations, demanding their regularization in accordance with the regulations in force, without prejudice to the corresponding administrative processes and the application of the relevant penalties.</p> <p>For the purposes of this Law, the members of the financial system may use microfilm, optical discs, magnetic media, electronic media or any other means to file documents and information in order to efficiently keep the corresponding records, documents and reports, including securities. The copies or reproductions produced by microfilm, optical disc, magnetic media,</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>electronic media or any other means, shall have the same evidentiary value as the originals, provided that they are certified by a Notary.</p> <p>With respect to the application of AML/CTF requirements for remittance companies, it should be clarified that they are reporting entities according to Article 2 of the anti-money laundering law. In addition, the Honorable Legislative Assembly has been presented with the proposal to amend the Law on the Supervision and Regulation of the Financial System pursuant to the provisions of Annex 1.</p> <p>Bureaus de Change and money transfer or remittance centers are legally required to carry out CDD in accordance with Articles 2, 9, 11, 12, 13, 14 and specifically Article 10 of the anti-money laundering law.</p> <p>Article 10 sub-paragraph "e" Numbers I, II and III of the ML law and according to the amendment proposed (Annex 1) provides:</p> <p>Article 10 of the ML law: In addition to those set forth in the previous Article, Institutions shall have the following obligations:</p> <ul style="list-style-type: none"> a) Reliably identify and with the diligence necessary, all users requiring their services, as well as the identity of any other person or legal entity on whose behalf they are acting; b) File and keep documentation on transactions for a period of five years, counted from the date of completion of each transaction; c) Train staff on money laundering processes or techniques, so that they could identify irregular or suspicious situations; d) Establish an internal audit mechanism to verify compliance with the provisions of this Law; e) Under the terms provided in Article 4 sub-paragraph 4 of this Law, Banks and Financial Institutions, Bureaus de Change and Stock Exchanges, shall adopt policies, rules and mechanisms pertaining to conduct that shall be observed by their directors, officers and employees and which consist of the following: <ul style="list-style-type: none"> I) Have adequate knowledge of the economic activity developed by their customers, its magnitude, frequency, basic characteristics of the transactions in which they are currently involved and, in particular, the activity of those carrying out any type of demand deposit, term deposit, savings accounts, delivery of goods in trust or trust accounts, or those depositing in safety deposit boxes; II) Provide that the volume, value and movement of funds of their customers are consistent with their economic activity; III) Report without fail, immediately and adequately to the Office of the Attorney General of the Republic, through the FIU and the respective Superintendency, any relevant information on the management of funds, whose value or characteristics are not consistent with the economic activity of their customers, or information on transactions of their users which, due to the amounts involved, number, complexity, characteristics or special

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>circumstances, deviate from the regular or conventional patterns of the same type of transaction; and which could therefore reasonably lead to the conclusion that the financial entity is being used or an attempt is being made for it to be used to transfer, handle, utilize or invest the proceeds of crime.</p> <p>PROPOSED AMENDMENT:</p> <p>I) Have adequate knowledge of the economic activity developed by their customers, its magnitude, frequency, basic characteristics of the transactions in which they are currently involved and, in particular, the activity of those carrying out any type of demand deposit, term deposit, savings accounts, delivery of goods in trust or trust accounts; or those depositing in safety deposit boxes. As required by institutions, customers must provide them with any type of financial, accounting or tax documentation, or documentation indicating ownership or possession of movable and immovable assets, proof of wages or income and in general, any information deemed necessary by the institution.</p> <p>In the case where the customer fails to provide the information required by the institution or where the customer presents a high risk for same, it shall be authorized to terminate contractual relations with that customer.</p> <p>The Regulations Committee of the Central Reserve Bank will be presented with the draft amendment entitled: Technical Rules for Money Laundering and Terrorist Financing Risk Management, which includes the following:</p> <p style="text-align: center;">CHAPTER IV CUSTOMER DUE DILIGENCE</p> <p>Due diligence.</p> <p>Art.16. - Entities shall apply due diligence, with this being understood as the procedures and controls to reliably assess and identify their customers and monitor their transactions, in order to adequately manage ML/TF risk. It includes the identification of persons, the origin of funds, economic activity, geographic location and other information necessary to know their customers and establish their transactional profile.</p> <p>Entities must adopt and implement know your customer policies and procedures and those on customer linkages. They must also have policies for ongoing monitoring and follow-up of operations or transactions, for proper ML/TF risk management and prevention.</p> <p>Due diligence procedures.</p> <p>Art. 17.- Entities must take reasonable measures to carry out due diligence procedures with their customers, whether they are persons or legal entities, such as:</p> <p>a) Reliably identify customers through their identification documents and other basic information requested by the entities at the time of the contract. In the case of legal entities, in addition to identifying them,</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>they must also know and document their organizational structure, corporate name, economic activity in which they are involved, legal representative, shareholders and members of the Board, among others;</p> <ul style="list-style-type: none"> b) Updated lists of persons or legal entities involved in offenses related to ML/TF derived from publications of local and international bodies; c) Verify lists related to countries considered to be jurisdictions with no taxation or low taxation, persons or legal entities associated with criminal acts, including terrorism and who exercise or have exercised prominent public duties in the country or the country of origin (PEP's), before establishing or initiating any financial business with potential customers; d) Adequately verify the origin of funds provided by customers, regardless of the financial product or service they request, in order to determine that the source of their funds is legal; e) Establish economic profiles for customers on the transactions and services that they carry out with the entity; f) Entities must identify the final beneficiaries in all transactions or operations performed by said customers; g) Establish continuous procedures to update the general information of existing customers; h) Keep a detailed record of the entity's customers that have been linked to ML/TF activities; i) Perform checks on the transactions conducted by customers during the course of the business relationship, in order to ensure that the transactions that they are carrying out are consistent with the declaration made by the customers, their business and risk profile defined, as well as the origin of funds and j) Constantly monitor the customers or users that engage in ongoing financial transactions with countries considered to be jurisdictions of no taxation or low taxation. <p>Extended or enhanced due diligence.</p> <p>Art. 18.- In the case where the transactional behavior of the customer warrants as such, entities must apply extended or enhanced due diligence, especially in matters related to the origin of funds, and must also monitor the transactions conducted considering their economic and legal rationality and justification, demanding supporting financial information. The documentation that may be required includes: i) Financial statements; ii) Proof of Income; iii) Contracts; iv) Tax declarations; v) Proof of investments; vi) List of shareholders or partners; vii) Any other documentation that supports the transactions of the customer.</p> <p>Requirement for information and its update</p> <p>Art. 19.- Customers shall be obligated to provide the information required by entities and to also update the documentation provided or immediately report any change that may arise.</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>According to their policy, entities may close their customers' accounts when they fail to provide the information required within the timeframe established, for which they must apply the procedures set forth in the Commercial Code and the regulations governing the protection of the rights of financial service users.</p> <p>Due diligence with respect to customers with a financial portfolio Art. 20.- entities must apply due diligence with respect to the following customers with a financial portfolio:</p> <ul style="list-style-type: none"> a) Those engaged in the acquisition and placement of funds or the granting of loans; and b) Those only engaged in the placement of funds or granting of loans under any category, who during the course of a month, accumulatively conduct transactions equal to or in excess of one hundred thousand dollars <p>Requirement for information from customers with a financial portfolio Art. 21.- In addition to what is established in the "Guidelines of the Financial Investigation Unit for money laundering prevention in financial intermediary institutions" and in the documentation on extended or enhanced due diligence, entities must, once deemed necessary, and generally once every two years, when establishing a business relationship, require that their customers with a financial portfolio provide the following:</p> <ul style="list-style-type: none"> a) Code of ethics or conduct. b) Manual of procedures for money laundering and terrorist financing prevention. c) Training program for employees in the area of money laundering and terrorist financing prevention. d) Portfolio of services and products. e) Details of the managerial staff of the company, names and job titles. f) Details of the members of the board of directors or equivalent body, specifying their name, nationality and other general information. g) Details of the owners, legal entities and persons, whose shareholding is equal to or greater than 10%. In the case of owners who are legal entities, details must be provided on the owners of same. h) Organizational Chart. <p>These information requirements shall be adjusted to suit the legal nature of the Customer.</p> <p>Alternative mechanism</p> <p>Art. 22. - Entities may obtain the information outlined in the previous article by means of questionnaires. They must also obtain a sworn declaration of compliance by their customers with a financial portfolio or their legal representatives under the terms of Annex No. 2 of these Rules.</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>Assessment</p> <p>Art. 12.- Entities must estimate or quantify exposure to ML/TF risk, based on the probability of occurrence and impact and the materiality of the risk of ML/TF in their different risk factors, and in the event of materialization through associated risks</p> <p>The methodologies and tools for estimating or quantifying ML/TF risk must be consistent with the risk profile, size and nature of their operations.</p> <p>They must develop within their methodologies, risk matrices based on the profile of the entity, previously identifying and including as a minimum, geographic areas, products and services, customers (persons or legal entities) and assign ratings whose risks must range between "High" and "Low", according to the classification methodology.</p> <p>Control and mitigation</p> <p>Art. 13. – In this phase, the entity must take measures to control the ML/TF risk, must constantly evaluate the effectiveness of the existing programs, policies, rules, procedures and internal controls; in the case where these are not effective and/or efficient, they must be strengthened or new ones implemented, in order to reduce the probability and impact that may be generated by the materialization of the ML/TF risk.</p> <p>Monitoring and Communication.</p> <p>Art. 14.- Entities must perform systematic and timely follow-up of the ML/TF risk factors, through ongoing monitoring activities, undertake follow-up efforts to facilitate the early detection and resolution of shortcomings in the ML/TF risk management phases and develop reports outlining the evolution of said risk, the efficiency and effectiveness of the procedures, policies and internal controls implemented; they must also analyze the unusual and suspicious transactions detected so that, among other things, they could determine where the prevention efforts failed that allowed said transaction to be conducted in the entity, thereby strengthening the procedures, policies and internal controls adopted, developed and executed.</p> <p>ML/TF risk factors</p> <p>Art. 15.- Entities must establish methodologies to segment risk factors and identify the ways and typologies through which this risk could be presented, with the main ML/TF risk generating agents being, among others: customers, products, services, distribution channels and location or geographic location, which can be divided into segments and variables, such as:</p> <p>a) For the purpose of determining the customer risk, consideration must be given to the following factors, among others:</p> <ul style="list-style-type: none"> • Frequent and /or inexplicable movements of accounts to different persons.

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<ul style="list-style-type: none"> • Frequent and /or inexplicable movements of funds among persons of various geographic locations. • Weapon manufacturers, dealers and intermediaries. • Embassies and Consulates of other countries. • Stock transfer companies. • Customers determined by the entity as Politically Exposed Persons (PEP's) • Accounts maintained by third parties (for example: accountants, attorneys or other professionals) for their clients, where the identity of the end customer is not disclosed to the financial entity. In addition, the accounts of customers presented by said third parties may result in higher risk cases if the financial entity unreasonably uses the "know your customer" and enhanced due diligence measures. • Lists issued by international bodies indicating individuals suspected of criminal activity. <p>b) For the purpose of determining the risk of products and services, consideration must be given to the following factors, among others:</p> <ul style="list-style-type: none"> • International correspondent banking services involving transactions such as international payments to persons who are not regular customers (for example, acting as an intermediary bank) and package delivery activities. • Services involving the marketing and delivery of checks and precious metals • Services that inherently provide more anonymity or which can cross borders easily, such as: <ul style="list-style-type: none"> ✓ Online banking, ✓ International transfers, ✓ Private investment companies, ✓ Trusts. • Wire transfers, • Innovative Products, • Safety Deposit Boxes, • Stock market transactions on behalf of clients, • International transactions (forex trading, money desk), • Buying and selling of monetary instruments. <p>c) The Distribution Channels that may pose a greater risk include:</p> <ul style="list-style-type: none"> • Use of intermediaries or sub-agents, • Automatic Tellers, • Electronic banking, • Kiosks, • Regional Banking, • Mobile Banking (use of cell phones).

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>The FIU Guidelines were the subject of analysis by the entities involved in their application, supervision and execution, for the purpose of updating and clarifying the provisions of their content, as well as preserving the consistency and scope of same, through a structure that would facilitate their application.</p> <p>Following the consultation phase among the reporting entities, a “<i>Proposed Amendment to the FIU Guidelines</i>” has been prepared jointly by ABANSA, the SSF and the FIU, falling within the context of amendments to the Law presented to the Congress of the Republic.</p> <p>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 Guidelines of the Financial Investigation Unit for Money Laundering Prevention, published in Official Gazette D.O. No. 119, volume 400, dated July 01, 2013 (<i>See document in Annex 1</i>). The amendment of the Guidelines involves broadening the 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 on 18/July/13 to formalize the procedure.</p> <p>On 09/September/13, the WB informed that approval was given for it 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’s of Central America may begin around December/2013 or January/2014. The commencement date of the project is being awaited from the WB.</p> <p>The national methodology for the money laundering and terrorist financing (ML/TF) risk assessment will be a self-assessment process comprising 6 to 9 month phases, 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, in which data gathering efforts will be undertaken. Upon the completion of the national ML/TF risk assessment process, results are expected that would indicate the areas of high, medium and low risk in a reliable and trustworthy manner. All 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</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>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 Terrorist Financing. The meeting was held at the Offices 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 analyzed, with the Attorneys of the FIU together with the Legal Advisor of the Attorney General of the Republic, Dr. Ramón Iván García being commissioned 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 for Public Security and Combating Drug Trafficking, Colonel José Antonio Armendáriz Rivas, for the purpose of promoting the proposed 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 for Public Security and Combating Drug Trafficking, arranging the acquisition of the files of the different motions on the amendment to the AMLL; These were forwarded to the team of attorneys on 11 July/2013 • 12 July/2013: The Head of the FIU, Mr. Tovías Menjívar, commissions the attorneys Carlana Parada, Eugenia Maricela Campos and María Graciela Aragón to review and formulate observations on the proposed amendment to the AMLL • 17 July/2013: Team of attorneys 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 Money Laundering Prevention. • 18 July/2013: Dispatching of the consolidated proposed 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 proposed amendments to the AMLL, with Ms. Alessia Esteffi Herrera, Legal Collaborator of the FIU • 20 August/2013: The team of attorneys commissioned presented the Legal Advisor of the Attorney General of the Republic with the law

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<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 Money Laundering Prevention 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 for Public Security and Combating Drug Trafficking, 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 proposed 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 for Public Security and Combating Drug Trafficking to discuss the proposed 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 for Public Security and Combating Drug Trafficking, to review and address technical consultations regarding the proposed amendments to the AMLL • 17 September/2013: The Attorney General of the Republic held a meeting with the Representatives of the Commission for Public Security and Combating Drug Trafficking, 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 for Public Security and Combating Drug Trafficking, regarding the impact and importance of their approval

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<ul style="list-style-type: none"> • 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 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>The Central Reserve Bank reported on 8/July/13 through the Department for Regulations on the Financial System that the draft "Technical Rules on Money Laundering and Terrorist Financing Risk Management" prepared by the SSF and forwarded to the BCR on 22/Nov/2012, sent for review on 10/Dec/2012 to the Office of Technical Assistance (OTA) of the United States Treasury, 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 Regulations Committee in the area, and was under technical review by the Department for Regulations on the Financial System; and also that on 23 August/13, the SSF dispatched a new version of the draft Rules incorporating the observations of the Office of the Treasury of the United States (OTA), the sixth CFATF report and the new FIU Guidelines, which were the subject of technical legal review. The BCR has defined an estimated schedule for the development of the phases of the process that is 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 by the joint BCR-SSF team (14 -18 Oct) 4) Receipt of the position of the executive committee of the SSF (21 - 23 Oct) 5) Approval by the BCR through its Regulations Committee (25 Oct) <p>The Regulations Committee of the Central Reserve Bank, in Session No. CN-14/2013, dated November 14, 2013, approved the Technical Rules for Money Laundering and Terrorist Financing Risk Management.</p> <p>It is reported, the approval of the amendments to the AML Law published in Official Gazette dated January 16, 2014, Volume No. 402, Number 9, of Decree No. 568 - Amendments to the Anti-Money Laundering Law, see Article 9 amended.</p> <p>Efforts are being undertaken in coordination with the World Bank on the National Risk Assessment (NRA), according to the methodology developed by the WB. The process of self-assessment is scheduled to begin in March with the relevant documentation provided by the WB, in such a manner so as to allow the creation of working groups and the commencement of preparations for the first workshop; a video conference with the authorities that are members of the working group</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>is scheduled for April, for the purpose of coordinating the execution of the 1st phase; the workshop of the first phase of the NRA will be conducted in June.</p>
6. Politically Exposed Persons	NC	Absence of provisions pertaining to PEP's	Develop and issue specific regulations pertaining to the control of PEP's, taking into consideration all the criteria outlined by the FATF, as well as reference guides to establish standardized control mechanisms throughout the regulated system	<p>Article 9-C .- The term politically exposed person shall be understood as that person identified at the beginning or during the course of the contractual relationship, who serves or has served as a senior public official in the national territory or in a foreign country, including their closest relatives and, persons closely associated with them.</p> <p>National Politically Exposed Persons shall continue to be understood as those persons who were classified as such during the two years following the year in which they ceased to hold their position. When the official has held the office of President or Vice President of the Republic, the timeframe for being considered a PEP shall be five years.</p> <p>In accordance with Article 2 of this Law, institutions must establish an internal policy for the identification of politically exposed persons and must demand that their customers provide up to date and additional information regarding said status.</p> <p>Institutions shall apply reinforced policies and procedures regarding politically exposed persons, geared toward complying with due diligence, especially in the aspects related to the origin of their funds, and monitoring their operations considering their rationality 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 of the institution.</p> <p>The Legal Regulations shall develop the content in this article.</p> <p>However, approval is yet to be received from 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 Legal Regulations concerning the content of article 9-C pertaining to PEP's. Toward that end, a "Proposal on development in the Regulations" has been prepared in such a manner that it would serve as a standard to clearly simplify the application and control of the regulation.</p> <p>This proposal has been analyzed, 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 Legal Regulations, the FIU Guidelines and other rules, is in some way subject to the approval by the Honorable Legislative Assembly of the proposed amendments to the Law; however, efforts are being undertaken proactively in the framework of the amendment proposal</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>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 Guidelines of the Financial Investigation Unit for Money Laundering Prevention, published in Official Gazette D.O. No. 119, volume 400, 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 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. Formulate 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 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 Terrorist Financing. The meeting was held at the Offices 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 analyzed, with the Attorneys of the FIU together with the Legal Advisor of the Attorney General of the Republic, Dr. Ramón Iván García being commissioned 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 for Public Security and Combating Drug Trafficking, Colonel José Antonio Armendáriz Rivas, for the purpose of promoting the proposed 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 for Public Security and Combating Drug Trafficking, arranging the acquisition of the files of the different

