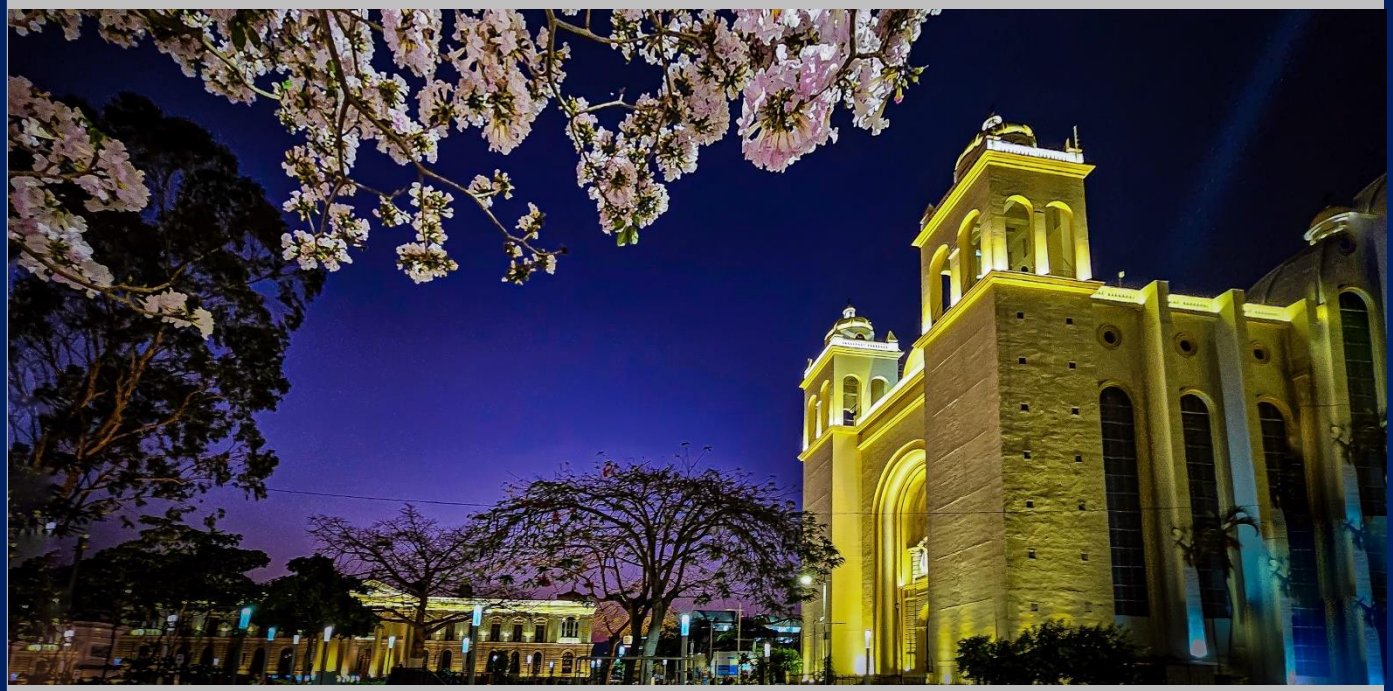
MUTUAL EVALUATION REPORT OF THE REPUBLIC OF EL SALVADOR



August 2024

The Financial Action Task Force of Latin America (GAFILAT by its acronym in Spanish) is a regionally based intergovernmental organization that groups 18 countries of South America, Central America and North America. This organization was created to prevent and combat money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction, through the commitment to continuous improvement of national policies against these crimes and the deepening of the different cooperation mechanisms among member countries

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Table of contents

Executive Summary 5
Key findings 5
Priority Actions 12
Effectiveness & Technical Compliance Ratings 13
CHAPTER 1. ML/TF RISKS AND CONTEXT 17
CHAPTER 2. AML/CFT National Policies and Coordination 35
Key Findings and Recommended Actions 35
Immediate Outcome 1 (Risk, Policy and Coordination) 37
CHAPTER 3. LEGAL SYSTEM AND OPERATIONAL ISSUES 50
Key Findings and Recommended Actions 51
Immediate Outcome 6 (ML/TF financial intelligence) 55
Immediate Outcome 7 (ML investigation and prosecution) 76
Immediate Outcome 8 (confiscation) 91
CHAPTER 4. TERRORIST FINANCING AND FINANCING OF PROLIFERATION 104
Key Findings and Recommended Actions 104
Immediate Outcome 9 (TF investigation and prosecution) 107
Immediate Outcome 10 (TF preventive measures and financial sanctions) 117
Immediate Outcome 11 (PF financial sanctions) 122
CHAPTER 5. PREVENTIVE MEASURES 125
Key Findings and Recommended Actions 125
Immediate Outcome 4 (Preventive Measures) 127
CHAPTER 6. SUPERVISION 138
Key Findings and Recommended Actions 138
Immediate Outcome 3 (Supervision) 139
CHAPTER 7. LEGAL PERSONS AND ARRANGEMENTS 157
Key Findings and Recommended Actions 157
Immediate Outcome 5 (Legal Persons and Arrangements) 159
CHAPTER 8. INTERNATIONAL COOPERATION 174
Key Findings and Recommended Actions 174
Immediate Outcome 2 (International Cooperation) 175
TECHNICAL COMPLIANCE ANNEX 193
Recommendation 1 - Assessing risks and applying a risk-based approach 193
Recommendation 2 - National Cooperation and Coordination 198
Recommendation 3 - Money laundering offence 201
Recommendation 4 - Confiscation and provisional measures 204
Recommendation 5 - Terrorist Financing Offence 206
Recommendation 6 - Targeted financial sanctions related to terrorism and terrorist financing 208
Recommendation 7 - Targeted Financial Sanctions Related to Proliferation 213
Recommendation 8 - Non-profit organisations 217
Recommendation 9 - Financial institution secrecy laws 220
Recommendation 10 - Customer due diligence 220
Recommendation 11 - Record-keeping 226
Recommendation 12 - Politically exposed persons 227
Recommendation 13 - Correspondent banking 228
Recommendation 14 - Money or value transfer services 230
Recommendation 15 - New technologies 231
Recommendation 16 - Wire transfers 237
Recommendation 17 - Reliance on third parties 241

Recommendation 18 - Internal controls and foreign branches and subsidiaries....241
Recommendation 19 - Higher-risk countries....243
Recommendation 20 - Reporting of suspicious transaction....244
Recommendation 21 - Tipping-off and confidentiality....245
Recommendation 22 - DNFBPs: Customer due diligence....245
Recommendation 23 - DNFBPs: Other measures....248
Recommendation 24 - Transparency and beneficial ownership of legal persons....249
Recommendation 25 - Transparency and beneficial ownership of legal arrangements....255
Recommendation 26 - Regulation and supervision of financial institutions....257
Recommendation 27 - Powers of supervisors....261
Recommendation 28 - Regulation and supervision of DNFBPs....263
Recommendation 29 - Financial intelligence units....264
Recommendation 30 - Powers of law enforcement and investigative authorities....267
Recommendation 31 - Powers of law enforcement and investigative authorities....269
Recommendation 32 - Cash Couriers....270
Recommendation 33 - Statistics....273
Recommendation 34 - Guidance and feedback....274
Recommendation 35 - Sanctions....275
Recommendation 36 - International instruments....275
Recommendation 37 – Mutual legal assistance....276
Recommendation 38 – Mutual legal assistance: freezing and confiscation....279
Recommendation 39 – Extradition....280
Recommendation 40 – Other forms of international cooperation....282
Summary of Technical Compliance - Key Deficiencies....287

EXECUTIVE SUMMARY

1. This report provides a summary of AML/CFT measures in place in El Salvador at the date of the on-site visit, which took place between 8 and 19 January 2024. The report analyses the level of compliance with the FATF 40 Recommendations and the level of effectiveness of the AML/CTF system of El Salvador, and recommends how the system can be strengthened.

Key findings

a) El Salvador has made significant efforts to improve and strengthen its anti-money laundering and counter-terrorist financing (AML/CFT) system, particularly in the last two years of the evaluated period. Among other measures, the country has adopted a National Risk Assessment (NRA) for money laundering and terrorist financing (ML/TF), the results of which are generally reasonable, although there is some lack of depth in addressing the risks associated with TF, virtual assets and legal persons. The level of understanding of the risks in the country varies according to the competent authority concerned, but in general the risks associated with the main ML threats are known, although there are certain limitations when it comes to environmental crime. Meanwhile, the understanding of risk is generally more limited for TF than for ML.

b) El Salvador's achievements include the recent establishment of the Inter-agency Committee for the Prevention of Money Laundering and Terrorist Financing (CIPLAFT), the adoption of a national AML/CFT strategy in line with the risks identified in the NRA, the strengthening of inter-institutional coordination and the updating of the AML/CFT legal framework. However, despite a clear high-level commitment to address these crimes, several of the mitigating measures were adopted in 2023 and had not reached a sufficient level of maturity in their implementation at the time of the site visit.

c) With regard to financial intelligence, the Financial Investigation Unit (FIU) is the main body that receives and analyses suspicious transaction reports (STRs) and forwards financial intelligence reports to the Attorney General of the Republic (FGR) for investigation of possible ML/TF. The FIU has been significantly strengthened since 2022 and has gradually improved its internal protocols, the expertise of its staff, its technological resources and the quality and quantity of its operational and strategic intelligence products. However, at the time of this assessment, spontaneous dissemination had not reached the desired level of effectiveness because the FIU is still in the process of improving the quality of information and dissemination is not fully focused on the main ML/TF threats. In addition, the scope of financial intelligence is somewhat limited by the fact that there are still designated non-financial businesses and professions (DNFBPs) that have not submitted STRs and by the lack of access to adequate beneficial ownership (BO) information. Similarly, the use of financial intelligence in ML investigations is still being consolidated by law enforcement and, although there have been some success stories, there are still only a limited number of cases based on spontaneous dissemination by the FIU.

d) El Salvador has gradually improved its ML investigation capacity. Convictions for ML were obtained in high-profile cases and different types of ML were punished. In addition, law enforcement agencies cooperate extensively, and multidisciplinary teams are formed for high-impact investigations. However, there is still considerable room for improvement in the number of parallel financial investigations, and most ML convictions are for money laundering or possession of the proceeds of crime, while complex cases are investigated and sanctioned to a lesser extent. Also, while ML related to several of the main threats is being pursued, results on ML related to environmental crime and some forms of public corruption are still partial.

e) El Salvador has a criminal asset recovery policy that prioritises assets forfeiture over criminal confiscation, due to certain characteristics of this institution that allow it to achieve greater results in

a shorter period of time. There is good coordination between law enforcement agencies to carry out these actions and assets forfeiture has been achieved in several impact cases. However, the results achieved are still limited and not fully in line with the country's risk profile, and there are resource constraints to effectively manage seized and forfeited property. There are also difficulties in keeping comprehensive statistics on this issue, and no cases of repatriation or sharing of property with foreign partners have been verified.

f) The country has a regulatory framework that covers to a large extent the TF behaviours. There are also extensive investigative powers and mechanisms for sharing information between law enforcement agencies. However, despite the level of risk attached to this crime, there is no evidence of sufficiently proportionate efforts and specific prioritisation criteria and factors to investigate potential TF cases urgently and effectively. The country has identified some TF cases have been identified where financial analysis has been carried out where involved individuals have been sentenced to 20 years in prison, but the number of investigations, prosecutions and convictions is still low, which is not fully commensurate with the risk and context of the country. It is also not clear to what extent financial intelligence effectively supports the investigation of TF crime. Notwithstanding the above, law-enforcement authorities have expertise in the use of special investigation techniques, which have been implemented in cases of terrorist acts, and that could be applied for cases of TF. Additionally, the country has implemented alternative measures in cases where a sentence for TF was not possible.

g) The country has a system in place that allows it to implement TFSs based on the relevant UNSCRs, which was reformed in January 2024 to provide for freezing measures to be implemented without delay. It is understood that financial institutions and Bitcoin Service Providers (BSPs), monitor the lists using technological tools and are able to freeze assets or stop transactions when matches are detected. Likewise, the FIU has a system that checks for updates in the UNSC lists and notifies of the changes to reporting entities (Res). There were no matches up to the date of the on-site visit, which is consistent with the country's risk-profile. As for non-profit organisations (NPOs), limitations in the application of risk-based measures have been identified, given that all organizations are treated as reporting entities, even though most were identified as low risk for TF. Meanwhile, as far as the PF is concerned, El Salvador has no trade or diplomatic relations with the Democratic People's Republic of Korea (DPRK), and there is no evidence that points at the country producing dual-use goods or materials. This circumstance, in addition to the country not being a regional nor international financial centre, implies a reduced exposure to PF risks. The PF TFS system is similar to that of TF, although there is a legal deficiency that could limit its scope, as the recent reform of LECAT sought to meet the requirements of UNSCR 1718, but the taxativity of the provision raises doubts about its scope and application regarding PF TFSs, as the term "terrorist designation" is used. However, financial institutions and VASPs have automatized list-screening systems, as well as the possibility or delaying or suspending transactions based on their CDD measures.

h) The AML/CFT supervisory system in El Salvador is composed of various supervisory authorities. Regarding the financial sector (with the exception of certain cooperative institutions) and BSP sector, the supervisors conduct supervision using a risk-based approach (RBA), although there are some weaknesses in terms of frequency. In addition, although some remedial action has been taken to address the identified deficiencies, the application of sanctions for non-compliance in the financial sector is limited and only fines have been applied. With regard to the digital asset service provider (DASP) sector, which covers operators of all types of virtual assets, El Salvador has recently established a supervisory authority that has created a DASP registry, is providing feedback to the sector under its jurisdiction, and is developing an RBA for the conduct of AML/CFT supervision. However, this body had not carried out any supervision or applied any AML/CFT sanctions at the time of the on-site visit due to its recent creation.

i) For DNFBPs, their supervisors still lack clear legal powers to supervise them for AML/CFT purposes. This lack of AML/CFT powers also affects the ability to impose effective, proportionate and dissuasive

sanctions for potential breaches of AML/CFT obligations in these sectors. Nevertheless, these supervisors are making significant efforts to mitigate sectoral risks and are working to implement a supervisory regime with an RBA.

j) The level of understanding of ML/TF risks and the implementation of preventive measures by RE varies depending on each sector. Financial REs show a higher level of understanding of their ML risks and greater maturity in implementing mitigation measures, while DNFBPs generally show greater limitations and challenges. As for the BSPs and DASPs, there is still room for improvement in understanding the risks to which they are exposed. There is less understanding of TF risks than of ML, both for FIs and for DNFBPs and BSPs-DASPs.

k) With regard to the transparency of legal persons and arrangements, it should be noted that El Salvador is not a regional centre for the incorporation of legal entities and that there are few complex legal entities or arrangements with international links operating within its jurisdiction. The country has a system that allows the competent authorities good access to basic information on legal entities, as there are two registers that collect such information (a commercial register and a tax register). However, there are certain limitations when it comes to the beneficial owner (BO). On the one hand, although the country has assessed the risks of existing legal persons in the country as part of its NRA, this exercise has been limited in scope, which poses challenges for a proper understanding of sectoral AML/CFT risks. In addition, BO identification is solely the responsibility of the REs, who sometimes have weaknesses in their understanding of the BO concept. Nevertheless, the competent authorities, in addition to accessing information on beneficial owners through the REs, have brought some criminal cases where the BO has been identified through investigation, including through access to information in the commercial and tax registers. However, there are no effective mechanisms to verify that this information is adequate and up to date, and there is no evidence that BO information is accessible in a timely manner. Meanwhile, the BO sanctioning regime is the responsibility of the prudential supervisors of the REs whose deficiencies have been identified, as mentioned above.

l) The international cooperation and MLA mechanisms have been useful both for requesting States and domestically. On the one hand, requests are made in a constructive and high-quality manner in order to obtain investigative and intelligence inputs; on the other hand, the country has generally provided constructive and high-quality cooperation. Requests for international cooperation are effectively managed and executed according to the needs and characteristics of each request. While no prioritisation or case management mechanisms are evident, countries that have had co-operation with El Salvador have indicated that the country has a satisfactory capacity to deal with priority requests.

Risks and general situation

2. El Salvador is a country in the Americas with an area of 21,041 km² and a population of approximately 6.3 million. The territory of El Salvador is located on the coast of the Pacific Ocean and has land borders with Guatemala and Honduras. Its geographical location makes it a 'transit' country on the route of international drug trafficking and trafficking in persons. This exposes the country to cross-border risks associated with transnational crime. This threat coexists with other domestic threats, mainly related to organised crime. It should be remembered that El Salvador has been under siege for years by gangs known as "*pandillas*" or "*maras*", which are involved in crimes such as extortion, kidnapping, robbery, murder, drug trafficking and arms trafficking, among others. However, since 2019, El Salvador's authorities have launched the 'Territorial Control Plan' aimed at disrupting the gangs' operational capacity and the arrest of gang members, and in 2022 a 'state of emergency' was declared in response to an increase in violent killings of civilians by gangs. As a result of these measures, the violent crime rate in the country has been drastically reduced and the money laundering threat posed by local criminal groups has diminished.

3. It should be noted that the country has had a dollarized economy since 2000 and has a low rate of bankarisation. In addition, Bitcoin became legal tender in June 2021, making El Salvador the first country in the world to implement such a measure. However, at the date of the on-site visit, it had not achieved a significant impact or a high transactional volume.

4. In terms of money laundering risk, which is rated as "medium-high", the main domestic threats identified are aggravated extortion, illicit drug trafficking and illicit trafficking in persons, followed by corruption, smuggling, tax evasion, trafficking in persons for sexual exploitation and illicit arms trafficking. The NRA also considers environmental crime to be a threat. Meanwhile, the TF risk has been defined by the country as medium-high and has focused mainly on the designation of local terrorist groups attributed to gangs and *maras*. There is no evidence that the system has been used for international terrorist financing. However, there is no sufficiently detailed analysis of the potential risks of TF, especially with regard to the modalities that TF can present beyond the organisations and individuals listed in the United Nations Security Council Resolutions (UNSCRs), and the extent to which virtual assets can be used by terrorist groups has not been clearly identified, which to some extent limits the country's vision of the totality of the risks associated with this criminal phenomenon.

Overall Level of Effectiveness and Technical Compliance

5. In terms of technical compliance with FATF standards, El Salvador has made significant progress since its last evaluation in 2010. In this regard, El Salvador has worked hard to adapt its AML/CFT regulatory system, including adopting legislative reforms on TF, mutual legal assistance, extradition, FIU powers, and other relevant areas. From a regulatory perspective, the FIU has also reformed its AML/CTF instructions to cover all financial institutions and expand the applicable preventive measures, issued a national ML/TF risk assessment, established an AML/CTF Coordinating Committee, among other reforms.

6. However, despite the high level of commitment of the competent authorities in this area, El Salvador faces significant challenges in terms of effective implementation of the standard, in many cases due to the fact that improvements in the regulatory and preventive framework are relatively recent and have not been consolidated in practice. In particular, the main challenges requiring fundamental improvement are risk-based supervision in most sectors and in the area of sanctions, access to adequate and timely beneficial ownership information, and effective investigation of terrorist financing. Meanwhile, despite significant efforts and improvements over previous years, in particular in inter-agency coordination, the country still needs to make significant improvements in the use of financial intelligence in ML/TF investigations, in the conduct of parallel financial investigations, in the confiscation and forfeiture of assets, and in the implementation of targeted financial sanctions without delay. In contrast, significant progress has been made in seeking and providing international cooperation.

Risk assessment, coordination and policy establishment (Chapter 2 – IO. 1; R. 1, R. 2, R. 33)

7. El Salvador assessed its ML/TF risks and approved its NRA in 2023, based on the World Bank methodology. In general, the country's findings are reasonable, but there are areas that have not been sufficiently explored, such as virtual assets, terrorist financing and risks associated with legal persons. However, the country has adopted a policy of NRA dissemination, trained competent authorities and the private sector, and published some policy analysis products. These actions have helped to raise awareness of ML risks among competent authorities and the private sector, but there are still some difficulties in properly understanding the risks of TF and virtual assets in general.

8. El Salvador has made significant efforts to strengthen its AML/CFT system through the adoption of legal and regulatory reforms and the strengthening of the FIU. Inter-agency coordination and cooperation has been significantly improved and an AML/CFT Coordination Committee has been established. However, many of the mitigating measures have only recently been implemented and, although the authorities have taken some measures in line with the main risks identified in the NRA, in several areas the results are still emerging or in the process of being implemented. In addition, a greater allocation of resources is needed to improve the application of the risk-based approach, in particular with regard to the DNFBP and DASP sectors.

Financial intelligence, money laundering and confiscation (Chapter 3 - IO.6-8; R.3, R.4, R.29-32)

9. The FIU, within the structure of the FGR, is the body responsible for the production of financial intelligence and has an operational structure that allows it to cover the functions of receiving and analysing information for the detection of ML/TF and communicating the results of its analysis to the law enforcement authorities. The FIU is able to carry out operational and strategic analysis and has significantly strengthened its structure and the expertise of its staff as of 2022. It is important to note that the FIU has specialists in virtual assets and tools that allow it to analyse blockchain operations and transactions related to such assets. The FIU also cooperates with other competent authorities and responds to requests for information. However, the FIU continues to face challenges related to its operational capacity and, in addition, the lack of reporting by certain sectors of reporting entities and the absence of an adequate BO information system affects the scope of the financial intelligence it produces. In addition, although the FIU has gradually improved the quality of its financial intelligence reports, spontaneous reports are not fully aligned with the country's risk profile and have not yet been better used in judicial investigations. In particular, with regard to TF, there is a lack of procedures or mechanisms to ensure adequate prioritisation.

10. In El Salvador, law enforcement authorities (FGR) have access to financial intelligence information, especially after the FIU strengthened its capacities. However, the use of financial intelligence to support criminal investigations or prosecutions is still in the process of consolidation and, although there are some success stories, the number of cases originating from an FIU's FIR is still limited. The FGR has a specialised Anti-Money Laundering Prosecution Unit (UECLA) with specialised staff and a good understanding of ML risks. The FGR also has other specialised units that can conduct the ML investigation during a parallel investigation or refer the case to the UECLA. However, the number of parallel financial investigations is still limited and, although there have been successful ML cases, the results achieved at the time of the assessment were not fully in line with the country's risk profile, particularly in relation to some forms of public corruption and environmental crime, among other threats. The FGR uses specialised investigative techniques and co-operates closely with other competent authorities. In particular, the FGR conducts investigations with the support of the National Civil Police, which, despite its broad structure and operational capacity, presents challenges in terms of specialisation in financial and property analysis, as well as virtual assets.

11. One aspect to highlight is that in El Salvador, the competent authorities understand the importance of depriving criminals and criminal organisations of their property, which is an objective of law enforcement. To this end, a system was provided for that prioritises asset recovery through assets forfeiture over confiscation. Both the PNC and the FGR have units specialising in assets forfeiture and the recovery of the proceeds of crime. There is also a specialised court and a body responsible for the management and disposal of forfeited assets, which manages a large amount of property. However, there are some resource limitations and the overall results of property recovery are still limited, in particular the total number of properties seized and those finally forfeited and confiscated. Controls and sanctions are in place for the cross-border movement of currency, although some limitations are noted. There were also problems with the statistical recording of

confiscated and forfeited assets, which makes it difficult to have an accurate picture of the results achieved in this area.

Terrorist Financing and Financing of Proliferation (Chapter 4 - IO.9-11; R.5-8)

12. In general, El Salvador is making efforts to combat the phenomenon of terrorism, which in the country is mainly associated with gangs and maras. These criminal groups have been designated as terrorist organisations because they have committed acts of terrorism as part of their criminal activities (but not on the basis of UNSCR 1373). For this reason, the country's domestic risk for TF is rated medium-high with a downward trend and closely linked to the phenomenon of organized crime. As a result of their investigations, the Salvadoran authorities have concluded that these criminal groups finance their terrorist activities by committing crimes such as extortion, trafficking in persons and drug dealing. As far as the investigation of TF is concerned, law enforcement agencies do not have specific CFT units, but they do have specialised organised crime units with powers to investigate TF. Law enforcement authorities have experience in the use of special investigative techniques that they have used in terrorism cases and that could be used in TF cases.

13. While there have been some cases for TF with sentences of up to 20 years of prison identified through investigative and field work, the country is not considered to be effectively prosecuting TF cases or making extensive use of financial investigation tools in terrorism cases. Furthermore, of the cases analysed by the assessment team, a number were dismissed, while a number of others were still at the appeal stage. In addition, while it is clear that there are units specialising in a wide range of crimes that can respond to TF cases, there is no prioritisation of criteria or factors specifically aimed at identifying, preventing or investigating terrorism or TF cases.

14. With regard to the implementation without delay of targeted financial sanctions related to TF, the country has recently reformed its legal framework in order to improve the freezing time, which can now be considered as “without delay”, while at the same time allowing it to make the relevant designations on the basis of UNSCR 1373. The procedure provides for a maximum of 24 hours to freeze the assets of listed persons or organisations, although REs are obliged not to carry out any transactions as soon as a match is detected, allowing for an immediate freeze. FIs and VASPs have automated tools for checking UNSC lists. At the time of the on-site visit, no matches with the UNSCR lists had been identified, which seems to be in line with the country’s risk profile. In the meantime, no designations under UNSCR 1373 have been made. With regard to the PF, El Salvador has a low-risk exposure as it has no diplomatic or consular relations with the Democratic People’s Republic of Korea, there is no evidence of the country producing dual-use goods or materials, and does not have a financial system of significant size. PF related TFSs are subject to a similar system as TF TFSs, although there is a legal deficiency due to the scope of the recent LECAT reform. However, financial REs and VASPs have systems in place to screen the relevant lists and the ability to delay or not execute transactions based on their CDD measures.

15. The Non-Profit Organisation (NPO) sector was assessed for risk, with information limited to a number of cases where sector entities were linked to maras, designated as domestic terrorist groups. Entities that cover the FATF definition of NPO were identified to be mostly of low risk, except for the religious ones, which are of medium inherent risk. All NPOs in El Salvador, even with a low TF-risk, are subject to the same measures as other REs under the AML/CFT regime, including the appointment of a compliance officer or function and STR reporting, which does not consist of an adequate application of the RBA to the sector, which has led to difficulties for some entities in meeting the requirements established by law.

Preventive measures (Chapter 5 - IO.4; R.9-23)

16. The level of understanding of ML/TF risks and the implementation of preventive measures varies depending on each sector. Overall, financial REs regulated by the SSF have a higher level of understanding of their ML risks and a higher implementation of mitigation measures than other FIs and DNFBPs. In particular, understanding the risk posed by TF in general is a challenge, which also reflects opportunities for improvement in the detection of suspicious TF transactions.

17. As far as the financial sector and BSPs are concerned, they generally apply AML/CFT measures commensurate with their risks. However, the understanding of risks and the implementation of measures could not be ascertained for the FIs regulated by INSAFOCOOP and SOM. For their part, the DASPs, due to their recent inclusion, still have weaknesses in the application of CDD measures.

18. The DNFBP sectors interviewed have CDD measures in place that are applied with a RBA, although weaknesses in the implementation of enhanced measures are noted in the real estate sector due to a lack of understanding of ML/TF risks, and in the lawyers, notaries and accountants sector due to their recent inclusion as REs in 2021.

19. Specifically, with regard to the STR obligation, reporting entities submit STRs in a timely manner and under the specified formats. However, these have shown significant deficiencies, mainly related to the quality, incorrect or minimal information provided as a result of weaknesses in customer due diligence processes. Similarly, as far as DNFBPs are concerned, the amount of STRs is minimal.

Supervision (Chapter 6 - IO.3; R.26-28, R.34-35)

20. The AML/CFT supervisory system consists of the supervisors of the various financial institutions that have the power to supervise the ML/TF prevention component. The financial sector is supervised by the Superintendence of the Financial System (SSF), the Superintendence of Commercial Obligations (SOM) and the Salvadoran Cooperative Development Institute (INSAFOCOOP). In the case of VASPs, the regulator for Bitcoin service providers (BSPs) the prudential regulator is the Central Reserve Bank (BCR) and the AML/CFT supervisor is the SSF, and for digital service providers (DASPs) it is the Commission of Digital Assets (CNAD). As for DNFBPs, lawyers and notaries are regulated and supervised by the Supreme Court of Justice (CSJ), auditors and accountants by the Oversight Board of the Profession of Public Accounting and Auditing (CVPCPA), casinos, dealers in precious metals and stones and the real estate sector by the SOM, and trust service providers by the SSF. However, the legal framework in place at the time of the on-site visit did not provide DNFBP supervisors with supervisory and sanctioning powers in AML/CFT matters.

21. Financial and DASP sector supervisors have powers and procedures to control the market entry of reporting entities and apply licensing and/or registration controls to prevent the market entry of criminals, their partners, associates and BOs. However, the controls carried out by the BCR, INSAFOCOOP and the SOM on the entities they regulate and/or supervise are not considered sufficient to fully achieve the intended objective.

22. SSF has the highest level of understanding of ML risks, followed by INSAFOCOOP to a medium level. With regard to the SOM, the CNAD, the CSJ and the CVPCPA, while developing efforts to identify and understand ML/TF risks in the sectors they regulate, still face challenges in this regard.

23. For the most important sectors, the effectiveness of AML/CFT supervision varies from supervisor to supervisor. Supervision is more consolidated in financial institutions regulated by the SSF (private banks, cooperative banks, BSPs). However, there are weaknesses in the supervision cycle, including the follow-up

of the correction of deficiencies, and in the duration of supervision. In addition, supervision is more limited for other financial supervisors, such as the SOM and INSAFOCOOP (cooperatives, savings and credit cooperatives, credit unions and microcredit societies), as well as the recently created CNAD, which has carried out off-site inspections focused on the examination of registration applications and plans to carry out on-site supervision on DASPs from 2024, but above all the SOM and the CSJ, which regulate non-financial entities (the real estate sector and lawyers and notaries), which have recently made efforts to carry out AML/CFT supervision, but whose lack of supervisory powers limits the implementation of supervisory actions with a RBA.

24. As far as sanctions are concerned, only the SSF has applied them, and they have been of a financial nature. However, there appears to be a lack of proportionality in the application of the sanctioning framework, as no other type of sanction was applied to the non-compliance found.

Transparency of legal persons and arrangements (Chapter 7 - IO.5; R.24-25)

25. 20.18. El Salvador has made efforts to assess and understand the risks associated with legal persons and arrangements. In particular, the country has included in its NRA a section on legal persons and arrangements, where some weaknesses have been identified and where corporations have been identified as the most vulnerable to ML risks.

26. Basic information on legal persons and arrangements is largely accessible to the competent authorities and is available directly online or on request from the CNR and DGII registers. As far as the BO's information is concerned, it can only be accessed through the REs and there are no effective mechanisms to verify that this information is adequate and up to date. However, despite the weaknesses identified in the collection of BO information, there are some cases where, based on the investigative work of the FGR, the BO has been identified through the information held by the REs and the basic information registers. The sanctioning regime is the responsibility of the supervisors in the context of non-compliance with the obligation to obtain BO information from REs.

International Cooperation (Chapter 8 - IO.2; R.36-40)

27. El Salvador offers mutual legal assistance, extradition and other forms of international cooperation in a constructive and appropriate manner. Successful cases of international cooperation have been recorded, which have contributed to the development of investigations by the competent authorities. The country has also shown itself to be proactive in terms of international cooperation, being able and actually sending information spontaneously and following up on requests. The country has recently adapted its legal framework to facilitate and clarify the scope of international cooperation. However, deficiencies linked to access to complete and timely beneficial ownership information could limit the international cooperation that the country can provide. There are also opportunities for improvement in the prioritisation and management of requests.

Priority Actions

a) El Salvador should amend the legal framework to give specific AML/CFT supervisory and sanctioning powers to INSAFOCOOP, SOM, CSJ and CVPCPA.
b) El Salvador should deepen the application of the risk-based approach to AML/CFT supervision, including the updating and effective implementation of supervisory priority matrices, and adopt measures to strengthen the sanctioning regime and the application of effective, proportionate and dissuasive sanctions for detected breaches.

c) El Salvador should provide an appropriate regulatory and operational framework, including obligations for companies to collect adequate and up-to-date BO information and to make it verifiable and accessible to competent authorities in a timely manner. Adopt measures for the application of proportionate, effective and dissuasive sanctions against legal persons and arrangements that fail to provide and duly update beneficial owner information.
d) El Salvador should strengthen the knowledge of AML/CFT obligations and the implementation of preventive measures by REs, in particular BSPs, DASPs, and DNFBPs with higher risk exposure, such as the real estate sector, lawyers, notaries and accountants.
e) El Salvador should deepen and broaden risk assessments on: (i) money laundering related to virtual assets, virtual asset service providers and digital asset service providers; (ii) terrorist financing, including analysis of different modalities and how threats may exploit domestic vulnerabilities; (iii) money laundering related to legal persons and arrangements, including the role of corporate service providers, and covering nominee shareholders and directors. Continue dissemination, awareness-raising and training activities on ML/TF risks in the country in order to strengthen the understanding of the relevant authorities.
f) El Salvador should develop specific protocols or instructions to guide TF investigations, taking into account the urgency and prioritisation of such cases and the formation of inter-agency teams for information exchange and effective investigation. Also, develop guidance to guide the work of prosecutors in relation to the financial investigation of potential TF cases.
g) El Salvador should carry out exercises to allow REs and Competent Authorities to test the operation of the TF and PF TFS system in practice and to take the necessary measures to ensure the response capacity of the actors involved in the rapid implementation of such measures. In addition, the legal framework for the appropriate application of TFSs to proliferation financing should be clarified.
h) El Salvador should strengthen the operational capacity of the FIU to increase the dissemination of spontaneous financial intelligence reports and improve their consistency with the country's risk profile. Continue to develop feedback meetings with the FGR to further improve the quality of the FIU's operational and strategic intelligence reports and their use by investigators. Improve mechanisms for prioritising and analysing TF STRs so that the FIU has immediate capacity to analyse them when they occur.
i) El Salvador should increase and improve parallel financial investigations by the FGR to improve ML investigations and contribute to better results in prosecuting and sanctioning complex ML cases and to better match the country's risk profile. In particular, El Salvador should strengthen the capacity and resources of the PNC to support ML investigations and financial analysis. Continue to strengthen training for law enforcement and judicial authorities on ML, TF and virtual assets.
j) El Salvador should strengthen the prosecution and trial of asset forfeiture cases by providing more resources and training to improve the speed and outcomes of cases. Strengthen CONAB's resources and expertise for more effective management and disposal of frozen and forfeited assets.

