



GAFISUD EVALUATION CHILE 2006

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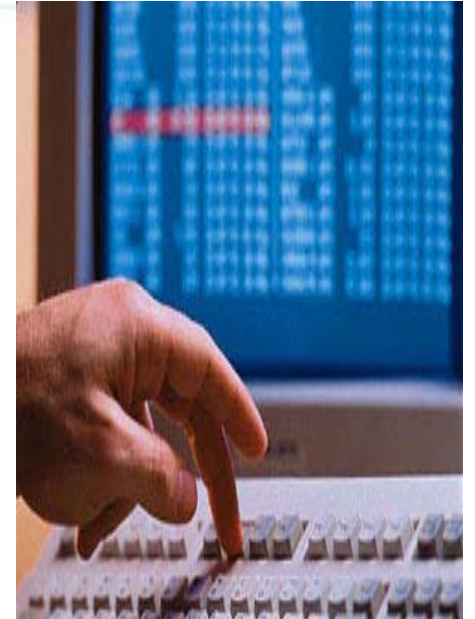
December 2006



GOBIERNO DE CHILE
MINISTERIO DE HACIENDA



I. Background





NATIONAL COORDINATION

- Since 2006 the Finance Ministry has served as national coordinator for GAFISUD.
- Participants:
 - Finance Ministry: UAF, SVS, SBIF, SCJ.
 - Labor Ministry: SAFP
 - Public Ministry: ULDDECO
 - Central Bank: oversight

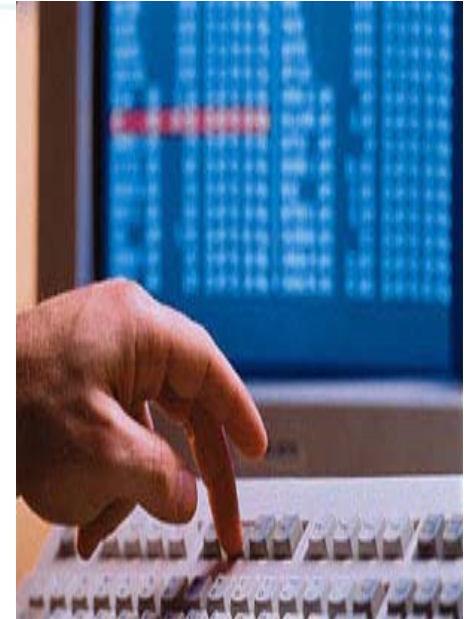


EVALUATION STAGES

- Selection of the evaluation team.
- GAFISUD Executive Secretary sends the country a standard self-evaluation form.
- Evaluation team visits the country.
- The external evaluation team (GAFI y GAFISUD) writes its report.
- The report is analyzed, discussed and subsequently approved in a full session of GAFISUD.



II. 2006 EVALUATION





EVALUATION AREAS

1. Legal System
2. Prevention Measures
3. Institutional Measures
4. International Cooperation

40
Recommendations
LA

+ 9
Special Recommendations FT



POSSIBLE RATINGS

There are 4 levels of compliance,

Compliant:

In complete compliance with recommendations: all essential criteria are met.

Mostly Compliant:

Most of the essential criteria are met, with only minor deficiencies.

Partially Compliant:

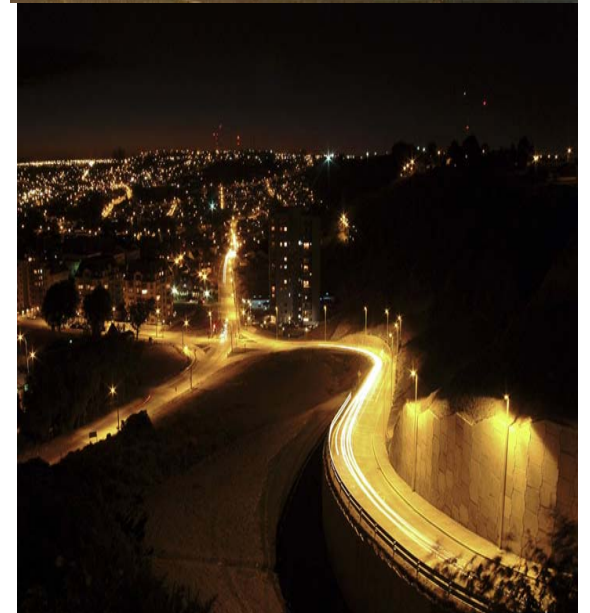
The country has taken some basic measures and is compliant with some of the essential criteria.

Not Compliant:

There are grave deficiencies and very few of the essential criteria have been met.