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>motions on the amendment to the AMLL; These were forwarded to the team of attorneys on 11 July/2013</p> <ul style="list-style-type: none"> • 12 July/2013: The Head of the FIU, Mr. Tovías Menjívar, commissions the attorneys Carlana Parada, Eugenia Maricela Campos and María Graciela Aragón to review and formulate observations on the proposed amendment to the AMLL • 17 July/2013: Team of attorneys 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 Money Laundering Prevention. • 18 July/2013: Dispatching of the consolidated proposed 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 proposed amendments to the AMLL, with Ms. Alessia Esteffi Herrera, Legal Collaborator of the FIU • 20 August/2013: The team of attorneys 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 Money Laundering Prevention 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 for Public Security and Combating Drug Trafficking, 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 proposed 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 for Public Security and Combating Drug Trafficking to discuss the proposed amendments to the Money Laundering Law. These meetings did not take place due to the

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>absence of a quorum of the members of the commission</p> <ul style="list-style-type: none"> • 12 September/2013: The OAG/FIU technical team met with representatives of the Commission for Public Security and Combating Drug Trafficking, to review and address technical consultations regarding the proposed amendments to the AMLL • 17 September/2013: The Attorney General of the Republic held a meeting with the Representatives of the Commission for Public Security and Combating Drug Trafficking, 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 for Public Security and Combating Drug Trafficking, 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 closer the positions between the central government and the representatives of the Legislative Assembly, which would lead to the effective approval of the amendments.
7. Correspondent banking	NC	Absence of provisions pertaining to Correspondent Banking and cross-border business	Develop and issue prudential regulations on potential Correspondent Banking activities in El Salvador, taking into account all criteria outlined by the FATF.	<p>In session No. CD-25/11 dated July 20, 2011, the SSF approved through the Executive Council, the rule for the provision of correspondent banking services, identified as rule NPB4-51, Annex 2, which contains prudential regulations for potential correspondent banking activities.</p> <p>With respect to banks and single purpose holding companies, an amendment to rule NPB1-11 was approved, whose purpose is to establish minimum requirements and procedures that must be observed by domestic banks and single purpose holding companies, so that the SSF could authorize them to invest in subsidiaries in foreign countries. The amendment consists of specific regulations that require financial institutions in the area of ML/TF to ensure that their subsidiaries abroad observe measures in accordance with the requirements of the country of origin and the recommendations of the FATF. Annex 3.</p> <p>The draft amendments issued by the regulations committee of the Central</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>Reserve Bank provides the following:</p> <p>ML/TF risk factors Art. 15.- Entities must establish methodologies to segment risk factors and identify the ways and typologies through which this risk could be presented, with the main ML/TF risk generating agents being, among others: customers, products, services, distribution channels and location or geographic location, which can be divided into segments and variables, such as:</p> <p>d) For the purpose of determining the customer risk, consideration must be given to the following factors, among others:</p> <ul style="list-style-type: none"> • Frequent and /or inexplicable movements of accounts to different persons. • Frequent and /or inexplicable movements of funds among persons of various geographic locations. • Weapon manufacturers, dealers and intermediaries. • Embassies and Consulates of other countries. • Stock transfer companies. • Customers determined by the entity as Politically Exposed Persons (PEP's) • Accounts maintained by third parties (for example: accountants, attorneys or other professionals) for their clients, where the identity of the end customer is not disclosed to the financial entity. In addition, the accounts of customers presented by said third parties may result in higher risk cases if the financial entity unreasonably uses the "know your customer" and enhanced due diligence measures. • Lists issued by international bodies indicating individuals suspected of criminal activity. <p>e) For the purpose of determining the risk of products and services, consideration must be given to the following factors, among others:</p> <ul style="list-style-type: none"> • International correspondent banking services involving transactions such as international payments to persons who are not regular customers (for example, acting as an intermediary bank) and package delivery activities. • Services involving the marketing and delivery of checks and precious metals • Services that inherently provide more anonymity or which can cross borders easily, such as: <ul style="list-style-type: none"> ✓ Online banking, ✓ International transfers, ✓ Private investment companies, ✓ Trusts. • Wire transfers,

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<ul style="list-style-type: none"> • Innovative Products, • Safety Deposit Boxes, • Stock market transactions on behalf of clients, • International transactions (forex trading, money desk), • Buying and selling of monetary instruments. <p>c) The Distribution Channels that may pose a greater risk include:</p> <ul style="list-style-type: none"> • Use of intermediaries or sub-agents, • Automatic Tellers, • Electronic banking, • Kiosks, • Regional Banking, • Mobile Banking (use of cell phones).
8. New Technologies and Non-Face to Face Business	PC	Absence of specific requirements for the implementation of measures to prevent the inadequate use of technological developments.	Consideration must be given to developing regulations to govern minimum control mechanisms for operations conducted through modern technologies.	<p>Financial Institutions in El Salvador include within their money laundering prevention policies and procedures, with respect to the approval of new products or services, consultations with the compliance office in order to identify any type of risk and mitigate same. In the case where the risk is too great, it is decided in said consultation to not approve the new product or procedure as soon as possible.</p> <p>The following is the procedure applied:</p> <p>The department responsible (usually the Product Directorate) drafts a document outlining the elements of the new product or service to be implemented, which include its features and target sector. Said document is dispatched to the different areas involved, for the purpose of obtaining comments from the legal departments and compliance office.</p> <p>If the compliance office objects to the new product or service, it is not approved. If there are recommendations or changes to same for its implementation, while such changes are not implemented, said product or service is not approved.</p> <p>The draft amendment entitled: Technical rules for money laundering and terrorist financing risk management, establishes the following minimum control mechanisms for operations with modern technology and non-face to face business. This draft will be presented in the following days to the Regulations Committee of the Central Reserve Bank for its approval. It is expected to be approved by November of this year.</p> <p>Electronic Financial Transactions</p> <p>Art.27. - The entity providing the electronic banking service must keep a system access and usage log that would record and track the transactions conducted by the customer. Electronic financial transactions include those transactions performed via ATM's, the Internet, telephone transactions or any</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>other service that could be carried out electronically.</p> <p>Efforts have begun toward developing a plan for the system of compliance requirements to be considered to regulate and control this type of operation. In that regard, ABANSA, the SSF and the FIU are together designing, analyzing and reviewing a “Proposed regulation for operations conducted through Modern Technologies”.</p> <p>This proposal has been analyzed, 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 Legal Regulations, the FIU Guidelines and other rules, is in some way subject to the approval by the Honorable Legislative Assembly of the proposed amendments to 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 reported on 8/July/13 through the Department for Regulations on the Financial System that the draft "Technical Rules on Money Laundering and Terrorist Financing Risk Management" prepared by the SSF and forwarded to the BCR on 22/Nov/2012, sent for review on 10/Dec/2012 to the Office of Technical Assistance (OTA) of the United States Treasury, 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 Regulations Committee in the area, and was under technical review by the Department for Regulations on the Financial System; and also that on 23 August/13, the SSF dispatched a new version of the draft Rules incorporating the observations of the Office of the Treasury of the United States (OTA), the sixth CFATF report and the new FIU Guidelines, which were the subject of technical legal review. The BCR has defined an estimated schedule for the development of the phases of the process that is 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 by the joint BCR-SSF team (14 -18 Oct) 4) Receipt of the position of the executive committee of the SSF (21 - 23 Oct) 5) Approval by the BCR through its Regulations 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 analyzed, with the Attorneys of the FIU together with the Legal Advisor of the Attorney General of the Republic, Dr. Ramón Iván García being commissioned toward that end, developing the following activities:</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<ul style="list-style-type: none"> • 20 June/2013: Meeting in the Legislative Assembly with the President of the Commission for Public Security and Combating Drug Trafficking, Colonel José Antonio Armendáriz Rivas, for the purpose of promoting the proposed 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 for Public Security and Combating Drug Trafficking, arranging the acquisition of the files of the different motions on the amendment to the AMLL; These were forwarded to the team of attorneys on 11 July/2013 • 12 July/2013: The Head of the FIU, Mr. Tovías Menjívar, commissions the attorneys Carlana Parada, Eugenia Maricela Campos and María Graciela Aragón to review and formulate observations on the proposed amendment to the AMLL • 17 July/2013: Team of attorneys 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 Money Laundering Prevention. • 18 July/2013: Dispatching of the consolidated proposed 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 proposed amendments to the AMLL, with Ms. Alessia Esteffi Herrera, Legal Collaborator of the FIU • 20 August/2013: The team of attorneys 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 Money Laundering Prevention 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

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>Commission for Public Security and Combating Drug Trafficking, 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 proposed amendments to the AMLL was presented.</p> <ul style="list-style-type: none"> • 3, 10, 13, and 16 September/2013: The OAG/FIU technical team agreed to attend meetings with the Commission for Public Security and Combating Drug Trafficking to discuss the proposed 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 for Public Security and Combating Drug Trafficking, to review and address technical consultations regarding the proposed amendments to the AMLL • 17 September/2013: The Attorney General of the Republic held a meeting with the Representatives of the Commission for Public Security and Combating Drug Trafficking, 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 for Public Security and Combating Drug Trafficking, regarding the impact and importance of their approval <p>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 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 Regulations Committee of the Central Reserve Bank, in Session No. CN-14/2013, dated November 14, 2013, approved the Technical Rules for Money Laundering and Terrorist Financing Risk Management.</p> <p>It is reported, the approval of the amendments to the AML Law published in Official Gazette dated January 16, 2014, Volume No. 402,</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>Number 9, of Decree No. 568 - Amendments to the Anti-Money Laundering Law.</p>
<p>9. Third parties and introducers</p>	<p>PC</p>	<ul style="list-style-type: none"> • Lack of specific regulations concerning the use of intermediaries that may carry out some DD procedures on behalf of the FI's. • Lack of requirements for FI's (Insurance and Money Senders) to be in a position to "immediately" obtain DD information on third parties given that such entities are not expressly included in the FIU Guidelines. • Inadequate supervision/monitoring of Money Senders and paying agents (who must comply) by the sending institutions in order to comply with AML/CTF obligations. 	<ul style="list-style-type: none"> • Issue specific rules that would prohibit or regulate the use of third parties by the FI in order to carry out various DD procedures. • Include Money Senders and Insurers in the FIU Guidelines, otherwise, there is the reduced possibility of full compliance with the guidelines related to the obligations derived from the Law and its respective relevant know your customer regulations. • Establish concrete requirements in the provisions, (especially for money senders and Insurers) so that FI's could immediately obtain information from third parties conducting CDD on their behalf. • Establish proper supervision mechanisms to verify that insurance companies honor their obligation to monitor compliance by their agents with AML/CTF regulatory obligations. • Consider the possibility of implementing a system that demands that remittance companies or money senders monitor the operations of paying agents (who must execute some DD elements) and their compliance with the regulations. 	<p>Article 10 of the ML Law is emphatic and "sufficiently" clear that in addition to those outlined in the previous article, institutions shall have the following obligations:</p> <p>“Article 10.- In addition to those set forth in the previous Article, Institutions shall have the following obligations:</p> <p>a) Reliably identify and with the diligence necessary, all users requiring their services, as well as the identity of any other person or legal entity on whose behalf they are acting;</p> <p>b) File and keep documentation on transactions for a period of five years, counted from the date of completion of each transaction;</p> <p>c) Train staff on money laundering processes or techniques, so that they could identify irregular or suspicious situations;</p> <p>d) Establish an internal audit mechanism to verify compliance with the provisions of this Law;</p> <p>e) Under the terms provided in Article 4 sub-paragraph 4 of this Law, Banks and Financial Institutions, Bureaus de Change and Stock Exchanges, shall adopt policies, rules and mechanisms pertaining to conduct that shall be observed by their directors, officers and employees and which consist of the following:</p> <p>I) Have adequate knowledge of the economic activity developed by their customers, its magnitude, frequency, basic characteristics of the transactions in which they are currently involved and, in particular, the activity of those carrying out any type of demand deposit, term deposit, savings accounts, delivery of goods in trust or trust accounts, or those depositing in safety deposit boxes;</p> <p>II) Provide that the volume, value and movement of funds of their customers are consistent with their economic activity;</p> <p>III) Report without fail, immediately and adequately to the Office of the Attorney General of the Republic, through the FIU and the respective Superintendency, any relevant information on the management of funds, whose value or characteristics are not consistent with the economic activity of their customers, or information on transactions of their users which, due to the amounts involved, number, complexity, characteristics or special circumstances, deviate from the regular or conventional patterns of the same type of transaction; and which could therefore reasonably lead to the conclusion that the financial entity is being used or an attempt is being made for it to be used to transfer, handle, utilize or invest the proceeds of crime.</p> <p>Also, the regulations contained in the ML law in its Article 4 sub-paragraph "c" strongly confirm the obligation of institutions to adopt a policy to sufficiently ensure knowledge of their customers for the purpose of fulfilling the objectives of the law and its regulations.</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
<p>12. DNFBP's (5, 6, 8-11)</p>	<p>NC</p>	<ul style="list-style-type: none"> • There are no competent authorities in the area of ML and TF that regulate and supervise DNFBP's. • There are no provisions that allow compliance with the FATF Recommendations. 	<ul style="list-style-type: none"> • Appoint authorities with adequate human and material resources that would allow the efficient regulation and supervision of DNFBP's. • Issue provisions that would allow DNFBP's to comply with their obligations outlined in the AML Law. 	<p>Legislative Decree No. 592 approved on 14 January 2011, which has been in force since 02 August 2011 and which contains the Law on the Supervision and Regulation of the Financial System, provides that the Superintendency of the Financial System is the body responsible for regulation and risk-based supervision. The following are several articles related to the fulfillment of this recommendation:</p> <p>Entities Supervised</p> <p>7.- The following are subject to the provisions of this Law and therefore fall under the supervision of the Superintendency:</p> <ul style="list-style-type: none"> a) The Central Reserve Bank, as regards the provisions set forth in subparagraph l) of Article 4 of this Law; b) Banks established in El Salvador, their offices abroad and their subsidiaries; branches and offices of foreign banks set up in the country; c) Companies which, in accordance with the law, belong to financial conglomerates, or which are declared as such by the Superintendency, including both their holding companies and their member companies; d) Pension fund management institutions; e) Insurance companies, their branches abroad and branches of foreign insurance companies established in the country; f) Stock exchanges, brokerage houses, companies specializing in the deposit and custody of securities, risk rating agencies, institutions providing auxiliary services to the stock market, agents specializing in the valuation of securities and general deposit warehouses; g) Cooperative banks, savings and credit companies and federations regulated by the Law on Cooperative Banks and Savings and Credit Companies; h) Mutual guarantee companies and their local refinancers; i) Companies providing complementary services to the financial services of the members of the financial system, especially those in which they participate as investors; j) Companies managing or operating payment systems and systems for the liquidation of securities; k) The Social Housing Fund and the National Popular Housing Fund; l) The INPEP and ISSS, the latter of which is related to the Public Pension System, the System for Occupational Risks and technical health reserves; m) The Social Security Institute of the Armed Forces; n) The Agricultural Development Bank (Banco de Fomento Agropecuario), Banco Hipotecario de El Salvador S.A. (Mortgage Bank of El Salvador) and the Multi-sectoral Investment Bank (Banco Multisectorial de Inversiones); o) The Salvadorian Investment Corporation (Corporación Salvadoreña de Inversiones); p) Bureaus de Change; q) Securitizers; r) The Deposit Guarantee Institute (Instituto de Garantía de Depósitos) and the Financial Strengthening and Restructuring Fund (Fondo de saneamiento y Fortalecimiento Financiero) regarding all matters pertaining to their laws and regulations;