Effectiveness & Technical Compliance Ratings

Effectiveness ratings

IO. 1 Risk, policy and coordination	IO. 2 International cooperation	IO. 3 Supervision	IO. 4 Preventive Measures	IO. 5 Legal persons and arrangements	IO. 6 Financial intelligence
Moderate	**Substantial**	**Low**	**Moderate**	**Moderate**	**Moderate**
IO. 7 ML investigation and prosecution	**IO. 8** Confiscation	**IO. 9** TF investigation and prosecution	**IO. 10** TF preventive measures and financial sanctions	**IO. 11** Financial sanctions for FP	
Moderate	**Moderate**	**Moderate**	**Moderate**	**Moderate**	

Technical compliance ratings

AML/CFT National Policies and Coordination

R. 1	R. 2
LC	**C**

Money laundering and confiscation

R. 3	R. 4
LC	**LC**

Terrorist Financing and Financing of Proliferation

R. 5	R. 6	R. 7	R. 8
LC	**LC**	**PC**	**PC**

Preventive Measures

R. 9	R. 10	R. 11	R. 12	R. 13	R. 14
LC	**LC**	**C**	**LC**	**LC**	**C**
R. 15	**R. 16**	**R. 17**	**R. 18**	**R. 19**	**R. 20**
PC	**PC**	**NA**	**LC**	**C**	**C**
R. 21	**R. 22**	**R. 23**			
LC	**LC**	**LC**			

Transparency and beneficial ownership of legal persons and arrangements

R. 24	R. 25
PC	**LC**

Powers and responsibilities of competent authorities, and other institutional measures

R. 26	R. 27	R. 28	R. 29	R. 30	R. 31
LC	**LC**	**NC**	**LC**	**LC**	**LC**
R. 32	**R. 33**	**R. 34**	**R. 35**		
LC	**LC**	**C**	**PC**		

International co-operation

R. 36	R. 37	R. 38	R. 39	R. 40
LC	LC	PC	LC	LC

MUTUAL EVALUATION REPORT

Preface

1. This report summarises the AML/CTF measures in place as at the date of the on-site visit. It analyses the level of compliance with the FATF 40 Recommendations and the level of effectiveness of the AML/CTF system, and recommends how the system can be strengthened.

2. This evaluation was based on the 2012 FATF Recommendations, and was prepared using the 2013 FATF Methodology. The evaluation was based on information provided by the country, and information obtained by the assessment team during its on-site visit to the country on January 8-19 2024.

3. The evaluation was conducted by an assessment team consisting of:

- Pablo Bianchi Isasa, Head of the Financial Services Companies Control Department of the Central Bank of the Eastern Republic of Uruguay (financial/operational expert);
- Mónica Díaz Lezama, Head of the Financial Institutions Supervision Department of the Financial Analysis Unit of the Republic of Nicaragua (financial expert);
- Carlos Fernando González Figueroa, Specialist in International and Interinstitutional Relations of the Special Verification Intendancy of the Republic of Guatemala (legal expert);
- Eylin Madrigal Orozco, Project Coordinator of the Financial Intelligence Unit of the Republic of Costa Rica (operational expert);
- Bienvenido Roberts Carrero, Director of Strategic Affairs of the Financial Analysis Unit of the Dominican Republic (legal expert), and
- Giankarlo Vásquez Ayarza, Deputy Intendant of Non-Financial Entities of the Republic of Panama (financial expert).

4. The evaluation process was coordinated by Juan Cruz Ponce, Deputy Executive Secretary of GAFILAT, with the support of Gabriela Rodríguez and Guillermo Alejandro Hernández, technical experts of the GAFILAT Executive Secretariat. The report was reviewed by Alejandro Ibarra Peña, Deputy Director for International Affairs of the Financial Intelligence Unit of Mexico, Diego Andrés Soledad Abella, Legal Counsel of the Information and Financial Analysis Unit of Colombia, and the FATF Secretariat.

5. El Salvador was previously subject to a FATF mutual evaluation in 2010, conducted under the 2004 FATF methodology as part of the Third Round of Caribbean Financial Action Task Force (CFATF) Mutual Evaluations. This assessment was published and is available at: https://www.cfatf-gafic.org/es/documentos/informes-de-evaluacion-mutua/el-salvador-3/72-el-salvador-3er-iem

6. At that time, the mutual evaluation concluded that the country complied with 11 Recommendations, was largely compliant with 12 Recommendations, was partially compliant with 17 Recommendations and was non-compliant with 9 Recommendations. El Salvador was rated compliant or largely compliant in 11 of the 16 Core and Key Recommendations.

CHAPTER 1. ML/TF RISKS AND CONTEXT

7. The Republic of El Salvador (hereinafter referred to as "El Salvador") is a democratic, constitutional, independent and unitary (non-federal) republic, consisting of an executive, legislative and judicial branch. The country is located in Central America and is made up of 14 departments and 262 municipalities[1]. Its territory is divided into 4 geographical zones: Western, Central, Paracentral and Eastern. The country has an area of 21,041 km² and a population of approximately 6.3 million inhabitants[2].

8. The capital of El Salvador is San Salvador, a city in the central region that is one of the largest and most populated cities in the country. El Salvador is one of the smallest countries in Central America, but one of the most densely populated. The territory of El Salvador is located on the coast of the Pacific Ocean and has land borders with Guatemala and Honduras.

9. The President is the Head of State and Government, elected by universal suffrage for a five-year term; he is responsible for exercising executive power and appointing his council of ministers, whose ministers exercise their office on an exclusive basis, i.e., they cannot be members of the legislative assembly at the same time.

10. The legislative power is vested in the Legislative Assembly, which is a collegiate body composed of Deputies elected in the manner prescribed by the Constitution, and which is basically responsible for legislating. The Legislative Assembly meets in the capital of the Republic, at the beginning of its term of office and does not need to be convened; a majority of the members of the Assembly is sufficient to deliberate and adopt a resolution; at least the affirmative vote of half plus one of the elected Deputies is required, except in cases where the Constitution provides for a different majority; currently the number of Deputies is 84[3]. The Deputies of the Assembly are elected every three years and are eligible for re-election; they represent the entire people and are not bound by any binding mandate.

11. The judiciary is headed by the judges of the Supreme Court of Justice (CSJ), who are elected for nine-year terms. The CSJ, the Chambers of Second Instance and the other courts established by secondary legislation make up the judiciary. This body has the exclusive power to rule and enforce judgments in constitutional, civil, criminal, commercial, labour, agrarian and contentious-administrative matters, as well as in other matters established by law. In El Salvador, the administration of justice is free of charge. The organisation and operation of the judiciary are governed by the Organic Law of the Judiciary. Judges and magistrates have independence in the exercise of their judicial functions and are subject only to the Constitution and the laws.

12. The CSJ is composed of the number of judges determined by law, elected by the Legislative Assembly, one of whom is the President. This is the President of the judiciary. The Organic Law of the Judiciary

[1] However, from 1 May 2024, a reform will come into force that provides that the country will be made up of 14 departments with 44 municipalities. Link: https://www.asamblea.gob.sv/sites/default/files/documents/decretos/4194112C-1F6E-4E24-808E-9854A3D081AD.pdf

[2] According to data as of 2021 from the World Bank at https://datos.bancomundial.org/indicator/SP.POP.TOTL?locations=SV

[3] It should be noted that on 7 June 2023 the Legislative Assembly approved a reform of the Electoral Code reducing the number of deputies for the 2024 elections from 84 to 60, which entered into force on 1 May 2024, meaning that there are currently 60 deputies. Article 2. Link: https://www.asamblea.gob.sv/sites/default/files/documents/decretos/F53234F8-8733-465A-8BA8-38AC721080EA.pdf

regulates the internal organisation of the CSJ, so that the corresponding functions are distributed among the different Chambers. However, the Constitutional Chamber is constitutionally recognised and is responsible for hearing and resolving claims of unconstitutionality of laws, decrees and regulations, amparo, habeas corpus and disputes between the legislative and executive branches. The CSJ, through the Constitutional Chamber, is the only court competent to declare the unconstitutionality of laws, decrees and regulations, in their form and content, in a general and binding manner, and may do so at the request of any citizen.

13. In El Salvador, the Public Ministry is exercised by the Attorney General of the Republic, the Public Prosecutor, and the Public Defender of Human Rights, who are elected by the Legislative Assembly by a qualified majority of two-thirds of the elected deputies. They serve for three years and can be re-elected. Dismissal is only possible for legal reasons and requires a two-thirds majority of the elected deputies.

ML/TF Risks and Scoping of Higher-Risk Issues

Overview of ML/TF Risks

14. El Salvador is a country with a wide range of characteristics that define its specific risk and context. In terms of geography, its location makes it a 'transit' country in terms of international drug trafficking and illicit trafficking in persons routes. This exposes the country to cross-border risks associated with transnational crime. This threat coexists with other domestic threats, mainly related to organised crime.

15. In this regard, El Salvador has been besieged for many years by organised criminal groups, known as "*pandillas*" (gangs) or "*maras*", which have committed a wide range of crimes, including extortion, kidnapping, robbery, murder, drug trafficking and arms trafficking. These criminal groups have caused social unrest due to the violence of their operations and the commission of terrorist attacks, and have achieved a large territorial dominance, even in the most important and densely populated cities of El Salvador. Multiple violent homicides, on the other hand, were common in the context of territorial disputes between rival gangs.

16. In response to the growing threat posed by the gangs, the authorities in El Salvador launched the 'Territorial Control Plan' (*Plan Control Territorial*, PCT) in June 2019, aimed at disrupting the gangs' operational capacity and arresting their members. Following an increase in violent killings of civilians, the government of El Salvador declared a "state of emergency" in March 2022 and intensified law enforcement measures against these criminal groups.

17. At the time of the on-site visit, the PCT was in its fifth phase of implementation and had resulted in the arrest and prosecution of tens of thousands of gang members. As a result, violent crime rates in the country—particularly murders and extortion—were drastically reduced, as was the incidence of these gangs.[4] As a result, the threat posed by organised crime in the area of money laundering has been reduced.

18. In addition to international and domestic threats, El Salvador has a number of elements that have an impact on its risk profile. On the one hand, the country has had a dollarized economy since the end of 2000 and has a low rate of bankarisation. It is estimated that 76% of the population has no access to a bank account

[4] For example, comparing the 2019 and 2023 figures, the number of simple homicides fell from 868 to 98, aggravated homicides fell from 1,307 to 163, illegal possession or operation of firearms fell from 1,757 to 645, kidnappings fell from 12 to 6, and aggravated kidnappings fell from 8 to 0.

and the economy is highly informal. As a result, the competent authorities have tried to implement financial inclusion policies that have gradually increased the use of financial products by the less included sectors.

19. On the other hand, in June 2021, the so-called "Bitcoin Law" (Decree 57 of 2021) was enacted, which establishes that bitcoin is legal tender and that it has liberating and unlimited power to carry out transactions (art. 1). El Salvador was the first country in the world to implement such a measure. Among other things, the Bitcoin Law provides that all prices may be expressed in Bitcoin (article 3) and that tax contributions may be paid in Bitcoin (article 4). Meanwhile, it has been established that all economic agents must accept bitcoin as a means of payment when offered by the person acquiring a good or service (art. 8).

20. To encourage the use of bitcoin by the population, the Salvadoran government has created an electronic wallet for payments or conversions between bitcoin and dollars, called the "*Chivo Wallet*". The government has actively promoted the use of this wallet, offering incentives such as USD 30.00 in bitcoin to those who download it and complete the due diligence process. In addition, various regulatory and supervisory measures have been introduced.

21. In particular, Bitcoin Service Providers (BSPs) must register with the Central Reserve Bank and are supervised by the Superintendence of the Financial System, while entities operating with other virtual assets, known as Digital Asset Service Providers, must register with and be supervised by the National Commission of Digital Asset Services.[5] As a result of these and other regulatory measures, the development of the country's virtual asset ecosystem has been boosted.

22. In addition, in December 2023, El Salvador launched a policy to grant passports to individuals who invest the equivalent of USD 1,000,000 in Bitcoin or USDt in the country. The measure, called the "*Freedom Passport Program*", is open to up to 1,000 applicants per year, and those who qualify receive passports for themselves and their families within about 6 weeks. There are certain individuals who are not eligible for this benefit, including those from certain prohibited jurisdictions and those sanctioned on the OFAC list.

23. Notwithstanding the above, at the date of the on-site visit the use of bitcoin in the country did not show a high transaction volume. VASPs offer services ranging from custody, digital wallets, exchange houses and payment processors or gateways and even ATMs, the most widely used being payment gateways. However, transactions executed in bitcoin by the Salvadoran population are limited and there is a significant preference among customers for the use of dollars. On the other hand, during the assessment period, approximately USD 6.6 million had entered the financial system for bitcoin-related transactions, corresponding to bitcoin to USD convertibility processes.

[5] The public offering of other digital assets in El Salvador, as well as the digital asset issuers and service providers and other participants in public offerings, are under the jurisdiction of the National Commission of Digital Asset Services, with the Digital Asset Issuance Law as the legal framework. Pursuant to article 19 of the aforementioned Law, Digital Asset Service Providers may engage in the following activities:
a) the exchange of Digital Assets for fiat money or its equivalent or for other Digital Assets, whether using its own capital or that of a third party; b) the operation of a platform for the exchange or trading of Digital Assets or Digital Asset Derivatives; c) the risk and price determination and underwriting of issues of Digital Assets; d) the placement of Digital Assets on digital platforms or wallets; e) the promotion, structuring and management of all types of investment products in Digital Assets; f) the following operations, when carried out on behalf and for the benefit of third parties: 1. Transfer of digital assets, or the means to access or control them, between natural or legal persons, or between different acquirers, electronic wallets or digital asset accounts; 2. Storage, custody or management of digital assets, or the means to access or control them; 3. The receipt and transmission of orders to buy or sell digital assets or to trade derivative digital assets; 4. The execution of orders to buy or sell derivative digital assets. Therefore, the Commission has jurisdiction over all transactions involving other types of digital assets and, in the case of bitcoin, only those related to public offerings.

24. These convertibility processes derive mainly from transactions associated with loan payments, collectors, credit cards, deposits, and premium payments. As for the flow of remittances, these are channelled through traditional means, banks and other financial institutions, and less than 1% had been made through digital wallets. Therefore, the amount traded in relation to bitcoin in the country was relatively low, reflecting a low materiality.

25. In addition, it is important to highlight that, according to a study conducted by Chainalysis in 2023, which included the adoption index of virtual assets in 154 countries, it was concluded that El Salvador was in 94th place, with an index of 0.007, and highlighted the low adoption of virtual assets among the general population. Therefore, at the time of the on-site visit, El Salvador was a country with a limited level of adoption of virtual assets.

Country's risk assessment & scoping of higher risk issues

26. The Republic of El Salvador has conducted a National Risk Assessment (NRA) for the period 2017-2021, using the World Bank's methodology. According to this instrument, the country is exposed to a number of threats and vulnerabilities that indicate a medium-high risk of money laundering and terrorist financing (ML/TF).

27. In terms of money laundering, the main threats identified by the country are aggravated extortion, illicit drug trafficking and illicit trafficking in persons, followed by corruption, smuggling, tax evasion, trafficking in persons for sexual exploitation, and illicit arms trafficking, all of them of domestic nature. The NRA also considers environmental crime to be an emerging threat. The NRA is complemented by the development of typologies and some strategic studies that contribute to the identification of ML/TF risks.

28. In El Salvador, among the most common modalities of money laundering, related to the main threats, it was identified that, in the case of extortion and drug trafficking, the money is laundered in the real economy in the goods and services sectors, since the modality of these crimes is through the use of cash. On the other hand, for corruption cases, it has been evidenced that in some cases money was laundered from the purchase and sale of real estate, acquisition of luxury goods or jewellery abroad, paid in cash, in addition to the use of the financial sector.

29. After analysing the methodology used and the various inputs and information provided, the assessment team considers that the findings of the NRA are generally reasonable. Nevertheless, given the time that has elapsed since the period analysed in the NRA, some threats appear to have changed in terms of their incidence, in particular the predicate offence of extortion by gangs, which appears to have decreased as a result of the effectiveness of policies and the fight against these local criminal groups. At the same time, there may be an increase in the incidence of risks associated with the use of virtual assets, which have not been addressed in detail in the NRA. The on-site visit also revealed a growing incidence of fraud, both in the financial sector and on bitcoin service provider platforms.

30. Meanwhile, the TF risk has been defined by the country as medium-high with a downward trend and has focused mainly on the designation of local terrorist groups attributed to gangs and maras. It should be borne in mind that, according to the information gathered and provided by the country during the on-site visit, the terrorist acts committed by these organisations are generally self-funded and the resources involved are derived from the commission of the predicate offences.

31. There is no evidence that the system has been used for international terrorist financing. However, there is no sufficiently detailed analysis of the potential risks of TF, especially with regard to the modalities that TF can present beyond the organisations and individuals listed in the United Nations Security Council Resolutions (UNSCRs), and the extent to which virtual assets can be used by terrorist groups has not been identified in the NRA. This limits to some extent the country's view of the totality of the risks associated with this criminal phenomenon.

32. In deciding which issues to prioritise for further focus, the assessors reviewed material provided by El Salvador on its national ML/TF risks, input from foreign counterparts, and information from reliable sources in other international organisations. The assessment team focused on the following priority issues, which are broadly consistent with those identified in the NRA.

i) Main threats:

33. **Aggravated extortion:** According to the NRA, gang extortion is the crime with the highest incidence, prosecution and conviction rates in the country. However, the amount of assets seized is low in relation to their high incidence (approximately USD 221,562.36). It is estimated that the amount of proceeds not detected in the investigations is significantly higher than the amount seized (approximately USD 4,651,247.88). A total of 1,903 cases of aggravated extortion went to trial, resulting in 4,026 convicted. As regards suspicious transaction reports (STRs), a total of 171 STRs were received during the period analysed, leading to 1 money laundering investigation related to this predicate offence.

34. **Illicit drug trafficking:** The crime of illicit trafficking is considered one of the high-risk threats in El Salvador's NRA, and is the third predicate offence for money laundering for which more investigations have been opened in the period 2017-2021. In addition, various types of prohibited substances were seized. These were mainly cocaine and cannabis with an estimated value of more than USD 9,000,000. Meanwhile, no money appears to have been seized in the investigation of this crime. Although the NRA noted that there is no information to suggest that the country is a producer of illicit substances, the main confiscations and the most significant cases have taken place on the country's coasts, indicating that El Salvador is considered a transit route for drug trafficking activities.

35. **Illicit trafficking in persons:** Due to various factors, it is evident that in El Salvador there is a phenomenon of immigration, often informal, to different countries. As a result, there are people who offer their services to transport people illegally, an activity that is punished. During the period analysed in the NRA, 1,362 investigations into the crime of illicit trafficking in persons were opened, of which more than 70% (969) were prosecuted, resulting in 448 convictions and 575 convicted persons. The approximate number of money seizures related to this crime is insignificant. STRs related to this type of crime were also identified. Among the information consulted for the development of the NRA, some prosecutors' offices reported that, according to their investigations, the amount of money that can be charged for the illegal transportation of a person to another country can be in excess of USD 10.000,00, and that in some cases more than one victim is involved. All these factors led to the conclusion in the resulting analysis that this type of crime poses a high risk of money laundering.

36. **Corruption crimes:**

37. *Embezzlement:* Embezzlement is a corruption offence provided for in art. 325 of the Criminal Code; it is the corruption offence with the highest frequency during the period analysed by the NRA. Most of the money laundering investigations initiated as a result of investigations into predicate offences concern embezzlement. According to the NRA analysis, embezzlement poses a medium to high risk of money laundering.

38. *Proper bribery:* Proper bribery is another corruption offence provided for in article 330 of the Criminal Code and has been identified in the NRA of El Salvador as posing a medium-high risk of ML. During the period analysed in the NRA, 264 investigations were opened for this crime, 62 were prosecuted, or 23.48%, and 34 convictions were secured. Seizures were estimated at USD 49,347.79.

39. **Smuggling of goods:** According to the results of the NRA, the crime of smuggling of goods poses a medium-high threat of ML. During the period analysed by the NRA, 882 investigations were opened for this type of crime, 691 were prosecuted and 384 resulted in convictions. STRs related to this type of crime were also received from various reporting entities. As for money laundering investigations initiated as a result of investigating the crime of smuggling of goods, only one investigation was initiated during the NRA period.

40. **Terrorist financing:** With regard to terrorism, the NRA has not identified the presence of international terrorist organisations in the country. At the national level, the country has included in its definition of terrorism acts committed by gangs and has taken various measures to control them.

41. With regard to TF, the risk level identified by El Salvador is medium/high, but with a decreasing trend due to measures taken against terrorist acts generated by gangs. As a result of the analysis of the NRA, it was found that the direction of funds is generated in the jurisdiction of origin for operations within the same jurisdiction of origin, identifying 13 cases related to the crime of TF involving 18 people.

ii) Main vulnerabilities:

42. **Virtual assets:** According to the country's risk analysis, the bitcoin service that poses the highest risk is the exchange house service from one virtual asset to another virtual asset, mainly because although bitcoin is regulated, the nature of the virtual asset ecosystem allows it to be exchanged for another virtual asset that may not be regulated in the country. However, despite the fact that the country has made significant efforts in the risk analysis applicable to bitcoin, there is no conclusion on the level of ML/TF risk for virtual assets in general, and there does not seem to be an understanding of the risks to which the country is exposed considering that the analysis is recent.

43. **Transparency of legal persons and beneficial ownership:** There does not appear to be any legislation in El Salvador requiring companies or commercial registries to obtain and keep up to date information on the BO of companies. The recent AML/CFT NRA includes a module on legal persons. The study identifies corporations as the most exposed to ML risk. This type of company has been used in ML schemes. In relation to the other companies included in the analysis, they are considered to be of medium risk; based on criminal investigations, no misuse of any other type of company other than a corporation has been detected. However, the lack of BO regulation affects the risk level of all companies.

44. **DNFBP:** The legal and accountancy sector was considered by the country to be highly vulnerable to ML, followed by the real estate sector, casinos and dealers in precious metals and stones, mainly due to the lack of understanding and/or implementation of their obligations, as well as the lack of powers of the Superintendence of Commercial Obligations (SOM) to regulate and monitor them. Similarly, lawyers and notaries, in particular, have only recently been regulated and the judiciary lacks the powers to effectively regulate and supervise AML/CFT matters.

45. **Supervision and risk-based approach:** Although there appear to be different regulators and supervisors of the AML/CFT system for FIs, VASPs and some DNFBPs, from a regulatory point of view, there is no AML/CFT supervisory authority for most DNFBPs and, moreover, there may be a lack of effective implementation of a risk-based approach (RBA) in the supervision of their regulated entities. On the other hand, as regards sanctions applicable to the financial sector, although the legislation provides for the possibility of sanctioning by the Superintendence of the Financial System (SSF), there are doubts as to which sanctions are applicable in the event of non-compliance with AML/CFT requirements, as such sanctions seem to be applicable to violations of prudential regulations.

46. **Financial investigations and confiscation:** According to the statistics presented in the NRA, a small number of parallel financial investigations has been identified, including those that start from the analysis of a suspicious transaction report. On the other hand, there seem to be more cases related to asset forfeiture than general investigations related to ML predicate offences leading to confiscation proceedings.

47. **Targeted Financial Sanctions for TF/PF:** El Salvador has a recently amended legal framework (January 2024) through which it can implement freezing measures and prohibition to provide funds and other resources to persons and entities subject to sanctions under UNSCR 1267/1988 and subsequent resolutions, as well as respond to requests under UNSCR 1373. It has also put in place a framework that allows it to propose designations to the relevant sanctions committees and to authorise access to funds and other assets under UNSC exemptions. This framework, while in principle also intended to apply to TFSs for PF, has been adopted in such a way that it applies to persons or entities designated as terrorists, which affects the scope of application to cases under UNSCR 1718 and subsequent resolutions. Notwithstanding the foregoing, it provides for cases of compliance with prior treaties that are not linked to the sanctions set out in the standard.

iii) Areas of lesser risk and focus:

48. From a preliminary analysis of the information provided by the country, the assessment team considers that the insurance and trust services sectors (as they are provided only by banks or other credit institutions under the special law) pose relatively lower ML/TF risks than the other sectors, based on their characteristics and materiality.

Materiality

49. In 2021, the Gross Domestic Product (GDP) per capita amounted to USD 4,551.18, with a growth variation of 11.2% in 2021 and 2.6% in 2022. Of the 19 economic activities, 17 recorded growth in 2022, the most important being electricity, professional services and construction with growth of 14.4%, 9.4% and 8.3% respectively.

50. Among its main productive sectors, the one that has the greatest weight in relation to the GDP is the legal persons (private sector), with 47.70%; in second place, with 21%, is the remittances sector, which occupies a relevant place in the country's economy due to the diaspora that resides in other countries, mainly in the United States. Remittances are received through the banking system and other financial institutions. The third most important sector is trade, which consists of precious metals and stones and the sale of used and new vehicles, with 11.50%; real estate is fourth with 7.2%, followed by the banking sector with 5.4%; the other sectors are less represented.

51. According to the NRA, informal economic activities contribute significantly to the country's GDP, and although there is no study of the contribution of these informal activities to El Salvador's economy, there are some estimates of the informal sector based on occupation: the urban sector accounts for 44.5% of people working informally, and the household sector represents 24.1% of the GDP. Similarly, according to the NRA, the percentage of adults with a bank account would be around 36% (estimated by the World Bank's Global Findex Index for 2022), in addition to the fact that the percentage of businesses that accept credit or debit cards is around 25%. As a result, cash intensive businesses in El Salvador were classified as 'medium-high' level.

52. For its part, the Salvadoran economy registered growth of 10.3% in 2021, a result that allowed it to recover and exceed the production levels recorded before the start of the COVID-19 pandemic. In monetary terms, the Gross Domestic Product (GDP) for 2021 registered a value of USD 28,736.9 million, exceeding the level of 2020 by 17%, equivalent to USD 4,173.9 million.

53. The Financial Activities and Insurance sector recorded a contribution of 7.2% to the Salvadoran economy in 2020, due to the fact that in that year, other economic activities were mainly affected by the COVID-19 pandemic crisis, with the closure of non-essential facilities in both industry, commerce and services; however, in 2021, the percentage of participation was recorded at 6.6%, which remains close to the average for the period 2017 to 2019.

54. The financial system is made up of banks, companies that form financial conglomerates, pension fund managers, insurance companies, stock exchanges, brokerage firms, companies specialising in the deposit and custody of securities, institutions that provide auxiliary services to the stock exchange, general deposit warehouses, cooperative banks, savings and loan associations, foreign exchange houses, remittances, among others, in accordance with the Law on the Supervision and Regulation of the Financial System. In terms of the materiality of the financial sector, the remittance sector was found to be the most important with a share of 21% of the GDP, followed by the banking sector with a 5.4% of GDP, followed by the securities and exchange houses sector with 0.73% of GDP, the insurance sector with 0.33% of GDP in third place and finally the remaining sectors.

55. The banking sector is made up of 9 private banks and 3 state-owned banks. 78% (i.e., 7 of the 9 private banks) of the banks operating in El Salvador to date are companies that belong to international financial conglomerates. The total deposits of private and state-owned banks, expressed in millions of dollars, amounted to USD 13,679.27 in 2019, USD 15,250.33 in 2020 and USD 15,619.07 in 2021, with an annual growth rate of 11.5% in 2020 and 2.4% in 2021.

56. With regard to the securities market, stock market operations at the end of 2021 generated an amount 5.1% higher than in 2020 (equivalent to USD 177.4 million), as a result of the higher operating volume of the primary and repo markets. The greater dynamism of the primary market is linked to the increased demand for financing from public entities, private companies, investment funds and banks, in line with the recovery of the economic activity. There are 3 types of markets in El Salvador: primary, secondary and repo.

57. With regard to the stock market, as of 31 December 2001, there were 48 issuers registered in the Public Registry of the Stock Exchange, including companies in the service sector (3 electricity companies and 1 telephone company), conglomerates (7), banks (11), savings and credit companies (3), AFP (2), insurance companies (19) and stock exchanges (1 stock exchange and 1 depository), representing more than USD 1,220 million in the number of shares, a nominal value of USD 2,754 million in share capital and, according to transaction and accounting information, a capitalisation value of more than USD 4,634 million.

58. Regarding the insurance sector, as of 2021, there were 24 insurance companies (7 for damages, 10 for individuals and 7 of a mixed nature) with a net premium of USD 826.2 million. In general, the contribution of the insurance sector to the Salvadoran economy remained at an average of 2.69% during the period 2017-2021.

59. Remittances are an important source of income for families in the country, intended for consumption, payment of basic services, medical expenses, investment in real estate, among others. Remittances show a growing trend that has continued during the pandemic with a record value at the end of the last few years, amounting to USD 7,818.5 million in 2022, a growth of 3.2% compared to 2021. Remittances in El Salvador are received through the banking system and other financial institutions.

60. Moreover, in order to stimulate the country's economic growth, the government has decided to authorise the circulation of Bitcoin, whose value is based exclusively on free market criteria. In this sense, on 8 June 2021, the Bitcoin Law was enacted, which regulates the legal tender of this virtual currency. The exchange rate between Bitcoin and the US dollar is freely determined by the market. Any price can be expressed in Bitcoin, and taxes can be paid in this currency. Bitcoin operations are supervised by the Superintendence of the Financial System (SSF), while other operations are supervised by a National Commission of Digital Assets.

61. There is a wide range of services available in the country, from custodians, digital wallets, exchange houses and payment processors or gateways to ATMs, which may be located in public places and operated with a simplified CDD measure depending on the ML/TF risk rating (some VASPs apply simplified CDD measures for transactions below USD 500). In addition, several BSPs/DASPs are located abroad. At the time of the on-site visit, 106 BSPs and 16 DASPs were registered, of which 20 PSBs and 11 PSADs were operating.

62. Article 2 of the Law for the Prevention of Money and Asset Laundering (LCLDA) defines the entities that are considered reporting entities, including real estate agents, dealers in precious metals and stones, casinos, and trust company service providers. These sectors must apply all the provisions contained in the Law, its Regulations and the FIU Instructions. In the case of lawyers, notaries, accountants and external

auditors, the Regulation requires them to report regulated transactions over USD 10,000 or its equivalent in any foreign currency.

63. Nevertheless, the same article 2 of the LCLDA delegates to the FIU Instructions the power to determine the scope of the measures to be implemented. Art. 77 of the FIU Instructions recognises the nature of lawyers and notaries as DNFBPs under the terms of the FATF, and in art. 78 of the same Instructions, they are instructed to comply with preventive measures such as the application of due diligence to their customers, record keeping, suspicious transaction reporting, etc.

64. According to the National Risk Assessment (NRA), the most vulnerable sector is that of lawyers and notaries (in the country all notaries must be lawyers), followed by accountants and auditors, and then casinos and gambling houses.

65. The lawyers and notaries sector consists of a total of 36,447 professionals, representing 63.94% of the DNFBPs. Notaries have the power to create legal persons, which represent 47.7% of GDP. The supervisory authority for this sector is the CSJ; however, the legal framework does not grant it powers of supervision in AML/CFT matters.

66. The accounting and auditing sector consists of 17,807 reporting entities, representing 31.24% of DNFBPs. Although this sector is regulated by the CVPCPA, it does not have the power to exercise supervision in AML/CFT matters.

67. With regard to casinos, there are 27 registered entities as of 2021, representing 0.05% of the total number of private and social enterprises in the country. Of these, only 11 are registered as reporting entities, representing 40.7% of existing entities. The Superintendence of Commercial Obligations is the designated supervisory authority. However, the legal framework does not provide for AML/CFT supervisory powers.

68. According to the NRA of El Salvador, there are a total of 4 entities[6] dealing in precious metals and stones, none of which are subject to AML/CFT supervision due to the lack of competence of the Superintendence of Commercial Obligations.

69. The real estate sector is composed of 1,860 agents. For the analysis of the NRA, a sample of 112 agents was taken, of which 48% have applied for registration with the FIU, but only 1% have the corresponding accreditation (i.e., compliance manuals, compliance officer, alert systems, etc.). On the other hand, the Superintendence of Commercial Obligations has received information indicating that 18% of registered agents have the AML/CFT compliance manual.

Structural Elements

70. According to the World Bank's Global Governance Index, El Salvador scored 41.04/100 for political stability in 2022. This is also reflected in the government efficiency indicator, which scores 38.68/100. In terms of law enforcement and control of corruption, the country scored 24.06/100 and 27.83/100

[6] The 2019 database of administrative records on business solvency of the General Directorate of Statistics and Census (DIGESTYC) was used as a reference.

respectively, while in terms of press freedom, freedom of speech, freedom of association and election of representatives (*voice and accountability*) it scored 36.71/100.[7]

71. The country is divided into different branches of government, with clear and defined roles. It is also made up of various competent authorities that interact in the areas of detection, prevention, investigation, and sanction. Notwithstanding, as analysed in the report, there are significant challenges in terms of effectiveness, including with regard to the investigation and sanctioning of ML/TF. There is a high level of commitment by the authorities to AML/CFT issues.

Background and other Contextual Factors

72. The country's financial inclusion rates are below the average for the region. According to the Central Reserve Bank, less than a third of the population has access to a bank account or banking services. In terms of regulatory quality, the World Bank's Global Governance Index gives the country a score of 34.91/100.

73. As regards the maturity of the AML/CFT system, El Salvador has undertaken important measures and reforms to strengthen the system and the risk-based approach. However, most of the important AML/CFT measures were relatively recent at the time of the on-site visit and the system is still in the process of consolidation.

Overview of AML/CFT strategy

74. El Salvador is making significant efforts and actions to coordinate and develop AML/CFT policies. At the time of the on-site visit, there was no legal framework that clearly identified the coordinating body or mechanism for AML/CFT coordination at the national level.[8] Nevertheless, it was noted that the FGR, through the FIU, has taken the lead in this area and it was verified that there is significant support and commitment from the competent authorities with AML/CFT functions, in addition to the Ministries of Justice and Public Security and Economy. However, considering the whole period under evaluation, the most relevant measures are relatively recent and in the process of implementation.

75. The creation of the Inter-agency Committee for the Prevention of Money Laundering and Terrorist Financing (CIPLAFT), which is composed of the highest authorities of the AML/CFT system and whose function is to develop AML/CFT policies and agreements, is noteworthy. In addition to the executive branch, the CIPLAFT also includes the Attorney General's Office of the Republic and the CSJ, which demonstrates the high level of political commitment to the issue on the part of the various branches of government.

76. There is growing inter-institutional cooperation and coordination and a progressive strengthening of the capacity and specialisation of key authorities such as the FIU and the FGR. The same level of strengthening is not observed in relation to other authorities of great importance within the AML/CFT system, such as the National Civil Police and supervisors in general.

[7] https://www.worldbank.org/en/publication/worldwide-governance-indicators/interactive-data-access
[8] At the end of the visit, a draft law aimed at introducing important amendments in the area of AML/CFT was awaiting approval, which would, inter alia, specify aspects related to AML/CFT policy and national coordination.

77. The country has a national AML/CFT strategy with defined high-level objectives, which was recently approved. Notwithstanding the country's efforts and outstanding actions described above, the alignment of AML/CFT policies with AML/CFT risks is still at an early stage and in the process of implementation.

Overview of the legal & institutional framework

78. The main AML/CFT legal framework is established by the Anti-Money Laundering Law, which criminalises money laundering and establishes the general requirements for preventive measures in El Salvador. Meanwhile, TF is criminalised by the Special Law against Terrorist Acts. Preventive measures are generally set out in the FIU Instructions. The main authorities and frameworks in the fight against ML, TF and PF are:

79. **Attorney General's Office of the Republic (FGR):** It is the body in charge of defending the interests of the State and society; directing the investigation of crimes and promoting and exercising exclusively the necessary actions in relation to the incidence of crimes in the country, which are: • Defence of the interests of society • Defence of the interests of the State • Fight against organised crime and corruption • For women, children, adolescents and other vulnerable groups and, attached to the FGR, is the Financial Investigation Unit, led by a Prosecutor.

