



BANCO CENTRAL DEL URUGUAY

Unit of Financial Information and Analysis

Report on Activities 2015

EXECUTIVE SUMMARY

This document contains the main activities developed by the Unit of Financial Information and Analysis (FIAU) for 2015 and the main goals of improvement planned for 2016, in addition to the usual tasks.

Also, and to allow a better understanding of its roles as a financial intelligence unit and current operating conditions, an Annex 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 FIAU under current regulations, and a brief description of the Unit's current organizational structure.

Activities carried out in 2015

Following are some of the most significant:

i) *Reports on suspicious transactions*: the number of Suspicious Transaction Reports (STRs) received by the FIAU in 2015 amounted to 363, representing an increase of 27% from the previous year (286). During this period the FIAU reported 13 cases to the competent court of justice in order to continue investigations. The 13 cases reported to justice contained information provided by 51 suspicious transaction reports submitted in 2015 by regulated entities.

In this period, and under the provisions of Article 6 of Act No. 17.835, the FIAU adopted 10 resolutions on prior freezing of funds for a period of 72 hours for a total of approximately US\$695,000. The resolutions were related to three cases that were made known to the competent court of justice, who later decided to extend the period of freezing of funds.

On the other hand, it is noteworthy that there is an increasing participation of non-financial regulated bodies in the total amount of reports received. FIAU received a total of 18 reports from Casinos, 8 reports from Notary Publics, 4 reports from Real Estate Agencies, 1 from a free zone operator, 1 from auctioneers and 30 from company managers. In order to achieve greater participation by the non-financial sector and achieve adequate compliance with the obligation to report, training and dissemination of regulations must continue jointly with the corresponding professional associations, and intensify efforts to monitor compliance with the current legislation on ML / FT.

ii) *National cooperation*: the cooperation and/or advice provided by the Unit at the request of the Uruguayan judicial authorities is significant, with the FIAU's intervention in 98 cases during the period, representing a 22.5% increase over the previous year.

iii) *International cooperation*: exchange of information with other units of similar characteristics is one of the basic functions that must be fulfilled by a financial intelligence unit, since the existence of fast and effective international cooperation is essential to combat transnational offenses. Exchange of information is mostly done with financial intelligence units that make up the Egmont Group, an international organization that brings together units from 147 countries and jurisdictions. For this reason communication is carried out using the web, through the secure network provided by the group (Egmont Secure web). In 2015 there were 64 requests for information received from FIUs abroad, while FIAU's made 18 requests for information to 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



BANCO CENTRAL DEL URUGUAY

recommendations were conveyed for improving the prevention systems implemented by the entities. In 2015, a total of 55 supervisions were conducted in the financial system, and sanctions were applied in 9 cases.

v) Quality certification: one of the main directives of the Superintendency of Financial Services (SSF in Spanish) is to be in line with international practices. In this sense, the management system certification of the SSF has been promoted according to Standard ISO-UNIT 9001:2008, recognized as an international standard. This project demanded two years of work and was completed in 2015 with the main processes of the SSF being established in the Quality Management System, thus showing comprehensive commitment to the system's guidelines. In the specific case of the FIAU, the processes included in the certification are Financial Intelligence (Reception and Analysis of Suspicious Activity Reports, answers to requests for judicial information and from financial intelligence units abroad) and Supervision on prevention of ML/ FT.

vi) Coordinating Committee against Money Laundering and Terrorist Financing: During 2015, national authorities have worked on developing 6 improvement projects on various aspects of the system to combat ML / TF implemented by our country, 4 with the support of the IDB and 2 with the International Monetary Fund. The findings of this study are expected to guide the development of a new national strategy in this area, as the work of these experts will allow the updating of the ML/ FT National Risk Assessment, the performance evaluation of relevant aspects of the ML/FT prevention system, and identifying possible amendments to be made to the existing legal framework, to adapt to the 40 new FATF Recommendations.

vii) Financial Action Task Force of Latin America (GAFILAT in Spanish): in compliance with the monitoring process determined by the performance standards of the Group, at one of the two plenary sessions of Representatives this year, Uruguay presented a report on progress achieved in the period to strengthen the prevention system in force in the country. The FIAU is a permanent member of the Uruguayan delegation to this organization, which is coordinated by the National Anti-Money Laundering Secretariat.