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>s) Product and service exchanges; and t) The other entities, institutions and operations specified by the laws.</p> <p>When reference is made to the financial system or to the members of the financial system, they shall be understood as those mentioned in the preceding paragraphs.</p> <p>Also subject to supervision by the Superintendency are the operations carried out by the aforementioned entities and institutions, as well as the members of the administrative bodies, legal representatives, agents, officials, directors, managers, internal auditors and other staff of the members of the financial system. Also supervised, whether they are persons or legal entities, shall be external auditors, companies specializing in the provision of credit information services operating in El Salvador, insurance intermediaries, stockbroker agents, stockbrokers, stock brokerage offices and the licensees referred to in the Law on Product and Service Exchanges, social security service agents, experts, actuaries, auditors, liquidators and other self-employed professionals, specifically on matters related to the performance of their functions and the provision of services in the members of the financial system. Also subject to supervision by the Superintendency are issuers of publicly listed securities, with special emphasis on the aspects pertaining to compliance with the obligations imposed by the stock exchange laws, regulations and technical rules.</p> <p>When the text of this Law refers to those supervised, they shall be understood as those mentioned in this article.</p> <p>Art. 37 .- Those supervised shall facilitate, as required by the Superintendency, via the means deemed appropriate, without breaching any confidentiality or privacy, the examination of their business, acts, operations, assets, books, accounts, files, documents, correspondence, databases and information systems, in all matters relevant to the supervision exercise. In addition, their administrators and staff shall provide, as required by the Superintendency, all background information and explanations necessary to clarify any matter falling under their competence, with them being obligated to collaborate as requested.</p> <p>Those supervised, as well as their shareholders or partners shall provide all the information necessary to keep up to date, the public records referred to in the laws governing them, within the timeframes and in the manner established.</p> <p>Employers of those affiliated with the Pension Savings System and the Public Pensions System shall indicate a specific location in the city of San Salvador for receiving notifications, or when necessary, they shall commission a person residing in that city to receive same and to present or withdraw documents on their behalf.</p> <p>Art.38.- The directors, administrators, officials and managers of the members of the financial system who fail to comply with the provisions set forth in the</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>laws, regulations or rules applicable or who, due to any acts or omissions cause injury to said member or third parties, shall be penalized in accordance with the provisions of this Law, without prejudice to their responsibility for the damages and injuries caused.</p> <p>They shall also be penalized, those who divulge or disclose any confidential or private information regarding the business, acts and operations of the members of the financial system or information concerning matters communicated to them, or take advantage of the information for their personal gain or that of third parties, without prejudice to the criminal penalties that may be applicable.</p> <p>The preceding paragraph does not include information required by the judicial authorities, Office of the Attorney General of the Republic and other authorities in exercising their legal powers, nor the information to be released to the public as provided by the law. It also omits the information that must be provided to the Superintendency with respect to the credit banking information service, which is determined by this Law and the other laws applicable; in addition to the information required by foreign supervisory bodies in exercising their authority.</p> <p>The information required by tax offices shall be provided by those supervised in accordance with the provisions of the special law governing that matter. The members of the private sector financial system shall be jointly and severally liable for the damages and injuries caused to third parties by the actions or omissions of their directors, administrators, officials and employees in performing their functions. As regards the members of the public sector financial system, they shall be liable according to the provisions set forth in 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 the OTA, in such a manner that we have achieved the following:</p> <ul style="list-style-type: none"> • Initial closer ties 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. • Closer ties regionally 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 Office of Technical Assistance 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</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>(IDB) with a view to joining its project on cooperation and specialized technical support for AML/CTF. The country's request had to be channeled through the Technical Secretariat of the President (STP), thus, on 27/June/13, the request to the STP was processed 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 process the request presented by the OAGR/FIU. On 15/July/13, the STP issued an official request to the IDB, a copy of which was received at the OAGR/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. Regulatory framework proposal, whose format could have two options: (a) An annex suggesting regulations that should be developed by the country; or instead, (b) Drafting of the regulations 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 greater probability 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, 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 a tender 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, with the verification of the availability of time to commence the project pending</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</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>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 request for an internship 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/CTF Regulatory Framework targeting Designated Non-Financial Businesses and Professions (DNFBP's)", on 30 and 31 July/13 at the offices of the AGR, 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 money transfers and the trade in 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 (DNFBP's), in order to achieve project continuity and links regarding AML/CTF 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/CTF 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>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>On May 17, 2013, through Agreement No. 085, the Attorney General of the Republic approved the Guidelines of the Financial Investigation Unit for Money Laundering Prevention, published in Official Gazette D.O. No. 119, volume 400, dated July 01, 2013 (See document in Annex 1). A provision on DNFBP's was included in the following articles:</p> <p><u>CHAPTER III. Article 8.</u> <u>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.</u></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 deposit 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 money 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 deposit boxes and the granting of loans under any category, shall demand that those conducting activities and the Institutions listed in the preceding paragraph, in addition to meeting the requirements established in the current guidelines, must also carry out the following: presentation to the FIU of the following verifications by any means:</p> <p>1. Verify the existence of a compliance unit, whose function in the Institution is to protect it from the introduction of monies, fees or assets that are the proceeds of crime and from them in turn, entering the financial institution by virtue of the relationship with said customer.</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<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 Acts of Terrorism, formulate and execute procedures for Money Laundering and Terrorist Financing prevention, 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 his/her domain and who will also function as the liaison officer in the area of AML/CTF compliance with the FIU and the other institutions subject to the control of the Law.</p> <p>3. Prepare and take steps toward obtaining approval from the Institution’s highest administrative body for the compliance manuals or a comprehensive prevention system consisting of a handbook that would define the specific procedures adopted by the entity in order to safeguard itself against Money Laundering and Terrorist Financing (ML and TF), 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 proceeds of crime. Responsibility for compliance with anti-money laundering rules 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/CTF.</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 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: ...</p> <p>10. Formulate 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>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>With respect to the IDB technical cooperation project on the Assessment of DNFBP's and the regulatory framework proposal, the following advancements have been made:</p> <ul style="list-style-type: none"> • Review of loopholes in the regulation (November 2013) • First in situ visit (05 to 06 December 2013) • Review of the proposed regulations (January 2014) • Second in situ visit on 29 and 30 January 2014 • Discussion of the draft report (07/March 2014) <p>Efforts continue toward establishing closer ties with the DNFBP sector, a meeting was held with the Salvadorian Association of Cargo Agencies and Related Services (Asociación Salvadoreña de Agencias de Carga y Servicios Conexos - ASAC) on March 12 to address general aspects of obligations as reporting entities; The ASAC organized on March 20, 2014, an initial activity for its members to become familiar with the regulatory framework, in which the FIU also had the opportunity to participate. Also on March 20, 2014 there was an activity to disseminate the basics of the regulatory framework with the Association of Travel Agencies (Asociación de Agencias de Viaje - AVA).</p>
<p>16. DNFBP's (R13-15 & 21)</p>	<p>NC</p>	<ul style="list-style-type: none"> • There is no regulation in the area of ML and TF prevention and detection applicable to DNFBP's. • There are no authorities sanctioned to regulate and supervise DNFBP's. 	<p>DNFBP's must be obligated to report suspicious transactions and maintain internal controls to prevent and detect operations associated with ML and TF, in terms of what is established in Recommendation 16 of the FATF.</p>	<p>In accordance with Article 2 of the AMLL, not all DNFBP's are entities that are obligated to report suspicious transactions, however, on August 12, 2011 the Legislative Assembly was presented with the proposed amendment to include the remaining DNFBP's in the terms established by the FATF. Annex 1.</p> <p>According to Articles 31 and 32 of the Law on the Supervision and Regulation of the Financial System, the Superintendency of the Financial System is the body authorized to regulate and supervise DNFBP's. Said articles provide the following:</p> <p>Supervision</p> <p>Art. 31 .- The Superintendent and Assistant Superintendents shall define and develop the principles and characteristics of the supervision process, its objectives and stages and shall advise the members of the financial system of the criteria and policies that shall be adopted in order to implement risk-based supervision and verify compliance with the legal framework, taking into account international best practices. The Superintendent and Assistant Superintendents shall assess the technical contributions formulated in this regard by the members of the financial system.</p> <p>In defining the policies and criteria under which supervision will be carried out, the Superintendent and Assistant Superintendents shall consider quantitative and qualitative factors to assess the suitability, appropriateness and effectiveness of the management and control efforts undertaken by those supervised, the handling of conflicts of interest, disclosure of relevant information and the existence of controls to prevent the misuse of privileged or confidential information. They shall also perform ongoing follow-up of</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>financial markets in order to identify practices or conduct that could undermine their efficiency and transparency, applying the relevant measures. The Superintendent and Assistant Superintendents shall meet with the members of the financial system and with the Central Bank at least every six months, to analyze the trends of the financial system and discuss the principles and characteristics of the supervision process.</p> <p>Information requirement Art. 32.- The Superintendency, through the Superintendent, Assistant Superintendents or persons appointed by same, may demand that those supervised give direct access to all data, reports or documents on their operations via the means and in the manner defined by it. When deemed appropriate, the Superintendency may demand real-time direct access to the information systems of those supervised. Moreover, without the need for prior notice, it may conduct audits, inspections, reviews and any other procedure necessary for compliance with the law. In those cases where the Superintendency discovers that the entity supervised has published information that does not reflect its true financial position, it shall demand the publication of the information duly corrected, without prejudice to the other legal actions that must be initiated. The Superintendency, through the Superintendent, Assistant Superintendents or persons appointed by same, may conduct special inspections on a supervised entity to verify aspects related to the conducting of business or to the conglomerate to which it belongs, for the purpose of establishing compliance with the laws, regulations and rules applicable. The Superintendent, Assistant Superintendents or persons appointed by same, shall notify those supervised of the shortcomings, excesses, irregularities or breaches observed in their operations, demanding their regularization in accordance with the regulations in force, without prejudice to the corresponding administrative processes and the application of the relevant penalties. For the purposes of this Law, the members of the financial system may use microfilm, optical discs, magnetic media, electronic media or any other means to file documents and information in order to efficiently keep the corresponding records, documents and reports, including securities. The copies or reproductions produced by microfilm, optical disc, magnetic media, electronic media or any other means, shall have the same evidentiary value as the originals, provided that they are certified by a Notary.</p> <p>The Congress of the Republic is in the process of debating the draft law that seeks to regulate some 734 cooperatives that are placed among the so-called designated non-financial businesses and professions, with which we would be strengthening recommendations 12, 16 and 24, since they fall within the ambit of supervision, regulation and as the case may be, the subject of penalties by virtue of non-compliance with the AML/CTF laws. The main debate focuses on which of the institutions should serve as the body responsible for auditing them, which could be the Superintendency of</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>the Financial System (SSF) or the Salvadorian Institute for Cooperative Development (Instituto Salvadoreño de Fomento Cooperativo - INSAFOCOOP).</p> <p>For further illustration, visit: 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 the OTA, in such a manner that we have achieved the following:</p> <ul style="list-style-type: none"> • Initial closer ties 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. • Closer ties regionally 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 Office of Technical Assistance of the Treasury of the United States, for the preparation of a country assessment and proposals to regulate such matters. <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/CTF. The country's request had to be channeled through the Technical Secretariat of the President (STP), thus, on 27/June/13, the request to the STP was processed 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 process the request presented by the OAGR/FIU. On 15/July/13, the STP issued an official request to the IDB, a copy of which was received at the OAGR/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. Regulatory framework proposal, whose format could have two options: (a) An annex suggesting regulations that should be developed by the country; or instead, (b) Drafting of the regulations proposed

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>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 greater probability than it would be with the IVE of Guatemala).</p> <p>On 27/August/13, the 2nd Videoconference was held to review the Terms of Reference, 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 a tender 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, with the verification of the availability of time to commence the project pending.</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 request for an internship to learn about the technological development experienced, agreeing that direct communication would be established with Erick Estuardo Ramos Sologastoa, 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/CTF Regulatory Framework targeting Designated Non-Financial Businesses and</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>Professions (DNFBP's)", on 30 and 31 July/13 at the offices of the AGR, 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 money transfers and the trade in 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 (DNFBP's), in order to achieve project continuity and links regarding AML/CTF 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/CTF 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 Guidelines of the Financial Investigation Unit for Money Laundering Prevention, published in Official Gazette D.O. No. 119, volume 400, 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 deposit 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;</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>Institutions and individuals making regular or substantial money 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 deposit boxes and the granting of loans under any category, shall demand that those conducting activities and the Institutions listed in the preceding paragraph, in addition to meeting the requirements established in the current guidelines, must also carry out the following: presentation to the FIU of the following verifications by any means:</p> <ol style="list-style-type: none"> 1. Verify the existence of a compliance unit, whose function in the Institution is to protect it from the introduction of monies, fees or assets that are the proceeds of crime and from them in turn, entering the financial institution by virtue of the relationship with said customer. 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 Acts of Terrorism, formulate and execute procedures for Money Laundering and Terrorist Financing prevention, 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 his/her domain and who will also function as the liaison officer in the area of AML/CTF compliance with the FIU and the other institutions subject to the control of the Law. 3. Prepare and take steps toward obtaining approval from the Institution's highest administrative body for the compliance manuals or a comprehensive prevention system consisting of a handbook that would define the specific procedures adopted by the entity in order to safeguard itself against Money Laundering and Terrorist Financing (ML and TF), which must comply with the national and international standards issued for such purpose. 4. Verify the annual drafting of a work plan for the compliance office.