80. **Financial Investigation Unit (FIU):** The unit responsible for receiving, processing, analysing and disseminating information for the prevention and detection of ML/TF/PF. It is part of the FGR, but with functional autonomy, and is the only national centre for receiving, analysing and disseminating information from reporting entities. It develops operational and strategic analyses and disseminates financial intelligence reports to the FGR. It is also competent to regulate reporting entities in AML/CFT matters, to sign agreements or memoranda of understanding necessary for the exchange of information with other financial intelligence units in other States or with other institutions, among others.

81. **Ministry of Justice and Public Security (MJSP):** Ministry in charge of coordinating and promoting justice and public security in the country in order to favour better development and peaceful coexistence among the population, through policies, plans and projects that promote equality, equity, innovation, growth, technological development, effectiveness, and quality. Its structure includes different institutions responsible for strengthening and supporting the security of society with their resources, such as the National Civil Police, the National Council for Property Management, the National Anti-Drug Commission, the General Directorate of Immigration and Foreign Citizens, the National Academy of Public Security, the General Inspectorate of Public Security, among others.

82. **Ministry of Finance:** Its objective is to define and direct fiscal policies that favour the stability and sustainability of public finances in order to contribute to economic growth and the well-being of the Salvadoran people. The Ministry is divided into 14 units or directorates, but in relation to the AML/CFT system, the General Customs Directorate and the General Internal Revenue Office are directly related and their responsibilities are detailed within the institutional framework.

83. **Ministry of Economy**: It is responsible for supporting and promoting the dynamization of the economy at the national level and seeking economic alliances at the international level, as well as: promoting the creation of new sources of employment, regulating and supervising the transport and distribution of oil

products at the national level, verifying compliance with the liquefied gas subsidy for households that qualify for it. It has budgetary institutions such as Superintendence of Commercial Obligations, National Commission of Digital Asset Services, Salvadoran Institute of Cooperative Development and the Oversight Board of the Profession of Public Accounting and Auditing.

84. **Ministry of Interior and Territorial Development:** Its competences include the registration of associations and foundations, as it is a body created to achieve an effective and lawful enforcement of the Law on Non-Profit Associations and Foundations and its regulations, in order to guarantee citizens respect for the freedom of association enshrined in the Constitution of the Republic.

85. **Ministry of National Defence:** Its main function is to advise the President of the Republic and the Commander-in-Chief of the Armed Forces on national defence policy. As part of the security policy implemented by the Government, the Ministry has played a decisive role in the country's territorial control. It cooperates with the law enforcement authorities in matters of public security.

86. **National Civil Police (PNC):** It is the law enforcement authority whose objective is to protect and guarantee the free exercise of the rights and freedoms of individuals; to prevent and combat all types of crime; to maintain internal peace, tranquillity, order and public security, both in urban and rural areas, with strict respect for human rights. It operates under the functional direction of the FGR. The PNC is present throughout the country.

87. **General Internal Revenue Office (DGII):** The General Internal Revenue Office (DGII) is a body attached to the Ministry of Finance and is responsible for applying and enforcing the laws relating to taxes, duties and contributions, the assessment, monitoring and control of which are entrusted to it by law, as well as providing general assistance to taxpayers. Its competence is directly related to the crime of tax evasion and it plays an active role in the prevention and repression of this crime.

88. **General Customs Directorate (DGA):** The General Customs Directorate, hereinafter referred to as the DGA, is responsible for ensuring compliance with the laws and regulations governing the international movement of goods and the administration of land, air and maritime customs. The DGA has powers granted by national and regional legislation, such as the Central American Uniform Customs Code, hereinafter CAUCA, and the Regulations of the Central American Uniform Customs Code, RECAUCA, articles 8 and 9 of the CAUCA, article 8-A of the LCLDA.

89. **National Council of Property Administration (CONAB):** Body created in 2013 by the Law on Assets Forfeiture, whose mission is to ensure the proper and efficient management, preservation and disposition of assets subject to precautionary measures and forfeited in accordance with the Special Law on Assets Forfeiture and Administration of Assets of Illicit Origin or Destination. Attached to the Ministry of Justice and Public Security for budgetary purposes.

90. **General Directorate of Immigration and Foreign Citizens:** It is responsible for the registration procedures of all foreigners entering or leaving the country and for issuing residence or exit permits. Temporary or permanent residence, nationalisation for Central Americans and naturalisation for non-Central

Americans would also be handled by the Directorate of Immigration after the merger. Financially attached to the Ministry of Justice and Public Security.

91. **Central Reserve Bank (BCR):** It is the agency responsible for contributing to ensuring that the country has a safe, efficient and transparent financial system that provides security and confidence to the population and supports the sustainable growth of the economy; ensuring the proper functioning of the country's payment systems; and providing analysis, studies and technical research to promote better decision-making in economic and financial matters. It is responsible for the registration of Bitcoin service providers and exercises regulatory functions in relation to the payment system and financial services.

92. **Superintendence of the Financial System (SSF):** The SSF is responsible for the supervision of the members of the financial system and public financial institutions, in accordance with art. 1 of the Law on the Supervision and Regulation of the Financial System and art. 5 of the Regulation of the Bitcoin Law, respectively. In addition, based on article 31 of the Law on the Supervision and Regulation of the Financial System, the SSF has developed the criteria and policies it will adopt to implement risk-based supervision with consolidation criteria and to verify compliance with the applicable legal framework, taking into account international best practices.

93. **National Commission of Digital Assets:** The body responsible for establishing and monitoring compliance with the regulations and standards applicable to digital assets in El Salvador. It grants licences and authorisations to companies and platforms related to digital assets, encourages the adoption of innovative technologies and practices in the digital assets sector, and collaborates with other national and international regulatory bodies to improve the regulatory framework.

94. **Salvadoran Cooperative Development Institute (INSAFOCOOP):** The agency in charge of organising, supervising and regulating the functioning of cooperatives.

95. **Superintendence of Commercial Obligations (SOM):** The Superintendence is responsible for the supervision of commercial obligations, including the operation, modification, transformation, merger, dissolution and liquidation of companies, the operation of foreign companies or their branches operating in the country, commercial activities, among others.

96. **Supreme Court of Justice (CSJ):** This is the highest judicial body. Its powers include regulating the judicial function, hearing certain cases, granting extradition, supervising the prompt and complete administration of justice, appointing magistrates of second instance and judges, supervising lawyers and notaries and applying disciplinary sanctions.

97. **Oversight Board of the Profession of Public Accounting and Auditing (CVPCPA):** Its purpose is to regulate the practice of the public accounting profession, the function of public audit, and the rights and obligations of natural or legal persons who exercise them. It is the body that regulates and supervises the professional performance of those who practice public accounting, promoting ethics, good quality control practices, continuing education and compliance with regulations.

Overview of financial sector, DNFBPs and VASPs

98. Based on the preliminary risk, context and materiality analysis of El Salvador, the sectors were weighted by assigning the following relative weight: (a) Sectors of higher relative importance: banking entities, cooperative sector (including savings and credit cooperatives), Bitcoin and digital asset service providers, notaries and real estate sector; (b) medium relative importance sectors: securities, remittances, lawyers, accountants and casinos; and (c) lower relative importance sectors: insurance, exchange houses, trust services, factoring and leasing companies, pawnshops and money lenders, credit card issuers and administrators, companies and partnerships that grant credit and microcredit, and dealers in precious metals and stones.

99. Article 2 of the LCLDA establishes the list of reporting entities that must apply AML/CFT measures, including FIs, DNFBPs, VASPs and other economic sectors. As of November 2008, El Salvador had approximately 60.000 reporting entities, including 749 FIs, 58.979 DNFBPs, and 127 VASPs (106 BSPs and 21 DASPs).

Table 1.1 Financial Institutions, DNFBPs and VASPs that are part of the AML/CFT/CPF System

Supervisor	Sector	2019	2020	2021	2022	2023
Superintendence of the Financial System - SSF	Banks					
	Private	11	10	10	9	9
	State-owned	3	3	3	3	3
	Foreign Branch	1	1	1	1	1
	Cooperative	7	7	7	7	7
	State financial institutions	6	6	6	6	6
	Insurance	22	22	24	23	23
	Brokerage houses	11	11	10	10	10
	Stock exchanges	1	1	1	1	1
	Specialised Depository and Custodian Company	1	1	1	1	1
	Savings and Loans Companies	4	4	4	4	4
	Pension Fund Managers (AFP)	2	2	2	2	2
	Agents and MVTS (Remittances)	5	5	5	5	5
	Exchange houses	2	2	2	2	3
	Electronic Money Transfer Companies (EMTC)	1	1	1	1	1
	Investment Fund Managing Companies	3	3	3	4	4
	Securitisation	2	2	3	3	3
	TOTAL SSF	**82**	**81**	**83**	**82**	**83**
Salvadoran Savings and Credit Cooperative Development Institute - INSAFOCOOP	Savings and Credit Cooperative Associations “A”[1]	0	0	39	39	42
	Savings and Credit Cooperative Associations “B”[2]	0	0	77	76	77
	Savings and Credit Cooperative Associations “C” [3]	0	0	481	251	233
	TOTAL INSAFOCOOP	**0**	**0**	**597**	**366**	**352**

Superintendence of Commercial Obligations - SOM	Credit Associations	47	47	47	47	47
	Workers' banks without access to public funds	3	3	3	3	3
	Cooperative Savings and Credit Companies	19	19	19	19	19
	Corporations and partnerships providing loans and microcredits	185	185	200	200	200
	Pawnshops and money lenders	29	29	31	31	31
	Financial factoring and leasing companies	10	10	11	11	11
	Credit cards issuers and administrators	3	3	3	3	3
	Real estate	1,860	1,860	1,860	1,599	1,599
	Casinos	27	27	27	26	26
	Dealers in precious metals and stones	4	4	4	39	39
	TOTAL SOM	**2,187**	**2,187**	**2,205**	**1,978**	**1,978**
Superintendence of the Financial System - SSF	Bitcoin service providers	N/A	N/A	41	75	106
National Commission of Digital Assets - CNAD	Digital asset service providers	0	0	0	0	17
TOTAL BSP/ DASP		**0**	**0**	**41**	**75**	**123**
CVPCPA	Accountants*	5,021	5,514	5,288	5,455	5,634
	Auditors**	9,136	10,272	11,467	12,369	13,113
	Total Accountants and Auditors	**14,157**	**15,786**	**16,755**	**17,824**	**18,747**
CSJ (1)	Lawyers	16,723	16,345	17,513	18,431	19,331
	Notaries	17,474	18,397	18,397	18,888	19,237
	Total authorised lawyers and notaries	**34,197**	**34,742**	**35,910**	**37,319**	**38,568**
Total						**59,855**

** We have also identified 115 accounting firms that are legal persons.*

*** 474 audit firms that are legal persons have also been identified*

100. However, out of a total of 59,855 companies listed in the statistics, the FIU has a record of 19,885. As a result, only 33% of the reporting entities comply with AML/CFT measures at various levels of effectiveness.

Overview of preventive measures

101. LCLDA, its regulations, the FIU instructions and the various legal instruments issued by the supervisory authorities contain the preventive measures to be applied by all REs. These instruments constitute the country's AML/CFT prevention system. The SSF, in its role as prudential regulator, develops supervisory processes with an AML/CFT approach and has sanctioning powers in this regard. The other financial and non-financial supervisors generally have weaknesses related to their supervisory powers, as well as other weaknesses from an effectiveness perspective. The FIU is the leading body in this area, receiving STRs and reporting cash transactions according to thresholds that apply to all reporting entities.

102. REs should apply a range of preventive measures covering customer due diligence, record keeping, enhanced CDD measures, specific measures relating to politically exposed persons, identification and

reporting of suspicious ML/TF transactions, reporting of cash transactions, among others. These obligations are mainly regulated by the LCLDA and its Regulations, as well as the FIU Instructions and its amendment by the Attorney General's Agreement No. 476 of 5 September 2023.

103. In terms of implementation, while FIs supervised by the SSF have more effective internal systems and experience, other FIs, such as cooperatives and those prudentially supervised by the SOM, as well as DNFBPs, face greater operational challenges. Similarly, overall, FIs supervised by the SSF have a higher level of understanding of ML risks and implementation of AML/CFT preventive measures than DNFBPs. In addition, BSPs show a higher level of implementation of ML/TF prevention measures than DASPs, which, while making important efforts, have only recently been integrated into the prevention system, and the measures they apply appear to focus on compliance with applicable legislation rather than on the risks they face.

Overview of legal persons and arrangements

104. In El Salvador, different types of legal persons may be formed under article 18 of the Commercial Code, which provides for a distinction between partnerships and corporations, which must be registered with the Commercial Registry of the National Registry Centre (CNR). The most common type of company is the "*sociedad anónima*" (corporations) which account for more than 90% of the cases.

105. In terms of legal arrangements, trusts can be set up, although this is not as widespread. The following table shows the relevant data as of 31 December 2023. In accordance with the Commercial Code (article 1,238), the trustees may only be banks or credit institutions authorised to do so by the special law on the subject, to whom the property or property rights are transferred, but without the power to dispose of them except in accordance with the precise instructions given by the settlor in the deed of incorporation.

Table 1.2 - Types of legal persons and arrangements constituted in El Salvador

Type of legal persons	Total
Corporations	72,675
Limited liability companies	651
Partnerships or general partnerships	3,053
Limited partnerships	12
Limited partnerships issuing shares	26
Cooperative businesses	530
Mixed economy joint stock companies	50
Trusts	441
Securitisation funds	50
Total	77,488

Source: CNR and DGII data

106. With regard to the basic information on legal persons, the National Registration Centre has a commercial registry where information on shareholders or partners is recorded, although there is no obligation to report changes in the shareholding structure. On the other hand, the DGII has the Tax Registry, in which the legal persons and arrangements within its scope also report the data of shareholders, partners and parties to the trust and must indicate subsequent changes. In both cases, the competent authorities have timely access to the information.

Overview of supervisory arrangements[9]

107. With regard to the financial sector in general (banking, securities, insurance, remittances and exchange houses), the Superintendence of the Financial System (SSF) is responsible for prudential supervision, including other financial institutions such as cooperative banks and savings and credit associations, which are regulated under art. 2 of the Law on Cooperative Banks and SAC. The Superintendence of Commercial Obligations (SOM) supervises savings and credit cooperatives, credit unions, corporations and partnerships that grant loans and microcredits, workers' banks without access to public funds, entities dedicated to the issuance of single-draw credit cards, pawnshops and money lenders, and factoring and leasing companies. The Salvadoran Cooperative Development Institute (INSAFOCOOP) supervises the cooperative associations. With regard to AML/CFT supervision in particular, the legal framework in force at the time of the on-site visit did not clearly provide for such responsibilities for INSAFOCOOP and the SOM.

108. In the case of VASPs, the regulator for Bitcoin service providers is the Central Reserve Bank (BCR) and the AML/CFT supervisor is the SSF, and for digital service providers it is the National Commission of Digital Assets (CNAD).

109. As for DNFBPs, lawyers and notaries are regulated and supervised by the CSJ, auditors and accountants by the Oversight Board of the Profession of Public Accounting and Auditing (CVPCPA), casinos, dealers in precious metals and stones and the real estate sector by the SOM, and trust service providers—which are banks—by the SSF.

110. As a cross-cutting element, the assessment team noted that only the SSF and the CNAD have AML/CFT supervisory and sanctioning powers, an aspect that could not be verified in relation to the other regulators/supervisors of financial institutions and DNFBPs (INSAFOCOOP, SOM, CSJ and CVPCPA). The lack of specific AML/CFT powers is a significant weakness. However, it is recognised that the supervisors without specific AML/CFT powers have developed certain measures to mitigate the vulnerabilities of the sectors under their jurisdiction. In addition, a draft law was in the process of being adopted that would formalise the AML/CFT supervisory and sanctioning powers of all supervisors.

Overview of international cooperation

111. El Salvador has recently adopted important reforms to its legal framework on mutual legal assistance and extradition. The country provides cooperation on the basis of the principle of reciprocity and also on the basis of bilateral or multilateral treaties. For their part, the competent authorities have generally signed

[9] Assessors should describe the supervisory arrangements in place for financial institutions, DNFBPs and VASPs.

agreements with their counterparts or are part of informal information exchange networks that allow them to provide and receive cooperation in AML/CFT matters.

112. The FIU plays a proactive role in its relations with various fora and operational international organisations, such as the Egmont Group of Financial Intelligence Units. The international division of the FIU provides guidance to the various institutions on best practices for requesting and using information. The country also participates in informal information exchange networks such as the GAFILAT Asset Recovery Network (RRAG), Interpol and the GAFILAT cross-border transportation of money network (TTD - SICORE network). It is noted that investigative authorities often request information or cooperation from foreign counterparts.

113. In the case of supervisory authorities, that they have the power to request and provide information from foreign counterparts and to sign memoranda of understanding and agreements on joint supervision, exchange of information, methodologies and best practices. In the specific case of the SSF, it is also empowered to act on behalf of foreign counterparts and participates in relevant international fora and organisations.

CHAPTER 2. AML/CFT NATIONAL POLICIES AND COORDINATION

Key Findings and Recommended Actions

Key findings

1. El Salvador has undertaken actions aimed at identifying, assessing and understanding ML/TF risks. The National Risk Assessment (NRA) was conducted between 2022 and 2023 and analyses the 2017-2021 period, and involved the main public and private sector actors that make up the AML/CFT system. This document has made a positive contribution to knowledge and understanding of ML/TF risks. The country faced some challenges in developing the NRA as some institutions did not have automated and/or updated databases, which may have limited to a certain extent the depth of ML/TF risk analysis.
2. The NRA understands the main ML/TF threats, so its results are considered reasonable. At the time of the visit, however, some threats appeared to have diminished as a result of the state's confrontation with local criminal groups (gangs and *maras*). The assessment team considers that some ML/TF risks have not been analysed in depth in the NRA, such as international TF, legal persons and arrangements, and in the area of virtual assets, the VASP sector has not been fully considered due to its recent incorporation into the Salvadoran economy and AML/CFT system. The NRA has been disseminated to the relevant authorities and they have generally shown that they are aware of its findings, which is an important basis for understanding the country's risks.
3. In addition to the NRA, the FIU has issued strategic products that have also contributed to the identification and understanding of risks, which are shared with REs and authorities to strengthen crime prevention and detection.
4. Regarding the level of understanding specifically of ML risks, the FIU, FGR, DGME, DGA and CSJ have a good understanding of the ML risks associated with the main offences identified in the NRA. However, the PNC, DGII and MDN understand these risks to a lesser extent. For its part, the greatest understanding of ML risks is directed at corruption, trafficking in persons and fraud (with a greater presence in the financial sector and BSPs). However, there is less understanding of international drug

trafficking and environmental crime, the latter being identified in the NRA as a high vulnerability threat.

5. With regard to the understanding of TF, it was found that the understanding of authorities is limited in general. This is because knowledge of international TF risks is more closely associated with the lists of persons designated by UNSCRs, and the country has focused on combating local terrorist groups and not their financing.
6. Good co-ordination between authorities is noted. The FGR maintains fluid co-ordination with the FIU and law enforcement agencies, which allows it to expedite judicial proceedings. The FIU, for its part, has an important co-ordinating role with the REs and the supervisory bodies for compliance with AML/CFT regulations.
7. An agreement was recently signed to establish an inter-agency committee (CIPLAFT) composed of senior officials from the main competent authorities of the AML/CFT system. This committee is responsible for national coordination of the updating of the NRA and should ensure compliance with AML/CFT policy. Before the creation of CIPLAFT, this coordination was carried out by the FGR through the FIU.
8. The authorities have taken certain measures to address the main risks identified in the NRA and in line with AML/CFT policy. A national strategy has been adopted with objectives and actions in line with the NRA 2023, the FGR has issued guidelines to increase parallel financial investigations of ML/TF predicate offences, and supervisors have signed a framework agreement with the aim of homogenising the ML/TF risk-based supervision system.
9. While El Salvador has taken important steps to identify and mitigate its risks and to strengthen coordination at the national level, it should be noted that these measures are still relatively recent and that several of the actions foreseen in the National Anti-Money Laundering Policy (PNA for its Spanish acronym) are still in the implementation phase. This means that even AML/CFT policies are not fully aligned with ML/TF risks.

Recommended Actions

1. Update and deepen virtual asset risk assessment to cover the entire ecosystem of digital assets and their associated risks. Based on the risks identified, take appropriate mitigating action..
2. Develop a more in-depth assessment of the terrorist financing risks, especially those associated with international TF crime and the typologies it can present.
3. Continue the process of awareness raising and training on the results of the NRA and the new threats identified, in particular the risks associated with virtual assets and TF, where lower levels of knowledge and understanding have been identified.
4. Continue to strengthen outreach activities with DNFBPs, especially those of recent incorporation and higher risk, in order to gain a better understanding of each sector and identify the ML/TF risks to which they are exposed.
5. Continue to implement the Action Plan of the National ML/TF Strategy 2023-2025, including the strengthening of the legal framework, which is essential to achieve an effective supervisory system.
6. Provide, through the legal framework, for CIPLAFT actions and responsibilities that ensure compliance with the objectives set out in the AML/CFT policy.
7. Increased resource allocation to AML/CFT competent authorities in line with NRA findings and a risk-based approach.
8. Strengthen institutional databases, including timely and updated information to facilitate the NRA update process.
9. Implement a policy or course of action to mitigate the risk of money laundering in relation to environmental crime that addresses the weaknesses identified in the NRA.

10. Continue to formalise law enforcement cooperation activities through inter-institutional protocols or procedures so that they are maintained and strengthened over time.

The relevant Immediate Outcome considered and evaluated in this chapter is the IO.1. The Recommendations relevant for the assessment of effectiveness under this section are R.1, 2, 33 and 34, and elements of 35.

Immediate Outcome 1 (Risk, Policy and Coordination)

Country's understanding of its ML/TF risks

114. El Salvador has made significant efforts to assess and understand its ML/TF risks. As described in Chapter 1, El Salvador developed its NRA based on the World Bank methodology and published its document in July 2023. This tool analyses information from the period 2017 to 2021, and during the process of developing the NRA, key stakeholders from the public[10] and private sectors participated. For the private sector, this involved written contributions in response to questionnaires.

115. Overall, the NRA's findings and conclusions on the country's "medium-high" ML/TF risk level are reasonable, given the generally sound methodology and the feedback from key actors in the system through questionnaires and roundtables. The results were also socialised and discussed before the final document was published. However, the assessment team noted the challenges faced by the country in collecting information in the absence of automated databases.

116. Regarding the content, there are certain areas where the NRA has not been sufficiently thorough, especially in relation to TF and virtual assets. Particularly regarding TF risks, the NRA report states that the risk level is medium-high but with a decreasing trend.

117. The report has mainly focused on the designation of local terrorist groups, attributed to street gangs and "maras", and it states that terrorist acts committed by these organizations are financed through the commission of predicate offenses, in general. As for international terrorist financing risk, the report states there is no evidence of the system being used for such purposes.

118. However, there is no sufficiently detailed analysis of the potential risks of TF, especially with regard to the modalities that TF can present beyond the organisations and individuals listed in the United Nations Security Council Resolutions (UNSCRs), as the two factors taken into account in the NRA to determine the international TF risk were limited to the lack of matches and the investigation of individuals and/or entities on these lists, without taking into account operations potentially linked to conflict zones or terrorist financing typologies of terrorist actors not on the lists.

[10] The competent authorities involved were: FGR, with several agencies, as coordinating entity; CSJ; Ministry of Justice and Public Security; Ministry of Foreign Affairs; Ministry of Economy; Superintendence of Commercial Obligations; Salvadoran Cooperative Development Institute; Ministry of Environment and Natural Resources; Ministry of Agriculture and Livestock; Directorate of the Society for Commercial Obligations; Oversight Board of the Profession of Public Accounting and Auditing; General Internal Revenue Office; General Customs Directorate; Ministry of Interior and Territorial Development; National Civil Police; National Council of Property Administration; General Directorate of Immigration and Foreign Citizens; Executive Port Commission; Superintendence of the Financial System; Central Reserve Bank; Agricultural Development Bank; National Registry of Natural Persons; National Registry Center; National Anti-Drug Commission.

119. Furthermore, the extent to which virtual assets can be used by terrorist groups has not been identified in the NRA, which to some extent limits the country's vision of the totality of the risks associated with this criminal phenomenon. In particular, the NRA discusses to a good extent the Bitcoin ecosystem and the risks associated with it but does not assess the risks associated with other types of virtual assets (referred to in the country as digital assets) and does not address the risks of the DASP sector. This is to some extent a limitation of the scope of the risk assessment, given the development of the virtual asset industry and the free circulation and the status of legal tender of Bitcoin.

120. There are other areas where there are doubts about the depth of risk identification. For example, the NRA report indicates that the company and trust services sector has not been analysed, as companies are set up using the services of a notary public. However, the notarial sector has significant vulnerabilities that can affect the risks associated with the creation of legal persons and arrangements—although in the case of trustees, only banks can act in this capacity, which partially mitigates the risk. In addition, the NRA has not sufficiently explored the vulnerabilities of the use of legal persons, which could, for example, benefit from further analysis of the risk of all types of legal persons, as well as the risk associated with nominee shareholders and directors, and the role of legal professionals in setting up these entities.

121. Furthermore, the NRA indicates that the real estate sector has a medium level of vulnerability, although the assessment itself reports that the sector accepts cash transactions, does not always apply customer due diligence (CDD) requirements and uses intermediaries. During the interviews with this sector, it became clear that another factor influencing the risks is the existence of an informal sector that operates within the real estate business and is therefore not subject to AML/CFT supervision. This increases the level of vulnerability in the real estate sector.

122. With respect to the time span of the NRA, which is based on data from 2017 to 2021, the incidence of some threats appears to have changed, as noted in Chapter 1. However, as a result of the interviews, the assessment team found that the authorities generally have a more up-to-date understanding of the threats than is reflected in the NRA.

123. In addition to the NRA, the country has developed some strategic intelligence products that contribute to the analysis and dissemination of ML/TF risks. Among them, the following can be mentioned:

(i) FIU Developments:

- Cross-Border Currency Report from January 2021 to June 2012: Presentation of the results of the analysis of cash and/or financial instrument inflows exceeding USD 10,000.00 from January 2021 to June 2012.
- Strategic study of virtual asset service providers: strategic analysis that describes the virtual asset ecosystem, landscape and operations at a global level and in El Salvador (2023).
- Typologies: (i) rice and polypropylene importers as front companies using regional banks (2022); (ii) criminal organisations laundering the proceeds of their criminal activities by entering the country's financial system and/or legal commerce (2022); (iii) laundering the proceeds of fraud using financial institutions (2023); (iv) fraud using social networks and crypto-assets as means of payment (2023).

(ii) Supervisors' developments:

- SSF, FIU, CSJ, CNAD, CVPCPA, SOM, INSAFOCOOP: Implementation of the Supervisory Framework Agreement of 24 November 2023 to enhance and standardise the knowledge and skills of financial sector and DNFBP supervisors and to improve the quality of AML/CFT information reported to the FIU by the entities they supervise.
- SSF and CNAD: prepared ML/TF risk matrices for their respective sectors.
- SSF: Development of the course "Managing the Risks of Money Laundering, Terrorist Financing and the Financing of the Proliferation of Weapons of Mass Destruction in the Financial Sector" with the support of the United Nations Office on Drugs and Crime (UNODC).
- SSF: Creation and implementation of the "Technical Committee of Compliance Officers of the Financial System".
- SSF: Continuous training days for BSPs.
- SSF: Over 114 feedback sessions on the sector's ML/TF business models and ML/TF risks in 2021, 2022 and 2023

124. With regard to the understanding of money laundering risks per se, the assessment team found that all competent authorities interviewed were aware of the NRA and its findings, this tool has been instrumental in raising awareness of country risks among all respondents. However, the level of understanding of the risks varies according to the authority and the type of threat involved.

125. In this respect, the FIU, FGR, General Directorate of Immigration and Foreign Citizens, DGA and CSJ are considered to have a good understanding of the money laundering risks associated with the main NRA offences. The PNC, the General Internal Revenue Office (DGII) and the Ministry of National Defence (MDN) are less aware of these risks.

126. In general, the assessor team notes that understanding is higher in relation to the threats of corruption, trafficking in persons and fraud, while it decreases when related to transnational drug trafficking and environmental crimes.

127. In the case of virtual assets, the FIU, the SSF, the Central Reserve Bank and the CNAD have the highest level of knowledge and awareness of their risks, while law enforcement authorities still lack a sufficient understanding of the potential misuse of virtual assets by criminals.

128. There is less understanding of the risks of terrorist financing than of money laundering. The authorities have tended to focus on domestic terrorist groups, and there is generally less understanding of the risks posed by international terrorist organisations and UNSCR-designated entities— although the latter do not appear to pose a particularly high risk in the country.

129. Although typologies related to front companies have been identified and the NRAs address certain risk aspects of the types of companies, it could not be established that competent authorities in general have a sufficient understanding of the risks associated with corporate service providers and the legal professionals who can provide input on the creation of legal entities.

130. Based on the foregoing analysis and the details provided in Chapter 1, the assessment team considers that El Salvador has made significant efforts to identify and understand its ML/TF risks, particularly since the adoption of the 2023 NRA. The dissemination of the AML/CFT system to key actors in the AML/CFT system, which contributes to risk awareness, is also noteworthy. Within this framework, there is generally a good level of understanding of ML risks. For TF, in contrast, the level of understanding is generally more limited than for ML. There is also room for improvement in deepening the understanding of the risks associated with virtual assets and legal persons and arrangements, although in the latter case it should be noted that El Salvador is not a regional centre for company incorporation, so its materiality lower.

National policies to address ML/TF risks identified

131. At the time of the on-site visit, there was no legislation designating the coordinating body or mechanism for AML/CFT coordination at the national level. Nevertheless, an agreement was signed on 5 September 2023 for the creation of the Inter-agency Committee for the Prevention of Money Laundering and Terrorist Financing—CIPLAFT—signed by the President of the CSJ, the Minister of Justice and Public Security, the Minister of Economy, the Superintendent of the Financial System, the Attorney General of the Republic and the Deputy Financial Investigation Prosecutor (in charge of the FIU).

132. The purpose of the agreement was to establish a national consultative and coordinating body to design and propose to the executive branch policies and activities to prevent, detect, control and combat ML/TF/PF. The technical secretariat is under the responsibility of the Deputy Attorney General in charge of the FIU and provides for two ordinary meetings per year, with the possibility of convening extraordinary meetings if necessary. CIPLAFT also has two technical commissions: one for "ML/TF Prevention, Supervision and Control" and the other for "ML/TF Investigation and Prosecution".

133. It is worth noting that prior to the creation of the CIPLAFT, the coordination of AML/CFT measures and actions at the national level was in practice coordinated by the FGR, relying on the FIU due to its specialisation in the field, its AML/CFT regulatory powers and its articulation with other key competent authorities of the AML/CFT system. Despite the lack of a formal coordinating body, it should be noted that the coordination led by the FGR was effective and there was broad support and cooperation from the competent authorities in general.

134. The first action of the CIPLAFT was to order the review of the National Policy for the Prevention of Money Laundering and Terrorist Financing and to instruct the Attorney General of the Republic, in agreement with the CIPLAFT authorities, to approve it by agreement. In this context, the Attorney General of the Republic approved the "National Policy for the Prevention of Money Laundering and Terrorist Financing" on 22 September 2023, by means of Agreement No. 508, in order to serve as a basis for filling the gaps identified in the various sectors of the NRA through the effective implementation of a risk-based approach (RBA). Similarly, Agreement No. 508 provided for the dissemination of the national policy to the public authorities responsible for the prevention, control, supervision and combating of ML/TF.

135. The National Anti-Money Laundering Policy (PNA) is based on 6 strategic pillars, each of which has different objectives, which in turn are translated into actions. According to the policy, the implementation of

the pillars can be translated into action plans with macro-activities and measures designed by each competent authority in each pillar, with each objective to be achieved in the period between 2023 and 2025.

Table 2.1 - Pillars and Actions of the PNA

Pillar 1: Legal Framework	
Action 1	Promote a new AML/CFT law that includes: (i) Establishment of an inter-agency body for the development of AML/CFT/CPF policies at the national level, taking into account identified risks, periodic review of such policies, coordination in the implementation of such policies and monitoring of compliance with them; (ii) Expansion of the list of predicate offences; (iii) Definition of reporting entities in line with international standards; (iv) Drafting and updating of the NRA; (v) Designation of supervisors and RBA supervision; (vi) Administrative sanctions regime; (vii) Criminal liability of legal persons.
Action 2	Promote the development and approval of the Anti-Money Laundering Policy based on the investigation of predicate offences.
Action 3	Promote regulations and/or reforms that allow reporting entities to access public sources of information to identify their customers and confirm detailed, reliable information.
Action 4	Promote the regulation, registration and licensing of real estate agents.
Action 5	Propose criminal liability of legal persons for ML offences.
Action 6	BO: Create the necessary laws or reforms to make the BO information and corporate structures, such as administration, control and BO of legal persons and other legal arrangements, available.
Action 7	Appoint an authority with powers to designate and delist from the UN Security Council.
Action 8	Develop procedures for immediate freezing of UNSC designates.
Action 9	Provide for a validation process or UNSC list search to validate REs.
Action 10	Promote the effective implementation and reform of the existing legal framework to combat environmental and natural resource crimes, thereby strengthening the sanctioning framework for the commission of environmental crimes.
Pillar 2: Supervision	
Action 1	Provide for RBA supervision of all ML/TF reporting entities.
Action 2	Corrective action, follow-up and sanctions taken by supervisors against reporting entities for non-compliance with AML/CFT obligations.
Action 3	Establish a supervisory framework agreement to enhance and standardise the knowledge and skills of financial sector and DNFBP supervisors and improve the quality of AML/CFT information reported to the FIU by their supervised entities.
Action 4	FIU: (i) develop indicators to assess the quality and effectiveness of STRs and provide feedback to reporting entities and supervisors on good and bad STR practices and to supervisors on indicators of the quality and effectiveness of the STRs of their supervised entities; (ii) create a section on the FIU website with a collection of frequently asked questions from reporting entities; (iii) disseminate guidelines, typologies and red flags for reporting entities.
Pillar 3: National Cooperation	
Action 1	Ensure inter-agency coordination with the aim of implementing the National ML/TF Prevention Policy and following up on this Action Plan.

