



BANCO CENTRAL DEL URUGUAY

EXECUTIVE SUMMARY

This document contains the main activities developed by the Unit of Financial Information and Analysis (UIAF in Spanish) for 2017, and the main goals of improvement planned for 2018.

Also, and to allow a better understanding of its roles as a financial intelligence unit and current operating conditions, Annex 1 is presented with the basic functions to be fulfilled by this type of unit, according to international recommendations. Following are the tasks assigned to the Uruguayan UIAF under current regulations, and a brief description of the Unit's current organizational structure.

Annex 2 presents a brief overview of suspicious transaction reports, including the conceptual, legal and documentary framework of reference. The approval of the Comprehensive Law on Prevention of Money Laundering (Law No. 19,574) that came into force in December 2017 proposes a new scenario for 2018, introducing significant improvements to the national prevention system, with the inclusion of new regulated and reporting parties, the definition of new predicate offenses of money laundering, and a number of actions aimed at improving investigation, coordination, and information exchange capacities of the participating agents. The new law requires an adequate regulation to achieve an effective implementation of this mandate. This law reflects significant progress in compliance with the International Recommendations issued by the FATF.

Activities carried out in 2017

Following are some of the most significant activities:

I) Reports on suspicious transactions: the number of Suspicious Transaction Reports (STRs) received by the UIAF in 2017 continued to rise and amounted to 549, representing an increase of 16% from the previous year (474).

Likewise, 7 ex officio investigations were initiated. The UIAF reported 4 cases to the competent criminal justice in order to continue the investigations in this area. These cases contained the information provided in 14 suspicious transaction reports presented by the regulated and reporting parties and/or in initiated ex officio investigations. In 2017, and under the provisions of Article 6 of Law N ° 17,835 as currently drafted, the UIAF adopted two resolutions to prevent for 72 hours any suspicious transactions involving funds that could stem from money laundering crimes, for a total amount expressed in dollars of USD 180,458. There has been a significant increase in the number of reports received from regulated and reporting parties of the non-financial sector, which represent 27% of the total reports received.



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II) National cooperation: the cooperation and/or advice provided by the Unit at the request of the Uruguayan judicial authorities is significant, with the UIAF's intervention in 146 cases during the period, representing a 10% increase over the previous year. It has also participated in 11 multidisciplinary working groups to support investigations in the judicial phase in *very difficult cases*.

III) International cooperation: exchange of information with other countries is carried out mainly with financial intelligence units that make up the Egmont Group, an international organization that brings together units from 155 countries and jurisdictions. In 2017, 79 requests for information were received from financial intelligence units from abroad, approximately 18% less than the previous year. Likewise, the UIAF made 6 requests for information from its counterparts abroad.

IV) Financial system supervision: During this period the Superintendency of Financial Services has developed a diversified inspection plan, including visits to different categories of financial institutions, and applying different penalties where there were violations of ML/FT prevention regulations. Also, when deemed appropriate, specific recommendations were conveyed for improving the prevention systems implemented by the entities. In 2017, a total of 38 supervisions were conducted in the financial system, and sanctions were applied in 5 cases.

V) Strategic analysis: In line with the strategic analysis function, in 2016 a first step aimed at analyzing the quality of the information received was the dissemination of the document on "Good practices for preparing suspicious transaction reports". In 2017 a methodology was designed to assess the quality of the reports, and feedback meetings were held with the most frequently reporting institutions in order to highlight positive aspects, and suggest what could be improved regarding the contents of Suspicious Transaction Reports. Likewise, instructions and technical specifications were redesigned and new types of financial transactions were established that must be reported by the financial institutions to the transaction database managed by the UIAF.

VI) Commitment to quality processes: in line with the Superintendency of Financial Services (SSF in Spanish) commitment to management quality, the certification of the management system of the SSF is maintained in accordance with ISO-UNIT 9001: 2008, recognized as an international standard. The SSF holds this certification since 2015 and the annual audits (LSQA) have confirmed the certification this year. In the specific case of the UIAF, the processes included in the certification are Financial Intelligence (Reception and Analysis of Suspicious Transaction Reports, answers to requests for judicial information and from financial intelligence units abroad) and Supervision on prevention of ML/ FT.