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<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 proceeds of crime. Responsibility for compliance with anti-money laundering rules 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/CTF.</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 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. Formulate 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>It is reported, the approval of the amendments to the AML Law published in Official Gazette dated January 16, 2014, Volume No. 402, Number 9, of Decree No. 568 - Amendments to the Anti-Money Laundering Law, see Article 2 amended.</p> <p>With respect to the IDB technical cooperation project on the Assessment of DNFBP’s and the regulatory framework proposal, the following advancements have been made:</p> <ul style="list-style-type: none"> • Review of loopholes in the regulation (November 2013) • First in situ visit (05 to 06 December 2013) • Review of the proposed regulations (January 2014) • Second in situ visit on 29 and 30 January 2014 • Discussion of the draft report (07/March 2014) <p>Efforts continue toward establishing closer ties with the DNFBP sector, a meeting was held with the Salvadorian Association of Cargo Agencies and Related Services (Asociación Salvadoreña de Agencias de Carga y Servicios Conexos - ASAC) on March 12 to address general aspects of obligations as reporting entities; The ASAC organized on March 20,</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				2014, an initial activity for its members to become familiar with the regulatory framework, in which the FIU also had the opportunity to participate. Also on March 20, 2014 there was an activity to disseminate the basics of the regulatory framework with the Association of Travel Agencies (Asociación de Agencias de Viaje - AVA).
17. Sanctions	PC	<ul style="list-style-type: none"> • With respect to remittance entities and non-banking financial entities not supervised by the SSF and SV, there is no extensive sanctioning regimen and which is proportional to the gravity of the offenses committed regarding non-compliance with AML-CTF rules • There is no possibility of non-monetary sanctions or the closure of violating entities, as well as penalties for officials of said entities for specific breaches in the area of ML and TF prevention, when involving remittance entities and non-banking financial entities not supervised by the SSF and SV. 	<ul style="list-style-type: none"> • Develop effective, proportional and dissuasive sanctioning schemes according to the type of offenses committed, criteria for increasing the penalty in the case of recurrence, as well as clear and timely application mechanisms. • Establish a system of statistics on sanctions applied by type of entity, type and gravity of the offense and the amount of the sanction applied. • Define sanctioning mechanisms for entities that are not subject to supervision by specific bodies, as is the case of remittance companies and commercial entities. • Regulate sanctioning schemes for the officials, directors, and upper management of regulated entities who, by their own doing, fail to comply with the requirements to combat ML and TF. • Consider the application or inclusion of non-monetary sanctions for non-compliance with AML/CTF requirements for entities not subject to the requirement for authorization from the SSF or SV, which would include a process for removal from the registry in cases of recurrence or grave offenses against the Law. 	<p>A bill has been presented to the Legislative Assembly for the purpose of amending the law on the supervision and regulation of the financial system to include remittance companies as members of the financial system, with which, according to Articles 2, 7, 31, 32, 37 and 38 of said law, they will be authorized, supervised, and regulated by the SSF.</p> <p>The LSRFS establishes the sanctioning system that ranges from written reprimand to the revocation of the authorization conferred on the members of the financial system, including DNFBP's and remittance companies, pursuant to Article 7 of the LSRFS.</p>
21. Special attention for higher risk countries	PC	There are no obligations for FI's to pay special attention to business relations and transactions with persons of or in countries where the FATF Recommendations are not applied or where they are applied inadequately	Expressly establish the obligation for FI's to pay special attention to business relations and transactions with persons of or in countries where the FATF Recommendations are not applied or where they are applied inadequately, and consequently, in the event that the transactions have no apparent economic purpose, the obligation to examine the background and purpose of said transactions, outlining the conclusions in writing and making them available to the authorities. They must also	<p>In session No. CD-25/11 dated July 20, 2011, the SSF approved through the Executive Council, the rule for the provision of correspondent banking services, identified as rule NPB4-51, Annex 2, which contains prudential regulations for potential correspondent banking activities.</p> <p>With respect to banks and single purpose holding companies, an amendment to rule NPB1-11 was approved, whose purpose is to establish minimum requirements and procedures that must be observed by domestic banks and single purpose holding companies, so that the SSF could authorize them to</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
			<p>have the capacity to apply appropriate countermeasures, in cases involving the aforementioned persons.</p>	<p>invest in subsidiaries in foreign countries. The amendment consists of specific regulations that require financial institutions in the area of ML/TF to ensure that their subsidiaries abroad observe measures in accordance with the requirements of the country of origin and the recommendations of the FATF. Annex 3.</p> <p>A proposed amendment to Rule NPB4-51, for the purpose of adjusting it to suit recommendation 21 regarding "special attention for higher risk countries", has been dispatched to the Regulations Committee of the Central Reserve Bank.</p> <p>Amendment proposal. Principles on Correspondent Banking Art. 6. - In order to prevent the risk of money laundering and terrorist financing, local correspondent banks, in their relations with correspondent banking customers, must maintain transparent, clear and documented relations and which would not jeopardize the entity, clients, its shareholders and consequently the financial stability of the country. <i>The reporting entities shall pay special attention to business relations and transactions with persons or legal entities and other financial institutions of or in countries where the FATF Recommendations are not applied, or where they are applied inadequately.</i> <i>In the case where the reporting entities detect transactions that have no apparent economic purpose, or clear legal purpose, they shall examine, to the greatest extent possible, the background and purpose of said transactions. If following the analysis it is concluded that it is a suspicious transaction they shall dispatch the corresponding report.</i> <i>The Superintendency, on its initiative or as required by the Financial Investigation Unit of the Office of the Attorney General of the Republic, shall inform the reporting entities of its concerns regarding the shortcomings in the AML/ CTF systems of other countries, and establish the countermeasures to be applied, for example:</i></p> <ul style="list-style-type: none"> <i>a) Stringent requirements for customer identification and the enhancement of alerts, including specific financial alerts for certain jurisdictions, so that reporting entities could identify the beneficial owners before establishing business relations with persons or legal entities originating in such countries.</i> <i>b) Improve reporting mechanisms or order the systematic reporting of all financial transactions, on the basis that there is the greater probability that financial transactions with these countries would be suspicious;</i> <i>c) No authorization for the establishment of subsidiaries or branches or representative offices of financial institutions originating in a country that does not have proper anti-money laundering and terrorist financing systems;</i> <i>d) Warn the businesses in the non-financial sector that transactions with persons or legal entities within a specific country could run the risk of money laundering.</i> <i>e) Limit business relations or financial transactions with the country identified or persons identified in said country.</i>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>The proposed amendment to rule NPB4-51 was approved by the regulations committee of the Central Reserve Bank on April 30 of this year, which took effect from May 14 of the same year.</p>
<p>22. Foreign branches and subsidiaries</p>	<p>PC</p>	<p>No specific regulations have been developed with regard to AML-CTF measures for Foreign Branches and Affiliates</p>	<p>Develop regulations pertaining to AML-CTF measures for Foreign Branches and Affiliates of FI's</p>	<p>In session No. CD-25/11 dated July 20, 2011, the SSF approved through the Executive Council, the rule for the provision of correspondent banking services, identified as rule NPB4-51, Annex 2, which contains prudential regulations for potential correspondent banking activities.</p> <p>With respect to banks and single purpose holding companies, an amendment to rule NPB1-11 was approved, whose purpose is to establish minimum requirements and procedures that must be observed by domestic banks and single purpose holding companies, so that the SSF could authorize them to invest in subsidiaries in foreign countries. The amendment consists of specific regulations that require financial institutions in the area of ML/TF to ensure that their subsidiaries abroad observe measures in accordance with the requirements of the country of origin and the recommendations of the FATF. Annex 3.</p> <p>The proposed amendment to rule NPB4-11, to meet essential criteria 22.1.1, 22.1.2 and 22.2 of the Methodology has been dispatched to the Regulations Committee of the Central Reserve Bank.</p> <p>Amendment proposal. Article 16-A. - When investing in subsidiaries or offices abroad, said subsidiaries or offices of a bank or holding company established in El Salvador must be required to observe, monitor and comply with all anti-money laundering and terrorist financing measures, in accordance with the requirements of the country and the Recommendations of the Financial Action Task Force (FATF). Banks must pay special attention to the fact that this principle is observed with respect to their branches and subsidiaries in countries where the FATF Recommendations are not applied or where they are applied inadequately. When the minimum anti-money laundering and terrorist financing requirements of El Salvador differ from those of the State in which the branch or subsidiary is located, the higher standard shall be applied, in so far as it is permitted by the laws and regulations of the State where the branch or subsidiary is located. Banks shall report to the Superintendency in the case where a foreign branch or subsidiary is unable to observe the proper anti-money laundering and terrorist financing measures, if prohibited by the laws, regulations and other measures in force in the State where the branch or subsidiary is located.</p> <p>The proposed amendment to rule NPB4-51 was approved by the regulations committee of the Central Reserve Bank on April 30 of this year, which took</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
<p>23. Regulation, supervision and monitoring</p>	<p>PC</p>	<ul style="list-style-type: none"> • Insufficient resources (staff, equipment, training) of the supervisory entities for carrying out their inspection functions. • Lack of control and supervision of remittance entities and other non-banking financial entities that do not belong to a Financial Conglomerate 	<ul style="list-style-type: none"> • Provide the Supervisory entities with adequate human, technological and training resources in order to honor their legal obligations in the area of AML-CTF. • Intensify the supervision of AML-CTF compliance in a preventive manner and revise the duty of the SSF to analyze the information received from regulated entities and in turn forward it to the FIU when it advises that the transactions reported are irregular or suspicious in accordance with the provisions of Article 8 of the Anti-Money Laundering Regulations, since in essence, this is a task that corresponds with the FIU, in addition to which, it imposes a tremendous operating burden in light of the scarce resources available. • Develop risk-based Supervision methods or manuals that are adjusted to suit the specific conditions of the various types of regulated entities. • Reconsider the benefit and efficacy of having conferred on the FIU, in the Law, regulatory powers over financial institutions in the area of ML-TF and consider the possibility of assigning them to the respective supervisory bodies specializing in financial matters. • Place all the non-banking financial entities that do not belong to financial conglomerates and which are not subject to a supervisory body, under the regulation and supervision of a body that has the capacity and resources to do so. • Due to their importance, remittance entities should have special records, receive operating licenses and be regulated by a supervisory body in order to ensure compliance with the legal AML-CTF requirements. • Intensify the supervision of the national FI's engaged in activities abroad and increase the use of memorandums of understanding in the area of supervision in order to facilitate consolidated cross-border supervision. • Ensure in inspections that insurance and finance companies honor their obligation to provide their agents and brokers with AML/CTF training, giving priority to those who accept cash from customers and to the detection and notification of irregular or suspicious activities. 	<p>effect from May 14 of the same year.</p> <p>At present in the new structure, the SSF has ordered the increase in the staff belonging to the new ML and TF risk department, whose work plans include staff training and certification.</p> <p>The LSRFS clearly establishes the authority held by the Superintendency of the Financial System to supervise and regulate the institutions that are subject to AML/CTF control and which belong to the financial system.</p> <p>Article 31 of LSRFS establishes: Supervision Art.31 .- The Superintendent and Assistant Superintendents shall define and develop the principles and characteristics of the supervision process, its objectives and stages and shall advise the members of the financial system of the criteria and policies that shall be adopted in order to implement risk-based supervision and verify compliance with the legal framework, taking into account international best practices. The Superintendent and Assistant Superintendents shall assess the technical contributions formulated in this regard by the members of the financial system.</p> <p>In defining the policies and criteria under which supervision will be carried out, the Superintendent and Assistant Superintendents shall consider quantitative and qualitative factors to assess the suitability, appropriateness and effectiveness of the management and control efforts undertaken by those supervised, the handling of conflicts of interest, disclosure of relevant information and the existence of controls to prevent the misuse of privileged or confidential information. They shall also perform ongoing follow-up of financial markets in order to identify practices or conduct that could undermine their efficiency and transparency, applying the relevant measures. The Superintendent and Assistant Superintendents shall meet with the members of the financial system and with the Central Bank at least every six months, to analyze the trends of the financial system and discuss the principles and characteristics of the supervision process.</p> <p>It is important to clarify that the regulation emanates not only from the Financial Investigation Unit through specific instructions that are established in the FIU Guidelines, 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 Office of Technical Assistance 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 in the "Regional Workshop on Supervision to Prevent Money Laundering and Combat Terrorist Financing</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>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 Salvador 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 Terrorist Financing. The meeting was held at the Offices 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/TF 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. In addition, it has a supervisory system in which the technical areas provide support for the evaluation of aspects related to the verification of compliance with the elements pertaining to money laundering and terrorist financing prevention.</p> <p>With respect to the preventive supervision of AML/CTF compliance, in January/2012, the SSF approved the "General Framework for the Supervision of the Financial System", which contains among other aspects, risk-based supervision criteria and policies and compliance, which establishes that the Salvadorian financial system is being supervised pursuant to the provisions set forth in the legal framework applicable, international best practices and the level of development of each of the industries 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 assessment of the management of the major risks to which the</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>entities are exposed, with a prospective vision of same and with the ongoing follow-up of the operations that they conduct. The response of the supervisor will be related to the risk management assessment performed 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 the “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 (LSRFS). In addition, it has the “Draft Technical Rules for Money Laundering and Terrorist Financing Risk Management”, which are being discussed for approval by the Regulations 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 terrorist financing 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 money laundering risk conducted by the financial institutions e) Reports on irregular or suspicious transactions and cash transactions submitted to the FIU and SSF f) Staff training program on money laundering and terrorist financing prevention 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 customers j) Know your customer due diligence, in terms of its 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, which facilitate cross-border supervision and allow for more intense supervision of the national financial institutions engages in activities abroad.</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>During the supervisory process carried out by the SSF concerning 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> <p>It is reported, the approval of the amendments to the AML Law published in Official Gazette dated January 16, 2014, Volume No. 402, Number 9, of Decree No. 568 - Amendments to the Anti-Money Laundering Law, see Article 2 amended.</p>
<p>24. DNFBP's Regulation, supervision and monitoring</p>	<p>NC</p>	<ul style="list-style-type: none"> There is no regulation in the area of ML and TF prevention applicable to DNFBP's. 	<p>DNFBP's, including casinos, must be subject to a regulatory and supervision framework in the area of ML and TF, through authorities legally sanctioned for such purposes and with Provisions and Rules that would allow adequate compliance with this Recommendation.</p>	<p>Legislative Decree No. 592 approved on 14 January 2011, which has been in force since 02 August 2011 and which contains the Law on the Supervision and Regulation of the Financial System, provides that the Superintendency of the Financial System is the body responsible for regulation and risk-based supervision. The following are several articles related to the fulfillment of this recommendation:</p> <p>Entities Supervised</p> <p>7.- The following are subject to the provisions of this Law and therefore fall under the supervision of the Superintendency:</p> <ul style="list-style-type: none"> a) The Central Reserve Bank, as regards the provisions set forth in subparagraph l) of Article 4 of this Law; b) Banks established in El Salvador, their offices abroad and their subsidiaries; branches and offices of foreign banks set up in the country; c) Companies which, in accordance with the law, belong to financial conglomerates, or which are declared as such by the Superintendency, including both their holding companies and their member companies; d) Pension fund management institutions; e) Insurance companies, their branches abroad and branches of foreign insurance companies established in the country; f) Stock exchanges, brokerage houses, companies specializing in the deposit and custody of securities, risk rating agencies, institutions providing auxiliary services to the stock market, agents specializing in the valuation of securities and general deposit warehouses; g) Cooperative banks, savings and credit companies and federations regulated by the Law on Cooperative Banks and Savings and Credit Companies; h) Mutual guarantee companies and their local refinancers; i) Companies providing complementary services to the financial services of the members of the financial system, especially those in which they participate as investors; j) Companies managing or operating payment systems and systems for the liquidation of securities; k) The Social Housing Fund and the National Popular Housing Fund; l) The INPEP and ISSS, the latter of which is related to the Public Pension System, the System for Occupational Risks and technical health reserves; m) The Social Security Institute of the Armed Forces;

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>n) The Agricultural Development Bank (Banco de Fomento Agropecuario), Banco Hipotecario de El Salvador S.A. (Mortgage Bank of El Salvador) and the Multi-sectoral Investment Bank (Banco Multisectorial de Inversiones);</p> <p>o) The Salvadorian Investment Corporation (Corporación Salvadoreña de Inversiones);</p> <p>p) Bureaus de Change;</p> <p>q) Securitizers;</p> <p>r) The Deposit Guarantee Institute (Instituto de Garantía de Depósitos) and the Financial Strengthening and Restructuring Fund (Fondo de Sanamiento y Fortalecimiento Financiero) regarding all matters pertaining to their laws and regulations;</p> <p>s) Product and service exchanges; and</p> <p>t) The other entities, institutions and operations specified by the laws.</p> <p>When reference is made to the financial system or to the members of the financial system, they shall be understood as those mentioned in the preceding paragraphs.</p> <p>Also subject to supervision by the Superintendency are the operations carried out by the aforementioned entities and institutions, as well as the members of the administrative bodies, legal representatives, agents, officials, directors, managers, internal auditors and other staff of the members of the financial system. Also supervised, whether they are persons or legal entities, shall be external auditors, companies specializing in the provision of credit information services operating in El Salvador, insurance intermediaries, stockbroker agents, stockbrokers, stock brokerage offices and the licensees referred to in the Law on Product and Service Exchanges, social security service agents, experts, actuaries, auditors, liquidators and other self-employed professionals, specifically on matters related to the performance of their functions and the provision of services in the members of the financial system.</p> <p>Also subject to supervision by the Superintendency are issuers of publicly listed securities, with special emphasis on the aspects pertaining to compliance with the obligations imposed by the stock exchange laws, regulations and technical rules.</p> <p>When the text of this Law refers to those supervised, they shall be understood as those mentioned in this article.</p> <p>Art. 37.- Those supervised shall facilitate, as required by the Superintendency, via the means deemed appropriate, without breaching any confidentiality or privacy, the examination of their business, acts, operations, assets, books, accounts, files, documents, correspondence, databases and information systems, in all matters relevant to the supervision exercise.</p> <p>In addition, their administrators and staff shall provide, as required by the Superintendency, all background information and explanations necessary to clarify any matter falling under their competence, with them being obligated to collaborate as requested.</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>Those supervised, as well as their shareholders or partners shall provide all the information necessary to keep up to date, the public records referred to in the laws governing them, within the timeframes and in the manner established.</p> <p>Employers of those affiliated with the Pension Savings System and the Public Pensions System shall indicate a specific location in the city of San Salvador for receiving notifications, or when necessary, they shall commission a person residing in that city to receive same and to present or withdraw documents on their behalf.</p> <p>Art.38.- The directors, administrators, officials and managers of the members of the financial system who fail to comply with the provisions set forth in the laws, regulations or rules applicable or who, due to any acts or omissions cause injury to said member or third parties, shall be penalized in accordance with the provisions of this Law, without prejudice to their responsibility for the damages and injuries caused.</p> <p>They shall also be penalized, those who divulge or disclose any confidential or private information regarding the business, acts and operations of the members of the financial system or information concerning matters communicated to them, or take advantage of the information for their personal gain or that of third parties, without prejudice to the criminal penalties that may be applicable.</p> <p>The preceding paragraph does not include information required by the judicial authorities, Office of the Attorney General of the Republic and other authorities in exercising their legal powers, nor the information to be released to the public as provided by the law. It also omits the information that must be provided to the Superintendency with respect to the credit banking information service, which is determined by this Law and the other laws applicable; in addition to the information required by foreign supervisory bodies in exercising their authority.</p> <p>The information required by tax offices shall be provided by those supervised in accordance with the provisions of the special law governing that matter. The members of the private sector financial system shall be jointly and severally liable for the damages and injuries caused to third parties by the actions or omissions of their directors, administrators, officials and employees in performing their functions. As regards the members of the public sector financial system, they shall be liable according to the provisions set forth in 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 the OTA, in such a manner that we have achieved the following:</p> <ul style="list-style-type: none"> • Initial closer ties with the reporting entities (DNFBP's), through the

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>“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.</p> <ul style="list-style-type: none"> • Closer ties regionally 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 Office of Technical Assistance of the Treasury of the United States, held on April 8-9, 2013, with support from the Office of Technical Assistance of the Treasury of the United States, 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/CTF. The country’s request had to be channeled through the Technical Secretariat of the President (STP), thus, on 27/June/13, the request to the STP was processed 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 process the request presented by the OAGR/FIU. On 15/July/13, the STP issued an official request to the IDB, a copy of which was received at the OAGR/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. Regulatory framework proposal, whose format could have two options: (a) An annex suggesting regulations that should be developed by the country; or instead, (b) Drafting of the regulations 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 greater probability 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</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>FIU Technological Platform, so that the consultants could submit a tender 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, with the verification of the availability of time to commence the project pending</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 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/CTF Regulatory Framework targeting Designated Non-Financial Businesses and Professions (DNFBP's)", on 30 and 31 July/13 at the offices of the AGR, 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 money transfers and the trade in 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 (DNFBP's), in order to achieve project continuity and links regarding AML/CTF supervision.</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<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/CTF 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 Guidelines of the Financial Investigation Unit for Money Laundering Prevention, published in Official Gazette D.O. No. 119, volume 400, dated July 01, 2013 (See document in Annex 1). A provision on DNFBP's was included in the following articles:</p> <p><u>CHAPTER III. Article 8.</u> <u>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.</u></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 deposit 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 money 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>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<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 deposit boxes and the granting of loans under any category, shall demand that those conducting activities and the Institutions listed in the preceding paragraph, in addition to meeting the requirements established in the current guidelines, must also carry out the following: presentation to the FIU of the following verifications by any means:</p> <ol style="list-style-type: none"> 1. Verify the existence of a compliance unit, whose function in the Institution is to protect it from the introduction of monies, fees or assets that are the proceeds of crime and from them in turn, entering the financial institution by virtue of the relationship with said customer. 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 Acts of Terrorism, formulate and execute procedures for Money Laundering and Terrorist Financing prevention, 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 his/her domain and who will also function as the liaison officer in the area of AML/CTF compliance with the FIU and the other institutions subject to the control of the Law. 3. Prepare and take steps toward obtaining approval from the Institution's highest administrative body for the compliance manuals or a comprehensive prevention system consisting of a handbook that would define the specific procedures adopted by the entity in order to safeguard itself against Money Laundering and Terrorist Financing (ML and TF), which must comply with the national and international standards issued for such purpose. 4. Verify the annual drafting of a work plan for the compliance office. 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 proceeds of crime. Responsibility for compliance with anti-money laundering rules belongs to all employees and officials, according to the responsibilities conferred on them in the internal manuals. 6. Verify the existence of a computerized or automated system to conduct risk analyses in a timely and effective manner. 7. Verify the existence of an audit system, to prove the overall effectiveness