Action 2	Formalise agreements, protocols and inter-institutional cooperation channels between the authorities holding relevant information and the FGR, so that the FGR has direct access to this information in the context of an investigation.
Action 3	Ongoing follow-up of tax evasion cases by a technical team comprising the Ministry of Finance and the FGR.
Action 4	Establish and strengthen coordination mechanisms between competent authorities.
Action 5	Strengthen cross-border cash controls at all customs offices.
Action 6	Strengthen the statistical information systems in public bodies involved in the anti-money laundering system to provide information to the FIU to feed the national anti-money laundering statistical system.
Pillar 4: Parallel financial investigations	
Action 1	Develop specific guidelines for Assistant Prosecutors on the use of financial analysis in parallel with the investigation of the predicate offence, including criteria for intervention by the FGR's joint and specialised operational units.
Pillar 5: Databases and data collection	
Action 1	Improve the FGR's information systems in order to have specific modules by predicate offence and ML.
Action 2	Design and implement a statistical system of the national AML/CFT system with key indicators of the effectiveness of the system.
Pillar 6: Strengthening	
Action 1	Strengthen human and technical resources: (i) Prepare a diagnosis to determine the need for the creation of specialised ML courts; (ii) Provide more resources to the operational units of the FGR in terms of legal staff and financial analysts to conduct parallel financial investigations; (iii) Prepare a diagnosis to determine the need for an increased number of specialised assets forfeiture courts.
Action 2	Virtual assets: (i) Strengthen the monitoring and tracking of digital asset transactions by the FGR, FIU and PNC; (ii) Strengthen the technical knowledge of digital assets and Bitcoin by the competent authorities for the investigation and prosecution of crimes related to digital assets; (iii) Strengthen the supervision of the activities of digital asset service providers, Bitcoin service providers and the issuance of public and private token offerings.

Action 3	Training: (i) Manage training for PNC investigators and prosecutors on criminal tax matters related to tax evasion; design and implement a continuous training plan for judges and prosecutors on AML, CFT, anti-corruption and virtual assets; (ii) Implement a training plan on ML for all prosecutors in charge of investigations on predicate offences; (iii) Design and implement training on TF investigation and freezing of assets of persons designated by the UN Security Council Resolutions; (iv) Design and implementation of training on the fight against environmental crimes and the identification of relevant financial flows in order to carry out ML investigations; (v) Strengthening of the various financial education programmes in the country through the various communication channels of the National Council for Financial Inclusion and Education; (vi) Design and implementation of a multidimensional training programme (PMFE) on AML/CFT effectiveness, in which the different actors of the AML/CFT system work through experimental exercises with simulated information, exercising the different roles and responsibilities in the chain of prevention, detection and repression; (vii) Training programme for REs on RBA; (viii) Training programme for REs on FATF Standards; (ix) Training programme for REs on quality and effectiveness of STRs; (x) Design and implementation of training programme for supervisors on RBA and Risk Based Supervision (RBS); (xi) Design and implementation of anti-money laundering culture campaign at national level.

136. The PNA is generally aligned with the identified ML/TF risks. Measures to address the main vulnerabilities and gaps in the AML/CFT system have largely been included. A number of important measures have also been implemented and are being monitored through an action plan.

137. Actions taken to address elements of the PNA include the following:

- Drafting and submission to the Legislative Assembly of a comprehensive AML/CFT Bill.
- Approval of Agreement No. 588 of 20 November 2023 on guidelines for joint work between the FIU and the operational units of the FGR, which, among other things, aims to maximise the effectiveness of the FIU's financial intelligence reports and creates strategic working groups in relation to crimes of (i) corruption; (ii) smuggling and tax crimes; (iii) drug trafficking, extortion and illegal trafficking in human beings.
- Approval of Agreement No. 476 of 5 September 2023, relating to amendments to the FIU Instructions, strengthening preventive measures, in particular customer due diligence.
- Approval of the Supervisory Framework Agreement of 24 November 2023 between the SSF, CSJ, SOM, CVPCPA, CNAD, INSAFOCOOP and the FIU for the implementation of supervision with the RBA in DNFBPs and DASPs. This agreement resulted in the development of an action plan with the following priorities: (i) Technical supervisory roundtables; (ii) Strengthening the AML/CFT regulatory scope of supervisors, especially DNFBPs; (iii) Strengthening risk management systems; (iv) Strengthening analytical capacity in reporting entities (new supervisory approach); (v) Developing Sectoral Risk Assessments - SRAs - in each sector; (vi) Strengthening knowledge in reporting entities on AML/CFT (Guidance and Feedback - R.34); (vii) Strengthening knowledge in supervisors and the Risk Based Supervision approach; and (viii) Strengthening Risk Based Supervision (RBS) based on the implementation of technology in supervisors.
- Amend the legal framework to implement the TFSs for TF/PF and designate an authority with designation and removal powers before the UN Security Council (adoption of legislation on 3 January 2024).

- Development by the FIU of indicators to assess the quality and effectiveness of STRs and to provide feedback to REs and supervisors on good and bad STR practices, and to supervisors with indicators of the quality and effectiveness of the STRs of their supervised entities; and development of training for REs on the quality and effectiveness of STRs.
- Strengthening the human and technical resources of the FIU.
- Incorporation of blockchain analysis tools to strengthen the FIU's operational and strategic analysis capabilities.
- Implementation of the GoAML system to improve FIU processes and analysis.
- Development of the Practical Guide for the Investigation of Crypto-assets, developed by the FIU in September 2023.
- Approval of the Digital Asset Issuance Law, designating the National Commission of Digital Assets (CNAD) for its implementation; with powers to oversee the activities of DASPs.
- The signing of the specific inter-institutional cooperation agreement between the CSJ and the FGR in November 2023 for the coordination and implementation of AML/CFT training, exchange of information and supervision by the CSJ of lawyers and notaries.

138. It should also be noted that prior to the adoption of the PNA, important measures had already been taken to strengthen the AML/CFT system. These actions include:

- Strengthening the structure of the SSF in 2021 by creating the Digital Financial Services Intendancy as the unit responsible for the supervision of BSPs, with staff trained and specialised in ML/TF prevention, virtual assets, and cybersecurity.
- The creation by law and implementation of the CNAD in 2023.
- The promotion of financial inclusion measures, such as the opening of simplified savings accounts for the unbanked.
- Strengthening the structure of the FIU in 2022, including through the creation of the Strategic Analysis and International Divisions.
- The designation of authorities to supervise DNFBPs in AML/CFT matters.

139. Although there is increasing cooperation in the application of AML/CFT measures by key actors in the system, and a progressive strengthening of the capacity and specialisation of bodies such as the FIU and the FGR, it is noted that, in general, the measures envisaged in the PNA are still in the implementation phase—and some of them are still at an early stage. This means that although important legal reform projects have been presented (in particular the LCLDA reform project), AML/CFT policies are not yet fully aligned with ML/TF risks.

140. The assessment team was able to verify a strong political commitment to strengthening the AML/CFT system on the part of all competent authorities and a significant impetus to various legal and operational initiatives to improve the system. However, apart from a few relevant cases—such as the FIU— there has been no consistent strengthening of resources and capacities to meet the growing challenges and tasks of authorities such as the PNC and supervisors in general, with the exception of the SSF. This affects the ability to effectively mitigate ML/TF risks.

141. For its part, the fact that Bitcoin has been established as a legal tender in El Salvador in 2021 is a measure that can strengthen the country's financial inclusion. However, it also creates a number of potential

risks that require a comprehensive mitigation strategy. At the time of the on-site visit, the ecosystem of virtual asset related services had developed significantly, with 106 Bitcoin service providers registered with the Reserve Bank and 16 digital asset service providers registered with the CNAD. However, of the total number of BSPs registered, only 20 were operating at the end of the on-site visit, while 11 DASPs were operating.

142. El Salvador had taken regulatory, supervisory and investigative measures to mitigate potential risks. Both BSPs and DASPs are subject to regulation and supervision. In addition to registration for prudential purposes, BSPs and DASPs are required to register with the FIU. The FIU also has 3 analysts specialising in virtual assets within the strategic analysis division, and uses blockchain analysis tools as part of its operational and strategic analysis work.

143. However, with the exception of the FIU, investigative authorities do not yet have sufficient tools, training and structure to understand the ML/TF risks associated with virtual assets and to conduct effective investigations in this area. Meanwhile, from a supervisory point of view, despite the level of specialisation and knowledge of the CNAD authorities, the recent creation and implementation of the CNAD does not allow for an evaluation of the effectiveness of its actions.

144. Finally, related to the "Freedom Passport Program" mentioned in Chapter 1, there are queries about the scope of the due diligence carried out by the competent authorities prior to the issuance of the passport, as well as the ML/TF risk mitigation measures of the programme.

145. On the basis of the above, it is concluded that El Salvador is making significant efforts to strengthen its AML/CFT system and to ensure that its policies and activities mitigate ML/TF risks. However, this result is achieved to some extent due to the fact that a significant part of the actions and policies have been developed or implemented recently and their results have not yet been consolidated.

Exemptions, enhanced and simplified measures

146. All sectors covered by the standard are subject to AML/CFT measures. In general, no exceptions to the application of CDD measures have been identified. As mentioned in the TC Annex, the regulations provide that, in addition to the standard CDD measures, for the purpose of establishing and monitoring the transactions of customers or counterparties identified as high risk, the RE must obtain additional information on the nature of the intended business relationship.

147. Moreover, the RE may apply simplified CDD measures if, on the basis of the risk assessment it carries out on its customers or counterparties, it concludes that the AML/CFT/FPWMD risks are low.

148. Regarding the application of enhanced measures, REs apply such measures in scenarios considered to be high risk. Financial institutions in general and VASPs demonstrated the implementation of customer identification and know-your-customer policies, including enhanced CDD measures, as well as the adoption of measures in cases of politically exposed persons (PEPs), checking of lists of designated persons and entities and higher risk countries. The DNFBPs include these obligations in their AML/CFT manuals and procedures, but the lack of supervision made it impossible to verify compliance.

149. In conclusion, most FIs implement CDD and record keeping measures based on the provisions of the Regulation, which consist of identifying and verifying customers and the identity of any other natural or legal person on whose behalf they act, including the identification of the BO. However, there is room for improvement in the implementation of CDD for the cooperative sector and other financial institutions supervised by INSAFOCOOP and SOM respectively. VASPs implement AML/CFT measures with the support of technological tools, although risk scenarios are recognised in the case of offshore transactions between virtual assets outside their regular operations, as well as in the implementation of the "travel rule". DNFBPs also implement ML/TF prevention measures, but there are weaknesses in the real estate sector and in particular for lawyers, notaries, accountants and auditors in terms of BO identification and verification.

Objectives and activities of competent authorities

150. In general, the competent authorities are highly committed to preventing and combating money laundering and terrorist financing. However, the degree of alignment between ML/TF risks, national policies and the objectives and activities of the authorities varies from one authority to another.

151. The FGR has been at the forefront of national AML/CFT efforts and has played a key role in improving and strengthening the AML/CFT system in general. In particular, the investigation and sanctioning of ML is a clear objective of the FGR. The Agency has a Criminal Procedure Policy which provides for different lines of action for its specialised units, including ML investigations. Agreement No. 508 approving the National AML/CFT Policy was also approved in September 2023, as was an agreement providing guidelines for the conduct of parallel financial investigations.

152. In addition, the FGR has a structure to address the main threats identified within the NRA. In particular, it has the Specialised Anti-Money Laundering Prosecution Unit (UECLA), which is part of the General Directorate for the Prevention of Corruption. This Directorate also includes the Specialised Assets Forfeiture Prosecution Unit and the Specialised Corruption Crimes Prosecution Unit. The FGR also has a Directorate for the Prosecution of Organised Crime, which is responsible for the specialised prosecution units for the crimes of illicit trafficking persons and trafficking in persons for sexual exploitation, extortion and organised crime, anti-gang crimes and homicide, and car theft and robbery.

153. In addition, FGR staff, particularly within UECLA, are specialised in ML and financial analysis. However, as far as terrorist financing is concerned, there is no structure that specifically provides for competences in this area. Similarly, no specialisation in this area was found, but investigations into this crime are carried out by investigators with experience in organised crime. Consequently, while ML risks and agency objectives are aligned in FGR, this is not the case for TF.

154. In the case of the FIU, a gradual strengthening and consolidation could be observed, largely in line with ML risks. Its work in operational and strategic analysis and training is outstanding. It also has direct or on-demand access to various sources of information and relies on computer systems and tools to carry out its work. The FIU also has specialised and trained staff in this area. The unit also produces and disseminates financial intelligence reports both spontaneously and on request. It should also be noted that the FIU responds well to requests for information from the FGR and has analysts specialising in virtual assets, which helps to address this issue. However, there is no sector or analysts specifically dedicated to the detection or analysis of TF, and the resources available do not yet fully match the workload of the Agency.

155. With regard to the PNC, it should be noted that it is a professional and collaborative body which plays a very important role in the investigation of predicate offences. However, it does not have a sufficient number of officials specialising in financial investigation and analysis, nor does it have a specific money laundering unit, but these investigations are carried out in the area of organised crime. Similarly, there is no specialised area for TF. Therefore, although the PNC has investigative capabilities, its structure and resources are not fully aligned with ML/TF risks.

156. In terms of supervision, supervisors of FIs, BSPs, DASPs and DNFBPs generally have an area of AML/CFT prevention and/or supervision. However, with the exception of the SSF, supervisors generally do not have sufficient resources to carry out their supervisory tasks effectively and to implement a risk-based approach. In addition, there is a lack of a legal framework that clearly allocates supervisory powers in the area of AML/CFT beyond the regulatory and sanctioning powers in prudential matters.

157. With regard to crimes such as drug trafficking, smuggling and human trafficking, El Salvador maintains vigilance throughout the national territory, where efforts are made to prevent the smuggling of large amounts of cash, precious stones and drugs. There is inter-institutional coordination between the PNC, the Ministry of National Defence, the DGA, the General Directorate of Immigration and Foreign Citizens and the FGR, which carry out the control, entry, exit and registration of the activities of foreigners in the country, as well as investigation procedures when necessary.

158. Meanwhile, the DGA carries out customs controls on cross-border cash movements, coordinating actions with the DGME and the FGR when necessary. The DGA has applied sanctions in relation to non-declarations or false declarations detected, although it is noted that these controls are not effectively addressed at all border posts in the country. (See IO.6 for more information).

159. In terms of depriving criminals of their property, El Salvador has focused on assets forfeiture, as it is an institution that allows for a certain speed and broad scope of asset recovery (see IO.8). Both the PNC and the FGR have specialised units in this area and a property tracing strategy that gives priority to assets forfeiture over confiscation, as it produces better and faster results. There is also a court specialised in assets forfeiture, although it does not appear to have sufficient resources to deal with the existing caseload.

160. In general, it can be observed that law enforcement agencies tend to focus and develop relevant policies on major threats such as aggravated extortion, organised crime, corruption, tax evasion, fraud, smuggling, human trafficking and, to a lesser extent, international drug trafficking. However, they do not clearly target environmental crime, which the NRA says is an emerging threat.

National Cooperation and Coordination

161. As mentioned above, the CIPLAFT was established in September 2023 and is composed of the heads of the AML/CFT system and has national coordination and cooperation functions. However, this body has only recently been created and, although it has been very active since its inception, its initiatives are generally at an early stage, making it difficult to measure their concrete impact.

162. Notwithstanding the above, the assessment team was able to observe the existence of coordination and operational cooperation between the different authorities in the AML/CFT system. In addition, as the technical compliance analysis shows, the current legal framework is conducive to cooperation and, where appropriate, exchange of information between competent authorities at national level in order to prevent and combat ML/TF. In addition, there was some evidence of coordination at the strategic level between the relevant authorities, which materialised in the adoption of the PNA.

163. The FGR cooperates extensively with the CSJ, resulting in the signing of an inter-institutional cooperation agreement in 2021 and the establishment of an ML prevention committee within the CSJ itself. In addition, as discussed in Immediate Outcome 7, the CSJ's Probity Office notices are used to initiate public corruption and money laundering cases.

164. With regard to law enforcement authorities, there is a good level of synergy and coordination for the performance of their functions. A general willingness of the authorities to cooperate with the FGR's requests was observed during the on-site visit. In the context of the investigations led by the FGR, the FGR and the PNC cooperate closely. The FIU also co-operates with the FGR through technical roundtables where information is exchanged to assist in the development of investigations and meetings are held to improve the quality and use of financial intelligence reports.

165. Furthermore, in the area of supervision, the Framework Agreement between the main supervisors of the AML/CFT system was signed in 2023 to strengthen mutual cooperation and supervision with a RBA. There is extensive cooperation between the Central Reserve Bank and the Financial System Superintendence in relation to the Bitcoin service provider sector. In the case of the CNAD, given its recent creation and operationalisation, inter-institutional cooperation and coordination is still in a consolidation phase. Specific cases of cooperation and coordination between INSAFOCOOP and the FIU in the control of the cooperative sector were identified.

166. For its part, the PNC, through the Border Security Division, in coordination with the General Directorate of Immigration and Foreign Citizens, the DGA and the Armed Forces, carries out various operational activities to prevent and repress smuggling and human trafficking at the 145 unauthorised border crossings located in the areas bordering Guatemala and Honduras. In addition, the PNC, the DGME, the MJSP and the DGA have a 2015 inter-institutional coordination agreement for the control of legal land borders.

167. In addition, as part of airport control activities, the MJSP, the Ministry of Finance, the National Anti-Drug Commission (CNA) and the Autonomous Executive Port Commission signed a Memorandum of Understanding with the United Nations Office on Drugs and Crime (UNODC) for cooperation in the Airport Communications Programme (AIRCOP).

168. Meanwhile, the DGII and the FGR coordinate actions under the plan to combat tax evasion. Similarly, coordination and cooperation measures between law enforcement agencies to combat serious crimes such as corruption, drug trafficking, trafficking in persons, smuggling, etc. are also mentioned. However, there is no evidence of cooperation or coordination of appropriate responses to environmental crime, which is an emerging threat and may pose significant ML risks.

169. On the basis of the above, and without prejudice to the observations made, it appears that the competent authorities generally coordinate their actions and cooperate well at the operational level. Meanwhile, as regards co-ordination and co-operation in the development of national AML/CFT policies, there is evidence of some cooperation at the strategic level and an institutional framework for this purpose is currently in place, although it is relatively recent and the proposed policies are in some cases at an early stage of implementation.

Private sector risk awareness

170. As described at the beginning of this chapter, the NRA was conducted with the participation of the main actors of the AML/CFT system. The private sector provided key information for risk identification through questionnaires provided by regulators.

171. The results of the NRA were disseminated through communications to competent authorities and reporting entities between October and December 2023. In addition, the FIU conducted outreach meetings with sectors to raise awareness of the risks identified in the NRA. It should be noted that these meetings did not include all REs in the private sector; however, during the on-site visit it was confirmed that all REs interviewed were aware of the NRA results, although some of these sectors indicated that they had received the information days before the assessment team's visit.

172. For its part, the FIU has implemented a feedback and training process for the REs to share risks and warning signals identified in their analyses, enabling them to strengthen the detection of suspicious transactions and take measures to mitigate possible ML/TF risks.

173. The FIU has also shared with the private sector strategic intelligence studies such as typologies, red flags, etc. These analyses are a valuable contribution to increasing knowledge and understanding of the risks, although it should be noted that no analyses focusing on TF risks were identified. These studies are also available to REs, authorities and the general public via the FIU website.

174. In terms of the financial sector's understanding of ML risks, the assessment team found a good understanding by the banking, securities, insurance, cooperative, remittance and exchange offices supervised by the SSF. It was not possible to determine the level of understanding of the other institutions in the cooperative sector regulated by INSAFOCOOP and the SOM, as they did not take part in the interviews.

175. In the DNFBP sector, casinos and dealers in precious metals and stones were identified as having the highest level of understanding, followed by lawyers, notaries, accountants and auditors and, to a lesser extent, the real estate sector.

176. With regard to BSPs and DASPs, the assessment team found that while this sector is aware of its AML/CFT obligations and applies preventive measures in line with the legal framework and locally identified threats, there is a need for greater awareness of the ML/TF risks to which the services they provide are exposed, particularly with regard to offshore operations.

177. In terms of understanding TF risks, opportunities for improvement were identified across the private sector (FIs, DNFBPs, BSPs and VASPs), where the risk is mainly associated with their customers' matches to international lists or domestic terrorism. A more in-depth analysis of the vulnerability of different sectors to this international criminal phenomenon is therefore needed. Similarly, the NPO sector has a lower level of understanding of TF risks; it was perceived during the interviews that the preventive measures applied by this sector are more focused on mitigating ML risks but not on the TF risks to which they may be exposed.

178. As a result, it is noted that the country has largely disseminated the results of the NRA and other strategic intelligence analysis to the various reporting sectors in order to raise awareness of ML/TF risks. However, it should be noted that most of these studies were recently published and disseminated, which limited the RE's ability to have an adequate understanding of the risks identified by the country at the time of the on-site visit, and this is reflected in the asymmetry identified by the assessment team in each of the sectors.

Conclusions on Immediate Outcome 1

179. El Salvador has made significant efforts to identify, assess and understand its ML/TF risks. Of particular note is the development of an NRA (2023), which has involved all the stakeholders in the AML/CFT system, from both the public and private sectors, and has generally produced reasonable results. In addition, the country has developed a number of strategic studies, typologies, risk matrices and technological tools that contribute to the general understanding of such risks. In addition, the country has carried out awareness-raising activities among REs, in particular through training and dissemination activities of the NRA.

180. However, some important weaknesses are noted, such as the lack of effective implementation of an RBA for resource allocation, the need to improve the level of understanding of TF in some authorities, and the fact that risks associated with virtual assets and certain threats and vulnerabilities not covered by the NRA have not been fully assessed.

181. While it should be noted that El Salvador has established a national AML/CFT policy coordinating body and adopted a national policy with six pillars of actions needed to strengthen its system, many of these activities and actions are still in the implementation phase—some of them are still at an early stage. In addition, while competent authorities generally cooperate and coordinate actions and measures at the operational level, in some cases their objectives and activities are not fully aligned with the ML/TF risks of the country, which has an impact on the scope of mitigation measures.

182. In view of the strengths and opportunities identified, it is concluded that the system still needs to take significant action to improve its identification and understanding of risks, and to coordinate and implement the necessary actions to mitigate them effectively. On the basis of the above, it is concluded that El Salvador has a **moderate level of effectiveness for Immediate Outcome 1**.

CHAPTER 3. LEGAL SYSTEM AND OPERATIONAL ISSUES

Key Findings and Recommended Actions

Key findings

Immediate Outcome 6

1. Law enforcement authorities have access to financial intelligence information, especially after the strengthening of the FIU strengthened in 2022. However, the use of financial intelligence to support criminal investigations or prosecutions is still in the process of consolidation and, although there are some success cases, the number of cases originating from an FIU's FIR is still limited.
2. The FIU is the body responsible for the production of financial intelligence and has an operational structure that enables it to perform the functions provided for in the AML/CFT Law. However, the Operational Analysis Unit appears to be operating at the limits of its capacity, which somewhat limits the production of financial analysis and therefore the optimisation of the dissemination of intelligence reports to the competent authorities.
3. The FIU spontaneously communicates the results of financial intelligence analysis and maintains fluid communication with the FGR for the analysis of ML/TF cases. From 2022, the structure of intelligence reports has been strengthened, enabling competent authorities to provide a more comprehensive analysis by incorporating financial and asset information. Notwithstanding the above, opportunities for improvement are identified to make better use of financial intelligence reports in judicial investigations.
4. The FIU responds diligently to requests from the competent authorities and the authorities have indicated that they are satisfied with the quality of the information they receive. However, it was noted that a high percentage of these requests do not require the production of intelligence analysis by the FIU.
5. The FIU has technological systems and secure channels for receiving, managing and sending information that allow for the protection and security of confidential data.
6. During the period under review, the FIU increased its human resources and strengthened its staff training programmes, so that it now has specialised officers with extensive technical knowledge in the use of technological tools for the development of operational and strategic analysis.
7. The FIU's UAE is a recent creation, but there is evidence of efforts to produce strategic studies useful for crime prevention and detection work. The level of specialisation of the UAE officials in the use of tools for analysing and tracking virtual assets is also noteworthy, as it is the only authority in the country to have these technological resources, which are a fundamental support for the FGR's investigations in the field of virtual assets. However, it should be noted that the FIU has not yet produced any studies related to TF risks.
8. The FIU receives a significant amount of information through STRs and other objective reports. However, although the FIU conducts extensive feedback, the quality of STRs is still low in some cases and there are still sectors that have not submitted STRs, which affects to a certain extent the amount of information available for analysis and the production of financial intelligence.
9. The FIU has access to various sources of information for the production of intelligence analysis, either directly (subscription to agreements) or on request, although some databases have certain limitations in providing timely, accurate and updated information - as in the case of information on beneficial owners, declarations of cross-border cash movements from all border posts and the register of REs, which is not yet complete. This circumstance has some impact on the scope of financial intelligence produced by the FIU.

10. The FIU cooperates with other law enforcement and supervisory authorities. Inter-institutional agreements have recently been signed to strengthen joint work on ML/TF prevention. The FIU also supports the operational needs of the authorities by providing training, advice and general support in the area of money laundering and terrorist financing.
11. Intelligence reports shared with the FGR mainly concern threats such as tax evasion, smuggling of goods and administrative fraud. However, other current high impact threats such as international drug trafficking, trafficking in persons, aggravated extortion and environmental crime are under-represented. Similarly, FIRs related to TF are limited.

Immediate Outcome 7

1. El Salvador has a criminal justice system for the investigation, prosecution and punishment of ML through a mixed accusatorial system.
2. The system of investigation and prosecution of ML is directed by the FGR through the various specialised units, which have investigative and operational capabilities. It also highlights the use of special investigative techniques that have contributed to the development of ML investigations.
3. The FGR has a specialised Anti-Money Laundering Prosecution Unit (UECLA) with specialised staff and a good understanding of ML risks.
4. There are various mechanisms for initiating a criminal investigation into money laundering, including FIU financial intelligence reports, to which the FGR has some access, flagrant offences, warnings and complaints from other authorities, including the CSJ through the Probity Section, in high-impact cases.
5. The specialised units of the FGR can conduct the ML investigation during a parallel investigation or refer the case to the UECLA. However, the number of parallel financial investigations is still limited. Similarly, there is no significant number of investigations from international cooperation in passive MLA, nor are there procedures in place for investigations from this source.
6. In terms of investigation, the FGR exercises functional direction over the PNC of El Salvador, and there is adequate coordination and cooperation between the two institutions. The PNC has an extensive structure focused on the investigation of predicate offences. However, there is no evidence of an adequate level of expertise in the analysis of financial and ML issues within the PNC.
7. The FGR coordinates and actively cooperates with other competent authorities. It is worth noticing that coordination and cooperation between the General Internal Revenue Office and the General Customs Directorate with regard to the investigation of the ML in relation to the crimes of tax evasion and smuggling of goods.
8. El Salvador investigates, prosecutes and obtains convictions for crimes that are, to a certain extent, predicate offences for ML. However, there are limitations in investigating money laundering offences related to embezzlement, proper bribery, environmental crimes and emerging threats such as fraud. Similarly, there is a considerable asymmetry between the universe of investigations and prosecutions for predicate offences and the investigations for ML.
9. In terms of the types of ML investigated, there is a prevalence of self-laundering cases. However, there have also been cases of stand-alone ML, which, although not formally defined, are legally recognised and independently investigated, prosecuted and sanctioned.
10. Sentences for ML convictions under the LCLDA range from 5 to 15 years; however, a significant number of ML convictions have resulted in sentences of less than 3 years.

11. El Salvador has implemented other criminal justice measures through its Criminal Procedure Policy (opportunity criteria, abbreviated procedure, among others); however, there is a prioritisation in the application of these means, which has led to a decrease in the number of ML convictions through criminal proceedings.

Immediate Outcome 8

1. Competent authorities understand the importance of depriving criminals and criminal organisations of their property, which is an objective of law enforcement. To this end, a system was provided for that prioritises asset recovery through assets forfeiture over confiscation.
2. The country's legal framework is appropriate for the confiscation of criminal assets, and there is a strategic action guide for the implementation of assets forfeiture procedures for property that has been identified as being of economic interest to the State.
3. Both the PNC and the FGR have units specialising in assets forfeiture. There is also a court specialised in assets forfeiture. However, these agencies do not have sufficient human and technological resources to deal effectively with the increasing workload they face.
4. Law enforcement authorities are making considerable efforts to identify assets of criminal origin and there is good co-ordination between the FGR and the PNC for the initiation of assets forfeiture proceedings. This has led to the seizure of various properties as part of the investigation. However, the results achieved in terms of confiscation and assets forfeiture are still limited, based on the magnitude of the threats to which the country is exposed.
5. The actions taken have resulted in asset forfeiture proceedings in relation to several of the key threats (e.g., illicit drug trafficking, trafficking in human beings, smuggling of goods, money laundering, extortion). However, the results are not fully in line with the country's risk profile, particularly in relation to key threats such as corruption, fraud and environmental crime.
6. There are no cases of repatriation of assets of criminal origin transferred abroad and no cases of sharing of assets with foreign partners, even though property located abroad has been seized and proceedings were ongoing at the time of the on-site visit.
7. El Salvador does not have a detailed statistical system on confiscation and assets forfeiture, which makes it difficult to obtain an accurate diagnosis of the extent to which criminals in the country are definitively deprived of their assets.
8. The country has a specialised agency for the management of seized assets and products, which is a remarkable feature of the country. However, this body does not have sufficient resources to effectively manage seized and forfeited property. Similarly, the legal framework for the management and administration of property subject to criminal procedures is not sufficiently clear.
9. Some weaknesses have been identified in the control of cross-border cash and securities trafficking, in particular as regards the coverage of all border crossings, detection and sanctions.

Recommended Actions

Immediate Outcome 6

1. Increase the use of financial intelligence by the FGR in ML/TF investigations and cases through increased dissemination of reports (FIR and IAFC) and increased feedback to REs to obtain more useful, timely and quality STRs.
2. Increase the number of spontaneous disseminations by the FIU, in relation to the most prevalent threats.

3. Increase the human resources of the FIU's UAO in order to adequately carry out its tasks of analysis and production of financial intelligence.
4. Reviewing the parameters of TF STR analysis to enable better risk identification and prioritisation for the timely production of financial intelligence and strategic analysis relating to this international threat.
5. Review the criteria for prioritising and allocating high-risk STRs. to assess whether these requirements limit the production of financial intelligence and the detection of potential ML/TF transactions.
6. Take steps to ensure that sectors, especially higher-vulnerability ones, that have not yet submitted STRs begin to do so.
7. Strengthen feedback between the FGR and the FIU on the quality of financial intelligence reports to ensure optimal use in investigations.
8. Provide greater support to PNC in terms of training on financial analysis and ML/TF typologies, particularly on VA and TF issues where less understanding was identified.
9. Provide FGR specialist units with access to the FIU's secure communication platforms to ensure the confidentiality and safekeeping of intelligence reports that the FIU physically shares with these units.
10. Carry out joint work between the FIU, FGR and the DGA to strengthen the mechanisms for declaring currency and bearer negotiable instruments at all border posts in the country. This will allow the FIU to broaden the source of information for operational and strategic analysis and the FGR to have access to more information for its investigations.
11. Monitor and follow up on reports that the FIU submitted to the FGR to measure the impact of intelligence on law enforcement in the fight against ML/TF.

Immediate Outcome 7

1. Provide the PNC with increased human, technological and financial resources to strengthen the capacity of its staff to more effectively identify and support the investigation of complex ML cases and the tracing of assets derived and obtained from illicit activities.
2. Increase the number of parallel financial investigations to improve the results of ML investigations and sanctions.
3. Strengthen ML investigations and sanctions in relation to all high incidence threats, including emerging risks related to fraud and environmental crime.
4. Promote the establishment of multi-disciplinary and/or inter-agency groups with the relevant competent authorities to enhance the scope of investigations in complex money laundering cases.
5. Strengthen the application of enhanced ML sanctions to ensure that they are effective, proportionate and dissuasive in complex or large-scale cases.
6. Criminalise the liability of legal entities.
7. Provide training programmes on ML investigations for the PNC, FGR and the judiciary. Additionally, train law enforcement authorities in the identification, seizure and confiscation/forfeiture of virtual assets.

Immediate Outcome 8

1. Strengthen the human and technological resources of the specialised assets forfeiture units of the PNC and the FGR in order to broaden and deepen asset investigations and trace the proceeds of crime. The resources of the specialised court for assets forfeiture within the judiciary should also be increased to enable it to deal effectively with the growing number of cases in this area.

2. Further strengthen the relationship and inter-institutional synergy between the PNC, the FIU and the FGR in order to achieve greater effectiveness in the identification, seizure, confiscation or forfeiture of the proceeds of crime in cases of ML linked to predicate offences, in particular those with the highest risk and impact.
3. Provide CONAB with more human, technical and financial resources, as well as relevant training, so that it can effectively manage and dispose of seized, confiscated or forfeited property; and develop manuals, procedures and instructions to ensure the proper management of the property under its administration.
4. Promote clarification of the procedure for property seized in criminal proceedings, with a view to identifying the entity that manages and safeguards it until the order to confiscate it.
5. Develop guidelines or instructions for law enforcement authorities to improve the identification, seizure and confiscation or forfeiture of the proceeds of crime.
6. Develop and implement a centralised and comprehensive statistical system to accurately collect and reflect information on seized and confiscated property throughout the country.
7. Provide specialised training in the identification and tracing of property of illicit origin to all actors in the system. This training should include the identification, seizure and confiscation or forfeiture of virtual assets.
8. Strengthen the system of controls on the cross-border transportation of money in order to improve the detection and sanctioning of offences.
9. Promote and strengthen the identification, seizure and confiscation of criminal assets that have been moved abroad.

The relevant Immediate Outcomes considered and assessed in this chapter are IO. 6-8. The Recommendations relevant for the assessment of effectiveness under this section are R. 1, R. 3, R. 4 and R. 29-32 and elements of R.2, 8, 9, 15, 30, 31, 34, 37, 38, 39 and 40

Immediate Outcome 6 (ML/TF financial intelligence)

Use of financial Intelligence and other information.

183. The FGR, through its specialised investigation units, has access to financial intelligence for the development of investigations. The main source of intelligence information is the FIU, which provides it through various products, which are described below.

184. The FIU, which is the body responsible for producing financial intelligence, was established in 1998 as a primary office attached to the FGR. It was originally a hybrid between an operational and an intelligence unit of the FGR. However, since 2018, the FIU took over only financial intelligence work and in March 2022 its internal structure was strengthened with the creation of 6 units, namely: Operational, Strategic, Information Technology, Legal, International Relations and Administration. These have a total of 40 employees with the required professional profile and specialisation in the areas of competence. At the end of the on-site visit, the FIU was composed as follows:

Table No. 3.1 –Staffing of the FIU of El Salvador

Unit	Number of analysts	Coordinators and high-ranking	Other staff	Total

Operational Analysis Unit -UAO-	8	3	-	11
Strategic Analysis Unit – UAE-	3	1	-	4
International Affairs Unit -URI-	5	1	-	6
Legal Support Unit -UAL-	4	1	-	5
Information Technologies Unit -UTI-	6	1	-	7
Administration Unit	-	1	3	4
Directorate	-	1	-	1
Deputy Prosecution Office	-	1	1	2
TOTAL FIU STAFF	**26**	**10**	**4**	**40**

185. The FIU provides financial intelligence products to the FGR spontaneously and on request, and is empowered to receive and analyse STRs and other types of regulated reports for financial intelligence purposes.

186. To collect this information, the FIU has developed the SIRAF tool (System for the Collection and Analysis of Financial Information), which is accessible to REs through the FIU web portal. This platform allows information to be collected and stored securely and privately in the FIU's database for use in intelligence analysis. However, it should be noted that at the time of the on-site visit, the FIU was in the process of implementing the GoAML system, which will integrate all tasks for the production of financial intelligence from data collection, processing, analysis and dissemination of reports to the competent authorities, as well as other components that will optimise the operational capacity of the FIU.