VII) Coordinating Committee against Money Laundering and Terrorist Financing: During 2017, the UIAF has participated in the Coordinating Committee, particularly in discussions on the update process of the National Risk Assessment and the National Strategy to fight money laundering and the financing of terrorism.

VIII) Fight against Drug Trafficking and *transnational* Organized Crime Committee: Law No. 19,513 came into force in 2017, which, among other provisions created this Committee operating under the Presidency of the Republic (Article 1) . The Committee's main tasks



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are: to prepare the National Plan to Fight Drug Trafficking and *transnational* Organized Crime and monitor its implementation by the responsible bodies. The Committee started to meet in 2017.

IX) Register of Equity Holders of Bearer Shares and Final Beneficiary: This Register, managed by the UIAF, as of December 31, 2017 holds information on Equity Holders of Bearer Shares and Final Beneficiaries from 28,206 active reporting entities.

After enactment of Law 18,930 which, among other, establishes the obligation to identify Equity Holders of Bearer Shares of national entities, Law 19,484 was approved in January 2017 that extends this Register, requiring the identification of directors of share issuing companies or nominative social parts, and also establishes the obligation to identify the Final Beneficiary of the resident and non-resident entities that operate in the country.

During 2017, all entities bound by Law N ° 18,930 had to report back to the Register identifying the Final Beneficiary. The entities with nominative equity shares will do so in 2018.

Activities planned for 2018

The activities for 2018 are planned based on two main axes: first, the approval of Law No. 19,574 that compiles the regulations on prevention of money laundering and financing of terrorism (and eventually the approval of a draft bill on Terrorism) and secondly, the evaluation to which the national prevention system will be submitted by the Financial Action Task Force of Latin America (*GAFILAT*), a process that will begin in the last quarter of the year, while the on-site visit will be carried out in the first semester of 2019.

A number of activities have been planned for 2018, as well as the usual tasks performed by the UIAF:

I) Participation in the Coordinating Committee against Money Laundering and Terrorist Financing and the Fight against Drug Trafficking and *transnational* Organized Crime Committee: With the approval of the Comprehensive Law on Money Laundering and Terrorism (and the approval of a draft bill on terrorism), the Operating Committee appointed by the Coordinating Committee (and coordinated by SENACLAFT) must meet again in order to prepare a proposal for the regulation of these laws, so that they are fully operational before the country's evaluation in 2019. The Fight against Drug Trafficking and *transnational* Organized Crime Committee will start preparing the National Plan entrusted to it by law.

X) Regulation and Supervision: In 2018, the UIAF, with the technical assistance of the International Monetary Fund, will be completing the implementation project of the ML/TF Risk Matrix as a tool that will enhance the oversight function, allocating available resources to the entities with the highest risks. On the other hand, in relation to the regulatory framework, it will be reviewed in light of the new legal provisions approved (Law No. 19,574) and observing any flaws with regards to international recommendations.



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XI) Strategic Analysis Development: Following the program to improve the quality of the databases available for investigations, we will be working on the design and implementation of a "client list" of the entities that make up the financial system. On the other hand, information analysis procedures will be developed to allow a more efficient use of the available databases.

Finally and worth highlighting is the strengthening of feedback mechanisms with the industry in relation to the quality of the STRs submitted to the UIAF and other aspects related to financial intelligence.

XII) Dissemination and training: in accordance with previous years' plans, the Unit intends to continue organizing and/or participating actively in events, or outreach and training activities on the prevention and control of money laundering and financing of terrorism, aimed at individuals or entities related to the prevention system.

With the approval of Law No. 19,574, regulated and reporting parties will be contacted in order to analyze the impact of the new law and its implementation.