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>of the prevention and compliance program regarding AML/CTF.</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 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. Formulate 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>With respect to the IDB technical cooperation project on the Assessment of DNFBP’s and the regulatory framework proposal, the following advancements have been made:</p> <ul style="list-style-type: none"> • Review of loopholes in the regulation (November 2013) • First in situ visit (05 to 06 December 2013) • Review of the proposed regulations (January 2014) • Second in situ visit (29 and 30 January 2014) • Discussion of the draft report (07/March 2014) <p>Efforts continue toward establishing closer ties with the DNFBP sector, a meeting was held with the Salvadorian Association of Cargo Agencies and Related Services (Asociación Salvadoreña de Agencias de Carga y Servicios Conexos - ASAC) on March 12 to address general aspects of obligations as reporting entities; The ASAC organized on March 20, 2014, an initial activity for its members to become familiar with the regulatory framework, in which the FIU also had the opportunity to participate. Also on March 20, 2014 there was an activity to disseminate the basics of the regulatory framework with the Association of Travel Agencies (Asociación de Agencias de Viaje – AVA).</p>
25. Guidelines and Feedback	PC	Absolutely no guidelines have been issued for DNFBPs.	In addition to issuing the regulations necessary to implement the obligations outlined in the Law for DNFBP’s, guidelines must be issued that are suited to the nature of these institutions.	<p>Legislative Decree No. 592 approved on 14 January 2011, which has been in force since 02 August 2011 and which contains the Law on the Supervision and Regulation of the Financial System, provides that the Superintendency of the Financial System is the body responsible for regulation and risk-based supervision. The following are several articles related to the fulfillment of this recommendation:</p> <p>Entities Supervised Art. 7.- The following are subject to the provisions of this Law and therefore fall under the supervision of the Superintendency: a) The Central Reserve Bank, as regards the provisions set forth in sub-</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>paragraph l) of Article 4 of this Law;</p> <p>b) Banks established in El Salvador, their offices abroad and their subsidiaries; branches and offices of foreign banks set up in the country;</p> <p>c) Companies which, in accordance with the law, belong to financial conglomerates, or which are declared as such by the Superintendency, including both their holding companies and their member companies;</p> <p>d) Pension fund management institutions;</p> <p>e) Insurance companies, their branches abroad and branches of foreign insurance companies established in the country;</p> <p>f) Stock exchanges, brokerage houses, companies specializing in the deposit and custody of securities, risk rating agencies, institutions providing auxiliary services to the stock market, agents specializing in the valuation of securities and general deposit warehouses;</p> <p>g) Cooperative banks, savings and credit companies and federations regulated by the Law on Cooperative Banks and Savings and Credit Companies;</p> <p>h) Mutual guarantee companies and their local refinancers;</p> <p>i) Companies providing complementary services to the financial services of the members of the financial system, especially those in which they participate as investors;</p> <p>j) Companies managing or operating payment systems and systems for the liquidation of securities;</p> <p>k) The Social Housing Fund and the National Popular Housing Fund;</p> <p>l) The INPEP and ISSS, the latter of which is related to the Public Pension System, the System for Occupational Risks and technical health reserves;</p> <p>m) The Social Security Institute of the Armed Forces;</p> <p>n) The Agricultural Development Bank (Banco de Fomento Agropecuario), Banco Hipotecario de El Salvador S.A. (Mortgage Bank of El Salvador) and the Multi-sectoral Investment Bank (Banco Multisectorial de Inversiones);</p> <p>o) The Salvadorian Investment Corporation (Corporación Salvadoreña de Inversiones);</p> <p>p) Bureaus de Change;</p> <p>q) Securitizers;</p> <p>r) The Deposit Guarantee Institute (Instituto de Garantía de Depósitos) and the Financial Strengthening and Restructuring Fund (Fondo de Saneamiento y Fortalecimiento Financiero) regarding all matters pertaining to their laws and regulations;</p> <p>s) Product and service exchanges; and</p> <p>t) The other entities, institutions and operations specified by the laws.</p> <p>When reference is made to the financial system or to the members of the financial system, they shall be understood as those mentioned in the preceding paragraphs.</p> <p>Also subject to supervision by the Superintendency are the operations carried out by the aforementioned entities and institutions, as well as the members of the administrative bodies, legal representatives, agents, officials, directors, managers, internal auditors and other staff of the members of the financial system. Also supervised, whether they are persons or legal entities, shall be</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>external auditors, companies specializing in the provision of credit information services operating in El Salvador, insurance intermediaries, stockbroker agents, stockbrokers, stock brokerage offices and the licensees referred to in the Law on Product and Service Exchanges, social security service agents, experts, actuaries, auditors, liquidators and other self-employed professionals, specifically on matters related to the performance of their functions and the provision of services in the members of the financial system. Also subject to supervision by the Superintendency are issuers of publicly listed securities, with special emphasis on the aspects pertaining to compliance with the obligations imposed by the stock exchange laws, regulations and technical rules.</p> <p>When the text of this Law refers to those supervised, they shall be understood as those mentioned in this article.</p> <p>Art. 37.- Those supervised shall facilitate, as required by the Superintendency, via the means deemed appropriate, without breaching any confidentiality or privacy, the examination of their business, acts, operations, assets, books, accounts, files, documents, correspondence, databases and information systems, in all matters relevant to the supervision exercise. In addition, their administrators and staff shall provide, as required by the Superintendency, all background information and explanations necessary to clarify any matter falling under their competence, with them being obligated to collaborate as requested.</p> <p>Those supervised, as well as their shareholders or partners shall provide all the information necessary to keep up to date, the public records referred to in the laws governing them, within the timeframes and in the manner established.</p> <p>Employers of those affiliated with the Pension Savings System and the Public Pensions System shall indicate a specific location in the city of San Salvador for receiving notifications, or when necessary, they shall commission a person residing in that city to receive same and to present or withdraw documents on their behalf.</p> <p>Art.38.- The directors, administrators, officials and managers of the members of the financial system who fail to comply with the provisions set forth in the laws, regulations or rules applicable or who, due to any acts or omissions cause injury to said member or third parties, shall be penalized in accordance with the provisions of this Law, without prejudice to their responsibility for the damages and injuries caused.</p> <p>They shall also be penalized, those who divulge or disclose any confidential or private information regarding the business, acts and operations of the members of the financial system or information concerning matters communicated to them, or take advantage of the information for their personal gain or that of third parties, without prejudice to the criminal penalties that may be applicable.</p> <p>The preceding paragraph does not include information required by the judicial authorities, Office of the Attorney General of the Republic and other</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>authorities in exercising their legal powers, nor the information to be released to the public as provided by the law. It also omits the information that must be provided to the Superintendency with respect to the credit banking information service, which is determined by this Law and the other laws applicable; in addition to the information required by foreign supervisory bodies in exercising their authority.</p> <p>The information required by tax offices shall be provided by those supervised in accordance with the provisions of the special law governing that matter. The members of the private sector financial system shall be jointly and severally liable for the damages and injuries caused to third parties by the actions or omissions of their directors, administrators, officials and employees in performing their functions. As regards the members of the public sector financial system, they shall be liable according to the provisions set forth in Article 245 of the Constitution.</p> <p>In coordinating the efforts of ABANSA, the SSF and the FIU, an activity has been planned for feedback to banks, non-banking financial institutions, PFA's and Credit Cards Companies, focusing on Suspicious Transaction Reports”</p> <p>This feedback will focus primarily on strengthening the aspects to be considered in a transaction that will 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 transaction. 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/CTF. The country's request had to be channeled through the Technical Secretariat of the President (STP), thus on 27/June/13, the request to the STP was processed 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 process the request presented by the OAGR/FIU. On 15/July/13, the STP issued an official request to the IDB, a copy of which was received at the OAGR/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. Regulatory framework proposal, whose format could have two options: (a)

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p><u>An annex suggesting regulations that should be developed by the country; or instead, (b) Drafting of the regulations proposed</u></p> <p>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 greater probability than it would be with the IVE of Guatemala).</p> <p>On 27/August/13, the 2nd Videoconference was held to review the Terms of Reference, 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 a tender 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, with the verification of the availability of time to commence the project pending</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 request for an internship to learn about the technological development experienced, agreeing that direct communication would be established with Erick Estuardo Ramos Sologastoa, 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</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>Investigation Unit, carried out an activity entitled "Training on the AML/CTF Regulatory Framework targeting Designated Non-Financial Businesses and Professions (DNFBP's)", on 30 and 31 July/13 at the offices of the AGR, 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 money transfers and the trade in 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 (DNFBP's), in order to achieve project continuity and links regarding AML/CTF 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/CTF 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>Efforts continue toward establishing closer ties with the DNFBP sector, a meeting was held with the Salvadorian Association of Cargo Agencies and Related Services (Asociación Salvadoreña de Agencias de Carga y Servicios Conexos - ASAC) on March 12 to address general aspects of obligations as reporting entities; The ASAC organized on March 20, 2014, an initial activity for its members to become familiar with the regulatory framework, in which the FIU also had the opportunity to participate. Also on March 20, 2014 there was an activity to disseminate the basics of the regulatory framework with the Association of Travel Agencies (Asociación de Agencias de Viaje - AVA).</p>
26. The FIU	PC	<ul style="list-style-type: none"> • Simultaneous delivery of STR's, to both the FIU and the SSF, which affects the confidentiality of reports and creates parallel FIU functions in other bodies. The number of officials that constitute the 	<ul style="list-style-type: none"> • Amend Agreement No. 356 issued by the Attorney General of the Republic so that the reporting procedure of STR's would be carried out only with the FIU. • Establish feedback mechanisms that would guide reporting entities regarding the proper way in which to 	<ul style="list-style-type: none"> • There is no provision or law in the Salvadorian legislation that assigns FIU functions to the SSF or other bodies. • The efforts undertaken by the FIU include the implementation or improvement of the system for data transmission, reports, consultations and information analysis through advanced technological tools. • This project involves the acquisition of technological equipment, as well