187. The Operational Analysis Unit (UAO) is responsible for analysing STRs and producing financial intelligence. For this purpose, the unit accesses various internal and external data sources, which complement the financial analysis and the verification of relevant information, in order to determine, among other things, whether the reported persons have criminal records, immigration records, movable and immovable property. The FIU has concluded a number of cooperation agreements with public bodies, which give it direct access to external databases.

Table 3.2 - Direct databases for operational analysis

Direct database access	
External databases (Direct access)	• Automated Information and Management System for the Tax Process (SIGAP) • National Registry Centre (CNR) • Servicios de Tránsito Centroamericanos S.A. de C.V. (SERTRACEN) • Consultation and Registration System Network (SICORE)
Internal database	• Regulated Transaction Reports • Suspicious Transaction Report
Open Sources	• OFAC list • UN list • Negative reports or crimes on the Internet • Interpol

188. In the period 2019 to 2023, the FIU made a total of 1,829 database queries, with a significant increase in the use of these information sources from 3 queries in 2019 to 423 in 2022 and 1,342 in 2023:

Table No 3.3 - Number of queries to external databases and open sources

Database consulted	2019	2020	2021	2022	2023	Total
Direct database accesses						
Automated Information and Management System for the Tax Process	0	1	0	67	170	238
National Registry Centre (CNR)	0	2	0	32	165	199
Servicios de Tránsito Centroamericanos S.A. de C.V. (SERTRACEN)	0	2	0	67	243	312
Consultation and Registration System Network (SICORE)	0	1	9	40	82	132
Regulated Transaction Reports (FIU)	0	1	9	92	99	201
Suspicious Transaction Report (FIU)	0	0	0	62	137	199
National Natural Persons Registry (RNPN)					92	92
Special Law against Terrorist Acts (LECAT List)					14	14
Access to open sources						
OFAC List	1	2	10	3	132	148
UN List	1	7	10	30	141	189
Negative reports or crimes on the Internet	1	1	1	3	32	38
INTERPOL	0	5	0	27	33	65
BINANCE*					2	2
Total	**3**	**22**	**39**	**423**	**1,342**	**1,829**
	0%	1%	2%	23%	74%	100%

189. For the consultation and compilation of information from some of these databases, the UAO relies on the other substantive units of the FIU. This cooperation is channelled through internal memoranda, which have to be approved by the head of the UAO for forwarding to the other FIU units.

190. The FIU also has the legal power to obtain information through requests to public bodies, FIs and DNFBPs. For these purposes, the FIU uses a secure channel for sending and receiving information, which is done through the CEP (private electronic mail), which is accessible to both government agencies and REs.

Table 3.4 - Databases consulted by the FIU on request

External source	Data gathered
PNC	Register of arrests and police records.
CNR	Purchase and sale of real estate, deeds of incorporation and amendments thereto, balance sheets and credentials of the board of directors.
RNPN	Identity information of natural persons subject to analysis.
DGII	Tax reporting systems, income tax and VAT returns, fiscal opinion, individual taxpayer register and capital gains form.
DGA	Import and export declarations and reports, importer's registration number.

DGME	Report on the entry and exit of natural persons subject to analysis.
SERTRACEN	Registration of ownership and history of vehicles, general driving licence data.
SSF	Details of active products of natural and legal persons subject to analysis.
MOP	Register of suppliers and construction permits.
ISSS	Pension contribution forms of individuals subject to analysis and those listed as employers.
FGR (link)	Copies of the purchase and sale of real estate and the single identity card.
BINANCE	File with transaction and personal information of a virtual wallet listed as customer.

191. During this period, 256 requests were sent to government agencies. In 2023, there was a 50% increase in the processing of requests to these sources.

192. These data also show that the FIU has made greater use of these sources of information for the production of financial intelligence. However, there are limitations to the timely, adequate and accurate collection of some data sources. This is the case for information on beneficial owners of legal persons, as El Salvador does not have an institution that collects updated information on all legal persons incorporated in the country, there is no information on cash declarations from all border posts in the country, and there is no information on reports of regulated operations from all REs.

193. To carry out the financial intelligence process, the FIU relies on specialised data analysis tools, such as IBM i2, and also has licences for the TRM and Chainalysis platforms, which allow it to track the origin and destination of cryptocurrency transactions. The FIU's use of these tools has provided valuable support to the FGR's investigations into virtual assets.

194. Thus, on the basis of the STR information, the data obtained from the databases consulted and the use of technological tools, the financial analyst is able to compile a significant amount of information of a financial, tax, legal, family, corporate and asset nature, which allows him to profile the natural and/or legal persons reported and, if he finds evidence of the crime, the report is disseminated to the FGR.

195. The FIU currently issues 5 categories of reports, but only 2 of these reports are generated as a result of STR analysis: 1) Financial Intelligence Report (FIR)[11] and 2) Spontaneous Disseminations (IDE);[12] for the other reports, they respond to requests for cooperation from the FGR: 3. Cooperation financial analysis report (IAFC), 4. Cooperation report on request (IRC), 5. FIU Internal Basis Query Report (ICBI) Of these reports requested by the FGR, only the IAFC produces financial intelligence, which is similar in content to an FIR, but its scope is limited to the needs of the competent authorities; cooperation has only been provided on two occasions.

196. As regards the reports generated by the analysis of STRs, 107 reports were transmitted to the FGR. It should be noted, however, that the trend remains that the majority of these reports are spontaneous disseminations, which, although they provide timely information for the FGR to consider opening an investigation, do not contain the same depth of analysis as the FIRs.

[11] FIR: It is based on the information attached to the STR(s), requests to reporting entities, consultation with internal and external sources and includes information obtained through international cooperation.
[12] IDE: This report refers to an extract of information received by the Operational Analysis Unit contained in one or more STRs, tentative STRs, or other sources and includes information obtained by consulting internal FIU databases. No requests for information are made to reporting entities and external sources.

Table No 3.5 - Reports issued by the FIU disseminated to the FGR

Description	2019	2020	2021	2022	2023	Total
Financial Intelligence Report (FIR)	6	4	12	9	16	47
Spontaneous Dissemination (IDE)	4	11	15	6	24	60
Total Reports disseminated	**10**	**15**	**27**	**15**	**40**	**107**
Total related STRs	**136**	**25**	**96**	**64**	**243**	**564**
Total STRs received by the FIU	**2,951**	**2,135**	**2,701**	**1,798**	**1,588**	**11,173**
% Total STRs related/Total STRs received by the FIU	**5%**	**1%**	**4%**	**4%**	**15%**	**5%**

197. These reports shared with the FGR include information from 564 STRs, representing 5% of the total STRs received in the 2019-2023 period. The assessment team highlights the increase in STRs used to generate intelligence in 2023 compared to previous years, going from 4% in 2022 to 15% in 2023. This increase demonstrates efforts by the FIU and REs to improve the quality of reporting.

198. With regard to the offences associated with the 107 reports disseminated to the FGR, they identified a frequency of 158 offences under the LCLDA and 2 related to the offence of TF.

Table 3.6 - Predicate Offences in 107 reports (FIR and IDE)

Law	Crimes and TF	Frequency		%
Law against Money and Assets Laundering article 4	Money and Asset Laundering		68	43%
Law against Money and Asset Laundering Article 5	Special Money and Asset Laundering cases		1	1%
Law against Money and Assets Laundering Article 6	Other money and asset laundering offences		83	
Predicate Offenses	Aggravated extortion	2		1%
	Illicit trafficking	3		2%
	Trafficking in persons	5		3%
	Embezzlement	1		1%
	Smuggling of goods	12		8%
	Administrative fraud	10		6%
	Tax evasion	26		16%
	Illicit enrichment	4		3%
	Illicit firearms trafficking	1		1%
	Preparatory acts, offering, conspiracy and criminal associations	2		1%
	Swindling	9		6%
	Terrorist organizations	1		1%
	Concealment	2		1%
	Computer fraud	3		2%
	Fraud against the economy	2		1%
Law against Money and Asset Laundering article 7	Special concealment cases		4	3%
Law against Money and Asset Laundering Article 8	Guilty concealment		1	1%
Law against Money and Asset Laundering Article 8- A	Money and Asset Transfer		1	1%

	Total related to CLDA Law		**158**	
Terrorist Financing	**Terrorist Financing**		**2**	

199. An analysis of the data in the table above shows that 43% are ML offences and 53% are ML predicate offences. Within the latter, the crimes of tax evasion, smuggling of goods and administrative fraud are more concentrated, with the NRA classifying these threats as medium/low, medium/high and medium risk respectively. It is also possible to observe an increase in FIRs related to the crime of fraud, which was not taken into account in the NRA due to the fact that this crime was not reported in the STRs analysed by the FIU during the analysis period of the NRA 2017-2021. In addition, extortion, illicit drug trafficking, trafficking in human beings and corruption crimes are reported to be low in these reports, despite the fact that these crimes are among the main threats identified by the country. In this respect, the assessment team notes that the reports issued by the FIU during the period under review reflect some of the threats identified in the NRA, but are not fully consistent with the country risk profile.

200. Regarding the TF offence, the FIU submitted two reports to the FGR. The assessment team noted that one of these reports identified the potential risk of international TF; however, although this report was based on STRs from eight financial institutions, the REs failed to link this risk in their analysis, highlighting limitations in the REs' understanding of TF risks. In addition, the assessment team noted that there was room for improvement in the time taken to submit these reports to the FGR. These circumstances could affect the timely detection of TF-related transactions and the prompt freezing of funds, as provided for in the Salvadoran legal framework and international standards.

201. The main purpose of the reports issued by the FIU is to enable the competent authorities to find information useful for opening an investigation or to support ongoing investigations. According to the FIU, at the time of the on-site visit, the status of the 107 reports submitted to the FGR was as follows

Table 3.7 - Procedural stage of reports disseminated by FIU 2019-2023

Procedural phase	Reports issued by the FIU	% progress in judicial proceedings
Investigation	86	80.37%
In the pre-trial phase	9	8.41%
Sentence	2	1.87%
Unknown	10	9.35%
Total FIU Reports	**107**	**100.00%**

202. As can be seen from the table above, of the 107 reports sent by the FIU to the FGR, 2 have already resulted in a final conviction for money laundering. One of the cases is related to the crime of embezzlement, which resulted in the recovery of USD 3.0 million in restitution to the State, and the other is related to the predicate offence of drug trafficking, which has been detected in the financial system since 2015. However, 80% of the reports are still being investigated by the specialised units of the FGR to determine whether the case will be prosecuted.

203. The FIU also informed the assessment team that as a result of the progress of judicial proceedings, the sum of USD 1,977,501.67 has been recovered through civil proceedings, corresponding to 10 cases, some of which were not convicted in criminal proceedings and some of which were processed through abbreviated procedures. These cases also arose from FIU reports or some form of FIU cooperation.

204. Regarding the recovery of proceeds of crime through legal proceedings, the FIU did not provide data on assets confiscated or forfeited as a result of financial intelligence. However, the assessment team was able to identify that the structure of the reports distributed from 2022 onwards contains information of interest to the investigations.

205. It is important to note that the FIU and the FGR have implemented a joint working model, which has been strengthened since 2022, through working groups to analyse cases and strengthen the quality of FIRs. These actions are reflected in success stories that have had an impact on the AML/CFT system, which will be developed in IO.7.

206. Below are some success stories where the information provided by the FIU was relevant for investigation/prosecution purposes:

Box 3.1 - Successful cases of use of FIU FIRs

Case No1 / Date of convictions: 23 November 2023 and 08 December 2023
The investigation began in 2015 as a result of suspicious transaction reports. The offence was related to drug trafficking, an organisation made up of a structure of 16 people who carried out their illicit activities throughout the Central American region, with the money entering the financial system through split, simultaneous and successive operations, mainly coming from Guatemala.
According to the evidence gathered during the financial investigation, they were found to have laundered more than nine million dollars between 2010 and 2016. The money was moved by a variety of means, including cash, deposits and local and international transfers.
A conviction was achieved in November and December, 2023 and they were sentenced to 15-, 10- and 7-years' imprisonment. This case involved international cooperation.

Case No2 / Date of conviction: 06 June 2023
The defendants are the brother-in-law and sister of MCR, known as "MM", who has been described as one of the biggest financiers and arms suppliers to the MS-13 gang. They were sentenced to 10- and 5-years' imprisonment respectively for money laundering.
The investigation included financial and accounting expertise and reports from the Ministry of Finance for the crime of tax evasion, which showed that the couple laundered $42,989,736.55 through businesses with a façade of legality that served to introduce the money into the financial system. The operations were carried out between 2002 and 2015. These transactions led to the generation of STRs, which the FIU used to disseminate financial intelligence.

207. From the data analysed, the assessment team notes that significant progress has been made since the strengthening of the FIU in March 2022, which has allowed it to acquire a good organisational structure and a working team with the technical and operational skills to perform the tasks required by the legal framework. This has allowed the FIU to generate more reports to be shared with the FGR, both spontaneously and upon request, as evidenced by the data on reports shared in 2023, which represent 37% of the total number of reports shared with the FGR during the period 2019-2023.

208. In this sense, it is considered that the reports gather a better quality of information that is useful for the competent authorities, especially from 2022, when a new structure for intelligence reports is established, including, in addition to financial data, other information of interest, such as property, migration, tax and customs data, among others, which allows the judicial operator to obtain a more complete analysis of the persons under investigation.

209. It also highlights the joint work between the FIU and the FGR, through working groups on cases and feedback from the FGR to improve the quality of the FIU's reports. However, due to the relatively recent nature of this working model, the use of FIU financial intelligence reports is considered to be somewhat limited, as few cases have been prosecuted on the basis of FIU reports.

210. Furthermore, limitations are identified in the FIU's ability to obtain adequate, accurate and up-to-date beneficial ownership information for all legal persons established in the country, which affects the ability to identify the real persons behind a suspicious transaction or those who control a reported legal person, and therefore limits the timely provision of reliable data to the competent authorities for their investigations.

211. As a result, the assessment team considers that the FIU's financial intelligence activities are well developed and the FIU is perceived to cooperate well with the FGR's investigations; however, the low number of convictions resulting from the FIU's reports indicates that there is still room for improvement to enhance the use of financial intelligence by the competent authorities.

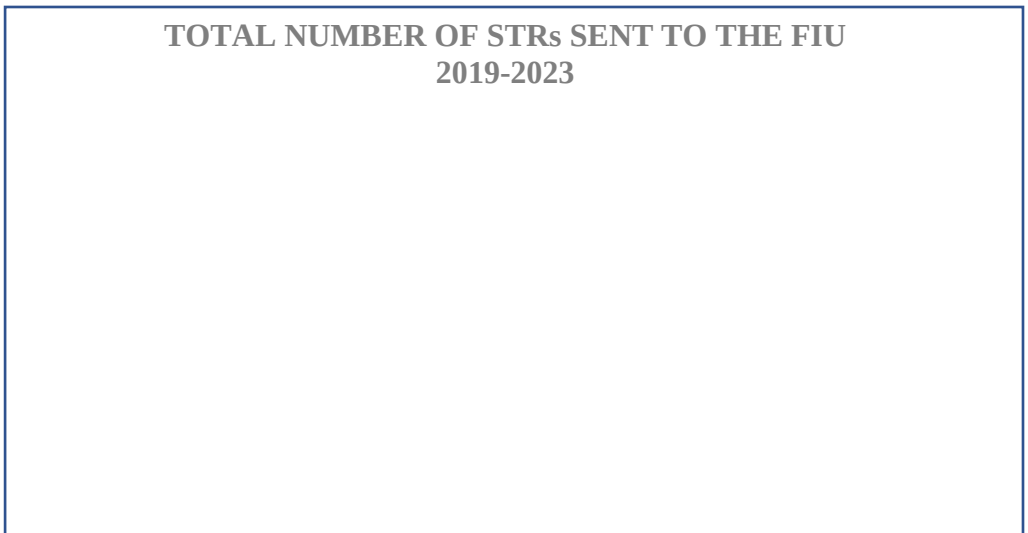
STRs received and requested by competent authorities

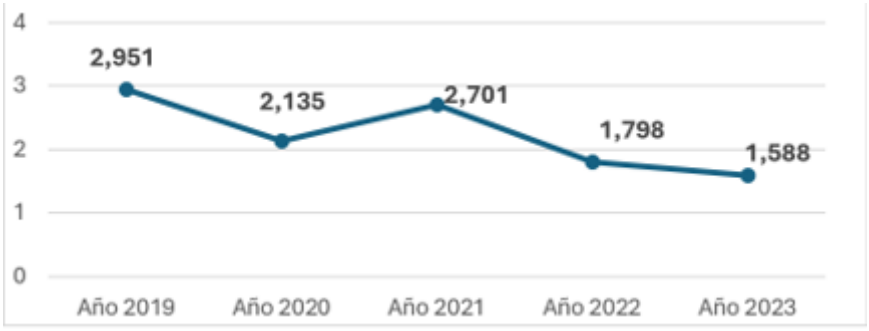
212. The FIU currently receives and analyses various types of reports, including the following: Regulated Transaction Reports (RTR), Suspicious Transaction Reports (STR), Tentative Suspicious Transaction Reports (TSTR) and Voluntary Suspicious Transaction Reports. The latter has been included in the new provisions of the 2021 FIU Instructions and is designed to receive complaints from third parties who are not REs.

213. In 2021, the FIU issued an instruction to reinforce the scope of the obligations of REs regarding the prevention, detection and reporting of unusual transactions, attempted transactions, suspicious transactions and the collection of data through systematic reports to be submitted when a certain threshold is exceeded. It has also recently issued guidelines for the preparation of STRs and TSTRs, which provide REs with guidance on how to enter the platform and complete the information that is useful for the development of financial intelligence analysis.

214. A total of 11,173 STRs were issued by REs during the period analysed. The following graph shows that the number of STRs received by the FIU decreases in 2022 and 2023. This behaviour may be related to the feedback and training process that the FIU has been carrying out with the REs since 2021, with the aim of improving the quality of the information and documents that must support the report, so that they are useful in the intelligence analyses that are shared with the competent authorities.

Graph 3.1. STRs sent by REs to the FIU





Year 2019 Year 2020 Year 2021 Year 2022 Year 2023

215. With regard to the sectors that sent STRs to the FIU, the largest share belongs to the financial sector (50.89%), especially from private banks (45.28%), followed by companies engaged in the sale of motor vehicles (17.49%) and legal persons engaged in the sending and receiving of parcels and remittances (15.34%). These three sectors accounted for 83.72% of the total STRs received during the period analysed. A total of 41 STRs, representing 0.37% of the total, were also reported by VASPs. In terms of the amount of money reported through STRs, this amounted to USD 2,141,249,888, with the banking sector being the most represented (94.40%).

216. It should be noted that there are no records of suspicious transaction reports from sectors identified in the NRA as vulnerable to ML/TF: Notaries and lawyers, accountants and auditors, casinos and games of chance, dealers in precious metals and stones; and in the real estate sector, only 11 STRs were registered, with the last report due in 2021.

217. With regard to the handling of STRs, once the information is received by the FIU, it is subjected to a pre-analysis process for risk rating and prioritisation. This is done by the head and/or coordinator of the UAO, who reads each STR received and semi-automatically assigns the risk according to a combination of factors, depending on the type of transaction reported, the amount involved and the frequency with which they are carried out, in order to determine the risk rating "low", "medium" and "high", using a parameterised risk matrix of 51 criteria.

218. STRs classified as 'medium' and 'low' risk will remain in the FIU database for future consultation and/or accumulation of STRs and will be used for further intelligence analysis or feedback to REs.

219. And with regard to STRs identified as "high" risk, they are subject to a further analysis process in order to select those that meet certain parameters established by the FIU, such as: having accumulated more than one STR, being related to typologies and reports of the FIU, or that the reported subject has a background or has been linked to a financial intelligence report. If they meet these criteria and an ML/TF risk is identified, they are placed on the priority list to be assigned to analysts.

220. From the latter process, it appears that the criteria used to prioritise and allocate STRs classified as high risk are very rigid, which could limit the production of financial intelligence and consequently the detection of ML/TF operations.

Table 3.8 - Risk rating of STRs received

Risks	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Total	% of risk
High	1,126	487	353	298	422	2,686	24%
Medium	1,069	578	787	468	251	3,153	28%
Low	756	1,070	1,561	1,032	915	5,334	48%
Total	2,951	2,135	2,701	1,798	1,588	11,173	100%

221. As can be seen from the table above, medium and low risk STRs represent 76%, which means that 8.487 STRs have been included in the FIU's permanent database while awaiting a match with other reports. STRs classified as high risk represent 24%, although these reports are considered for possible assignment to an analyst, not all of them met the elements for financial intelligence analysis. In this respect, according to the data provided by the FIU, only 564 STRs were used for the reports sent by the FIU to the FGR during this period.

222. This shows that 95% of the total STRs received were not useful for financial intelligence purposes. However, this information is kept in the FIU database for possible consultation and, if links are found with other reports or requests from competent authorities, they are considered for analysis and also used as input in the elaboration of typologies and the identification of red flags.

223. Regarding the offences covered by STRs, the FIU informed the assessment team that this information is not provided by the REs; however, considering the data from the intelligence reports sent to the FGR, it can be perceived that STRs are only linked to ML offences and that there is a limited understanding of the TF risk by the REs. This was confirmed during interviews with FIs and DNFBPs, who only associate this risk with the matches to the UNSCR lists and do not consider it as part of the process of analysing their financial and commercial transactions. This was evidenced in one of the reports sent by the FIU to the FGR, where possible TF risks related to international terrorist organisations were identified. These were not identified in the STRs, but arose from the FIU's intelligence work.

224. Regarding the quality of STRs, it could be verified that the STRs issued by the REs have significant weaknesses, with repeated identification of the lack of due diligence and updating of customer information, which leads to reporting without due process and documented analysis. In addition, the FIU identified that STRs are not reported in a timely manner. This is reflected in the low dissemination of reports made by the FIU to the FGR between 2019 and 2022.

225. Accordingly, the FIU has stepped up its efforts to improve the quality of these reports. Since 2022, the FIU has increased its outreach to REs, mainly to the banking sector, which is the main sector issuing STRs. However, feedback meetings have also been held with other entities: Credit Unions, Remittance Companies, Insurance Companies and VASPs, and red flags and typologies have been shared with FIs and DNFBPs to reinforce the prevention and detection work carried out by the REs. Guidance on the identification and submission of STRs was issued in 2023, setting out the elements that an STR should contain and the documentation that should accompany it. During the interviews, the assessment team confirmed that these measures have resulted in more fluid communication between the FIU and the REs, and

that the REs value the support and management provided by the FIU, so it is expected that these efforts will be reflected in the increased production of financial intelligence in the short term.

226. With regard to Regulated Transaction Reports (RTR), the FIU received and processed more than 24.2 million reports of cash or non-cash transactions exceeding the threshold set by the regulations.

Table 3.9 - Regulated transaction reports submitted to the FIU

Year	Number of Reports
2019	2,632,256
2020	4,481,897
2021	4,057,898
2022	4,924,660
2023	8,150,303
Total	**24,247,014**

227. As can be seen in the table above, in 2023 there was a 65% increase in the number of reports received by the FIU, which is due to the fact that some DNFBPs are just starting to send information (see Graph 2); however, it should be clarified that these data could increase, as it has been noted that a significant number of REs are still not registered with the FIU, although this is an obligation under the legal framework.

Graph 3.2. Behaviour of regulated transaction reports by year

228. The FIU also receives and analyses data on cross-border declarations of cash or bearer negotiable instruments in amounts equal to or greater than USD 10,000 or its equivalent in another currency. These data are submitted by the DGA. During the period under review, 2.325 declarations were recorded, amounting to USD 49.7 million. However, it should be noted that, at the time of the visit, only data from San Oscar Romero y Galdámez International Airport were available.

229. Based on the above analysis, the assessment team considers that the number of STRs received is reasonable; however, it is noted that most STRs are from the financial sector (banks) and there is limited participation from DNFBP sectors, which are considered highly vulnerable in the NRA. It is also noted that a high percentage of STRs do not have the elements to produce financial intelligence and it is therefore necessary to continue the training and feedback mechanisms for REs so that STRs can be a source of greater use for the dissemination of quality reports to competent authorities.

230. Furthermore, the lack of registration of REs with the FIU, especially in the DNFBP sectors, limits to some extent the FIU's ability to make use of the information in the reports that they are required to submit by law, so that there is a need to strengthen the work between the FIU and the supervisory bodies to ensure that these sectors comply with AML/CFT legislation. Similarly, the FIU does not receive cash and bearer negotiable instrument declaration reports from all authorised border posts in the country, which has an impact on the amount of information that can be analysed by the agency.

Operational needs supported by the analysis and dissemination of FIU

231. The FIU provides support to the competent authorities through various channels, including the dissemination of financial intelligence reports—both spontaneous and upon request—the production and dissemination of strategic intelligence reports, the provision of virtual and face-to-face training, assistance in working groups with the FGR or other competent authorities, etc.

232. In this framework, between 2019 and 2023, the FIU shared with the FGR a total of 107 reports resulting from the receipt and analysis of Suspicious Transaction Reports (STRs), with a significant increase in 2023 in the number of reports shared and in the number of STRs linked to these reports (15%). This could be attributed to the measures taken by the FIU together with the REs to improve the quality of STRs.

Table 3.10 - Reports disseminated to the FGR

Description	2019	2020	2021	2022	2023	Total
Financial Intelligence Report (FIR)	6	4	12	9	16	47
Spontaneous Disseminations (IDE)	4	11	15	6	24	60
Total reports disseminated	**10**	**15**	**27**	**15**	**40**	**107**
Total STRs related in disseminated reports	**136**	**25**	**96**	**64**	**243**	**564**
Total STRs received by the FIu	**2,951**	**2,135**	**2,701**	**1,798**	**1,588**	**11,173**
% of STRs related to disseminated reports	5%	1%	4%	4%	15%	5%

233. However, the table above also shows that spontaneous dissemination is more common (27,66%). These types of reports have a lower depth of intelligence analysis because they only contain an extract of the information received in one or more STRs and information obtained from the FIU's internal databases, but

do not consult other external sources, such as the financial system, CNR, DGII, DGME, PNC and others, which could strengthen the analysis and determine the existence of indications of ML/TF offences.

234. The FIU also responds to requests for information from competent authorities; between 2019 and 2023 it responded to a total of 2009 requests, 99,95% of which came from the FGR, and received only one request from the PNC in 2022:

Table 3.11 - Type of requests received from law enforcement authorities

No.	Competent Authority	Year 2019	Year 2020	Year 2021	Year 2022	2023 (November)	Total
	General Attorney's Office of the Republic						
1	Cooperation Financial analysis report (IAFC)					2	2
2	Cooperation report on request (IRC)					9	9
3	FIU Internal Basis Query Report (ICBI)	24	14	0	43	26	107
4	Local Cooperation Requests to process requirement letters through CEP (*)	75	80	249	770	716	1,890
	Total FGR Requests	**99**	**94**	**249**	**813**	753	2,008
	Nacional Civil Police						
	Request of reports on Internal Databases Consultation (ICBI)				1		1
	Grand Total	**99**	**94**	**249**	**816**	**753**	**2,009**

235. As can be seen in the table above, the FIU provides cooperation through 4 types of requests. Of these requirements, only the IAFC[13] requests the production of intelligence analysis, but only two such requests were received in 2023.

236. Regarding the other requirements for cooperation: IRC,[14] ICBI[15] and requests for local cooperation to process ex officio requests through the CEP,[16] the main movement is recorded by requests for ex officio processing, a total of 1,890 requests representing 94%; however, it should be noted that in this type of cooperation the FIU does not add value to the information, as it only sends the ex officio to the addressee and the information goes directly to the FGR, so the FIU does not process data for analysis. However, this instrument speeds up the procedures for obtaining the information required by the FGR and is a quick way to freeze funds, so the assessment team highlights the cooperation provided by the FIU to the competent authorities through these mechanisms, allowing them to assist in judicial investigations.

237. With regard to requests for consultation of internal FIU databases, only 107 were received during the reporting period, concentrated in 3 databases: STRs (83%), followed by Regulated Transaction Reports (RTRs) (73%) and Cross Border Money Reports (CTRs) (70%). Of the latter, the assessment team found that the FIU does not collect information from all authorised border posts, which is identified as a limitation both for the FIU's analysis and for the data required by the FGR for its investigations.

[13] Its content is similar to an FIR, but its scope is limited to the needs of the requesting party (period of analysis, number of subjects, information to be analysed, etc.).
[14] Its scope does not include the production of intelligence analysis, but is limited to the needs of the applicant for a specific request (e.g., to obtain financial products, to verify a specific transaction, etc.).
[15] The consultation relates to the FIU's internal databases on the existence of STRs, Regulated Transactions Reports (RTRs) and Cross Border Money Reports (CTRs) of persons under investigation by the FGR.
[16] This request consists of the service provided by the FIU to the FGR for the processing of official requests to the financial system and other institutions to follow up on information that supports investigations, as well as procedures for freezing funds, etc.

238. Among the cooperation requests for ex officio processing by the CEP, 12 requests were submitted in which the FGR managed the freezing of financial products, movable and immovable property as a result of reports disseminated by the FIU or the FIU's cooperation in investigations initiated by the FGR.

Table 3.12 - Freezing of funds and property as a result of FIU contributions

No.	UECLA (FGR) CASE REFERENCE	PERSONS INVESTIGATED	FIU REFERENCE
1	00011-UDIF-2012	3 Natural persons	IIFNo. III-09-1802-12-FGR
2	05-UIF-2016	32 Natural persons	Alert from CSJ with cooperation from FIU
3	33-UECLA-2020	10 Natural persons	FIU NIDE-0142021
4	09-UECLA-2021	5 Natural persons	Report UIF-UAO-II-G1-01-2022 Case ref. UIF-01-001-2022-07 and UIF-1454-2022-07
5	36-UECLA-2022	1 Natural person	Spontaneous dissemination
6	55-UECLA-2022	1 Natural person	Spontaneous dissemination
7	57-UECLA-2022	1 Natural person	Spontaneous dissemination
8	53-UECLA-2022	1 Natural person	Spontaneous dissemination
9	57-UECLA-2022	Not indicated	Spontaneous dissemination
10	58-UECLA-2022	Not indicated	Spontaneous dissemination
11	69-UECLA-2022	10 Natural persons 3 Legal persons	IIF-UIF-2228-2022-07
12	43-UECLA-2022	3 Natural persons 9 Legal persons	IIF UIF-II-0002-2022 Case Ref. UIF-IIF-0006-2022

239. Likewise, as mentioned in other sections of this IO, the FIU has assisted in the ML investigations developed by the FGR by providing financial information and technical assistance through joint working groups and, as a result of this work, the FGR issued Agreement No. 588 "Guidelines for Joint Work between the FIU and the Operational Units of the FGR" in November 2023 to strengthen cooperation and maximise the use of intelligence reports issued by the FIU. The assessment team therefore underlines the importance of these instruments, which provide for permanent lines of cooperation aimed at achieving better results in the fight against ML/TF. The following are 5 examples of investigations initiated by the FGR in which the FIU provided significant input.

Box 3.2 –FIU cooperation with FGR in high-impact cases

No.	Case Description	FIU contribution to the success of the case
1.	**Investigations initiated following a complaint** **Case: 'MGS' (Bitcoin scam)** A group of 4 individuals were involved in defrauding approximately 62,000 victims through an online investment platform that offered attractive returns for an initial payment of USD 20.00 under the concept of Bitcoin Membership. In this case, the SSF carried out an on-site visit and came to the following conclusions: • The operational characteristics of the platform are consistent with multi-level structures or Ponzi schemes, which in many cases have resulted in fraud against the public. • MGS, S.A. de CV is registered with the BCR as a Bitcoin Service Provider under the heading of Bitcoin Payment Processing, which does not identify	1. The investigation relied on the FIU's technical knowledge and technological tools for asset tracing, virtual wallet identification and blockchain traceability analysis, which were carried out by strategic area staff. This enabled the freezing of virtual assets. 2. Intelligence report was issued, due to the fact that the reporting entities submitted STRs. ACHIEVEMENTS: In June 2024, the case was brought to court and went to public hearing. Money laundering offence using cryptocurrencies, freezing of cryptocurrencies was achieved.

No.	Case Description	FIU contribution to the success of the case
	the activity of collecting funds from the public in any way within the platform's operations, for which the company is not authorised. As a result of the information provided, an investigation was opened by the Specialised Anti-Money Laundering Prosecution Unit. The identified virtual assets are currently frozen in the digital wallets in which they were found.	
2.	**Self-laundering case initiated after a report by the CSJ** **Case: 'Former President of the Republic EASG' - Year: 2019** The investigation was initiated following a resolution of the Plenary of the CSJ declaring that there were indications of illicit enrichment in the declaration of assets of the former President of the Republic, which pointed to the possible commission of the offence of money laundering, as a result of inconsistencies identified by the CSJ's Probity Department regarding a significant increase in income and profits in the declarations of the accused and related companies.	This investigation was conducted in 2016, the FIU conducted financial intelligence and financial expertise. ACHIEVEMENTS: The conviction of the former President of the Republic and former officials who participated in the commission of various crimes; sentences of 10 years' imprisonment for those responsible for the crime of embezzlement and ML of more than USD 300 million of state funds, which were subject to confiscation. The freezing of property includes: 32 real estate properties and 63 vehicles.
3.	**ML case committed by third-parties initiated after a report by the CSJ** **Case: Security Minister RMFF. Year: 2021** The investigation was initiated following a resolution of the Plenary of the CSJ, which declared that there were indications of illicit enrichment in the declaration of assets submitted by Mr RMFF, in which it was declared that there were indications of illicit enrichment in his capacity as Minister of Public Security and Justice for the period 2007-2009, following the identification of inconsistencies by the Probity Department of the aforementioned court.	. Information on financial transactions (1 current account and 3 fixed-term deposit certificates) of RMFF and CCAF was provided. ACHIEVEMENTS: The financial transactions served as a guide for the investigation and helped to find evidence against the accused; this information was decisive in supporting the facts investigated and achieving a positive result for the claim of the Attorney General of the Republic. Financial products in the name of the persons under investigation have been traced and located, thus imposing precautionary measures on them and, in this case, ensuring the recovery of assets.
4.	**Case of stand-alone ML and committed by a third party** **Case: BH - Year 2020.** In this case, 2 persons are provisionally charged with the crime of money laundering to the detriment of the socio-economic order, as provided for and punished by Article 4 of the LAC, and 2 persons as necessary accomplices to the crime of embezzlement, which was the result of the technical analysis carried out on the budgetary and financial management of the monetary resources allocated to the Presidency of the Republic. It was established that the accused participated in the appropriation of public funds from the budget of the Presidency of the Republic and that they were deposited in a bank of the system. Subsequently, with the prior approval of the Ministry of Finance, funds amounting to USD 677,418,176.76 were transferred from an account. 50,92% of the funds were transferred	The FIU assisted in the investigation of this case in the following ways: 1) Reporting and cash transaction statistics from the reporting entity under investigation. 2) Information from the registration file of the compliance officer under investigation. 3) Information on the reporting entity's corporate governance documents. The information was used by the UECLA to guide and substantiate the investigation, since the nature of the case made such cooperation crucial, as the offence took place in the operations of a reporting entity (a bank) and the persons involved were the bank's president, vice-president and compliance officer; the investigation into the predicate offence of money laundering related to the complicity of bank officials in the illegal receipt of funds from the State and their laundering. They

No.	Case Description	FIU contribution to the success of the case
	to personal accounts at the BH as "reserved expenses and transport". As a result of the prosecution of the case, 3 persons were convicted in an expedited trial and sentenced to 5 years and 8 months imprisonment and civil liability of between USD 64.500 and USD 78.500.	processed 3,510 cheques amounting to $177,561,461.15 that were cashed without reporting them to the FIU. ACHIEVEMENTS: Conviction of the three employees of BH.
5.	**ML case involving fraud and an international cooperation component** **Case: 'Colombian' Year 2021 – 2023.** The FGR launched an investigation against 151 people, 71 of whom were charged with belonging to a criminal organisation involved in fraud and money laundering. According to the FGR, the organisation was made up of people of different nationalities, including Salvadorans, Colombians, Argentinians, Guatemalans and others, who committed transnational crimes such as fraud, illegal association, computer theft and the proceeds of extortion and drug trafficking. During the development of its criminal activities, the structure deposited the proceeds of crime in the financial system, sending money to Colombia through third parties hired for this purpose, with small amounts to avoid detection, which were received by third parties; the use of the illicit proceeds was for personal benefit or for the benefit of the criminal organisation: 1. They used the money to make small personal loans to the informal sector, 'drop by drop'; and, 2. Financing travel, rent, membership fees, property purchases, etc.	The FIU provided the following assistance to the investigation: 1. Preparation of Financial Intelligence Report 2. CEP referral to financial institutions 3. Financial expertise advice 4. Asset tracing by the RRAG 5. The FIU advised the Private Wealth Unit of the Attorney General's Office on the conduct of the investigation. 6. It has processed intelligence information with the Colombian FIU in order to identify the existence of financial products or assets in the names of the persons under investigation and, through subsequent mutual legal assistance, to secure the freezing of assets. ACHIEVEMENTS: 71 persons prosecuted for money laundering. Preliminary investigation with detention of 40 persons charged with money laundering, the remaining 30 persons are being prosecuted for illegal association, also with detention, and are under the order of the Court against Organised Crime. Confiscation of USD 61,000, 42 motorcycles. The case is currently in court.