In February 2012, the FATF adopted a new version of the "*40 recommendations to combat money laundering, financing of terrorism and proliferation.*" These new recommendations introduced some significant changes, highlighting that fiscal offences have been included as a precedent of money laundering, which will require an amendment to the current legislation. Hence, the Presidency of the Republic established a commission with the task of preparing a bill to propose legal changes necessary to comply with the above standards.

viii) Register of Equity Holders of Bearer Shares: On July 17, 2012 the Parliament passed Act No. 18.930, which, among other things, establishes the obligation to identify the equity holders of bearer shares of national entities. In addition to addressing one of the observations made by the Global Forum of the OECD, it is important to note that the approved law improves compliance with international recommendations on prevention and control of ML / FT by providing measures that address the transparency and beneficial ownership of legal persons and legal arrangements (FATF Recommendations 24 and 25).

By decision of the Central Bank of Uruguay, Register management has been assigned to the FIAU, which is responsible for information protection and its referral to authorized agencies when requested. As of December 31, 2015, information on *Equity Holders of Bearer Shares* has been received from 30,709 reporting entities.

To close the issue on companies that have not complied with the obligation to identify their shareholders and include them in the CBU's Register, in September 2014, Act No. 19.288 was passed stating that companies that have their equity in bearer participations shall have a term of 90 days from the effective date of the new law to provide information about the bearer equity holders that represent at least 50% of the integrated capital or equivalent. The deadline was January 29, 2015.

From that date, a total of 84,129 companies were "dissolved by operation of law" because of not identifying holders representing at least 50% of integrated capital, according to the statement released by the Ministry of Economy and Finance on 28 February, 2015. The companies dissolved by operation of law must be liquidated within 120 days; the deadline being May 29, 2015.



BANCO CENTRAL DEL URUGUAY

Activities planned for 2016

Following is a summary of the main goals planned for next year, in addition to the usual tasks performed by the FIAU:

ix) Coordinating Committee against Money Laundering and Terrorist Financing:

In addition to continuing work on different operating committees created within the scope of this committee, in 2016 the Coordinating Commission will continue to monitor the ongoing consulting projects with the Inter-American Development Bank and the International Monetary Fund. From the findings of these studies, which will involve updating the ML/FT National Risk Assessment, the performance evaluation of relevant aspects of the ML/FT prevention system, and proposing possible amendments to be made to the current legal framework to comply with the 40 new FATF Recommendations, work must be performed to define the new National Strategy to combat Money Laundering and Terrorist Financing, which shall provide for actions to be developed in the coming years.

x) Regulation and Supervision: in 2013 a "ML/FT Risk Matrix" was completed and aimed to assess the ML and FT threats faced by different types of financial institutions subject to the control of the Bank Central del Uruguay, to ensure that the measures provided by current regulations to prevent or mitigate are commensurate with the risks identified and, at the same time allow a more efficient allocation of resources available to the supervisory body so it can focus on sectors and activities with higher risks.

To complement and elaborate on this document, in 2016 work will continue to develop with the technical assistance of the International Monetary Fund to prepare, based on the overall risk assessment by type of financial institution that has already been completed, an estimate of ML / FT risks of financial institutions individually, assigning a risk category to each of them.

In 2016, the strategic analysis product matrix prepared by the FIAU is expected to continue developing and expanding, a task performed with technical assistance from the International Monetary Fund.

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. Based on the results of suspicious transaction reports received in recent years, focus should be placed on continuing to disseminate the laws governing the non-financial sector, in order to improve compliance in detecting and reporting operations to the FIAU.