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
		<p>FIU and their capacity to analyze information is extremely low in relation to the number of reports received.</p> <ul style="list-style-type: none"> • The FIU does not have sufficient autonomy to perform its duties. The Attorney General of the Republic often removes the attorneys who make up the FIU to assign them to other tasks of the Office of the Attorney General and has the authority to instruct the FIU regarding which cases are considered priority and which are not. • There is no adequate access to the databases of public entities and private bodies authorized by the ML Law. • No operational separation has been observed between the analysis and the criminal investigation, with the judicial phase having a higher priority, which reflects the lack of technical autonomy in essential efforts toward producing financial intelligence. • Public information on statistics and typologies is not produced. • The FIU has been suspended by the Egmont Group. • There is no permanent training program for FIU officials. 	<p>present STR's.</p> <ul style="list-style-type: none"> • Implement technological tools that would allow prompt computerized access to the databases of State bodies and institutions or private enterprises. • Establish manuals of procedures that would separate the analysis of the STR from the criminal investigation. • Assign more professional staff in both the area of analysis and the area of investigation. • Strengthen the autonomy of the FIU and provide the FIU staff with greater work stability, thereby avoiding their transfer to other specialized Offices of the Attorney General. Provide reporting entities with periodic reports on the statistics of the cases reported, typologies and criminal trends that must be considered as suspicious transactions. • Resolve the legal limitations that led to the suspension of the members of the Egmont Group of Financial Intelligence Units. • Establish a permanent training program for FIU officials. 	<p>as proper training for both the area of analysis and the area of technology.</p> <ul style="list-style-type: none"> • With respect to the legal limitations identified in the mutual evaluation, which resulted in the suspension of the FIU from the membership of the Egmont Group, these were completely resolved through Decree No. 342 issued by the Legislative Assembly. • On July 14, 2010 the President of the Egmont Group, Mr. Boudewijn Verhelst, officially notified this Financial Investigation Unit of the full restoration of our status as an active member of the Egmont Group, which took immediate effect, restoring our access to the Egmont Group's secure network for sharing financial information with the other intelligence units worldwide. • The Anti-Money Laundering Law provides: FINANCIAL INVESTIGATION UNIT. Art. 3. - Create the Financial Investigation Unit for the offense of money laundering, as the primary office attached to the Office of the Attorney General of the Republic which, in the context of this Law, may be abbreviated as FIU. The requirements and disqualifications for belonging to the FIU shall be developed in the Organic Law on the Office of the Attorney General. <p>The Organic Law on the Office of the Attorney General establishes the following:</p> <p>SECTION III PROFESSION OF PROSECUTOR CHAPTER I <i>Establishment and Scope of Application.</i> Profession of Prosecutor Article 46.- The profession of Prosecutor is established to regulate service relations between the Office of the Attorney General of the Republic and its officials and employees, helping to ensure security of tenure, as well as the professional development of the staff and the effective performance of the public functions of the institution. Composition of the Profession of Prosecutor Art. 47.- The Profession of Prosecutor includes:</p> <ol style="list-style-type: none"> a) The Auxiliary Agents; and b) The administrative officials and employees of the institution. <p>The Deputy Attorney General, the Fiscal Auditor and the Secretary General, in view of the temporary nature of their appointment, shall be included as members of the profession for the duration of their tenure, unless on the date of their appointment they were already members of same.</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>The Profession of Prosecutor Article 48.- The Profession of Prosecutor shall be governed by the provisions of this law and the regulations which, in accordance with said law, are issued by the Attorney General, on the advice of the Council of Prosecutors; this regimen shall take precedence over any other general provision issued for the admission, contracting, promotion, transfer, resignation or removal of public officials and employees.</p> <p>Regulations on the Profession of Prosecutor Article 49.- The regulations on the Profession of Prosecutor shall essentially govern the following aspects:</p> <ul style="list-style-type: none"> a) The drafting and periodic update of the Job Classification Manual. b) The Hierarchy of Prosecutors, whose structure is based on said manual, using the classification criteria recommended by the administrative expert c) The selection, admission and contracting of staff, by means of public competitive examination. d) Ongoing assessment of the performance of officials and employees. e) Continuous mandatory staff training, provided by the Training School for Prosecutors or other entities with which the Office of the Attorney General has agreed to provide the corresponding services. f) Promotions and replacement of vacancies obtained through competitive examination and based on personal performance, aptitude, knowledge, capabilities and experience. g) Work days and authorization for leave, transfers and exchanges. h) Procedures for imposing the administrative penalties established under this law. <p>Financial Investigation Unit Article 70.- The Attorney General shall organize and direct the Financial Investigation Unit (FIU), to investigate the Offense of Money Laundering and it is a primary office attached to the Office of the Attorney General of the Republic with functional dependence on the Attorney General.</p> <p>Its composition Article 71.- Financial Investigation Unit shall comprise:</p> <ul style="list-style-type: none"> a) The Head of the Unit. b) The Auxiliary Agents appointed by the Attorney General. c) Accountants. d) Financial experts or professionals with expertise in banking systems, business administration, public and/or customs finance. e) Information and intelligence analysts; f) Administrative staff <p>Their appointment, removal and disciplinary action shall be subject to the general system of the employees of the Office of the Attorney General and shall be developed in the respective Regulations.</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<ul style="list-style-type: none"> • The legal department has four attorneys, the analysis department has two analysts, while the technology department has one person, with administrative support from four persons. The members of the analysis department are not transferred to different departments in the Office of the Attorney General. Their functions, selection and incorporation into the FIU are determined in the law. In the History of the existence of the FIU, a member of that department has never been transferred to another department in the OAGR, since they do not have the same functions in said institution, thus their incorporation and stability in the FIU are completely guaranteed. • On 19 November 2010, the SSF, through the Attorney General of the Republic, reported that from said date, according to the relevant procedures, the FIU has access to the historical database of said entity. Note IRC-RR-18959, dated 19 November 2010, signed by the Acting Superintendent of Risks and Conglomerates, Mr. César Augusto Saggeth Ortiz. • The position of the FIU in the organic structure of the OAGR is currently under review since the FIU is a dependent entity, and with support from the IDB, we are involved in efforts to develop legal provisions that would give the FIU the functional autonomy required, that is to say, legally, the FIU has functional autonomy but the task is to translate it into procedures. <p>The IDB has approved the technical assistance project that will develop the legal clauses that establish the budget and operational autonomy of the FIU. To date, said technical assistance has already been contracted and begins on October 1 of this year and is expected to be completed by November of this year. (Annex 2).</p> <p>A technical assistance agreement has been signed with the Department of Treasury of the United States of America, which will provide technical and strategic advice in developing and applying international compliance measures for offenses related to ML/TF.</p> <ul style="list-style-type: none"> • The Anti-Money Laundering Law establishes: <p>Art. 9.- Institutions are obligated to inform the FIU in writing or via any electronic means, within five working days, of any cash operation or individual transaction conducted by each customer or user on the same day, which exceeds ten thousand United States dollars or its equivalent in any other foreign currency, regardless of whether or not the transaction is deemed suspicious. The timeframe for submitting information shall be calculated from the day following the operation or transaction.</p> <p>Insurance companies must report to the respective Superintendency, all payments made as compensation for the risks that they insure in excess of the sum indicated in the previous paragraph.</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>The entities mentioned in sub-paragraphs a), h) and i) of Article 2 of this Law, are also obligated to submit the report referred to in the first paragraph of this Article, for the sole purposes of supervision and control, to the corresponding inspection or supervisory body, none of which will perform the function of generating financial intelligence.</p> <p>In order for this article to be applied, the corresponding regulations that shall be issued must be taken into account.</p> <p>Article 9-A .- Suspicious transaction reports shall be dispatched to the Financial Investigation Unit within five working days, counted from the moment in which, according to the analysis performed, there is sufficient evidence to consider them irregular.</p> <p>Institutions shall also be obligated to report attempted suspicious transactions. The FIU shall issue the form for reporting attempted suspicious transactions.</p> <p>For the purpose of this article, the value of the operations or transactions is irrelevant.</p> <p>For the sole purposes of supervision and control, these reports shall also be dispatched to the corresponding inspection or supervisory body, none of which will perform the function of generating financial intelligence.</p> <p>An important initiative for combating money laundering and terrorist financing is the initiative of the President of the Republic to promote the promulgation of the Law on Seizure of Assets, whose goal is to intensify the powers of the authorities to identify, seize and confiscate assets of illegal origin, in addition to enhancing capabilities to provide extensive international cooperation with respect to the forfeiture and seizure of assets, also boosting the budget capacity of the FIU since, under this law, 20% of the assets confiscated is assigned to it.</p> <p>For further illustration, visit:</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, an activity has been planned for feedback to banks, non-banking financial institutions, PFA's and Credit Card Companies, focusing on Suspicious Transaction</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>Reports” This feedback will focus primarily on strengthening the aspects to be considered in a transaction that will 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 transaction. 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/CTF. The country’s request had to be channeled through the Technical Secretariat of the President (STP), thus on 27/June/13, the request to the STP was processed 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 process the request presented by the OAGR/FIU. On 15/July/13, the STP issued an official request to the IDB, a copy of which was received at the OAGR/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: 1. Assessment of DNFBP’s 2. Regulatory framework proposal, whose format could have two options: (a) An annex suggesting regulations that should be developed by the country; or instead, (b) Drafting of the regulations 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 greater probability than it would be with the IVE of Guatemala).</u></p> <p>On 27/August/13, the 2nd Videoconference was held to review the Terms of Reference, 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 a tender 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</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>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, with the verification of the availability of time to commence the project pending</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 request for an internship to learn about the technological development experienced, agreeing that direct communication would be 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 STR (WEBROS) Computerized 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 WEBSTR (WEBROS) System, to which the FIU has access, indicating the areas of interest that had to be included in said report, for statistical intelligence information to be generated. 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>In order to strengthen the knowledge and capabilities of the officials of the Financial Investigation Unit (FIU), it participated 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 held on 10 July to 09 August, 2013, in CHARLESTON, SOUTH CAROLINA, which was attended</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>by Mr. José Vaquerano, 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 cyber crime.</p> <p>PROGRAM FOR CERTIFICATION IN ANTI-MONEY LAUNDERING AND COUNTER TERRORIST FINANCING</p> <p>29 August/2013: Coordination efforts began on the proposed Certification Program, for the purpose of developing a program for Certification in Anti-Money Laundering and Counter Terrorist Financing, 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 accreditation that would guarantee preparation, knowledge and proper application for compliance with the rules on anti-money laundering and counter terrorist financing. A work team was established, comprising the Salvadorian Banking Association (Asociación Bancaria Salvadoreña - ABANSA), the Superintendency of the Financial System (SSF), the National Anti-drug Commission (Comisión Nacional Antidrogas – 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) Typologies of money laundering through electronic banking and stock operations; b) Financial Analysis and Forensic Auditing; and c) Management and Operational 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 OAGR 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 Counter Terrorist Financing</i>”</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<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 capacity printer, security access system and temperature and humidity sensor, among others • Enhancement 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 <p>It is reported, the approval of the amendments to the AML Law published in Official Gazette dated January 16, 2014, Volume No. 402, Number 9, of Decree No. 568 - Amendments to the Anti-Money Laundering Law, see Article 10 amended in its sub-paragraph e No. III, STR's shall be dispatched to the FIU alone.</p> <p>Attached are the Maps of the Different Processes involved in the Financial Analysis Department of the FIU (see maps for processes 1 and 3), which include: Processes of Financial Investigation, Receipt and Assignment of STR's and Financial Information Analysis. It can be observed in these, the approach used by the FIU to analyze intelligence information and investigate AML/CTF cases.</p> <p>In order to improve the content of STR's the FIU, through the Coordinator of the Financial Analysis Department, has taken steps with compliance officers to address the different topics that distance us from the main objective and to resolve the shortcomings observed in said</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>reports, via telephone, e-mail and official visits.</p> <ul style="list-style-type: none"> • Date of arrangement 10/01/2014 Scope of arrangement Visit to the COMEDICA Compliance Officer, to address the suspicious transaction report on the opening of a fixed cash deposit. • 17/02/2014 Meeting held with bank compliance officers to address the dispatching of documentation to support suspicious transaction reports. <p>With respect to the IDB technical cooperation project on the FIU Technological platform assessment, the following advancements have been made:</p> <ul style="list-style-type: none"> • Review of methodology, schedule and documentation (November 2013) • First in situ visit (25-29 November 2013) • Visit report (December 2013) • Dispatching of the preliminary report (January 2014) • Review and observations on the preliminary report (February 2014) • Discussion of the draft report (11/March 2014) <p>With respect to the IDB technical cooperation project on the Technological platform assessment: Second in situ visit (24-28 March 2014)</p>
29. Supervisory powers	PC	<ul style="list-style-type: none"> • Remittance entities and non-banking financial entities that fall outside the supervision of the SSF and the SV (leasing companies, credit card companies, general deposit warehouses, etc.) are not subjected to in situ inspections nor are they required to provide documentation to verify compliance with AML-CTF • With respect to remittance entities and non-banking financial entities that are not supervised by the SSF and SV – there is no specific system of sanctions applicable to them in the case where they fail to adequately meet the information 	<ul style="list-style-type: none"> • Extend the powers of the existing supervisory entities to enable them to make visits to inspect and supervise compliance by remittance entities and non-banking financial entities that do not belong to financial conglomerates. • Establish a system of specific sanctions for non-compliance with the obligation to meet the requirements of the supervisory bodies. 	<p>CHAPTER III Establishment, Registration and Official Authorization to Operate Art. 16.- Once the Cooperative is established, it shall apply for its official recognition and registration in the National Register of Cooperatives of the INSAFOCOOP. In order to obtain its legal status, the Cooperative shall present Certification of the Articles of Incorporation signed by the Secretary of the Board of Directors. The registration entries and their cancellations due to dissolution and liquidation of the Cooperative registered shall be published as an extract only once in the Official Gazette. The Registry office shall release the respective order for publication.</p> <p>SECTION IX PENALTIES CHAPTER I Penalties Article 91. - The penalties that may be imposed on Cooperative Associations by the Salvadorian Institute for Cooperative Development include:</p> <ul style="list-style-type: none"> a) Fines ranging from ONE HUNDRED TO ONE THOUSAND COLONS through a resolution or ruling and upon the corresponding judgment; b) Temporary suspension of the members of the Administrative and Surveillance Bodies in performing their duties and replace them with the respective alternates;

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
		<p>requirements to verify compliance with their AML-CTF obligations</p>		<p>c) Temporary suspension or cancelation of the authorization to operate; ch) Temporary inspector for the sole purpose of protecting the property and assets of the Cooperative in extreme cases of abnormality. The General Assembly shall be convened by the INSAFOCOOP, in accordance with the Statutes, and this shall be held within a period not exceeding thirty days from the commencement of the Inspection, during which the decision shall be taken on the continuation or completion of the intervention. Article 92. - The penalties referred to in the preceding article shall be governed by the regulations of this law. Art. 1.- Create the Salvadorian Institute for Cooperative Development as a public corporation, with autonomy in economic and administrative aspects. In the context of this Law and in the respective regulations, it may be referred simply as the "Institute" or "INSAFOCOOP." Its main office shall be located in the city of San Salvador. The Law establishing the Salvadorian Institute for Cooperative Development provides: Art. 2. -The duties of the Institute include:</p> <p>a) The implementation of the General Law on Cooperative Associations; b) Initiate, promote, coordinate and supervise the organization and functioning of cooperative associations, federations and confederations of same, and provide them with the advice and technical assistance they need; c) Plan the policy to promote and develop cooperativism, for which collaboration may be requested from state, municipal and specific bodies interested in these activities, so that the cooperative movement would fall within the economic development programs of the country d) Grant legal status to cooperative associations, cooperative federations and to the National Confederation of Cooperatives through registration in the National Register of Cooperatives; e) Be aware of the dissolution and liquidation of cooperative associations, cooperative federations and the National Confederation of Cooperatives; f) Perform the inspection and surveillance of cooperative associations, cooperative federations and the National Confederation of Cooperatives and impose the corresponding penalties on them; g) Promote the creation of and increase in sources of financing of cooperative associations, cooperative federations and the National Confederation of Cooperatives; h) Disseminate the general guidelines for cooperative activity, especially those pertaining to administration and legislation applicable to it, in order to promote the cooperative movement. i) Assume the implementation or execution of programs or activities that are related in any way and directly to the duties set forth in this article. Article 5.- During the inspection and surveillance exercise referred to in subparagraph e) of Article 2, the Institute shall:</p> <p>a) Conduct, at any given moment and without restriction, through its representatives, the reviews deemed necessary in order to be aware of the</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>progress and status of the associations falling under its jurisdiction. Such associations shall be obligated to directly provide the Institute or its representatives, when required, with all the data, books, reports and documents requested, on each and every one of their transactions;</p> <p>b) Participate, without the right to vote, in the sessions of the General Meeting of cooperative associations, when deemed appropriate, and ensure that they are carried out with the legal formalities. Said associations shall inform the Institute, at least five days in advance, of the date on which the session will be held and shall forward the respective agenda;</p> <p>c) Convene the administrative and surveillance bodies and the meeting of cooperative associations, when those responsible for this refuse to do so, or when deemed necessary by the Institute;</p> <p>d) Prepare accounting and auditing manuals for cooperative associations so as to achieve uniformity in the control of their operations and activities, as well as manuals for preparing reports and gathering statistical data;</p> <p>e) Offer special courses for members of the Boards of Directors, managers and auditors of cooperative associations.</p> <p>Article 6.- Inspection measures shall have an educational purpose, however, if inspection actions confirm irregularities, the Institute shall adopt the relevant measures established by the law.</p>
30. Resources, integrity and training	NC	<ul style="list-style-type: none"> • The FIU does not have the number of officials necessary to adequately develop its tasks. • There is a lack of functional autonomy for the FIU, since it depends directly on the operating decisions and human resources established by the Attorney General of the Republic. • The building accommodating the FIU lacks the modules or physical spaces for the proper storage and custody of the documents that it processes. • The FIU does not have technological tools that would allow direct computerized access to the databases of the bodies and institutions belonging to the state or 		<p>Has access to the databases of the CNR (establish a memorandum of understanding with the CNR and try to sign others with the Vice-Ministry of Transport, etc.), as well as the SSF database.</p> <p>Consideration has been given to the possibility of using confiscated funds to achieve these objectives, in which respect advancements have already been made.</p> <p>The Anti-Money Laundering Law provides: FINANCIAL INVESTIGATION UNIT. Art. 3.- Create the Financial Investigation Unit for the offense of money laundering, as the primary office attached to the Office of the Attorney General of the Republic which, in the context of this Law, may be abbreviated as FIU. The requirements and disqualifications for belonging to the FIU shall be developed in the Organic Law on the Office of the Attorney General</p> <p>PART III PROFESSION OF PROSECUTOR CHAPTER I <i>Establishment and Scope of Application.</i> Profession of Prosecutor Article 46.- The profession of Prosecutor is established to regulate service relations between the Office of the Attorney General of the Republic and its</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
		<p>private enterprise, in order to swiftly obtain information on analysis or investigation, or at least more efficiently.</p> <ul style="list-style-type: none"> The FIU does not have an ongoing and proper training program for its officials. 		<p>officials and employees, helping to ensure security of tenure, as well as the professional development of the staff and the effective performance of the public functions of the institution.</p> <p>Composition of the Profession of Prosecutor Art. 47.- The Profession of Prosecutor includes: a) The Auxiliary Agents; and b) The administrative officials and employees of the institution.</p> <p>The Deputy Attorney General, the Fiscal Auditor and the Secretary General, in view of the temporary nature of their appointment, shall be included as members of the profession for the duration of their tenure, unless on the date of their appointment they were already members of same.</p> <p>The Profession of Prosecutor Article 48.- The Profession of Prosecutor shall be governed by the provisions of this law and the regulations which, in accordance with said law, are issued by the Attorney General, on the advice of the Council of Prosecutors; this regimen shall take precedence over any other general provision issued for the admission, contracting, promotion, transfer, resignation or removal of public officials and employees.</p> <p>Regulations on the Profession of Prosecutor Article 49.- The regulations on the Profession of Prosecutor shall essentially govern the following aspects: a) The drafting and periodic update of the Job Classification Manual. b) The Hierarchy of Prosecutors, whose structure is based on said manual, using the classification criteria recommended by the administrative expert c) The selection, admission and contracting of staff, by means of public competitive examination. d) Ongoing assessment of the performance of officials and employees. e) Continuous mandatory staff training, provided by the Training School for Prosecutors or other entities with which the Office of the Attorney General has agreed to provide the corresponding services. f) Promotions and replacement of vacancies obtained through competitive examination and based on personal performance, aptitude, knowledge, capabilities and experience. g) Work days and authorization for leave, transfers and exchanges. h) Procedures for imposing the administrative penalties established under this law.</p> <p>Financial Investigation Unit Article 70.- The Attorney General shall organize and direct the Financial Investigation Unit (FIU), to investigate the Offense of Money Laundering and it is a primary office attached to the Office of the Attorney General of the Republic with functional dependence on the Attorney General. Its composition Article 71.- Financial Investigation Unit shall comprise: a) The Head of the Unit. b) The Auxiliary Agents appointed by the Attorney General.</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>c) Accountants. d) Financial experts or professionals with expertise in banking systems, business administration, public and/or customs finance. e) Information and intelligence analysts; f) Administrative staff</p> <p>Their appointment, removal and disciplinary action shall be subject to the general system of the employees of the Office of the Attorney General and shall be developed in the respective Regulations.</p> <p>In the framework of the initiative advanced by the President of the Republic to promote the promulgation of the Law on Seizure of Assets, the goal is to intensify the powers of the authorities to identify, seize and confiscate assets of illegal origin, also boosting the budget capacity of the FIU since, under this law, 20% of the assets confiscated is assigned to it.</p> <p>For further illustration, visit: 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 January next year, the Department of Treasury of the United States, together with the FIU, will provide training in research techniques in the area of money laundering and terrorist financing for the staff of the FIU, SSF, Ministry of Finance, National Civil Police and other institutions involved in the fight against ML/TF.</p> <p>Subsequently, training on typologies has been planned with reporting entities, the SSF, National Civil Police, among others, in conjunction with the Department of Treasury of the United States of America.</p> <p>A memorandum of understanding was signed with the Department of Treasury regarding technical cooperation in the framework of this commitment to strengthen the FIU. Memorandum of understanding dispatched for better illustration.</p> <p>On Tuesday 23 October of this year, the head of the FIU held a meeting with the Minister of Finance with the primary objective of allocating the resources necessary for said Unit to complete a team of financial analysts for same. On that occasion, the Minister was given the assurance that in the next fiscal year, the staff required according to the technical study would be assigned, in light of the demand for the work of the FIU.</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<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/CTF. The country's request had to be channeled through the Technical Secretariat of the President (STP), thus, on 27/June/13, the request to the STP was processed 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 process the request presented by the OAGR/FIU. On 15/July/13, the STP issued an official request to the IDB, a copy of which was received at the OAGR/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. Regulatory framework proposal, whose format could have two options: (a) An annex suggesting regulations that should be developed by the country; or instead, (b) Drafting of the regulations 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 greater probability 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, 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 a tender 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, with the verification of the availability of time to commence the project pending</p> <p>On 02/October/13, the 4th Videoconference was held, during which a</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>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 request for an internship to learn about the technological development experienced, agreeing that direct communication would be established with Erick Estuardo Ramos Sologastoa, 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 STR (WEBROS) Computerized 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 WEBSTR (WEBROS) System, to which the FIU has access, indicating the areas of interest that had to be included in said report, for statistical intelligence information to be generated. 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>In order to strengthen the knowledge and capabilities of the officials of the Financial Investigation Unit (FIU), it participated 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 held on 10 July to 09 August, 2013, in CHARLESTON, SOUTH CAROLINA, which was attended by Mr. José Vaquerano, 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 cyber crime.</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>PROGRAM FOR CERTIFICATION IN ANTI-MONEY LAUNDERING AND COUNTER TERRORIST FINANCING</p> <p>29 August/2013: Coordination efforts began on the proposed Certification Program, for the purpose of developing a program for Certification in Anti-Money Laundering and Counter Terrorist Financing, 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 accreditation that would guarantee preparation, knowledge and proper application for compliance with the rules on anti-money laundering and counter terrorist financing. A work team was established, comprising the Salvadorian Banking Association (Asociación Bancaria Salvadoreña - ABANSA), the Superintendency of the Financial System (SSF), the National Anti-drug Commission (Comisión Nacional Antidrogas – 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) Typologies of money laundering through electronic banking and stock operations; b) Financial Analysis and Forensic Auditing; and c) Management and Operational 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 OAGR 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 Counter Terrorist Financing</i>”</p> <p>With respect to the IDB technical cooperation project on the FIU Technological platform assessment, the following advancements have been made:</p> <ul style="list-style-type: none"> • Review of methodology, schedule and documentation (November 2013) • First in situ visit (25-29 November 2013) • Visit report (December 2013)