240. Another contribution of the FIU to the authorities is the production of strategic analysis. This task is assigned to the Strategic Analysis Unit (UAE), which started operations in March 2022 and, despite its recent creation, has already produced studies related to statistics, typologies and alerts generated from STR information and reports on regulated operations received from the financial sector and DNFBPs, as well as using open sources, reports from international organisations, public databases, among others. These studies are available to the authorities, REs and the general public on the FIU's website and are a valuable contribution to the investigation of crime and to the strengthening of the supervisory work of REs.

241. This unit has procedure manuals for the production and dissemination of strategic products. And for the preparation of strategic products, it uses various technological tools to carry out the analysis of the reporting of regulated operations, including: Microsoft Office suite, PowerBI, Visio, SQL Server, I2, R and Python, the latter being used to support other units such as the Operational Analysis Unit for STR analysis. Blockchain intelligence tools are also available and are used for the traceability of crypto assets (TRM Labs and Chainlysis).

Table 3.13 - Strategic analysis studies

Topic addressed	Issuance Date	Dissemination means	Target audience
Cross-border money report January 2021 to June 2022: presentation of results from January 2021 to June 2022	October 2022	FIU website	Reporting Entities
Typology I front business via regional banks	2022	FIU website	Reporting Entities and FGR
Typology II Criminal organisation using the country's financial system and/or legal trade	2022	FIU website	Reporting Entities and FGR
FIU Report - Statistical Bulletin 2022: Presentation of the results of the work carried out in the FIU in 2022, including STRs, regulated entities, training.	January 2023	FIU website and direct dissemination to authorities by official letters.	Reporting Entities - SSF and SOM
Statistics on international transfers of funds equal to or greater than USD 1 000: statistical reporting from December 2022 to January 2023.	February 2023	Direct dissemination to ABANSA and the authorities by means of official letters.	Reporting Party: ABANSA and authorities: Superintendence of the Financial System and Central Reserve Bank
Statistics on lawyers and notaries: provision of statistical information on the reporting by lawyers and notaries on the forms applicable to them.	February 2023	Direct dissemination through an official letter and a personal presentation.	CSJ
Statistics on accountants and auditors: provision of statistical information from the reporting of accountants and auditors on the forms applicable to them.	February 2023	Direct dissemination by means of official letters.	CVPCPA
Typology III Proceeds of fraud using the financial system	April 2023	FIU website	RE, INSAFOCOOP, Central Reserve Bank, and Superintendence of the Financial System.
Strategic Study of Virtual Asset Service Providers: strategic analysis that provides insight into the virtual asset ecosystem, landscape and operations at a global level and in El Salvador.	July 2023	FIU website	Reporting Entities
Statistical bulletin first half of 2023 - Financial Investigation Unit: presentation of FIU results in the first half of 2023 regarding reporting, training provided, etc.	July 2023	FIU website and direct dissemination to authorities by official letters.	Reporting Entities and Authorities: Superintendence of the Financial System, Superintendence of Commercial Obligations, and CSJ
Typology IV Fraud using social media and crypto assets as a means of payment	September 2023	FIU website	Reporting Entities and FGR
A practical guide to crypto asset investigation: Advanced Concepts and Strategies	September 2023		FGR
Report on the professions of the people reported on daily cash	November 2023	FIU website	Reporting Entities

242. The FIU has an important role to play in providing technical expertise in AML/CFT matters. Since 2022, the FIU has been providing training to judicial officers, law enforcement authorities and supervisory bodies, which is very useful for their detection, investigation and supervisory work within the anti-money laundering system. However, during the on-site visit, the assessment team noted that the PNC, which is the

authority that receives functional direction from the specialised units of the FGR to conduct judicial investigations of ML/TF crimes, has little outreach and lacks training.

Table 3.14 - Training provided by the FIU

Year	Training subject	Audience authority
2022	International Standards Webinar I	FGR
2022	International Standards Webinar II	FGR
2022	International Standards Webinar III	FGR
2023	Results of analysis of STRs and findings of risk assessment to improve supervision processes	- INSAFOCOOP - National Commission of Digital Assets (CNAD) - Superintendence of the Financial System (SSF)
2023	Provision of ML/TF risk supervision techniques for supervised cooperatives	- INSAFOCOOP - Superintendence of the Financial
2023	Authorities participated in training sessions addressed to Res regarding the content of STRs and best ML/TR risk identification practices	- General Customs Directorate (DGA) - Armed Forces Social Welfare Institute
2023	Technical support to design topics to include in the "basic course on the investigation of money laundering and related offences. Virtual modality.	Judicial training school
2023	Feedback on opportunities of improvement in information requests to reporting entities	Specialised units of the FGR

243. The assessment team sees a strengthening of the joint work between the FIU and the FGR, as it was noted that working groups are being set up to analyse the situation from 2022 onwards. Also in 2023, the FIU initiated a feedback process with the UECLA to analyse the quality of intelligence reports with the aim of maximising the information provided by the FIU in ML or predicate offence investigations.

244. In this regard, the FGR informed the assessment team that the information and technical knowledge provided by the FIU is useful for judicial investigations, but also recognised that this contribution has been most noticeable in the last two years, as a result of the new working model of the FIU, the specialisation of staff and the laborious process that the FIU has undertaken with the REs to obtain better quality information.

245. Notwithstanding the above, the assessment team considers that the FIU still has room for improvement in order to meet the operational needs of the authorities, as it is in the process of improving the information it receives from the REs and other bodies, which is essential in order to produce financial intelligence that is useful for judicial investigations. However, the AT recognizes that in the year 2023 a significant increase in the dissemination of intelligence reports was identified compared to previous years, so that STRs have been strengthened and it is evident that the actions being implemented by the FIU are yielding positive results.

246. Similarly, the data on cooperation on request show that the FGR makes very little use of financial intelligence work; cooperation is more focused on the service of processing official letters for third parties, but the cooperation provided by the FIU and the importance of using these mechanisms to provide information of interest to the FGR's investigations is recognised.

247. In turn, previous analyses show that FIU reports do not take into account the main ML/TF threats identified in the NRA, and that there are challenges in producing operational and strategic analyses related to TF risks.

248. With regard to the work on strategic analysis, the assessment team acknowledges the efforts made to develop strategic products and disseminate them to REs and other authorities. Due to the recent creation of the strategic analysis area, a high percentage of these reports were issued and socialised in 2023, so that at the time of the on-site visit it was possible to determine the extent to which they could be used by the REs. It is also noted that the FIU should conduct more in-depth studies on TF linked to international terrorist organisations in order to enable a better understanding of these risks and their detection by REs and law enforcement authorities.

Cooperation and exchange of information/financial intelligence

249. As indicated in the previous section, the FIU exchanges intelligence information with the competent authorities both spontaneously and upon request, although it should be noted that the legal framework does not provide for the FIU's power to disseminate reports upon request, which, according to the technical compliance analysis of R.29 (criterion 29.5), has not been an obstacle for the FIU to provide cooperation to the operational units of the FGR.

250. The FIU has collaborated with the various specialised units of the FGR through the formation of working groups to carry out joint analysis of investigations arising from reports disseminated by the FIU or in support of cases generated by the FGR itself. Between 2022 and 2023, 16 working groups were held in which the FIU provided technical expertise and carried out operational work to ensure the success of the investigation.

251. Between 2022 and 2023, 6 inter-institutional agreements were signed between the FIU and public bodies: CNR, RNPN, CSJ, SSF, INSAFOCOOP, SOM, CVPCPA, CNAD, MH, MJSP, which facilitate the exchange of information in support of criminal investigations. These agreements also aim to strengthen joint actions for the exchange of knowledge, training, best practices, strategic studies, as well as the formation of technical roundtables for the implementation of the Action Plan of the National AML/CFT Strategy.

252. Other cooperation activities include inspections and audits carried out by the FIU in REs to verify compliance with AML/CFT legislation, based on article 9-A of the LCLDA. Between 2022 and 2023, the FIU carried out seven audits, one of which was carried out at the request of the Specialised Anti-Money Laundering Prosecution Unit of the FGR, and the other six inspections were carried out in collaboration with INSAFOCOOP, the body responsible for the supervision of the cooperative sector, but due to legal restrictions in ML/TF matters, the FIU provided assistance in these processes.

253. In terms of international cooperation, the FIU has been a member of the Egmont Group since 2001 and has signed 48 Memoranda of Understanding with 25 countries, also participates in the RRAG as a member from 2021, initially as a guest country with one contact point, and subsequently with two contact points, one belonging to the FGR and the other to the FIU, which allows it to share financial, strategic and other intelligence with other jurisdictions in support of ML/TF investigations.

254. The FIU is also part of the Regional Network on Cross-Border Transportation of Money (TTD Network), which enables the timely exchange of information on cross-border money movements for strategic and operational analysis, the identification of typologies and the generation of spontaneous alerts to strengthen the joint work of the countries of the region in combating ML/TF risks. The FIU receives cross-border money data from the DGA, which is uploaded to the SICORE platform on a monthly basis for use in the analysis of the countries that make up this NETWORK.

255. With regard to information security, the FIU has issued manuals that are mandatory for all officials and refer to the sanctions for non-compliance in accordance with the Organic Law of the FGR. There are surveillance systems with video cameras, an access control system to the different areas to which staff are authorised, restrictions on the introduction of devices (mobile phones, cameras, any device outside the institution), disabling of USB ports, restricted Internet access and no storage of work information on computer equipment.

256. These measures are documented in the security protocols: the manual for access to FIU premises, the manual for the management and security of FIU information and the description of the FIU's technological infrastructure. The Information Technology Unit (UTI) is responsible for ensuring compliance with these information security protocols, which are administered by the FIU.

257. In the same sense, the FIU uses secure transmission channels for receiving and sending information, through a private electronic mail (CEP) configured for this purpose and through the SIRAF system, which allows the secure and private channelling of information exchanged with the REs, other government institutions and the Attorney General. However, the dissemination of intelligence reports to the specialised units of the FGR still uses the mechanism of sending paper copies, which constitutes a weakness in the adequate protection of the information shared by the FIU.

258. In addition, during the visit the assessment team learned that the FIU is in the process of implementing the GoAML system, which will allow it to integrate all intelligence analysis and dissemination tasks on a single platform, thereby strengthening the operational capabilities of the FIU's operational units and increasing the level of information security. The migration of all data collection processes is expected to be completed by the first half of 2024.

259. Regarding the use of the information by the competent authorities, the FIU and the FGR emphasised that the financial intelligence reports prepared by the FIU are confidential and are treated solely for intelligence purposes, which is why they are not included in the judicial investigation file. However, it is a valuable input to guide the justice operator and information is obtained through legally established mechanisms.

260. Regarding the operational independence of the FIU, this started in 2018 when the FGR separated the intelligence functions of the FIU from the investigative work of the Specialised Anti-Money Laundering Prosecution Unit. This was further strengthened by the restructuring of the FIU in 2022 with the creation of different operational areas. This operational autonomy was also provided for in an amendment to article 70 of the FGR's Organic Law. Since then, the FIU has been carrying out a proper financial intelligence function, as evidenced by the dissemination of such reports and the technical support it provides to the specialised units of the FGR. However, as an office attached to the FGR, the FIU is dependent on the budget of this

authority and, although it has been strengthened in terms of human resources and technological tools, there are still operational limitations to effectively carry out the tasks required by the AML/CFT legal framework.

261. The assessment team considers that the FIU exchanges information and cooperates well with law enforcement authorities through technical assistance, training and advice. Similarly, the FIU of El Salvador participates in various regional projects aimed at generating useful information for ML/TF preventive and repressive activities. Appropriate mechanisms are in place to protect the security and confidentiality of the information the FIU has access to.

Conclusions on Immediate Outcome 6

262. El Salvador's FIU has the legal authority to carry out the functions of information analysis and the production of financial intelligence in accordance with the requirements of international standards. Since 2022, the FIU has strengthened its operational structure and is in the process of specialising its officials, which has favoured the increase in the production of operational and strategic analyses and, consequently, the greater use of this information by the competent authorities, REs and supervisory bodies.

263. The FIU has also played an important role in supporting law enforcement authorities and the RE sector by providing technical assistance, advice and training to strengthen crime detection and prevention efforts. These actions of the FIU are positively received by stakeholders in the AML/CFT system.

264. As part of this strengthening of its working model, the FIU has issued instructions, manuals and guidance for internal use in the processing and analysis of information, as well as others aimed at REs to improve data reception and quality processes. However, due to the recent implementation of these guidelines, the assessment team notes that they are still in a process of adaptation and, in some cases, are still under revision and adjustment, so that their application in practice is not yet consolidated. Nevertheless, the assessment team underlines the importance of these measures for improving the effectiveness of the AML/CFT system.

265. Therefore, the assessment team recognises that the measures taken by the FIU have strengthened its operational capacity, but considers that there is room for improvement in order to make better use of the financial intelligence generated by the FIU in the ML/TF investigations conducted by the FGR. This is due to the challenges faced by the FIU in terms of the information it uses in its analysis, such as STRs and other regulated reports, which are still in the process of being improved in terms of data quality and which are not yet reported by some relevant sectors. Similarly, certain limitations have been identified in obtaining adequate, accurate and up-to-date information from some databases, which are of great importance for intelligence analysis and for the FIU's contribution to the FGR's investigations.

266. With regard to the reports submitted to the competent authorities, they were found to be inconsistent with the main ML threats identified by the country, and there is no evidence that they address the crime of TF, as there is a general limited understanding of TF risks by the REs and law enforcement authorities, and because they identify opportunities for improvement in the processes of prioritisation and referral of TF cases, which affects intelligence analysis and the timely identification of threats posed by this crime, which has a damaging impact at the international level.

267. Based on the above, the assessment team concludes that **El Salvador still needs to make significant improvements and has a moderate level of effectiveness in Immediate Outcome 6.**

Immediate Outcome 7 (ML investigation and prosecution)

ML identification and investigation

268. El Salvador has a criminal legal system for the investigation, prosecution and sanctioning of money laundering. Within this legal framework, there are general criminal laws contained in the CC, the Code of Criminal Procedure (CCP) and special laws aimed at preventing, detecting and sanctioning money laundering, including the LCLDA and the Special Law on Assets Forfeiture and the Administration of Assets of Illegal Origin or Destination (LED). Under the Constitution, the Public Ministry, through the FGR, is responsible, among other things, for promoting the democratic exercise of criminal prosecution, either ex officio or at the request of a party. El Salvador has a mixed, accusatory procedural system.

269. The FGR has set up public prosecutor's offices to better coordinate the necessary actions in relation to the incidence of crime in the country, in particular crimes considered as ML threats. These include the Deputy Prosecutor's Office for Organised Crime and Corruption, which is responsible for coordinating the work of the specialised units against money laundering, drug trafficking, illicit trafficking in persons and trafficking in persons for sexual exploitation, corruption, car theft and robbery, asset forfeiture, extortion and organised crime, anti-gang crime, homicide and missing persons.

270. With regard to these specialised units of the FGR, based on the data provided by the country, an increase in the allocation of their staff is observed in the period 2019-2023; the assessment team also had access to statistical data on training received in the areas of ML, AF, TF and financial analysis.

Table 3.15 - Staff allocated to specialised units

UNIT	YEAR 2019	YEAR 2020	YEAR 2021	YEAR 2022	YEAR 2023 Sep.
Intellectual Property and Private Property Crimes Prosecution Unit	203	203	211	220	241
State Penitentiary Service	*24*	*49*	*21*	*23*	*25*
Specialised Corruption Prosecution Unit	19	23	21	28	34
Specialised Drug Trafficking Prosecution Unit	37	36	36	39	39
Specialised Anti-Gang and Homicide Crimes Prosecution Unit	27	27	23	23	21
Specialised Anti-Money Laundering Prosecution Unit	47	43	37	52	47
Specialised Illegal Trafficking in Persons Prosecution Unit	19	18	13	20	20
Specialised Assets Forfeiture Prosecution Unit	38	36	36	42	40
Specialised Extortion and Organised Crime Prosecution Unit	21	22	18	15	11

FINANCIAL INVESTIGATION AGENCY	21	20	17	37	40
Total	456	477	433	499	518

Source: FGR

Table 3.16 - Training received on money laundering, assets forfeiture, terrorist financing and financial analysis

Year	Number of trainings	Targeted personnel
2019	22	407
2020	5	198
2021	7	99
2022	8	86
2023	2	51

Source: FGR

271. In order to address the problems posed by crime in general and its specific manifestations, including ML, the FGR has formulated a Criminal Procedure Policy, in accordance with the budgetary and resource limitations of the institution, in order to achieve the objectives of this policy, which provides guidelines for operational implementation, focusing mainly on the investment of resources for investigation and prosecution. It provides for ordinary or abbreviated proceedings and the use of the opportunity criterion for organised crime offences, while for conventional offences of minor importance, and under certain circumstances, it provides for the application of alternative solutions such as mediation, conditional suspension of proceedings, payment of fines, among others.

272. In this respect, in order to concentrate resources on high or medium serious crimes that affect fundamental rights or seriously undermine the public interest, consideration is given, inter alia, to whether the national economy is affected or whether the facts are related to organised crime or corruption. In this regard, the Attorney General of the Republic issued Agreement No. 436 “Guidelines for the Investigative Approach” of 21 August 2023, which provides guidelines for ML investigations, including guidance on the sources of information to be consulted by prosecutors and guidelines for parallel financial investigations. However, this agreement has only recently been adopted and is still being implemented by the specialised units, so that parallel financial investigations are still limited.

273. The FGR has also formulated a National Strategy for the Prevention of Money Laundering and the Financing of Terrorism for the period 2023-2025, which includes 6 main lines of action. With regard to the control and monitoring of the implementation of the actions of the aforementioned strategy, during the on-site visit the assessment team had access to the progress of the actions designed to achieve its objectives by means of a manual control using an Excel spreadsheet.

274. With regard to the system for controlling, monitoring and updating the information in the FGR’s database, the Automated Information and Management System for the Prosecution Process (SIGAP) has been implemented, which is updated by the staff of the FGR’s offices with regard to the scheduling, conduct of proceedings, results and other statistical data, which are verified by each head of department to ensure that the information contained in the physical files is included in the digital file kept in the system, which

helps to optimise time and avoid reprocessing when accessing information through the established security channels.

275. The Specialised Anti-Money Laundering Prosecution Unit (UECLA) is responsible for directing and promoting the prosecution of offences under the LCLDA, receiving and investigating complaints from any authority or public official regarding activities related to this offence. The UECLA has territorial competence at national level.

276. With regard to the development of articulated work between the special units of the FGR and other law enforcement agencies, the assessment team was able to confirm that there is an institutional commitment to improve inter-agency coordination and cooperation through the participation of some working groups. Likewise, communication channels have been created for requests for information, through the exercise of the FGR's powers through the use of "private electronic mail". In some cases, however, there are no cooperation agreements for the exchange of information, which would allow more effective development of the coordinated work mentioned above.

277. Similarly, the FGR exercises functional control over the PNC, which is the state body attached to the Ministry of Justice and Security in charge of public security in El Salvador.

278. In order to exercise its powers, the PNC has a hierarchical organisational structure comprising, among others, the Directorate-General, the Deputy Directorate-General, the Sub-Directorates, the General Inspectorate, the Technical Council, the Police Intelligence Centre and the Internal Audit Unit. With regard to the Deputy Directorate General, it will coordinate the specialised Sub-Directorates, of which we can mention the following: Public Security, Investigations, Specialised Operational Areas, Land Transport, Rural Police and Financial Administration, which are responsible for evaluating the implementation of police strategies and crime prevention plans, planning, coordinating, evaluating and analysing the results of the operational plans and programmes of the Delegations, the latter being the ones that ensure public security in the territorial jurisdiction through operational plans and programmes. With regard to support for investigations related to money laundering offences, the PNC has the Corruption Information Analysis Division (DAISC), the Specialised Anti-Corruption Investigation Division (DEICC), the Asset Forfeiture and Financial Crimes Investigation Division (DIPEDDF), staffed with operational and financial analysts and investigators.

279. Although the crime of money laundering can be investigated with the support of the DAISC, DEICC and/or DIPEDDF, at the time of the on-site visit the PNC did not have a specific or specialised money laundering unit. In this regard, the assessment team identified opportunities for improvement in the level of specialisation of police personnel to identify complex ML manoeuvres, particularly in relation to the use of new or evolving technologies, the use of virtual assets, etc.

280. Regarding the PNC's assistance in a criminal investigation related to ML predicate offences, the country provided the number of arrests related to the main ML threats of the NRA 2017 - 2021, as detailed below:

Table 3.17 - Training received on money laundering, assets forfeiture, terrorist financing and financial analysis

Predicate offence	2019	2020	2021	2022	2023	Total
Extortion	1,924	1,434	1,510	1,339	1,009	**7,216**
Illicit trafficking in persons	156	99	113	153	139	**660**
Embezzlement	40	9	4	15	27	**95**
Proper bribery	19	9	14	7	5	**54**
Smuggling of goods	249	230	233	218	234	**1,164**

Source: PNC

281. The PNC has ordinary and regulatory norms that allow for the joint work of the different units and dependencies that make up its organisational structure. Likewise, for the development of coordinated work with other institutions, the PNC has signed cooperation agreements and protocols whose objective is to provide inter-institutional coordination and articulation mechanisms to guarantee greater effectiveness in the development of the functions of this Institution and other authorities, among which we can mention the Framework Agreement for Inter-institutional Cooperation between the Ministry of Justice and Public Security and the Autonomous Port Executive Commission, the Inter-institutional Cooperation Agreement between the PNC of El Salvador and the Maritime Port Authority, the Inter-institutional Cooperation Agreement between the Ministry of National Defence, the Ministry of Justice and Public Security through the General Directorate of Immigration and Foreign Citizens, the PNC, the Vice-Ministry of Transport and the Ministry of Finance, through the DGA.

282. With regard to the allocation of human resources to support the investigation of ML predicate offences, the PNC has a total of 962 staff distributed among the different specialised units, of which 67 are assigned to the specialised unit against corruption, asset forfeiture and financial crimes and the corruption analysis unit. In addition, the PNC has a Special Investigation Methods Unit, which has contributed to successful ML cases.

Table 3.18 - Special investigative techniques used in ML investigations

Technique used	2019	2020	2021	2022	2023	Total
Interception of communications	4	3	0	5	0	12
Access to computer systems				2		2
Controlled delivery				1		1
Undercover agent	1	0	0	2	1	4
Testifying witness	2			1		3
Special expertise work	2			2		4

Source: FGR

283. In addition, the PNC has tools to support police operations, including internal and external information databases and networked information processing systems. In terms of international cooperation, the PNC has an Interpol Salvador National Central Bureau, which receives various notifications classified according to the statutes of this organisation and allows for greater effectiveness in identifying threats to public security.

284. Finally, on the basis of the data provided by the country and the information analysed by the assessment team, the PNC has developed and strengthened its capacity to combat criminal structures and organised crime through the provision of financial, human and technological resources, technical training and the development of coordinated work focused mainly on public security and, to a lesser extent, on investigating organised crime.

285. ML investigations are generally initiated through 6 different mechanisms: a. financial intelligence reports; ii. Parallel financial investigations; iii. Complaints/notices; iv. Probity notices; v. Flagrancy; vi. International cooperation.

Table 3.19 - Sources of investigations between 2019 and 2023 (Art. 4 LCLDA)

Source	No. of ML/TF investigations
Financial intelligence reports	**38**
Parallel financial investigations	**43**
Complaints/notices	**41**
Probity	**26**
Flagrancy	**70**
International cooperation	**0**

Source: FGR

286. According to the statistical data provided by the authorities, between 2019 and 2021 regarding the ML cases under article 4 of the LCLDA, the FGR initiated a total of 38 ML investigations from the FIU, the body responsible for producing financial intelligence from the result of the analysis of the information contained in the STRs, as well as that information to which it has access directly or upon request from various information sources; the above considering that, by law, the FIU has direct or electronic access to the databases of state agencies and institutions, in particular the Ministry of Finance, the Central Reserve Bank, among others.

287. With regard to parallel financial investigations, the FGR, through its specialised units, can either conduct the investigation of ML-related offences during a parallel investigation or refer the case to the UECLA.

288. However, in the period 2019-2023, it was not possible to identify the implementation of an inter-agency policy of parallel financial investigations, based on investigations of predicate offences, leading to investigations of ML, which has limited the identification of the proceeds of crime, the tracing of assets and

the initiation of confiscation measures, as well as the identification of structures and economies linked to transnational networks and criminal patterns.

289. Nevertheless, the National Strategy for the Prevention of Money Laundering and the Financing of Terrorism - El Salvador 2023 - 2025, elaborated under the national coordination of the FIU and the FGR, provides in strategic pillar 3: "National Cooperation" Objective 9, the development of inter-institutional policies related to the development of these types of investigations.

290. In addition, based on Agreement No. 436 "Guidelines for the Investigative Approach" of 21 August 2023, it is established, among other aspects, that in order to prosecute assets derived from illicit activities, the Chief Public Prosecutor or the Assistant Public Prosecutor shall initiate an asset investigation to determine the existence of indications of the crime of money laundering. To this end, the staff of the specialised units may, with the approval of the Head of the Specialised Prosecution Unit, initiate an investigation or, in the case of complex investigations, inform the Deputy Prosecutor against Corruption and Organised Crime through the established channels, authorise the designation of the file to the UECLA, which may resume the investigation or, where appropriate, authorise joint investigative work.

291. In addition, the FGR has initiated investigations on the basis of reports from other law enforcement or other authorities, when it has detected the possible commission of an illegal act; in this regard, the work of the Probity Section of the Supreme Court of Justice stands out, which is responsible for receiving, analysing and verifying the declarations of assets submitted by public officials, authorities or public employees upon leaving office, and which can initiate a civil or criminal asset investigation for illicit enrichment. In the first case, the investigation is aimed at compensating for the unjustified increase in assets, while if there are indications that another offence has been committed, the Plenary of the CSJ will issue a final decision and order the certification of the file to be referred to the FGR.

Table 3.20 - Investigation cases closed by the CSJ Probity Section 2019 to 2023

Institution	Date of resolution	Status	Observed amount*
Presidency of the Republic	28/09/2023	Sent to the Civil Chamber	308,252.08
Legislative Assembly	21/09/2023	Sent to the Civil Chamber	2,316,270,16
Legislative Assembly	14/09/2023	Sent to the Civil Chamber	862,854.69
Legislative Assembly	24/08/2023	Sent to the Civil Chamber	2,153,954.62
Legislative Assembly	31/01/2023	Sent to the Civil Chamber	99,858.24
Legislative Assembly	27/01/2023	Sent to the Civil Chamber	200,885.01
Presidency of the Republic	N/A	Sent to the FGR	4,482,885.72
Legislative Assembly	30/07/2019	Sent to the Civil Chamber	373,183.09

**Amount in USD*

292. Similarly, the Ministry of Finance, faced with the possible commission of tax crimes, has filed reports with the FGR, of which some cases have been prosecuted; however, during the on-site visit and based on the documentation provided by the country, the assessment team did not find significant evidence of the development of ML investigations into these crimes.

Box 3.3 - Investigation initiated by notices

Case: 'MGS'
A group of 4 individuals were involved in defrauding approximately 62,000 victims through an online investment platform that offered attractive returns for an initial payment of USD 20.00 under the concept of Bitcoin Membership.
In this case, the SSF carried out an on-site visit and came to the following conclusions:

- The operational characteristics of the platform are consistent with multi-level structures or Ponzi schemes, which in many cases have resulted in fraud against the public.
- MGS, S.A. de CV is registered with the BCR as a Bitcoin Service Provider under the heading of Bitcoin Payment Processing, which does not identify the activity of collecting funds from the public in any way within the platform's operations, for which the company is not authorised.

As a result of the information provided, an investigation was opened by the Specialised Anti-Money Laundering Prosecution Unit. The identified virtual assets are currently frozen in the digital wallets in which they were found.

293. It should also be noted that in addition to the ML offence, Salvadoran legislation also regulates the special cases of money laundering (article 5 LCLDA) and the transfer of money and assets (article 8-A LCLAD). In this sense, according to the information provided by the country, it was found that a significant percentage of ML investigations are initiated by the arrest of natural persons in flagrante delicto, special cases and transfer with a total of 47% of investigations for the period under assessment, through procedures carried out by the PNC and the work articulated with other authorities.

Table 3.21 ML in flagrante delicto investigations 2019 to 2023

Crime	2019	2020	2021	2022	2023 Dec
Special cases of money and asset laundering (Article 5 LCLDA)	25	26	34	60	31
Transfer of money and assets (Article 8-A LCLDA)	6	4	1	3	1
Total	**60**	**83**	**74**	**110**	**77**

294. In this respect, the assessment team had access to a conviction resulting from a special ML case initiated in flagrante delicto, in which cash and mobile phones were seized and which led to an ML investigation in relation to the use of virtual assets. Notwithstanding the above, the PNC's lack of specialised resources, technical training and an inter-institutional policy for the development of ML investigations could hamper the work of financial investigations or complex ML manoeuvres when arresting a person in flagrante delicto.

295. According to the NRA 2017 - 2021, El Salvador has identified a high level of effectiveness of international cooperation through MLA and other forms of cooperation it provides and requests from jurisdictions, foreign counterparts and other competent authorities. Similarly, the FGR may initiate an investigation based on requests for international cooperation. However, during the on-site visit, it was not possible to identify the prosecution of ML cases based on passive MLA, which were generally limited to tracing, freezing of proceeds, location, identification of the accused, questioning of witnesses, and other forms of assistance permitted under national and international rules.

296. In addition to the above, the following data on investigations, prosecutions and ML convictions were recorded during the reporting period:

Table 3.22 - ML investigations per year

Crime	2019	2020	2021	2022	2023 Dec	Total	Average per year
Money and Asset Laundering (article 4 LCLDA)	29	53	39	47	45	213	42.6
Special cases of money and asset laundering (Article 5 LCLDA)	25	26	34	60	31	176	35.2
Transfer of money and assets (Article 8-A LCLDA)	6	4	1	3	1	15	3
Total	**60**	**83**	**74**	**110**	**77**	**404**	**80,8**

Source: FGR

Table 3.23 - ML prosecutions per year

Crime	2019	2020	2021	2022	2023 Dec	Total	Average per year
Money and Asset Laundering (article 4 LCLDA)	7	6	7	9	6	35	7
Special cases of money and asset laundering (Article 5 LCLDA)	23	24	25	44	27	143	24
Transfer of money and assets (Article 8-A LCLDA)	0	3	0	3	1	7	1
Total	**30**	**33**	**32**	**56**	**34**	**185**	**32**

Source: FGR

Table 3.24 - ML Convictions per year

Crime	2019	2020	2021	2022	2023 Dec	Total	Average per year
Money and Asset Laundering (article 4 LCLDA)	2	1	5	9	6	23	4.6
Special cases of money and asset laundering (Article 5 LCLDA)	6	7	18	14	16	61	12.2
Transfer of money and assets (Article 8-A LCLDA)	1	3	0	1	3	8	1.6
Total	**9**	**11**	**23**	**24**	**25**	**92**	**18.4**

Source: FGR

297. During the period under review, 404 ML investigations were opened, 185 prosecutions and 92 convictions were achieved. Overall, the number of convictions obtained looks reasonable, with a ratio of 57.5% compared to the number of prosecutions. However, there is still room for improvement as the percentage of convictions compared to the number of investigations is around 23%.

298. El Salvador has some system in place to detect and prosecute money laundering cases, but there are limitations to the development and initiation of parallel financial investigations and international cooperation.

Consistency of ML investigations and prosecutions with threats, risk profile and national AML policies.

299. According to the NRA 2027 - 2021, El Salvador has identified the following main ML threats: aggravated extortion, illicit drug trafficking and trafficking in persons (high risk); embezzlement, proper bribery and smuggling of goods (medium/high risk); fraudulent administration, car theft and robbery (medium risk); and finally tax evasion, illicit negotiations, illicit enrichment, firearms trafficking and trafficking in persons for sexual exploitation (medium/low risk). This takes into account the frequency of these crimes and the number of cases initiated, prosecuted and convicted.

300. It is worth noting that some threats have changed in terms of incidence compared to the period analysed in the country's NRA, some threats have changed in terms of their incidence, in particular the predicate offence of extortion by gangs, which have decreased as a result of the effectiveness of policies and the fight against these local criminal groups. At the same time, the NRA identifies the crime of fraud as an emerging threat.