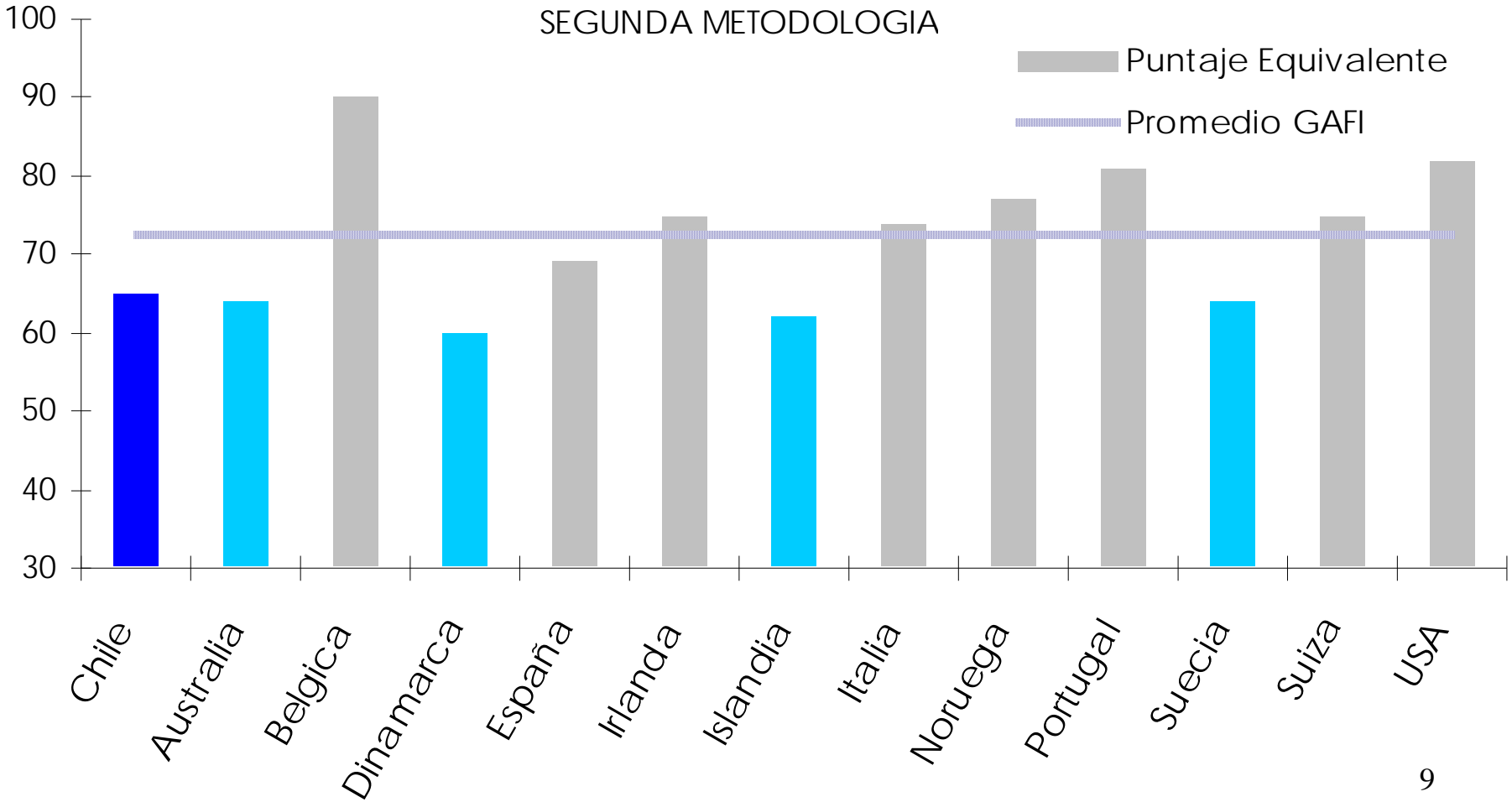


III. OVERALL RESULTS AND INTERNATIONAL COMPARISONS



OVERALL RESULTS

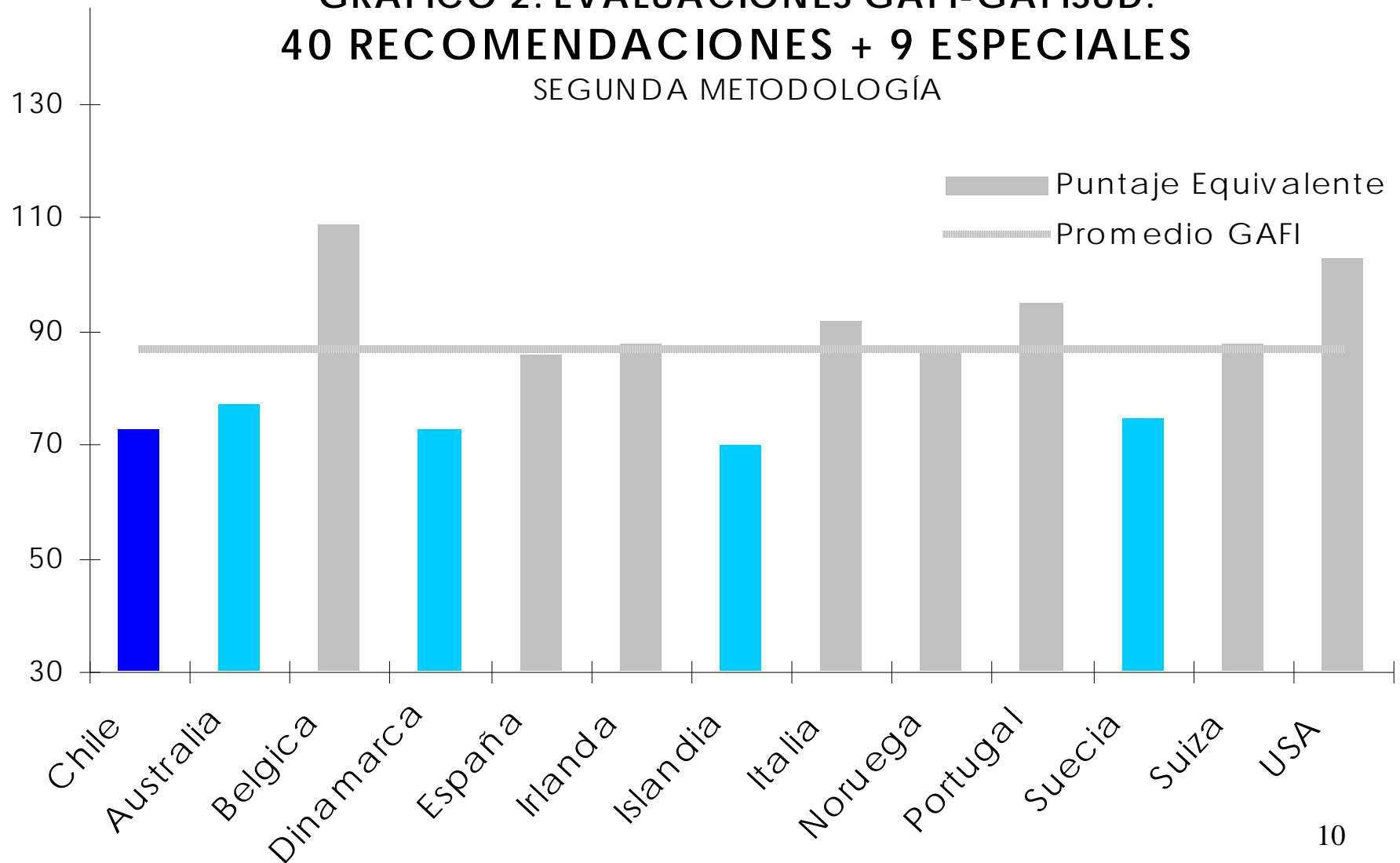
**GRAFICO 1: EVALUACIONES GAFI-GAFISUD:
40 RECOMENDACIONES**
SEGUNDA METODOLOGIA






OVERALL RESULTS

**GRAFICO 2: EVALUACIONES GAFI-GAFISUD:
40 RECOMENDACIONES + 9 ESPECIALES**
SEGUNDA METODOLOGÍA





IV. PRINCIPAL STRENGTHS AND WEAKNESSES: GAFISUD Report Summary





EVALUATION AREAS

1. Legal System
2. Preventive Measures
3. Institutional Measures
4. International Cooperation

+ 9

Special Recommendations



1. LEGAL SYSTEM

- **Main Strengths:**
 - Broad definition of money-laundering crimes.
- **Main Weaknesses:**
 - Current legislation lacks sanctions for corporate entities involved in money-laundering activities.
 - Financial crimes related to terrorism are not explicitly defined in Financial Analysis Unit legislation.



2. PREVENTIVE MEASURES

- **Main strengths:**
 - The strengths of the financial system identified in the report relate to:
 - Correspondent Banks
 - The use of new technology and non-contact business
 - Maintenance of records
 - Identification of unusual transactions
 - Special attention to high-risk countries



2. PREVENTIVE MEASURES

- **Main Weaknesses:**

- In relation to non-financial professionals (lawyers, accountants, real estate brokers, etc.);
 - Lack of regulation or oversight related to LA/FT.
 - Non-financial professional activities are not required to report to the Financial Analysis Unit.