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<ul style="list-style-type: none"> • Dispatching of the preliminary report (January 2014) • Review and observations on the preliminary report (February 2014) • Discussion of the draft report (11/March 2014) <p>As a means of strengthening the knowledge and capabilities of the officials of the FIU, during the period Oct/2013 to March 2014, it took part in eight training and/or instruction activities through nine FIU officials (see Annex on training record)</p> <p>With respect to the IDB technical cooperation project on the Technological platform assessment: Second in situ visit (24-28 March 2014)</p> <p>As a means of strengthening the knowledge of the officials of the FIU, training was held with the IDB Consultant on the “Intelligence Cycle and Investigation Processes”, in which there was participation from six FIU officials from the legal, analysis and technology departments.</p>
31. Domestic cooperation	PC	An effective public policy on domestic coordination and cooperation has not been implemented.	<ul style="list-style-type: none"> • Create in the existing inter-institutional groups, formal work agendas to analyze compliance with the principles regulated in the Law and the regulations, examining their degree of operating effectiveness, compliance and implementation and the efficacy of the system. • Implement the establishment of the coordination and creation of an effective public coordination policy. • Establish second or third-level regulations developing the instruments or principles established in the laws 	<p>Cooperation exists between the authorities at any level and the FIU and Office of the Attorney General and there is a criminal prosecution policy of the Office of the Attorney General of the Republic and the law enforcement authorities for collaboration and the prosecution of crime.</p> <p>That is to say, if tools exist for cooperation in the area of AML.</p> <p>CHAPTER IV INTER-INSTITUTIONAL COLLABORATION</p> <p>Art. 16.- State bodies and institutions and especially the Ministry of Finance, the Central Reserve Bank, the Property and Mortgage Registry and public inspection agencies shall be obligated to provide direct or electronic access to their respective databases and the corresponding collaboration in investigating the activities and offenses regulated by this law, at the request of the FIU and in accordance with the provisions outlined in the regulations.</p> <p>Art.17.- The Office of the Attorney General of the Republic may request information from any state, autonomous, private entity or persons, to investigate the offense of money laundering, with them being obligated to provide the information requested.</p> <p>Art.18.- With collaboration from the entities mentioned in Art.16 of this law, the Office of the Attorney General of the Republic shall create and maintain a database related to money laundering, where it shall compile both national and international information.</p> <p>For the purpose of greater effectiveness, the information obtained by said institutions in the investigation and discovery of money laundering shall be shared, and, if possible, exchanged with other national and international institutions.</p> <p>The Law on the Supervision and Regulation of the Financial System</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>establishes: Collaboration with counterparts in State institutions and foreign counterparts</p> <p>Art. 34.- The Superintendency may act on behalf of foreign counterpart supervisory bodies when they request such actions in exercising their duties and when they are subject to rules of cooperation that are at least comparable with those established by the Salvadorian laws, with the capacity to sign the cooperation documents necessary for such purpose. The Superintendency shall demand that said bodies collaborate as needed in order to perform its duties.</p> <p>Authorize the Superintendency to request and obtain from Public Administration departments and especially the Ministry of Finance, the Superintendency of Corporate Obligations, the Superintendency of Competition, the Consumer Protection Department, the Ministry of Labor and Social Welfare, the ISSS, the INPEP, the National Registry of Persons and the National Records Center, the information and data deemed necessary to perform its duties.</p> <p>This information shall be confidential. When the Superintendency requires any information, its certification shall not be subject to the payment of any fees. The aforementioned institutions and departments shall promptly provide the Superintendency with the information requested of them and which they possess by virtue of the exercising of their own powers and functions, for which the Superintendency shall agree to or establish mechanisms for direct access to the databases of said institutions and departments.</p> <p>The attached statistical data containing the assistance provided by the FIU to the different Offices of the Attorney General is dispatched.</p> <p>On May 17, 2013, through Agreement No. 085, the Attorney General of the Republic approved the Guidelines of the Financial Investigation Unit for Money Laundering Prevention, published in Official Gazette D.O. No. 119, volume 400, dated July 01, 2013 (See document in Annex 1). A provision on inter-institutional cooperation was included in the following articles</p> <p><u>CHAPTER III. Article 8.</u> 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 the reporting entities included in article 2 of the Anti-Money Laundering Law, in the relations maintained among them, and is a joint component in the fight against Money Laundering and Terrorist Financing.</p> <p>Therefore, all reporting entities shall assist in the implementation and optimal execution of the policies necessary to prevent them from becoming legal vehicles for incorporating illegal assets, funds or fees.</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>In that respect, they may engage in consultation processes among themselves, 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"> • The FIU has failed to implement information mechanisms that would provide reporting entities with periodic reports on statistics, typologies and criminal trends. (paragraph 45 of section 2.5) • Law enforcement authorities do not have systems to measure results that would allow the effective analysis of the AML/CTF system. 		<p>On 19 November 2010, the SSF, through the Attorney General of the Republic, reported that from said date, according to the relevant procedures, the FIU has access to the historical database of said entity. Note IRC-RR-18959, dated 19 November 2010, signed by the Acting Superintendent of Risks and Conglomerates, Mr. César Augusto Saggeth Ortiz.</p> <p>On May 02/2013, the Superintendency of the Financial System (SSF) was asked to provide access to the Web STR (WEBROS) Computerized 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 WEBSTR (WEBROS) System, to which the FIU has access, indicating the areas of interest that had to be included in said report, for statistical intelligence information to be generated. 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/CTF. The country's request had to be channeled through the Technical Secretariat of the President (STP), thus, on 27/June/13, the request to the STP was processed 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 process the request presented by the OAGR/FIU. On 15/July/13, the STP issued an official request to the IDB, a copy of which was received at the OAGR/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</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>the following components:</p> <ol style="list-style-type: none"> 1. Assessment of DNFBP's 2. Regulatory framework proposal, whose format could have two options: (a) An annex suggesting regulations that should be developed by the country; or instead, (b) Drafting of the regulations 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 greater probability 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, 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 a tender 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, with the verification of the availability of time to commence the project pending</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 request for an internship 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>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<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, with the verification of the availability of time to commence the project pending</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> <p>With respect to the IDB technical cooperation project on the FIU Technological platform assessment, the following advancements have been made:</p> <ul style="list-style-type: none"> • Review of methodology, schedule and documentation (November 2013) • First in situ visit (25-29 November 2013) • Visit report (December 2013) • Dispatching of the preliminary report (January 2014) • Review and observations on the preliminary report (February 2014) • Discussion of the draft report (11/March 2014) <p>With respect to the IDB technical cooperation project on the Technological platform assessment: Second in situ visit (24-28 March 2014)</p>
33. Legal entities - Beneficial owners	PC	<ul style="list-style-type: none"> • There is a low degree of effectiveness Opacity of bearer shares 	<ul style="list-style-type: none"> • Establish network connections so that all public institutions and the FIU in particular, could have access to the information of the CNR through data transmission means, thereby resulting in greater effectiveness in their activities. • Establish the obligation to update the data of the actual holders of the shares in the company books, and that it is mandatory that they be deposited in the CNR, thereby allowing the identification of the beneficial owners of the companies. 	<p>The FIU has initiated a process to implement access to the databases maintained by the CNR for such purpose, through the signing of a cooperation agreement for access to direct, accurate and prompt information. To date, several meetings have been held among the IT departments of each entity (CNR/FIU), having confirmed and established the compatibility of the technological resources necessary for that purpose. It should be clarified that said technological tools for its implementation already exist, with the signing of the memorandum of cooperation being the only aspect pending.</p>
39. Extradition	PC	<ul style="list-style-type: none"> • There are no domestic laws to regulate extradition and its procedures clearly, meticulously and adequately • Article 28 of the Constitution 	<ul style="list-style-type: none"> • Transfer to the ordinary legal regulations (laws) the constitutional imperative to regulate extradition. • R.39 - Transfer to the ordinary legal regulations (laws) 	<p>As recognized by the evaluating team in the executive summary, paragraph 8 of its report, the following is concluded: "In the Salvadorian regulations, the principle of Integration of the Law is applied. Based on this principle, the international treaties entered into with other states or international organizations, in accordance with its legal regulations, constitute law in the Republic of El Salvador. Legal professionals also resort frequently to this</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
		<p>could be interpreted as a limitation to extradition when international offenses are involved.</p> <ul style="list-style-type: none"> The application of active extraditions at the request of other countries could not be verified with concrete statistics. 	<p>the procedures for extradition.</p> <ul style="list-style-type: none"> R.39 - Clarify active and passive extradition, of both Salvadorian citizens and foreigners. R.39 - Establish simplified extradition procedures that would allow for the direct transmission of extradition requests. R.39 - Consider that persons may be extradited on the sole basis of arrest warrants or judgments of third countries. R.39 – Consider simplified extradition procedures for persons who agree to suspend the formal extradition procedures 	<p>principle to fill in apparent loopholes in the law caused by technical legislative errors or a lack of clarity in some provisions”.</p> <p>Along that vein, it is not accurate that in El Salvador, extradition processes (active and passive) are not clearly regulated since, as established in Article 182 number 3 of the Constitution of the Republic of El Salvador, it is the duty of the Judicial Body, through the Supreme Court of Justice, to grant extradition in accordance with the procedure established under Article 28 of the Constitution.</p> <p>It needs to be clarified that Article 28 of the Constitution of the Republic, contrary to what has been expressed by the evaluating team, cannot be interpreted as a limitation to extradition when international offenses are involved, for two specific and compelling reasons:</p> <p>1.- The Salvadorian criminal code regulates the principle of universality, its Article 10 provides: "Salvadorian criminal law shall also apply to offenses committed by any person in a place not subject to Salvadorian jurisdiction, on the condition that they affect assets that are protected internationally by specific agreements or rules of international law or which severely affect universally recognized human rights”.</p> <p>Said legal provision gives the Salvadorian State the power to apply the criminal law to offenses committed by any person, also in a place not subject to its jurisdiction, on the condition that they affect internationally protected assets or severely affect universally recognized human rights".</p> <p>2. The correct interpretation of Article 28 of our Constitution of the Republic is that for those international offenses, not only may the extradition of those responsible be requested from the authorities of the countries in which the crime was committed, but also, since they are internationally protected legal assets, any Country can do so, as stipulated in Article 10 of the criminal code.</p> <p>This explanation was given to the evaluating team during the visit made, however, our legal provisions were disregarded and misinterpreted.</p> <p>Coupled with the foregoing and in view of the fact that the evaluating team concluded that there is no clear procedure for extraditions, Article 28 of our Constitution states quite the contrary, indicating specifically: "El Salvador grants asylum to the foreigner who wishes to reside in its territory except in the cases provided under the laws and International Law. An individual who is persecuted solely for political reasons shall not be included in the cases of exception.</p> <p>Extradition shall be regulated according to International Treaties and when Salvadorians are involved, it shall only be carried out if the relevant treaty expressly provides as such and has been approved by the Legislative Body of the signatory countries. In all instances, its provisions shall include the principle of reciprocity and grant Salvadorians all the criminal and procedural</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>guarantees established by this Constitution. Extradition shall be carried out when the offense has been committed within the territorial jurisdiction of the requesting country, except when international offenses are involved, and under no circumstances shall it be applied for political crimes, even when ordinary crimes occur as a result. The ratification of Extradition Treaties shall require two thirds of the votes of the representatives elected". Having analyzed the recommendation and the essential criteria, we believe with due respect that this issue was not appropriately addressed since what is required by the recommendation does not correspond with the factors that support the rating, that is to say, the conclusions issued are equivocal with a criterion that differs from that required by the recommendation and those enshrined in international law.</p>
<p>SR. IV. Suspicious Transaction Report - TF</p>	<p>PC</p>	<ul style="list-style-type: none"> • The obligation to report is confined to the transactions of the persons included on the lists of the Office of the Attorney General or international organizations. • The law establishes a limited obligation to report suspicious transactions of terrorist financing without it being considered a predicate offense for ML. • Incomplete (attempted) suspicious transactions are neither required nor reported. 	<ul style="list-style-type: none"> • Extend the obligation to report to clearly cover the suspicion of terrorist financing with legal funds. • Provide feedback to reporting entities regarding their reports, so as to improve the quality, usefulness and timeliness of STR's. 	<ul style="list-style-type: none"> • The legal amendment dated May 7 of this year imposes on FI's the obligation to report transactions suspected of TF in general terms, without any limitation. • It is important to clarify that in the Salvadorian legal regulations, any criminal activity that produces assets, funds or fees, whether directly or indirectly, is a criminal activity leading to money laundering. See Article 6, sub-paragraph one. (this clarification was presented to the evaluating team and was inexplicably not taken into account) [Secretariat Note: the criticism in the report refers specifically to funds <u>that are not</u> proceeds of crime] • Pursuant to the provisions of Article 10 sub-paragraph e number III of the Anti-Money Laundering Law, FI's are obligated to report any relevant information on the management of funds, which involves reporting attempted transactions (this clarification was presented to the evaluating team, which considered our arguments to be valid). [Secretariat Note: according to the mutual evaluation report, there still needs to be an explicit obligation to report attempted transactions] <p>The amendment made to the Special Law Against Acts of Terrorism, through Decree No. 342 dated May 7, 2010, published in Official Gazette No. 100, Volume 387, establishes the following: modify sub-paragraph eight of Article 37, and incorporate two new sub-paragraphs numbered nine and ten; consequently the current sub-paragraphs Nine and Ten become Eleven and Twelve, thus, said modification and additions shall read as follows: "financial institutions shall pay special and ongoing attention to the detection of goods and services and transactions that are suspected of having or for which there are reasonable indications that they have an illegal purpose and that they are linked to or can be used for financing acts of terrorism, in light of which they shall report to the Office of the Attorney General of the Republic, through the</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>Financial Investigation Unit within a period not exceeding three days. The foregoing without prejudice to the duty to report to the Financial Investigation Unit of the Office of the Attorney General of the Republic, in the case of persons included on the lists mentioned in the preceding subparagraphs. The Financial Investigation Unit shall receive and analyze those reports for which it shall have the authority to demand information from the reporting institutions or from any public or private entity or person. In addition, the Financial Investigation Unit may share said information at the national or international level under the parameters of confidentiality and legality, for the discovery of criminal acts."</p> <p>The 6th Follow-up Report advised of the carrying out of a feedback activity on the Detection and Reporting of Suspicious Transactions 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 with a financial portfolio, Pension Fund Administrators, Stock Exchanges, Credit Card Issuers and the 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 Guidelines of the Financial Investigation Unit for Money Laundering Prevention, published in Official Gazette D.O. No. 119, volume 400, dated July 01, 2013 (See document in Annex 1). A clarification was included in order for the suspicion of terrorist financing to be covered in the following articles:</p> <p>CHAPTER III. Article 9 "Special Provision. Institutions shall report as a Suspicious or Irregular Operation or Transaction 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 on whom they 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 value; the report shall proceed on the condition that the evidence established in Art. 12 of the Regulations of the Anti-Money Laundering Law exists. In addition, the Institutions shall notify the FIU in advance, of the decision to</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>close or cancel business relations or accounts of those clients who are presumed to be directly or indirectly linked or related to the offenses 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 Office of the Attorney General”</p>
<p>SR.V. International cooperation</p>	<p>PC</p>	<p>Limited or no effective implementation of the measures established to cooperate internationally in the area of TF.</p> <p>The same shortcomings with respect to R.36 and 39 affect compliance with SR.V concerning <u>extraditions</u>; limited implementation of the measures to cooperate internationally; lack of laws and procedures that clearly regulate extradition; absence of statistics regarding practical implementation</p>	<ul style="list-style-type: none"> • Recommendation to consider, regulate or apply specific official mechanisms to determine the best place to prosecute criminals for terrorist financing. • Implement the measures of special recommendation V at the practical and real level 	<p>With respect to the legal limitations identified in the mutual evaluation, which resulted in the suspension of the FIU from the membership of the Egmont Group, these were completely resolved through Decree No. 342 issued by the Legislative Assembly, to the extent that on July 14 of this year, the President of the Egmont Group, Mr. Boudewijn Verhelst, officially notified this Financial Investigation Unit of the full restoration of our status as an active member of the Egmont Group.</p> <p>As recognized by the evaluating team in the executive summary, paragraph 8 of its report, the following is concluded: "In the Salvadorian regulations, the principle of Integration of the Law is applied. Based on this principle, the international treaties entered into with other states or international organizations, in accordance with its legal regulations, constitute law in the Republic of El Salvador. Legal professionals also resort frequently to this principle to fill in apparent loopholes in the law caused by technical legislative errors or a lack of clarity in some provisions”.</p> <p>Along that vein, it is not accurate that in El Salvador, extradition processes (active and passive) are not clearly regulated since, as established in Article 182 number 3 of the Constitution of the Republic of El Salvador, it is the duty of the Judicial Body, through the Supreme Court of Justice, to grant extradition in accordance with the procedure established under Article 28 of the Constitution.</p> <p>It needs to be clarified that Article 28 of the Constitution of the Republic, contrary to what has been expressed by the evaluating team, cannot be interpreted as a limitation to extradition when international offenses are involved, for two specific and compelling reasons:</p> <p>1.- The Salvadorian criminal code regulates the principle of universality, its Article 10 provides: "Salvadorian criminal law shall also apply to offenses committed by any person in a place not subject to Salvadorian jurisdiction, on the condition that they affect assets that are protected internationally by specific agreements or rules of international law or which severely affect universally recognized human rights”.</p> <p>Said legal provision gives the Salvadorian State the power to apply the criminal law to offenses committed by any person, also in a place not subject to its jurisdiction, on the condition that they affect internationally protected</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>assets or severely affect universally recognized human rights".</p> <p>2. The correct interpretation of Article 28 of our Constitution of the Republic is that for those international offenses, not only may the extradition of those responsible be requested from the authorities of the countries in which the crime was committed, but also, since they are internationally protected legal assets, any Country can do so, as stipulated in Article 10 of the criminal code.</p> <p>Coupled with the foregoing and in view of the fact that the evaluating team concluded that there is no clear procedure for extraditions, Article 28 of our Constitution states quite the contrary, indicating specifically: "El Salvador grants asylum to the foreigner who wishes to reside in its territory except in the cases provided under the laws and International Law. An individual who is persecuted solely for political reasons shall not be included in the cases of exception.</p> <p>Extradition shall be regulated according to International Treaties and when Salvadorians are involved, it shall only be carried out if the relevant treaty expressly provides as such and has been approved by the Legislative Body of the signatory countries. In all instances, its provisions shall include the principle of reciprocity and grant Salvadorians all the criminal and procedural guarantees established by this Constitution.</p> <p>Extradition shall be carried out when the offense has been committed within the territorial jurisdiction of the requesting country, except when international offenses are involved, and under no circumstances shall it be applied for political crimes, even when ordinary crimes occur as a result. The ratification of Extradition Treaties shall require two thirds of the votes of the representatives elected".</p> <p>Having analyzed the recommendation and the essential criteria, we believe with due respect that this issue was not appropriately addressed since what is required by the recommendation does not correspond with the factors that support the rating, that is to say, the conclusions issued are equivocal with a criterion that differs from that required by the recommendation and those enshrined in international law.</p>
SR.VI. Securities / money transfer services	NC	<ul style="list-style-type: none"> • There is no system that obligates those persons engaged in asset transfer activities to obtain a registration or authorization for conducting such activities. • There are no authorities legally authorized to regulate and supervise the 	<ul style="list-style-type: none"> • Appoint competent authorities to perform the registration and/or granting of the license to the persons and legal entities that provide securities or money transfer services, which shall maintain updated lists of data on the operators of this type of service and which are also responsible for ensuring compliance with the requirements established for the registration or granting of the license, as the case may be. • Establish in the Law, the obligation for providers of this 	<p>A proposed amendment has been made to the Law on the Supervision and Regulation of the Financial System, to add a paragraph to article seven, which would read as follows: Sub-paragraph "t": "As well as any person or legal entity that conducts, representing or on behalf of another person or legal entity, securities or money transfer operations, as a primary or essential activity, whether regularly or periodically, or in addition to another activity; and other entities as provided by the law".</p> <p>On May 17, 2013, through Agreement No. 085, the Attorney General of the</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
		<p>aforementioned persons in the area of ML and TF prevention.</p> <ul style="list-style-type: none"> The obligations provided in the AML Law and its regulations for this type of business, have the same shortcomings identified in Section 4 of this report with respect to the other financial institutions. The Law does not provide penalties for non-compliance that are applicable to transfer service providers. 	<p>type of service to be subject to the FATF Recommendations.</p> <ul style="list-style-type: none"> Establish systems that would allow the authorities to conduct proper monitoring of money transfer service providers. Establish in the Law, the obligation for operators of these services to have an updated list of the agents with which they collaborate, which shall be available to the financial authorities defined. 	<p>Republic approved the Guidelines of the Financial Investigation Unit for Money Laundering Prevention, published in Official Gazette D.O. No. 119, volume 400, 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 shall 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 Money Transfer and Family Remittance services or other Electronic Means of 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 shall also be responsible for being Diligent when verifying customers 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 terrorist financing. The Fields that constitute the abovementioned Database shall 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 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 customers who usually, in conducting their business, during the course of the month, do not handle this sum of money. The operations carried out by said Customers 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 shall not be necessary to complete the form F-</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>UIF01, without affecting the obligation to report them as irregular or suspicious when there is sufficient supporting evidence.” It is reported, the approval of the amendments to the AML Law published in Official Gazette dated January 16, 2014, Volume No. 402, Number 9, of Decree No. 568 - Amendments to the Anti-Money Laundering Law, see Article 2 Amended.</p>
<p>SR. VII. Rules governing wire transfers</p>	<p>PC</p>	<p>Remittance companies are not subject to supervision or registration by financial authorities, which prevents authorities from being aware of adequate compliance with this recommendation</p>	<p>Expressly demand that remittance companies gather adequate and significant information on those conducting transfers, and also thoroughly analyze and monitor transfers of funds related to suspicious activities according to Special Recommendation VII and modify the SSF guidelines on wire transfers to cover all the requirements of the SR.</p>	<p>A proposed amendment has been made to the Law on the Supervision and Regulation of the Financial System, to add a paragraph to article seven, which would read as follows: Sub-paragraph "t": "As well as any person or legal entity that conducts, representing or on behalf of another person or legal entity, securities or money transfer operations, as a primary or essential activity, whether regularly or periodically, or in addition to another activity; and other entities as provided by the law".</p> <p>In the new amendments proposed entitled Technical Rules for money laundering and terrorist financing risk management, a proposal has been presented through the regulations committee of the Central Reserve Bank regarding this recommendation as follows :</p> <p>ML/TF risk factors Art. 15.- Entities must establish methodologies to segment risk factors and identify the ways and typologies through which this risk could be presented, with the main ML/TF risk generating agents being, among others: customers, products, services, distribution channels and location or geographic location, which can be divided into segments and variables, such as:</p> <p>g) For the purpose of determining the customer risk, consideration must be given to the following factors, among others:</p> <ul style="list-style-type: none"> • Frequent and /or inexplicable movements of accounts to different persons. • Frequent and /or inexplicable movements of funds among persons of various geographic locations. • Weapon manufacturers, dealers and intermediaries. • Embassies and Consulates of other countries. • Stock transfer companies. • Customers determined by the entity as Politically Exposed Persons (PEP's). • Accounts maintained by third parties (for example: accountants, attorneys or other professionals) for their clients, where the identity of the end customer is not disclosed to the financial entity. In addition, the accounts of customers presented by said third parties may result in higher risk cases if the financial entity