301. Between 2019 and 2023, 18,439 cases were opened for ML predicate offences, as detailed in the table below:

Table 3.25 - ML investigations by associated predicate offence for the period 2019-2023

Predicate offen5es (article 6 of the LD)	No. of cases	% per article
Aggravated extortion (article 3 LEDE)	4,614	25.02%
Proper Bribery (article 330 CC)	214	1.16%
Improper bribery (article 331 CC)	73	0.40%
Illicit trafficking (article 33 LRARD)	3,616	19.61%
Illicit trafficking in persons	1,912	10.37%
Smuggling of goods (article 15 LESIA)	924	5.01%
Car Robbery (article 214-F CC)	1,443	7.83%
Car Theft (article 214-D CC)	4,032	21.87%
Embezzlement (article 325 CC)	403	2.19%

Administrative fraud (article 218 CC)	562	3.05%
Illicit firearms trafficking (article 347 CC)	102	0.55%
Trafficking in Persons for Sexual Exploitation	222	1.20%
Tax Evasion (article 249 CC)	193	1.05%
Illicit negotiations (article 328 CC)	67	0.36%
Illicit enrichment (article 333 CC)	62	0.34%
Total:	**6,224**	**100%**

Source: FGR

302. In this regard, and based on the functional direction of the FGR via the PNC, the assessment team had access to information on articulated work resulting in investigations for predicate offences identified as key ML/TF threats in accordance with the NRA ML/TF 2017 - 2021, as detailed below:

Box 3.4 - PNC investigations into offences of smuggling and trafficking in persons and ML

Case: **Ahuachapán DICT**

Year 2021.

The Transnational Criminal Investigation Department investigated the transnational organised crime structure dedicated to trafficking in persons and money laundering, led by JNRV, a well-known politician in western El Salvador, who organised operations in this area to commit crimes, particularly in San Francisco Menéndez, Ahuachapán.

As a result of the police investigation, with the assistance of other authorities, 29 raids were carried out, 22 arrests were made with administrative orders, 99 properties were forfeited and cash (USD 15,228.00) and 12 vehicles were seized, among other things.

Source: PNC

303. Among the investigations initiated by the FGR for ML predicate offences, the incidence of the crime of aggravated extortion stands out, with a total of 4,614 cases initiated; however, a significant decrease can be observed from 2019 to 2023, due to the effectiveness of the measures implemented by the law enforcement authorities, in particular the 'Territorial Control Plan'.

304. In terms of predicate offences associated with ML convictions, trafficking in persons is the most common, followed by computer-related theft, extortion and unlawful association.

Table 3.26 - Associated predicate offences in ML convictions

Predicate offences (article 6 of the LD)	No. of cases	% per article
Extortion	3	15.8%

Illicit trafficking	7	36.8%
Embezzlement	1	5.3%
Unlawful association	2	10.5%
Active bribery	1	5.3%
Computer-related theft	5	26.3%
Total:	**19**	**100%**

Source: FGR

305. Between 2019 and 2023, 29 natural persons were convicted of money laundering in special cases. With regard to legal persons, the NRA identified them in money laundering schemes, in particular variable capital companies used as corporate vehicles for money laundering, which were identified as medium ML risk. In El Salvador, legal persons are immune from liability; however, the assessment team had access to evidence of cases where legal persons involved in ML cases had been sentenced to pay a special civil liability fine.

306. In this respect, there is a reasonable consistency between the high threats identified in the NRA 2017 - 2021, since of the number of investigations in the period 2019 - 2023, it can be concluded that 25.02% correspond to extortion, 19.61% to illegal trafficking, 10.37% to illegal trafficking in persons and 5.01% to smuggling of goods. However, in the case of embezzlement and proper bribery, the latter of which is considered a medium/high threat, they have an incidence of less than 2.5%, reflecting an insignificant number of cases.

307. Furthermore, the ML convictions for associated predicate offence based on Art. 6 of the LCLDA largely reflect the main threats in the country, with 36.8% for trafficking, 15.8% for extortion and 5.3% for embezzlement and active bribery. Similarly, 26.3% of convictions for computer related theft correspond to 26.3% of convictions for fraud. However, there is a certain asymmetry between the universe of investigations and prosecutions for predicate offences and the investigations and prosecutions for money laundering.

308. With regard to crimes related to spatial planning, protection of natural resources and the environment, according to the NRA 2017 - 2021, the environmental risk has been assessed and identified as an emerging threat with high vulnerability; however, although these crimes are ML predicate offences, no parallel financial investigations for ML have been promoted, nor have any prosecutions or convictions been obtained.

309. It can therefore be concluded that El Salvador is generally investigating and prosecuting ML to a degree commensurate with its risk profile, although there is room for improvement in the investigation of ML related to corruption and environmental crimes.

Types of ML cases prosecuted

310. As indicated above, among the types of ML investigated, cases of self-laundering predominate, but there are also identified cases of stand-alone ML, which is not formally defined but is investigated, prosecuted and sentenced independently of the offence in question, and others where the offences were committed by third parties.

Box 3.5 - Case of self-laundering

Case: 'Former President of the Republic EASG' - Year: 2019
The investigation was initiated following a resolution of the Plenary of the CSJ declaring that there were indications of illicit enrichment in the declaration of assets of the former President of the Republic, which pointed to the possible commission of the offence of money laundering, as a result of inconsistencies identified by the CSJ's Probity Department regarding a significant increase in income and profits in the declarations of the accused and related companies.
According to the investigation carried out, Mr EASG and other government officials, during his presidential term, appropriated public funds from the Presidency of the Republic, through institutional accounts fed by funds transferred by the Ministry of Finance, by issuing cheques for up to USD 300,347,117.17, which were paid into the companies in question.
The conviction imposed 10-year prison sentences on those responsible for the crime of embezzlement and ML of more than USD 300 million in state funds, which are subject to confiscation. The freezing of property includes: 32 real estate properties and 63 vehicles.

Box 3.6 - Case of ML committed by a third party

Case: Security Minister RMFF. Year: 2021.
The investigation was initiated following a resolution of the Plenary of the CSJ, which declared that there were indications of illicit enrichment in the declaration of assets submitted by Mr RMFF, in which it was declared that there were indications of illicit enrichment in his capacity as Minister of Public Security and Justice for the period 2007-2009, following the identification of inconsistencies by the Probity Department of the aforementioned court.
Mr RMFF served as Vice-Minister of the Interior and Minister of Security and Justice, during which time his wealth increased considerably, including through cheques issued in his name without justification by the former President of El Salvador, EASG, and cash of unknown origin. From this account, the accused, together with his wife, CCAF, and in order to give the ill-gotten gains the appearance of legality, made cash deposits in their personal accounts, using their trusted employees, obtained personal and mortgage loans paid in advance, bought property and created companies which they used to commit the crime of money laundering.
The judgment imposed a three-year suspended sentence and ordered Mr RMFF and his wife to pay USD 1.5 million and USD 360,000 respectively.

Case 3.7 - ML case involving fraud and an international cooperation component

Case: 'Colombian' Year 2020 – 2023.
The FGR launched an investigation against 151 people, 71 of whom were charged with belonging to a criminal organisation involved in fraud and money laundering.
According to the FGR, the organisation was made up of people of different nationalities, including Salvadorans, Colombians, Argentinians, Guatemalans and others, who committed transnational crimes such as fraud, illegal association, computer theft and the proceeds of extortion and drug trafficking. The structure was hierarchical, with defined functions and roles, including: administrators, coordinators, supervisors, collectors; it also used third parties, usually Salvadorans, which made it difficult to identify the real members of the structure.

During the development of its criminal activities, the structure deposited the proceeds of crime in the financial system, sending money to Colombia through third parties hired for this purpose, with small amounts to avoid detection, which were received by third parties; the use of the illicit proceeds was for personal benefit or for the benefit of the criminal organisation: 1. They used the money to make small personal loans to the informal sector, 'drop by drop'; and, 2. Financing travel, rent, membership fees, property purchases, etc.
To develop the investigation, joint actions were coordinated with the Central Investigation Department of the PNC, the General Directorate of Immigration and Foreign Citizens, the Salvadoran Banking Association and the FIU; international cooperation was also requested through the Directorate of International Affairs of the FGR, the FIU.
The case is currently at the pre-trial stage and there is a request for an expedited trial for 40 people.

Box 3.8 - Case of stand-alone ML and committed by a third party

Case: BH - Year 2020.
In this case, 2 persons are provisionally charged with the crime of money laundering to the detriment of the socio-economic order, as provided for and punished by Article 4 of the LAC, and 2 persons as necessary accomplices to the crime of embezzlement, which was the result of the technical analysis carried out on the budgetary and financial management of the monetary resources allocated to the Presidency of the Republic. It was established that the accused participated in the appropriation of public funds from the budget of the Presidency of the Republic and that they were deposited in a bank of the system. Subsequently, with the prior approval of the MF, funds amounting to USD 677,418,176.76 were transferred from an account. 50.92% of the funds were transferred to personal accounts at the BH as "reserved expenses and transport".
As a result of the prosecution of the case, 3 persons were convicted in an expedited trial and sentenced to 5 years and 8 months imprisonment and civil liability of between USD 64,500 and USD 78,500.

311. Furthermore, an analysis of the legal framework of the convictions obtained during the reporting period shows that 23 convictions were obtained under article 4 of the LCDA, 61 under art. 5 of the LCDA (special cases of ML) and 8 under article 8-A of the LCDA (transfer of money and assets). As a result, 75% of the cases sanctioned are flagrante delicto offences (money laundering) or possession of the proceeds of crime (so-called "special cases"). This means that the majority of ML convictions are for simple ML cases, while more complex ML cases account for 25% of the total.

312. With regard to the type of ML investigated and prosecuted, taking into account the period 2019 - 2023, it can be seen that of the 92 convictions, 61 are for self-laundering; 12 are for sentences where the facts include convictions for self-laundering but also for ML of third parties in relation to the predicate offence; 19 are for convictions for ML where the predicate offence was committed abroad. Similarly, while some convictions have been obtained in complex cases, the majority of convictions are for flagrante delicto or possession of the proceeds of crime, which are the simplest ML schemes. On the basis of the above, it can be concluded that the country is doing a lot of investigation on the different types of ML.

Effectiveness, proportionality and dissuasiveness of sanctions

313. With regard to sanctions for natural persons, for the "basic" ML offence, article 4 of the LCLDA provides that *"Whoever, inside or outside the country, has participated in the commission of such criminal activities, shall be punished with imprisonment from five to fifteen years and a fine from fifty to two thousand five hundred minimum monthly wages for commerce, industry and services in force at the time the corresponding sentence is pronounced"*; the special cases of ML, on the other hand, provide for imprisonment from eight to twelve years and a fine from fifty to 2,500 minimum monthly wages.

314. Therefore, the punishment for ML offences ranges from 5 to 15 years. According to the data provided by the country on ML convictions, the lowest sentence applied was 1 year and the highest was between 10 and 12 years, of which 45 persons were sentenced to between 1- and 3-years' imprisonment, 23 persons to between 3- and 5-years' imprisonment and 18 persons to more than 5 years' imprisonment.

Table 3.27 - Range of imprisonment for ML 2019 - 2023

Range of imprisonment for ML	People convicted	Percentage
From 1 to 3 years	45	61.70
More than 3 years up to 5 years	23	10.64
More than 5 years up to 10 years	17	25.53
More than 10 years	1	2.13
Total	**86**	**100%**

315. In this respect, a significant number of ML convictions resulted in sentences of less than 3 years' imprisonment, representing 61.70% of the convictions in line with the FGR's Criminal Procedure Policy, relating to cases of ML in flagrante delicto or special cases of ML (possession).

316. This could be a reflection of the implementation of the above-mentioned policy, in which the various guidelines, in particular with regard to organised crime, corruption or common crimes of medium or high seriousness, provide for the use of the trial and the expedited procedure, as well as the use of the opportunity criterion for effective cooperation. This is without prejudice to the application of other accessory sanctions provided for in the CCP.

317. On the basis of the above, it is considered that ML sanctions are to some extent effective, proportionate and dissuasive, although there is room for improvement in the application of sanctions in complex or large-scale ML investigations as a result of criminal proceedings.

318. With regard to the liability of legal persons in El Salvador, they are not imputable, since the legal system provides for a complementary procedure in which sanctions are applied to persons over the age of 18 who agreed to or carried out the act constituting ML. The assessment team also had access to cases involving legal persons who had been fined under a special subsidiary civil liability regime or whose legal personality had been dissolved as a result of a judgment.

Box 3.9 - Liability of a legal person

Abridged declaratory proceedings for the dissolution and liquidation of a company (2023).

The company 'Bonilla Saravia, Sociedad Anónima de Capital Variable, abbreviated to BOSA, S.A. de C.V.', legally constituted by a married couple, whose corporate purpose was related to legitimate commerce, was used as a front for the commission of crimes that, according to its accounts, generated cash flows in financial institutions of up to USD 19,572,215.33. By simulating the acquisition and granting of loans, illicit funds were introduced into the financial system by means of the operation of cancelling the loans before the agreed deadlines, without identifying any real ability to pay. This made it possible to establish that financial products had been fraudulently acquired, thus fulfilling the basic elements of unjustified enrichment.
The company was dissolved and ordered to pay the costs of the proceedings.

319. Finally, with regard to the effectiveness, proportionality and dissuasiveness of the penalties, although there are penalties of more than 5 years' imprisonment, most of the penalties applied exclusively for ML convictions do not exceed 3 years' effective imprisonment; therefore, the penalties applied are effective, proportionate and dissuasive to a certain extent.

Use of alternative measures

320. In the event that criminal proceedings do not result in a conviction and the consequent penalty of confiscation of the effects and instruments, it is possible to dispose of the property through the application of the asset forfeiture procedure, based on the special law that will apply to assets of illicit use or economic interest located inside or outside the national territory.

321. In this sense, it should be noted that the law provides for various assumptions, including that the action of forfeiture will be applied to abandoned property. This will be applied when it has not been possible to establish the identity of the owner and when there is sufficient and probable information that they are directly or indirectly related to an illegal activity. It may be exercised once the specified period (30 working days) has elapsed, or where, once the process has been completed, they have not been claimed. In addition, the measure will be applied more broadly to the property described in the Regulation's budgets and derived from or intended for activities linked to or connected with organised crime, criminal gangs, criminal groups, associations and organisations, among others.

Table 3.28 - Convictions in civil cases of illicit enrichment of public officials

Year	Restitution sentences (USD)
2021	1,839,188.19
2022	460,275.39
2023	147,690.41
Total:	9,465,600.77

Source: FGR.

322. In addition, the FGR has implemented a Criminal Procedure Policy which, within the framework of 'alternative measures used', seeks to ensure the effective investigation of criminal offences, whether through the use of alternative measures or criminal proceedings, based on adequate and timely action as part of the justice sector in a state of law based on objectivity, rationality and proportionality.

323. For this reason, the implemented policy develops guidelines for the fight against crime at the operational level, among which: the first line of action refers to the fight against crime deriving from the activities of organised crime, terrorist groups, *maras* or gangs; the second line of action refers to conventional crime, whether it causes low, medium or high social damage; and finally, a third line of action specifically for the protection of fundamental and special rights of persons or groups in vulnerable situations.

324. In this order of ideas, the ordinary and expedited procedures, as well as the use of the opportunity criterion for effective cooperation, are foreseen for offences involving organised crime, corruption or common crimes of medium or high seriousness. For low-level conventional crimes, where the perpetrators do not have a criminal record and are not gang members, alternative solutions are provided, such as mediation, conditional suspension of proceedings, payment of fines, among others, so that El Salvador has largely implemented alternative measures in the absence of a conviction in a ML case.

Conclusions on Immediate Outcome 7

325. El Salvador has an adequate legal system that allows the development of ML investigations through the various specialised units of the FGR, in particular the Specialised Anti-Money Laundering Prosecution Unit (UECLA), which has highly qualified personnel specialised in investigative techniques. In addition, the inter-institutional coordination with other authorities, including the FIU and the subordinate work of the PNC, is noteworthy and has led to successful cases. It can be seen that the FGR has a good understanding of the ML risks and uses various sources of information in its investigative work, resulting in ML convictions for the predicate offences and, to some extent, in ML convictions. In addition, sanctions have been applied to natural persons and, in the case of legal persons, civil sanctions and, where appropriate, the loss of legal personality.

326. However, there are limitations in terms of effectiveness. On the one hand, more in-depth investigative work is required in complex ML investigations stemming from financial intelligence reports. There are also some inconsistencies between the country risk profile and the results, with a small number of investigations in relation to corruption, environmental crime and emerging threats such as fraud. There is also a need to implement a criminal policy aimed at parallel financial investigations, as well as the allocation of resources, training and the development and implementation of multidisciplinary working groups. In addition, a large number of sanctions imposed on natural persons are less than 5 years' imprisonment due to the nature of the investigation, which affects their dissuasiveness, proportionality and effectiveness.

327. On the basis of the above, **El Salvador has a moderate level of effectiveness for Immediate Outcome 7.**

Immediate Outcome 8 (confiscation)

Confiscation of proceeds, instrumentalities and property of equivalent value as a policy objective

328. El Salvador has a regulatory framework to deprive criminals of the proceeds and instrumentalities of crime, based on two mechanisms: confiscation and assets forfeiture. While confiscation is the result of a

criminal conviction, asset forfeiture is a separate process, independent of criminal proceedings, and applies to illicit assets in general (unlawfully obtained assets).

329. Unlike confiscation, asset forfeiture does not require proof of a predicate offence or prior conviction and is governed by the principle of the dynamic burden of proof, which implies a more flexible standard of proof. Assets forfeiture does not pursue persons but assets. It is a stand-alone procedure, so its promotion is independent of ML cases or criminal investigations, although criminal investigations may trigger asset forfeiture actions.

330. Assets forfeiture is the predominant mechanism for the recovery of assets of illicit origin in El Salvador. Law enforcement authorities have made a strategic decision to prioritise the pursuit of criminal assets through this method because of its characteristics, which allow for greater and faster results than confiscation.

331. The country has a Criminal Procedure Policy, issued by the FGR in 2017, which provides for the first line of action against crimes stemming from organised crime activities, terrorist groups, gangs and acts of corruption. The policy also includes strengthening alternative measures to confiscation through independent procedures, such as asset forfeiture. In particular, article 23 of the Procedure Policy stipulates that, once the existence of property liable to forfeiture has been established, the relevant specialised prosecution unit must notify the specialised AF prosecution unit of the FGR so that it can take action.

332. At the operational level, it should be noted that both the PNC and the FGR have specialised asset forfeiture units that carry out property investigations, and the FGR promotes this type of process. There is also a special court for the confiscation of assets, which deals with such cases. Accordingly, an operational framework for asset recovery through asset forfeiture has been established. This system is complemented by the existence of a body responsible for the management and disposal of seized and forfeited assets, the CONAB, which operates under the Ministry of Justice and Public Security (but is made up of 6 institutions): Ministry of Justice, CSJ, FGR, Ministry of Defence, Ministry of Finance and PNC).

333. In addition, the FGR has issued guidelines aimed at strengthening joint action to combat crime and deprive criminals of the proceeds of crime. An example of this is Agreement 436 of August 2023 on Guidelines for the Investigation Approach, which provides for the investigation of property when determining the existence of property or real estate. It is also worth mentioning Agreement 588 of November 2023, which provides for synergetic working guidelines between the FIU and the operational units of the FGR.

334. On the basis of the material analysed and interviews with the competent authorities, the assessment team was able to ascertain that the deprivation of the proceeds of crime is a policy objective which is mainly channelled through asset forfeiture.

Confiscation of proceeds from foreign and domestic predicate offences, and proceeds located abroad

335. El Salvador has several specialised units, including the UECLA and the Specialised Asset Forfeiture Prosecution Unit (UFEED), which is replicated in the PNC, both of which are empowered to identify and

trace property subject to confiscation and asset forfeiture. Based on its investigative powers and the use of various tools, the FGR directs investigations and prosecutions and is responsible for requesting and executing precautionary measures or the seizure of instruments or proceeds of crime.

336. It was noted that law enforcement authorities are making significant efforts to identify, seize and forfeit illicit assets. Significant amounts of property have been seized in connection with ML and predicate offence cases and asset forfeiture proceedings and have been transferred to CONAB for management.

337. In terms of investigations and convictions obtained, the following data are presented, showing an increasing number of asset forfeiture sentences:

Table 3.29 - AF cases brought to court

Year	Court cases
2019	54
2020	54
2021	55
2022	60
2023	55
Total	278

Source: UFED FGR

Table 3.30 - Sentences obtained in assets forfeiture cases

Year	Convictions	Overturned convictions	Mixed sentences
2019	16	0	2
2020	11	2	2
2021	21	4	4
2022	21	11	2
2023	23	13	5
Total	92	30	15

Source: UFED FGR

338. Nevertheless, it is difficult to determine the total volume of seized and confiscated property, as there is no consolidated statistical system to provide accurate data and the data provided by the competent authorities vary. Nevertheless, the information analysed is included below:

Table 3.31 - Amounts of seized and forfeited property

Year	Seized property amount	Forfeited property amount
2019	$20,505,735.20	$369,219.48
2020	$12,478,401.51	$2,319,844.91
2021	$16,293,743.02	$1,276,383.36
2022	$4,590,961.80	$532,837.98

2023	$52,700.000	$887,631.28
Total	**$106.568.841,53**	**$5,385,917.01**

Source: CONAB

339. As can be seen from the table above, according to CONAB, during the period under review, precautionary measures were applied to properties valued at USD 106,568,841.53, while during the same period properties valued at a total of USD 5,385,917.01 were forfeited, which represents an average of 5.05% of the total value of properties under precautionary measures, which is a significantly lower percentage. In terms of forfeited properties, there were variations, with a peak in forfeited values in 2020, which reached USD 2,319,844.91, while in 2023 properties were forfeited for USD 887,631.28.

340. It should be noted that the variation resulting from the above data represents a contrast between the total value of assets seized and confiscated per year, but does not reflect a correlation between the assets seized in a particular case and those ultimately forfeited in the same case. An analysis of this situation shows that there is very little variation between the percentage of property seized and the percentage of property forfeited in a given case, which indicates that the percentage of property forfeited at the time of sentencing is generally close to the percentage of property seized, which is an indicator of the success of such proceedings (on average, 91.45% of the property seized in a given case is forfeited).

341. For example, if we compare seized assets with those forfeited in the same proceedings where a judgment was obtained, the figures are as follows:

Table 3.22 - Amounts of property seized vs. assets forfeited in convictions

Type of judgment	Number of Cases	Claim	Forfeited amount	Non-Forfeited amount
Forfeiture judgment	92	$2,470,012.10	$2,470,012.10	$0.00
Mixed forfeiture judgment	15	$3,054,342.61	$2,871,642.63	$182,699.71
Overturned conviction	30	$316,837.27	$ 0.00	$316,837.27
TOTAL	**137**	**$5,841,191.98**	**$5,341,654.73**	**$499,536.98**

342. The significant difference - or asymmetry - between amounts seized and amounts confiscated at the global level for each year can generally be explained by the existence of cases that have not yet been sentenced, either for procedural reasons or because a request for international cooperation is pending (there are cases that have been pending for up to four years without significant progress).

343. Although the volume of property seized is significant given the country's risk and context, the amount of assets forfeited is still limited, as, despite a the record in the amounts forfeited in 2020 over the period,

the average amount forfeited per year is around USD 1.000.000, which is relatively low given the significant threats the country faces.

344. For its part, CONAB is a public law body, which operates under the auspices of the MJSP. It should be noted that the Agency has had the capacity to receive and manage seized property of various types, such as movable and immovable property, as well as operating companies (described at the end of the Core Issue), of which it has had cases of successful management and profitability.

345. CONAB has policies and procedures for the development of its functions, as well as good practices to mitigate the risk of the same owners or related parties being those who, for example, lease or acquire movable or immovable property in processes that are exposed to the public. However, CONAB's resources are limited, given its increasing workload as a result of the growing amounts seized and forfeited each year.

Table 3.33 - Amounts of seized and forfeited property registered by the CONAB

Year	Type of Property	Total Seizures	Total Forfeiture
2019	Cash	$4,185,59360	$259,409.07
	Real estate	$8,634,594.38	$0.00
	Motor vehicles	$7,135,702.66	$108,810.41
	Livestock	0	$1,000.00
2020	Cash	$68,440.00	$506,505.68
	Real estate	$1,376,44757	$1,732,285.43
	Motor vehicles	$10,697,987.42	$81,053.80
	Livestock	$403,966.52	$582,901.68
2021	Cash	$3,564,059.13	$480,201.23
	Real estate	$11,734,023.27	$145,840.45
	Motor vehicles	0	$67,440.00
2022	Cash	$995,660.62	$147,960.33
	Real estate	$1,345,395.72	$288,004.36
	Motor vehicles	$2,508,606.35	$96,873.29
2023	Cash	$427,538.54	$630,229.35
	Real estate	$1,092,851.52	$108,387.57
	Motor vehicles	$1,651,594.57	$149,014.36
	Productive assets	$46,701,503.68	0
Overall Total		**$104,793,358.86**	**$5,385,917.01**

Source: CONAB

346. The CSJ also collects some statistical data on seized and forfeited property from the specialised court, but at a lower level of detail. In this respect, the following data were recorded for the period under review:

Table 3.34 - Number of assets seized (CSJ)

Proceedings brought in asset forfeiture applications

Type of Property	2019	2020	2021	2022	2023	Total
Vehicles and boats	212	118	16	136	79	561
Real estate	253	186	105	118	86	748
Cash	6	13	12	38	63	132
Financial assets	59	10	28	16	2	115
Shareholding	39	5	1	5	0	50
Rights on intangible assets	40	1	1	2	0	44
Companies	19	0	0	2	0	21

Source: CONAB

Table 3.35 - Number of forfeited assets (CSJ)

Forfeited property						
Type of Property	**2019**	**2020**	**2021**	**2022**	**2023**	**Total**
Motor vehicles	22	21	11	7	2	63
Real estate	1	7	0	0	0	8
Cash	15	22	6	5	3	51

347. The data provided by the CSJ also show that there is a significant asymmetry between the properties frozen or seized and those that have been forfeited. These data also show a decrease in the number of properties forfeited over the years, although it is not clear to what extent these data reflect the results in terms of asset forfeiture.

348. As can be seen, there are discrepancies between the statistics received from the competent authorities. However, a common element is the significant asymmetry between seizures and the assets ultimately forfeited, which is indicative of the challenges identified in achieving the definitive deprivation of criminals' assets.

349. Possible factors explaining this difference include the difficulty of enforcing asset forfeiture in cases where the connected person has not been located and therefore cannot be notified (e.g. because he or she is a fugitive), some delay due to the workload of the only competent court in the country (which is detrimental to the country's strategy of relying on what is by nature a speedy procedure), and the lack of adequate resources to develop financial investigations and trace criminal assets. Notwithstanding the above, it should be noted that the country has taken some measures to reduce the congestion of the AF courts, notably by digitising the AF procedure from 2022.

350. It should be noted that, in line with its strategy, the country has acted on cases with a high impact due to the importance of the persons involved and the approximate amounts involved, depending on the property allegedly acquired illegally. However, these cases are still ongoing and the properties remain on hold. Some of these are detailed below:

Box 3.10 –
Former President 2004-2009 Case.

A former President of El Salvador was accused of the possible commission of illicit activities of corruption and money laundering, in 2016 a criminal investigation and assets forfeiture was initiated for having found the diversion of public funds of more than USD 300,000,000 from the Presidential House using a regulation that facilitated the operations of the management of the accounts of the entity, as a result it was determined that in the five-year period the former President had a network of collaborators who transferred the money from the Government of the Republic of El Salvador to private accounts and those of his companies.

Seized property:

General Detail of Assets of Case 19-SED-2019								
REAL ESTATE	VEHICLES	FINANCIAL PRODUCTS	PREMISES	AFFECTED SHAREHOLDING	AFFECTED COMPANIES	DISTINCTIVE SIGNALS	AFFECTED	INTERESTED
65	55	53	18	27	9	16	35	8

Box 3.11 –
Former President 2009- 2014 Case

A former President of the Republic, the Private Secretary of the Presidency, the Head of the Institutional Financial Unit, the Institutional Treasurer and the Executive Director of the Presidency of the Republic transferred approximately USD 351,000,000 of public funds to private accounts for arbitrary use, without any government control, for the personal benefit of the President of the Republic, his family and close associates. All cover-up, concealment, transfer and conversion manoeuvres to fraudulently legitimise the misappropriated assets through multiple financial transactions and the use of corporate vehicles and legal structures.

Seized property:

REAL ESTATE	VEHICLES	FINANCIAL PRODUCTS	WEAPONS	COMPANIES
101	76	2	53	3

351. In addition, there have been successful cases of assets forfeiture, which are mentioned below:

Box 3.12 – "Former Mayor Case"

Proceedings against the property of a former mayor of the northern part of the country during the period 2015-2018, in which the presumption of indirect proceeds from illicit activities related to trafficking in persons, drug trafficking and ML was applied, as well as the presumption of unexplained wealth increase, obtaining a mixed final and enforceable judgment. The amount of property forfeited amounts to USD 577,490.15.

REAL ESTATE	MOTOR VEHICLES	LIVESTOCK	AFFECTED
11	7	**91**	**4**

352. The country also provided one case where a precautionary measure was imposed on virtual assets, as detailed below:

Box 3.13 - Freezing MGS, S.A.

The case concerned the company MGS S.A de C.V, registered as a BSP, which would provide the service of "payment processor", consisting of "sending and receiving Bitcoin through a BSP". Through monitoring and exchanges, the SSF was able to establish that the aforementioned company was not providing the services for which it was authorised to operate and was doing the following: users registered using an invitation code provided by another person who was already part of the network and had to make a minimum

"investment" of $20. 00 on the said platform. This enabled them to confirm ticket reservations for the Qatar 2022 World Cup in 20 minutes a day, and in return each person received a commission. The payment of the 'investment' and the delivery of the payment or commission were made in Bitcoin via a PSB or another crypto asset wallet platform. As a result, the account was closed.
The SSF carried out an on-site visit, analysed the documentation provided and reviewed information on the Internet and social networks. As a result, the SSF had sufficient information to draw the following conclusions: (a) The public funds appear to have been converted into a cryptocurrency that is not regulated in El Salvador (USDT or TETHER) and therefore migrated to an ecosystem of blockchain-based wallets. Although they guarantee traceability, they allow the pseudo-anonymity of their owners, so that the recovery of the public funds depends on the will of the subjects involved as owners of the wallets. b) The operational characteristics of the GS platform are consistent with multi-level structures or Ponzi schemes, which in many cases have led to fraud against the public. c) No documentary support (contract or terms and conditions) has been identified that would allow the identification of the obligations that the GS platform assumes towards its partners. d) The activity of collecting funds from the public is a private activity of financial entities operating mainly in the banking and securities markets, for which MGS, S.A. DE C.V. has no authorisation whatsoever. e) The company MGS, S.A. DE C.V. is registered as a Bitcoin service provider under the heading of Bitcoin payment processing, which is not identified in any way within the operation of the aforementioned platform.
As a result of the findings, the SSF referred the case to the FGR, which, through the Specialised Anti-Money Laundering Prosecution Unit, opened an investigation and identified the natural persons who were part of the company MGS, S.A. de C. V, also with the aim of securing the funds obtained through the MG platform, on 4 November 2022 and on the basis of article 25 of the Special Anti-Money Laundering Law, it proceeded to freeze all the financial products of the company in question and of the identified natural persons, with particular emphasis on the virtual assets they may have in the digital wallet, resulting in the freezing of 4 wallets with the following assets: BTC 0.03879736, BTC 0.00002500, BTC 0.00000176 and BTC 2.07644884.
The precautionary measures have been taken and the assets are protected in the same wallet. The amounts held in custody of MGS, S.A. DE C.V. at that time had a fiat value of $41,520.00; however, due to the fluctuation of BITCOIN, this amount of BTC is equivalent to approximately $88,051.61 (as of 15 January 2024).

353. With regard to the confiscation of proceeds of international predicate offences and proceeds located abroad, at the time of the on-site visit no assets had been repatriated or shared. However, the country has indicated two cases in which international judicial cooperation was requested in the asset forfeiture process so that the competent authorities of other countries could take precautionary measures against property or assets located on their territory, as detailed below:

Box 3.14 –
Brazil Jurisdiction

Property identified in the aforementioned jurisdiction, belonging to a former public official, a case where an unexplained wealth increase was invoked, the property has a value of USD 26,731.16. Request made through the International Legal Directorate of the FGR, on 26/01/2023.
Status: Pending.

Box 3.15 –
Chile Jurisdiction

Property identified in the aforementioned jurisdiction, belonging to the former President of the period 2009-2014, in the case was invoked the budget of illicit origin related to the illicit activity of money and assets laundering, the property has a value of USD 344,887.00. Letter rogatory requesting the imposition of precautionary measures of annotation and seizure.
Status: Accepted by the First Civil Court of Santiago de Chile, in 2019 and in accordance with Chilean law, the measure of "registration of interdiction and prohibition of alienation" was imposed.

354. While the above-mentioned requirements for international cooperation are a positive step on the part of the country, the search for property abroad for the purpose of repatriation or sharing is still limited to some

extent because of the link between local criminal gangs and transnational (or other jurisdictions') organised crime.

355. In the area of criminal confiscation, the country provided information on criminal confiscations ordered in a variety of cases, covering vehicles, cash, precious metals and other property. In this regard, the country reported that USD 257,566.41, 70 vehicles, 32 motorcycles, 85,200 grams of silver and 5,571 grams of gold were seized during the reporting period. Although these data show that, in addition to asset forfeiture, the courts also use criminal confiscation, albeit to a lesser extent, there are no consolidated statistics that allow a precise verification of the results achieved in this area.

356. With regard to the management and disposal of seized and forfeited assets, there have been some successes on the part of CONAB. Among these, the case of "Droguería Santa Lucía" stands out, which has managed to constantly increase its sales volume and net profit, as well as the case of the successful management of a business group that includes 13 companies in areas such as food distribution, rice production, packaging, logistics services, among others.

357. In addition, within the parameters set by the LED, we have reviewed processes of anticipatory sales for good cause, and we have also been able to review cases where the court has decided to return property to third parties in good faith or not to proceed with the action against the property involved in the proceedings. There have also been cases of restitution of property to victims of fraud and extortion. The details on cases of advance sale are as follows:

Table 3.36 - Anticipatory sales cases based on LED

Year	Real estate	Motor vehicles	Livestock	Predicate offence	Total
2019		6		Illicit trafficking in persons and drug trafficking	$50,400.00
2020		22		Organised crime, money laundering and smuggling	$44,579.51
2021		1		Drug trafficking	$5,424.00
2022		94		Organised crime	$318,260.34
2023	1		9	Drug trafficking	N/A
Total					**$418,663.85**

Source: UFED FGR

358. On the basis of the analysis carried out, and taking into account the threats present in the country, it is considered that the deprivation of the proceeds of crime from criminals in the country is limited.

Confiscation of falsely or undeclared cross-border transaction of currency/bearer negotiable instruments (BNI)

359. El Salvador, in art. 19 (3) of the corresponding legal framework requires all persons entering or leaving the country, by any means of transport, to declare whether they are carrying banknotes, drafts, own- or third-party cheques, bearer negotiable instruments in national or foreign currency, or securities for an amount equal to or greater than USD 10,000 or its equivalent in another currency; if they are not, this circumstance may be expressed by means of a sworn declaration. With regard to the procedure established by article 20 of the LCLDA, it provides for the verification of the accuracy or otherwise of the declaration and, in the event of misrepresentation, omission or inaccuracy as to the amount, it would lead to the withholding of the values and the notification of the PNC and the FGR.