- In relation to the regulation, oversight and control of:
 - Currency exchange houses.
 - Non-governmental organizations and non-profit organizations.



3. INSTITUTIONAL MEASURES

- **Main Strengths:**
 - Competent entities with adequate legal power to enforce standards and prosecute crimes.
 - A Financial Analysis Unit with adequate technical and professional resources.



3. INSTITUTIONAL MEASURES

- **Main Weaknesses:**

- Lack of oversight of all participants in the financial system, particularly for:
 - Currency exchange houses
 - Non-governmental organizations and non-profit organizations
- Potential misuse of judicial resources.



4. INTERNATIONAL COOPERATION

- **Main Weaknesses:**

- Legal secrecy requirements may make it difficult to provide information.
- Compliance is not possible if assets of equivalent value are required to be confiscated, seized or frozen.
- Extradition requests may be refused if the underlying crime does not meet double criminality requirements.



5. SPECIAL RECOMMENDATIONS

- **Main Weaknesses:**
 - Lack of explicit attributions of the UAF (Financial Analysis Unit) allowing it to receive, analyze and distribute suspicious information related to the financing of terrorism.
 - Lack of mechanisms preventing the use of non-profit organizations to finance terrorism.
 - Lack of regulation that would allow the assets of terrorist organizations to be frozen or seized.