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>unreasonably uses the "know your customer" and enhanced due diligence measures.</p> <ul style="list-style-type: none"> • Lists issued by international bodies indicating individuals suspected of criminal activity. <p>h) For the purpose of determining the risk of products and services, consideration must be given to the following factors, among others:</p> <ul style="list-style-type: none"> • International correspondent banking services involving transactions such as international payments to persons who are not regular customers (for example, acting as an intermediary bank) and package delivery activities. • Services involving the marketing and delivery of checks and precious metals • Services that inherently provide more anonymity or which can cross borders easily, such as: <ul style="list-style-type: none"> ✓ Online banking, ✓ International transfers, ✓ Private investment companies, ✓ Trusts. • Wire transfers, • Innovative Products, • Safety Deposit Boxes, • Stock market transactions on behalf of clients, • International transactions (forex trading, money desk), • Buying and selling of monetary instruments. <p>i) The Distribution Channels that may pose a greater risk include:</p> <ul style="list-style-type: none"> • Use of intermediaries or sub-agents, • Automatic Tellers, • Electronic banking, • Kiosks, • Regional Banking, • Mobile Banking (use of cell phones). <p>However, approval is yet to be given by the Central Reserve Bank for the amendments proposed entitled Technical Rules for money laundering and terrorist financing risk management. 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 "Draft Regulations for Remittance Companies", an ad-hoc standard on the operating effectiveness of said companies that would specifically and clearly outline the proper and important obligations to facilitate their application and control.</p> <p>This proposal is being analyzed, reviewed and observed jointly by ABANSA, the SSF and the FIU. It should be pointed out that granting authorization to</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>the competent authority, over certain amendments and/or improvements in the Legal Regulations, the FIU Guidelines and other rules, is in some way subject to the approval by the Honorable Legislative Assembly of the proposed amendments to 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 reported on 8/July/13 through the Department for Regulations on the Financial System that the draft "Technical Rules on Money Laundering and Terrorist Financing Risk Management" prepared by the SSF and forwarded to the BCR on 22/Nov/2012, sent for review on 10/Dec/2012 to the Office of Technical Assistance (OTA) of the United States Treasury, 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 Regulations Committee in the area, and was under technical review by the Department for Regulations on the Financial System; and also that on 23 August/13, the SSF dispatched a new version of the draft Rules incorporating the observations of the Office of the Treasury of the United States (OTA), the sixth CFATF report and the new FIU Guidelines, which were the subject of technical legal review. The BCR has defined an estimated schedule for the development of the phases of the process that is 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 by the joint BCR-SSF team (14 -18 Oct) 4) Receipt of the position of the executive committee of the SSF (21 - 23 Oct) 5) Approval by the BCR through its Regulations Committee (25 Oct)
<p>SR. VIII Non-profit organizations</p>	<p>PC</p>	<ul style="list-style-type: none"> • Criterion VIII.1 There is no revision of the sectoral regulations to prevent the use of NPO's in terrorist financing. • Criterion VIII.2 No evaluations have been performed to analyze the vulnerabilities of the NPO sector to the risk of TF. • The sector is not advised of the risks of being used in terrorist financing. 	<ul style="list-style-type: none"> • Review the suitability of the rules governing non-profit entities with respect to regulation to prevent the misuse of these entities in relation to the risk associated with money laundering or terrorist financing. • Implement the exchange of information regarding NPO's. • Conduct periodic evaluations analyzing possible vulnerabilities to the risk of terrorist financing. • Carry out comparative monitoring or calculate ratios in 	<p>A proposal has been presented to amend the Law on Non-Profit Associations and Foundations as follows:</p> <p>Article 58-A. Registration Procedure</p> <p>Any non-profit association or organization that wishes to collect, or receive, issue or transfer funds, must be included in the register of non-profit associations and organizations.</p> <p>The initial application for registration must include the name, surname, address and telephone number of all persons who have been assigned duties related to the operations of the association; especially the president, vice president, secretary general, board members and treasurer, as the case may be. Any change in the identity of those responsible must be reported to the authority in charge of maintaining the register. (Ministry of the Interior).</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
		<ul style="list-style-type: none"> • Criterion VIII.3.2 There are no proper mechanisms to penalize non-compliance with the regulations governing NPO's. 	<p>relation to homogenous international sectors.</p> <ul style="list-style-type: none"> • Advise the non-profit organization sector of the risk of or vulnerability to the abuse of the sector for money laundering or terrorist financing. • Establish and regulate a supervisory body for NPO's. 	<p>Article 39-A. Donations. Any donation made to an association or organization covered by this law, regardless of the amount, must be included in a record kept for this purpose by the association or organization, which shall include full details of the donor, date, characteristics and amount of the donation.</p> <p>The record shall be kept for a period no less than five years and presented upon request by any competent authority that supervises non-profit organizations and, when requested, the tax or judicial authorities responsible for a criminal investigation.</p> <p>When the donor wishes to remain anonymous, its identification may be omitted from the register, but the association or other organization shall be obligated to disclose its identity to the competent authorities responsible for criminal investigation, if requested as such.</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 received as donations or in the context of transactions that must be conducted.</p> <p>Article 40-A Mandatory Declarations. For all cash donations equal to or exceeding ten thousand United States dollars, a statement or report shall be submitted within a period of three days, which must be registered with the Financial Investigation Unit, who shall design the respective form to be used for that purpose. All donations are also subject to the filing of a statement to the Financial Investigation Unit when it is suspected that the funds have been or may be linked to the commission of crimes.</p> <p>Art. 40 Sub-paragraph 4. Non-profit associations and organizations are obligated to present their financial statements for the previous year, duly accredited, to the Ministry of the Interior, within a period of three months counted from the date of the close of the financial year.</p> <p>Article 83-A. Prohibited Associations. Without prejudice to prosecution, the Minister of the Interior may, by administrative decision, following the corresponding sanctioning procedure, order the temporary prohibition to operate or the dissolution of non-profit associations or foundations which, with full knowledge of the facts, encourage, promote, organize or commit criminal acts.</p> <p>Art 42. Audit of the State. <u>Current provision</u>: "Associations and Foundations shall also be audited by the Ministry of Finance and the Court of Auditors of the Republic, according to their competence."</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
<p>SR. IX. Cross-border declaration and disclosure</p>	<p>PC</p>	<ul style="list-style-type: none"> • There is no system for reporting the <u>outbound</u> cross-border transportation of money or bearer negotiable instruments. • There is no proper system to review passengers. • Customs authorities do not have adequate training and feedback on typologies from the FIU. • There are no provisions on any type of penalty for non-compliance with the obligation to declare (unless the offender is convicted of the offense of ML). 	<ul style="list-style-type: none"> • Establish as a legal requirement, the cross-border reporting of outgoing cash and bearer negotiable instruments. • Adjust the procedures for reviewing passengers so as to avoid the establishment of random and subjective mechanisms used by the officer or official on duty. • Establish procedures to analyze, gather and store all those traveler declaration forms forwarded by the immigration authorities to the PNC and the FIU. • Immediately and continually conduct training activities targeting immigration authorities, regarding typologies and criminal trends in the area of ML and TF. 	<p>A proposal has been presented to amend the ML law to make it mandatory to declare money, bearer securities, when departing the country, therefore:</p> <p>Any person who, on entering or departing the territory of the Republic via any means, regardless of their nationality, must declare if they are carrying with them notes, drafts, personal checks or others, in national or foreign currency or securities, bearer negotiable instruments, in the amount of ten thousand dollars or more or the equivalent in another currency; otherwise, they shall be required to explain such circumstances through a sworn declaration.</p> <p>The last of the considerations that support the rating is false, since the ML law does contain penalties for persons who fail to declare or who make a false or incorrect declaration on money, as established in Articles 20 and 21 of said law, which indicate the following:</p> <p>Article 20. - In accordance with the respective regulations, the verification of the veracity of declarations is based on the prudential judgment of the Office of the Attorney General of the Republic. The misrepresentation, omission or inaccuracy of the declaration shall result in the retention of the valuables and the advancement of the corresponding criminal action pursuant to this law.</p> <p>Art. 21.- If within the thirty days following the retention, the legality of origin of the money and valuables retained is not unequivocally proven, they shall be confiscated. In the case where legality of origin is proven, the individual responsible for the misrepresentation, omission or inaccuracy shall incur a fine of five percent of the total value of the items retained, which shall be paid to the corresponding collection agency of the Ministry of Finance. In the case of confiscation, the Customs authority shall forward the valuables retained to the Office of the Attorney General of the Republic, within the eight hours following their retention.</p> <p>Most of the factors supporting the rating and the recommended actions carried out by the evaluating team have not been adjusted to suit the criteria required by Special Recommendation IX. For better understanding we have highlighted them in red.</p> <p>Said recommendation establishes the following: "IX. Cash couriers Countries should have measures to detect the physical cross-border transportation of cash and bearer negotiable instruments, as well as a declaration system or other disclosure obligation. Countries should ensure that their competent authorities have the legal power to seize or retain cash and bearer negotiable instruments suspected of being related to terrorist financing or money laundering, or which are falsely declared or disclosed. Countries should ensure that effective, proportionate and dissuasive penalties</p>

FATF 40 Rec.	Rating	Factors supporting the rating	Recommended Actions	Actions Taken
				<p>are available to be applied to persons making a false declaration or disclosure. In those cases where cash or bearer negotiable instruments are related to terrorist financing or money laundering, countries should also adopt measures, including legislative measures, consistent with Recommendation 3 and Special Recommendation III, which shall allow the confiscation of said cash 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 dual criminality for our Country.</p> <p>It is reported, the approval of the amendments to the AML Law published in Official Gazette dated January 16, 2014, Volume No. 402, Number 9, of Decree No. 568 - Amendments to the Anti-Money Laundering Law, see Articles 19, 20 and 21 Amended.</p>