360. In addition, the Organic Law of the DGA provides for the power to coordinate functions with other authorities. Some coordination with the FIU has been verified, for example, in the exchange of information on declarations within regional exchange mechanisms, such as GAFILAT's TTD SISTRAC (formerly SICORE) platform. There is also some cooperation with the DGME on this issue. However, not all border crossing points are sufficiently covered, which impacts on the effective detection of cross-border transportation of money.

361. On the basis of the above, the country has provided statistical information on the results of the declarations made in accordance with the provisions of the legal framework during the period evaluated, which shows a limited achievement, as detailed below:

Table 3.37 - Foreign currencies with provisional measures in cross-border cases

Detail of seized foreign currency						
(Year)	**2019**	**2020**	**2021**	**2022**	**2023**	**Total**
Number of cases related with foreign currency	**5**	**8**	**3**	**4**	**1**	**21**
Mexican pesos	660.00	3,670.00	-	-	-	4,330.00
Quetzales	10,437.00	34,435.00	7,760.00	5,749.00	530.00	58,911.00
Colombian pesos	183,000.00	272,000.00	-	-	-	455,000.00
Bahamas dollars	1.00	-	-	-	-	1.00
Lempiras	4.00	1,027.00	-	-	-	1,031.00
Belize dollars	984.00	6.00	-	-	-	990.00
Hong Kong dollars	20.00	-	-	-	-	20.00
Yuan	123.00	-	-	-	-	123.00
Cordobas	-	7,102.10	-	-	-	7,012.10
Cuban pesos	-	284.00	-	-	-	284.00
Euros	-	20.00	470.00	-	-	490.00
Canadian dollars	-	20.00	-	-	-	20.00
Holland Rep.	-	50.00	-	-	-	50.00
Rep. of Brazil	-	-	770.00	-	-	770.00
Costar Rican colons	-	300.00	-	10,000.00	-	10,300.00
Venezuelan Bolivars	-	110.00	-	-	-	110.00
German Francs	-	10.00	-	-	-	10.00
Won	-	1,000.00	-	-	-	1,000.00
Ecuadorian sucres	-	105.00	-	-	-	105.00
Russian roubles	-	1,000.00	-	-	-	1,000.00

Source: *FGR.*

362. The country also provided information on sanctions imposed for non-compliance with the declaration requirement, which is detailed below:

Table 3.38 - Non-voluntary cash declarations and fines per year.

Year	Declarations	Amount (USD)	Fines (USD)
2019	1	12,380	619
2020	14	200,350.04	10,017.50
2021	120	1,602,414.27	80,120.71
2022	87	1,278,337	63,916.85
2023	41	584,327	27,416.35
Total	263	3,641,808.31	182,090.42

Source: FIU

363. The country has addressed cross-border cash declarations through its PNA, which includes measures to strengthen cross-border cash controls at all customs offices under its strategic pillar 3 on national cooperation.

364. Similarly, customs authorities were found to have a better understanding of certain threats to which they are exposed by virtue of their role, and to have taken initiatives to improve inter-agency co-ordination, staff specialisation and the strengthening of internal policies and procedures.

365. In the case of cross-border transportation of money for which no declaration is made or for which the declaration is inaccurate or false, this circumstance constitutes the offence of money laundering under article 8-A of the LCLDA. For this reason, the offence can be prosecuted before the specialised court for the forfeiture of assets and, at the time of the on-site visit, judicial files were being processed and even sentences were being passed, as shown below:

Table 3.39 – Forfeited amounts related to cross-border cash

Judicial reference	Amount	Date of ruling
002-SED-2019-6	$499,460.00	09-06-2021
017-SED-2021-4	$20,503.00	14-07-2022
004-SED-2022-4	$20,000.00	17-03-2023
015-SED-2019-4	$21,191.00	18-07-2023
045-SED-2021-4	$43,570.00	21-11-2023
054-SED-2022-4	$65,400.00	22-12-2023

366. The above table shows that the total amount recoverable under the forfeiture claim was USD 670,124.00.

367. The data analysed and the information provided by the country lead, to some extent, to the seizure and sanctioning of undeclared or falsely declared cross-border movements.

Consistency of confiscation results with ML/TF risks and national AML/CFT policies and priorities.

368. El Salvador concluded in its NRA that the main crimes that pose the greatest threat to the country are property crimes (aggravated extortion and car theft), drug trafficking and crimes against humanity (illicit trafficking in persons and trafficking in persons for sexual exploitation) and, to a lesser extent, corruption and crimes against public finances (smuggling and tax evasion) and environmental crimes.

369. The country has the legal framework and the powers to carry out confiscation operations. However, as noted above, law enforcement authorities have prioritised the strategy of depriving criminal organisations and criminals of illegal assets through asset forfeiture.

370. With regard to confiscations, there are no consolidated statistics to verify the consistency of the results with the AML/CFT risk profile and policies. Although the country provided a table with data on seizures ordered in different criminal cases, it is not possible to clearly verify the predicate offences.

371. With regard to the number of asset forfeiture cases registered during the reporting period, the proportion of cases according to the related predicate offence is as follows: Illicit drug trafficking (33%), trafficking in persons (26%), smuggling of goods (18%), money laundering and concealment (13%), extortion (5%), illicit enrichment (1%), car theft and robbery (1%), while the remaining predicate offences account for less than 1%.

372. In this context, while asset forfeiture cases are opened in relation to some major threats (drug trafficking, trafficking in persons, smuggling of goods and extortion), there are relevant threats such as corruption, tax evasion, fraud and environmental crimes that are not covered to any significant extent. As a result, the correlation between asset forfeiture cases and the country risk profile is partial.

Table 3.40 - Assets forfeited by predicate offence.

Predicate offence	2019	2020	2021	2022	2023	Total
Illicit drug trafficking	76	75	99	95	66	411
Trade in persons	18	13	58	127	105	321
Administrative fraud	0	0	0	1	0	1
Car robbery and theft	4	3	5	4	1	17
Kidnapping	3	1	0	1	0	5
Extortion	13	9	16	13	5	56
Embezzlement	5	0	2	2	5	**14**
Illicit negotiations	0	1	1	0	0	2
Embezzlement	0	1	2	0	1	4
Bribery	1	0	4	0	0	5
Illegal trafficking and arms caches	1	0	4	0	0	5
Tax evasion	1	0	0	1	0	2
Smuggling of goods	37	41	45	57	43	223
(Legal) Prevarication	0	0	0	0	0	0
Swindling	4	0	0	0	2	6
Concealment and money laundering	22	18	76	29	15	160
Total	**185**	**162**	**312**	**330**	**243**	**1,232**

Source: Author's calculations based on data from CONAB, FGR and CSJ.

373. In terms of amounts forfeited per year, the largest amounts correspond to the following threats: Concealment and money laundering (79%), drug trafficking (11%), trafficking in persons (7%), smuggling of goods (3%) and the remaining crimes account for less than 1%. As a result, the amounts forfeited do not fully reflect the risk profile of the country, as it is not clear whether amounts related to corruption, fraud and environmental crimes are being forfeited (it should be noted, however, that some important corruption cases, which had not yet been sentenced at the time of the on-site visit, are still being prosecuted).

Table 3.41 - Amounts confiscated in USD by predicate offence.

Predicate offence	2019	2020	2021	2022	2023	Total
Illicit drug trafficking	105,967.23	9,611.77	330,329.43	34,851.67	101,945.78	**582,705.88**
Trade in persons	12,550.00	6,000.00	288,745.08	4,931.25	43,387.15	**355,613.48**
Kidnapping	0	10,080.00	4,080.00	0	0	**14,160.00**
Extortion	0	0	0	9,099.00	6,000.00	**15,099.00**
Illegal trafficking and arms caches	0	0	4,177.78	0	0	**4,177.78**
Smuggling of goods	11,767.00	36,433.80	30,282.40	15,041.87	34,000.00	**127,525.07**
Concealment and money laundering	234,935.25	2,248,982.32	586,521.25	488,671.38	657,625.35	**4,216,735.55**
Total	**365,219.48**	**2,311,107.89**	**1,244,135.94**	**552,595.17**	**842,958.28**	**5,316,016.76**

Source: UFED FGR

374. It has been possible to verify that there are inconsistencies between the different authorities in terms of statistical collection. However, it should be noted that the country's National Anti-Money Laundering Policy provides for the design and implementation of a statistical system for the whole AML/CFT system that addresses the main indicators of the effectiveness of the system.

375. However, based on the above, while significant efforts are being made to identify and confiscate criminal assets, the results to date are partially consistent with the country's AML/CFT risk profile and policies.

Conclusions on Immediate Outcome 8

376. El Salvador has a legal framework that allows for the recovery of criminal assets through criminal confiscation and asset forfeiture, and the competent authorities recognise the importance of recovering criminal assets. Due to the characteristics of the asset forfeiture process, which allows for more agile and far-reaching results, law enforcement authorities prioritise asset recovery through asset forfeiture rather than criminal confiscation. The country has also made significant efforts to enable its law enforcement authorities to trace, seize and confiscate criminal assets linked to significant threats identified in the NRA. There have also been some high-profile cases where significant amounts have been seized for forfeiture and a number of properties have been seized abroad. It is also worth noting that the country has a dedicated body for the management and disposal of confiscated assets, which has shown success stories.

377. However, in terms of results, the amount of property seized and forfeited is still limited given the level of threat the country faces, and the amounts forfeited do not fully reflect the country's risk profile. It was also noted that the law enforcement authorities, the Assets Forfeiture Court and the CONAB do not have sufficient resources to deal effectively with the workload assigned to them. In addition, the country does not have a consolidated and detailed statistical system on seizures, confiscations and asset forfeiture, which makes it difficult to have a comprehensive and accurate picture of all criminal assets recovered. There have been no cases of repatriation of property or sharing of assets with counterparts, and there are limitations on the seizure and confiscation of undeclared or mis-declared cross-border funds.

378. In this sense, the sum of the above elements has a significant impact on the effectiveness of the system. It is therefore considered that the improvements needed in this particular area are significant. **El Salvador shows a moderate level of effectiveness in Immediate Outcome 8.**

CHAPTER 4. TERRORIST FINANCING AND FINANCING OF PROLIFERATION

Key Findings and Recommended Actions

Key findings

Immediate Outcome 9

1. The risk of domestic TF in El Salvador is medium-high with a downward trend, mainly due to the threat posed by the large number of members of maras or gangs that have been designated as domestic terrorist groups and have committed terrorist acts as part of their criminal activities. Consequently, FT is closely linked to organized crime and terrorist acts committed by gangs. In principle, the terrorist acts committed by the gangs are funded with resources coming from predicate crimes such as extortion, drug trafficking or trafficking in persons; and the collection and disbursement methods are not sophisticated.
2. The risk of international TF, on the other hand, is low, although the NRA has not been thorough enough, especially with regard to the different forms that TF can take. To some extent, this affects the level of understanding of the risks of international TF by competent authorities and reporting entities in general, who tend to associate them mainly with the UNSCR lists. Nevertheless, according to available information, there is no evidence of the use of the financial system for international TF and no links or presence of radical or extremist terrorist actors in the country have been identified.
3. The country has a legal framework covering most TF conducts for the investigation, prosecution and punishment of this crime, and the sanctions provided are proportionate and dissuasive. There are also extensive investigative powers and mechanisms for sharing information between law enforcement agencies. Terrorism or TF cases are usually initiated from investigative and field intelligence activities, as well as from the application of special investigative techniques in organized crime cases and the predicate offenses by which gangs are financed. However, despite the level of risk attached to this crime, no specific criteria and prioritisation factors are identified for the urgent and effective investigation of potential TF cases.
4. It is noted that REs are aware of the need to screen TF lists, whether domestic or from the UNSC, at the time of customer on-boarding, which may lead to the denunciation or reporting of suspicious transactions for TF. However, the FIU does not have as part of its protocol or mechanism a specific variable to prioritise and treat with urgency STRs related to TF beyond UNSCR listings and does not

have analysts with sufficient expertise in this area, which may limit the possibility of detecting this crime.

5. While TF cases have been identified, including some where convictions have been obtained, the number of prosecutions and convictions remains limited due to the risk profile of the country and the challenges in understanding the scope of the TF crime by the judiciary. Nevertheless, law enforcement agencies have experience in exchanging information and investigating organised crime and terrorism, where special investigative techniques are used. In addition, in terms of the investigation itself, it was noted that in some cases the authorities in El Salvador have prioritised the development of investigations for predicate offences, for being part of an illegal organisation or even terrorism over TF cases. Meanwhile, there have been cases where alternative measures have been applied when it has not been possible to secure a conviction for TF.

Immediate Outcome 10

1. The country has a system in place that allows it to implement target financial sanctions based on the UNSCRs on TF, which was reformed and strengthened in January 2024 to provide for shorter freezing times.
2. In January 2024, the country adopted a procedure and mechanism for making TF-based designations, following the procedures and guidelines of UNSCR 1267/1988 and 1373. At the time of the on-site visit, no designations had been made under UNSCR 1373. Instead, the country designated the maras as terrorist organisations on the basis of a CSJ ruling, and through the LECAT.
3. El Salvador has implemented activities for NPOs, including the development of a sectoral assessment to identify the sub-sector with the highest exposure to TF, and has also carried out some outreach and training activities. However, the country has not applied a risk-based approach, so that all entities are subject to the same measures that REs have to comply with. This has made it difficult for some institutions to comply with the requirements, and there are concerns about whether the measures required are fully proportionate to the risks in the sector.
4. The FIU has developed a UNSC list screening system which is automatically updated with changes to the UNSCR lists and made available to REs. In addition, and in addition to the continuous updating of this consultation system, the FIU immediately communicates updates to the lists to the registered REs and provides them with guidance and documents to assist them in fulfilling their TFS obligations.
5. At the time of the on-site visit, the country had not had any domestic matches with persons or entities designated for TF under UNSCR 1267/1988 and its successors, which would, in principle, be consistent with its risk profile.
6. REs, mainly financial institutions and Bitcoin service providers with high materiality in the AML/CFT system, perform list monitoring using technological tools and are able to report matches to the FIU immediately. In addition, regardless of how the TFS is applied, these categories of REs have the ability to freeze assets or stop transactions immediately if matches are identified under their CDD policies. This appears to be consistent with the identification of low level of international terrorism and TF risk.

Immediate Outcome 11

1. El Salvador has a low exposure to PF risk as it has no diplomatic or economic relations with the Democratic People's Republic of Korea, has a small financial system with limited international reach, and there is no evidence that it produces dual-use goods or materials. Consequently, there is little materiality in terms of PF.

2. From the latest reform of the LECAT, the country has broader a legal framework that allows it to implement TFSs based on UNSCRs. One of the reasons for this reform is to comply with the obligations derived from UNSCR 1718. However, the taxativity of the term "designated terrorist" included in the legal text may limit the scope of the legal framework regarding targeted financial sanctions in the area of PF.
3. The FIU has developed a system for screening the UNSC lists, which is directly updated with the changes in UNSCR sanctions lists and is made available to REs. In addition, the FIU communicates updates to the lists to registered REs.
4. At the time of the on-site visit, the country had not identified any individuals or entities that were subject to sanctions for PF, which is consistent with its risk profile in this area. Private sector entities monitor the lists of designated persons. In particular, the financial sector and VASPs have automated tools and would be able to report potential matches to the FIU immediately. In addition, regardless of how the TFS is applied, these categories of REs have the ability to freeze or stop transactions in the event of a potential match as part of their CDD policies.
5. Despite this, there is limited understanding of the ways in which PF sanctions can be circumvented, including through Bitcoin and digital asset service providers.
6. As of September 2023, the CIPLAFT is the coordinating mechanism responsible for proposing and monitoring the implementation of preventive measures, including those related to PF. In addition, the SSF and the CNAD are empowered to verify compliance with obligations.

Recommended Actions

Immediate Outcome 9

1. Deepen the understanding of ML/TF risks by law enforcement authorities and the judiciary, including international TF.
2. Develop specific training on TF for law enforcement and the judiciary, addressing TF risks and characteristics, typologies and trends, including detection, investigation, and sanction.
3. Develop specific protocols or instructions to guide TF investigations, taking into account the urgency and prioritisation of such cases, the necessary elements to achieve an effective investigation in TF cases.
4. Systematically include investigative and financial intelligence components in all terrorism and TF cases to identify means of raising and moving funds outside the banking system, as well as actors and financial support networks beyond self-financing.
5. Have staff specialised in the analysis of cases specifically related to TF to ensure the prioritisation and urgent analysis of potential operations and to ensure their immediate analysis and response.
6. Strengthen cooperation and coordination among key authorities, including the exchange of operational and strategic information on TF.
7. Issue guidelines and red flags to guide reporting entities and authorities on the various aspects of TF beyond the individuals and entities designated by the UN Security Council, in order to enhance their timely detection.

Immediate Outcome 10

1. Issue additional guidance and further strengthen awareness-raising and training mechanisms for REs, in particular for DNFBPs, to ensure a better understanding of the procedure to be followed when checking lists and in case of a match.

2. Continue supervisory efforts regarding the obligations of REs, especially DNFBP and VASP sectors, in relation to TF and apply effective, proportionate and dissuasive sanctions in case of detected non-compliance.
3. Adjust the legal and regulatory framework so that risk-based measures are applied only to those NPOs that are at a higher level of exposure to TF, and not in a generalized manner to the sector, and strengthen outreach to the NPOs identified as high-risk for TF, including training and risk awareness initiatives and monitoring activities.
4. Provide training to both competent authorities and REs so that they have a broader understanding of the obligations associated with the targeted financial sanctions and the procedure to be followed when freezing measures are required in the case of TF.
5. Carry out exercises to allow REs and Competent Authorities to test the operation of the TFSs system in practice and to take the necessary measures to improve the response capacity of the actors involved where appropriate.
6. Deepen the assessment of NPOs' exposure to TF, based on more complete and up-to-date information, including information provided by the sector, to determine the level of vulnerability and risk in the sector.

Immediate Outcome 11

1. Further define the text of the legal framework to establish more clearly the application of targeted financial sanctions to UNSC regimes applicable to PF, regardless of whether they are also subject to TF sanctions.
2. Carry out exercises to allow REs and Competent Authorities to test the operation of the PF TFS system in practice and to take the necessary measures to improve the response capacity of the actors involved in the rapid implementation of such measures.
3. Strengthen awareness-raising activities among public and private sector entities to improve understanding of PF-related obligations, as well as information on mechanisms or methods used to evade sanctions and protect against cyber-attacks, especially among Bitcoin and digital asset service providers.
4. Continue the work of CIPLAFT to ensure that PF coordination and prevention activities are considered at both policy and operational levels.

The relevant Immediate Outcomes considered and assessed in this chapter are IO. 9-11. The Recommendations relevant for the assessment of effectiveness under this section are R. 1, 4, 5-8, 30, 31 and 39, and with elements of R.2, 14, 15, 16, 32, 37, 38 and 40.

Immediate Outcome 9 (TF investigation and prosecution)

Prosecution/conviction of types of TF activity consistent with the country's risk-profile

379. El Salvador carried out a TF risk assessment and identification exercise as part of the overall NRA, using the World Bank methodology. This exercise resulted in the TF risk being defined as medium-high with a downward trend. The national threat was the most important factor, taking into account in particular the presence in the country of gangs and maras that, in addition to committing crimes such as extortion, drug trafficking and trafficking in persons, have also committed acts of terrorism, and which have been declared terrorist groups at the domestic level on the basis of the CSJ's unconstitutionality ruling in Case No. 22-2007/42-2007/89-2007/96-2007.

380. El Salvador's TF risk presents particular characteristics that differentiate it from other jurisdictions. As pointed out in Chapters 1 and 2, TF risk is made up of two components: Domestic TF risk and international TF risk. The international TF risk is low, due to the fact that the financial sector is small and is not a regional financial center, it is not a country from which remittances leave to conflict zones, there is no presence within the territory of individuals or international terrorist organizations, there is no presence in the country of extremist groups or groups with radical claims, and there is no evidence that the financial system or other sectors have been abused for TF purposes. Consequently, El Salvador is not a jurisdiction with significant exposure to TF risk, so the absence of international TF cases is consistent with that profile.

381. As for the risk of domestic FT, this has been identified as medium-high with a downward trend, since it is directly linked to the financing of terrorist acts committed by gangs and maras. No cases of terrorism by individuals or organizations other than gangs have been recorded in the country. Therefore, TF cases in El Salvador are related to the methods of collection and disbursement of funds or goods for the commission of such acts, which, as will be explained, are of little sophistication.

382. For this reason, TF investigations in the country are fundamentally associated with organized crime, since acts of terrorism by gangs and maras are financed with the proceeds resulting from the commission of predicate crimes. It is for this reason that the risk of internal FT is medium-high and with a downward trend because, in turn, the threat of gangs and maras has also been reduced as a result of the security policies implemented by the country. As with international TF, where there are no sophisticated or international cases due to the country's risk profile, it is also consistent that domestic TF investigations are related to the commission of acts of terrorism by gangs and maras, which are considered terrorist organizations at the domestic level.

383. According to their context, and consistent with the priority to address more urgent internal threats, the competent authorities have focused more on countering local terrorist groups and, at a general level, TF prosecution measures relate to organized crime investigations or investigations into the commission of terrorist acts by gangs and maras.

384. It is worth mentioning that acts of terrorism committed by maras and gangs have been qualified as such because they are violent acts committed with the purpose of terrorizing and forcing the government to do or not to do something, in accordance with Art. 2 of the International Convention on Terrorist Financing.

385. With regard to NPOs, the country has made an effort to develop a sectoral study, identifying in principle the sub-group that falls under the FATF definition, but this could not be studied in depth due to a lack of relevant information from the authorities. However, the country reports that it has identified cases where certain associations, particularly of a religious nature, have been linked to the financing and maintenance of gangs designated as terrorist at the national level. This is largely due to the work of some religious organisations, to which gang members turn for support and in some cases to leave the *Mara*.

386. Since 2010, the country has had the "Law for the Prohibition of *Maras*, Gangs, Groups, Associations and Organisations of a Criminal Nature", which provides for the outlawing and prohibition of so-called maras or gangs. Likewise, in 2015, the Supreme Court of Justice issued Resolution of Unconstitutionality No. 22-20007/42-2007/89-2007/96-2007, which declared the so-called Mara Salvatrucha, or MS-13, and

Pandilla 18, or *Mara* 18, to be terrorist groups. Subsequently, in 2022, with the amendment of the LECAT, gangs and *maras* were included in the definition of terrorist organisations, in accordance with article 1 of the "Law for the Prohibition of *Maras*, Gangs, Groups, Associations and Organisations of a Criminal Nature".

387. It should be noted that, according to the information collected and provided by the country regarding a significant number of investigations carried out against these groups for various criminal activities, it can be concluded that the illicit activities and terrorist acts committed by these organisations designated as terrorist at the national level are generally financed from predicate offenses. The corresponding resources are derived from the commission of predicate offences such as extortion, drug trafficking and trafficking in persons, all of which are identified as the main ML threats in the NRA. The FGR's investigations have not uncovered any information or evidence indicating the existence of external or other sources of funding for terrorist acts committed by *maras* and gangs, which would seem to support the authorities' conclusion that these groups are self-financing.

388. The following are examples of acts committed by these criminal groups which, by their nature and scale, are considered to be acts of terrorism.

Box 4.1 – Acts of terrorist by the Mara Salvatrucha

Case: "open valve" periods

According to investigations—and often obtained through wiretaps—Mara Salvatrucha (MS13) gang leaders have ordered violent acts of terrorism against a wide range of targets, including members of the armed forces and police, collaborators with the authorities, members of rival gangs, gang traitors and even civilians. These acts are called "valve openings" and consist of orders and authorisations to gang members to commit specific crimes such as kidnapping, murder, assault, etc.

These orders and authorisations were registered on approximately twenty-four occasions between 2015 and 2022. Investigations revealed at least 222 murders and 1,001 cases of conspiracy to commit murder during this period. For example, in one case identified in September 2019, various subgroups ("clicas") were instructed to target men, preferably in groups of two or three per "clica", and that these acts should be reported by the media. 11 murders were carried out against 38 identified targets, but the LEAs were able to alert 4 individuals. The identified motivation of the criminal acts was to put pressure on the government.

A very serious case was discovered through the interception of communications on 24 March 2022, when a "valve opening" was used to order the systematic killing of Salvadoran civilians throughout the country over a weekend. As a result of this order, the gangs succeeded in killing 87 people in what became known as the "Black Weekend", although they aimed for a higher number of murders, which were prevented by the actions of the law enforcement authorities.

On 28 June 2022, it was established that the MS13 leadership had authorised action against all members of the armed forces and police who had compromised or had compromised the gang and who had been identified. This action was evidence of coordination from the top of the mara to its operators and subordinates. Thanks to timely action by the authorities, including smooth communication between the interception centre, the public prosecutor's office and the police, this was prevented.

Investigations have found that the motivations for such periods of violence, authorised or ordered by MS13 leaders, include defiance or pressure on the government, to gain access to benefits in prison, or to avenge gang members killed by law enforcement.

389. Regarding the risk of international TF, there is no evidence that the financial system has been used for this purpose and some potential indications were under investigation during the on-site visit. However, as established on the analysis of IO1, the analysis of the potential risks of TF is not sufficiently granular, in particular with regard to the modalities that this crime can pose beyond the organisations and individuals listed in the UNSCRs.

390. There is no evidence of the presence of radical or extremist terrorist groups or actors in the country, but it is important to note that in concluding that the risk of international TF is low, the risk assessment appears to take into account only the lack of investigations of individuals or entities designated by the UN Security Council, as well as the lack of matches between the REs and the lists, and does not consider other forms of crime that could occur and have an impact on the country.

391. Furthermore, the extent to which virtual assets can be used by terrorist groups has not been identified in the NRA, with an analysis focused only on VA service providers, which somewhat limits the country's view of the full range of risks associated with this criminal phenomenon, although it should be noted that the FGR's investigations have not revealed any evidence of internal terrorist groups (maras and gangs) using virtual assets to finance their activities .

392. With regard to the investigation of the crime in accordance with the country's risk profile, the assessment team analysed information on cases where persons have been prosecuted for, inter alia, TF, resulting in two convictions for the crime of TF. One of them resulted in three persons being convicted and, at the time of the on-site visit, it was at the stage of being appealed by the defence; as well as one case in which nine persons were under procedure. Four of them had a preliminary hearing, while the remaining five, all located in different cities outside the country, had no hearing and were pronounced in absentia.

Table 4.1 – TF cases in the 2019-2023 period

Stage	2019	2020	2021	2022	2023
Initiated	2	0	1	0	0
In Process	1	1	1	0	0
Convicted	0	0	1	0	1
Total	3	1	3	0	1

Source: Fiscalía General de la República

393. Taking into account the medium-high risk profile of TF at the national level, it is considered that in the cases developed, there are components of financial investigation of this conduct. However, most of the cases respond to the investigations linked to other crimes, such as being a member of a gang, or to the predicate offences used by groups designated as terrorist at the national level to finance themselves, such as extortion, drug trafficking or trafficking in persons.

Box 4.2 - Case related to a terrorist financing incident

Case Description

The case was opened due to the timely cooperation of a privileged witness, which led to the clarification of 56 aggravated homicides, 11 unlawful deprivation of liberty, 44 cases of extortion and one case of terrorist financing. With the cooperation of the key witness, the investigation was expanded to include money laundering and potential asset forfeiture.

In terms of ML convictions, two ML convictions for terrorist financing and 44 convictions for aggravated extortion were obtained. The 113 convictions obtained are currently under appeal.

394. Meanwhile, the information available to the Assessment Team shows that there is a relatively low number of STRs submitted by reporting entities for TF, while a large number of STRs are submitted on the basis of potential links to terrorist organisations and gangs. It should be noted that most STRs received by the FIU do not indicate the specific criminal conduct, as the regulations do not require the reporting of criminal conduct, but rather the reporting of transactions potentially related to criminal activity.

395. In view of the above, it is considered that the prosecution and conviction of TF is achieved to a certain extent, based on the risk profile of the country.

TF identification and investigation

396. The country has a special law against terrorist acts, whose article 29 deals with the offence of TF, which carries a sentence of 20 to 30 years' imprisonment and a fine of USD 100,000 to USD 500,000 for anyone who violates the elements set out therein. Criminal investigations in this area are conducted and directed by the FGR, with the support of the PNC, and are usually related to investigations for being a member of a gang or extortion. In general, in these cases the LEAs use special investigative techniques (mainly wiretapping of previously identified gang members) in coordination with the Transnational Anti-Gang Centre (CAT).

397. Cases linked to terrorism and TF at the national level are regularly initiated by investigative work carried out on the criminal activities of groups designated as terrorists, which is consistent with the TF risk at the domestic level and is closely linked to the financing of terrorist acts committed by maras and gangs.

398. The main sources through which cases potentially linked to TF have been identified are the implementation of special investigative techniques -especially the interception of telephone communications-, the information provided by witness testimony, as well as police field intelligence. These triggers for TF investigations are consistent with El Salvador's TF threat.

399. Once a case potentially linked to TF has been initiated, the FGR requests the FIU to provide the corresponding support for the conformation of an economic and financial profile of the investigation targets, which covers the different sources it can access.

400. In this regard, it should be noted that the FGR and the PNC do not have specific and specialised units within their structure to investigate this crime. However, in the FGR, the Specialised Organised Crime Prosecution Unit is responsible for intervening in potential TF cases, while in the PNC it is the Elite Unit against Organised Crime. It can therefore be concluded that although the level of risk of TF seems to indicate that it would be important to have a specific structure or unit for TF investigation within these agencies. There are nevertheless areas responsible for investigating possible TF offences. In this regard, it should be recalled that the presence of maras and gangs is the threat at the national level in terms of terrorism, and the presence of actors or organisations linked to the UNSC list or to radicalisation and extremism has not been detected.

401. In terms of the investigation itself, the Specialised Extortion and Organised Crime Prosecution Unit leads cases of potential TF, relying on the elite corps of the PNC to carry out specific investigative measures, including the use of special investigative techniques. In order to promote the coordination of actions between the FGR and the PNC, regular meetings are held between investigators, prosecutors, analysts and heads of police and prosecution services. The aim is to review progress in investigation and to provide strategies and lines of investigation. In addition, technical roundtables are held and technological tools are used to exchange information.

402. Another example of the flow of information and coordination between authorities is that when a 'monitor' in the wiretapping centre becomes aware of potential gang targets, or that authorisation or instructions are being given to kill targets (known in gang jargon as 'opening the valve'), he passes the information on verbally and as a matter of priority to the prosecutor in charge of the case, who passes the information on to the police or investigators involved in the case, who have the task of locating the intended act and preventing it from being carried out. These actions enabled targets to be alerted and moved to safe locations where they could be protected.

403. The FGR, like the PNC, has investigative capacities and competent staff. However, it should be noted that there are no specific urgency protocols or criteria to investigate and dismantle TF. Furthermore, no formal mechanism for prioritising TF cases was verified. However, some improvements have been made in the various units of the FIU in order to combat crime, such as the strengthening of the area of information analysis and technological tools to support the fight against this crime. In addition, there has been extensive co-operation and exchange of information between law enforcement authorities, which has enabled some terrorist acts to be investigated and tackled.

404. As regards the FIU, which plays an important role in the detection phase, it has access to a significant number of databases and is in the process of strengthening its operational and technological capabilities, as explained in IO.6. The FIU has also implemented measures to cross-reference relevant TF information, such as the development of a scanning system for UNSC lists, which contributes to the enhancement of its ability to detect operations potentially associated with TF. FIU staff, including analysts, have expertise in financial analysis for money laundering and predicate offences, as well as general aspects related to criminalisation and combating the financing of terrorism, which has been provided by international organisations. However, it was noted that there was some room for improvement in the level of specialisation of TF, as it was not possible to verify the existence of staff specifically focused on this area.

405. In addition, beyond the human review of all STRs received by the unit, there are no clear mechanisms for prioritising STRs or other evidence potentially related to TF cases, which reduces the scope or urgency of the support the FIU can provide in TF investigations. This has possibly had an impact on the fact that no TF-related cases have been opened as a result of receiving or analysis of STRs, or sending financial intelligence reports to the specialized unit of the FGR. The authorities of El Salvador indicate that no TF cases have been initiated as a result of the dissemination of financial intelligence reports, as domestically designated terrorist groups generally do not operate through formal financial channels.

406. Due to the characteristics of terrorist groups and their methods of financing through the commission of crimes such as extortion and drug dealing, their method of financing consists mainly of the use and transfer of cash that is moved to the different neighbourhoods where they operate, without the use of formal financial channels or other means. For the storage of resources, investigative and operational intelligence work identified that gang leaders opt for the storage and physical concealment of cash, so it can be concluded that the levels of financial sophistication of gangs and gangs are extremely low.

407. Internal cases of internal TF are presented below:

Box 4.3 - Foreign funding of the Mara Salvatrucha (domestic terrorist group)

Case Description

The case was initiated by a report from the Transnational Anti-Gang Centre, which identified a group of members of the Mara Salvatrucha, New York programme, Clica Ganster (sic), operating in Salvadoran territory. A request was made for the interception of a mobile phone belonging to one of the defendants, which revealed the involvement of people living in the U.S. that sent money to the accused (tapped), and as a result 11 other people were charged with terrorist organisations and financing terrorist acts under the legal framework.

The participation of four defendants in the United States who sent money to Mara Salvatrucha and one person in San Salvador was established. At the time of the on-site visit, there were no convictions in this case.

Box 4.4 - Investigations of 55 persons charged with TF offences

Case Description

A case was opened to prosecute members of the Mara Salvatrucha, in two different cliques, which joined forces to commit crimes and were controlled by one of the cliques, called HLS. Both cliques were prosecuted for, among other things, the financing of terrorist acts, provided for and sanctioned by article 29 of the LECAT, with around 55 defendants.

408. On the part of the PNC, there is evidence of field work focused more on terrorist acts than on the investigation of financial cases, which has enabled the unravelling of complete structures that carry out the

activities of the TF and the modalities derived from this crime. During the period under review, a large number of people belonging to maras or gangs considered to be terrorist groups were arrested for extortion.

409. Information on cases with convictions for internal TF involving 13 persons has been included in CI 6.1. The country also reported a case in which 13 people were formally charged with the crime of TF for collecting and managing funds from the various criminal groups (called "clicas" and "programmes") that are part of the mara. However, of the 13 accused, 10 were dismissed by the courts because the existence of the crime and the participation of the accused were not sufficiently proven, while 3 of the accused were declared in absentia and are awaiting arrest.

410. In another judgement to which the AT had access, 104 persons were charged with the crime of terrorist organisations and 37 persons were charged with the crime of TF. Although the alleged facts were proven, after an analysis of the criminal nature of the charges, the defendants were acquitted of the crime of TF and convicted of belonging to an illegal association, as the crime of terrorist organisations was reclassified as a crime of illegal association.

411. With regard to cases of international TF, there is no evidence that the financial system has been used for these purposes, and no investigations have been initiated against persons or entities designated by the UN Security Council, as no such operations or presence in the country have been identified.

412. Based on the above, although some internal TF conduct has been investigated and convicted, there is no evidence of a comprehensive strategy for the development of investigations, prosecutions and trials of TF, including the financial support that these organisations and individuals who commit acts of terrorism may have. In this sense, it is considered that the country has not made extensive use of financial tools as part of a comprehensive counter-terrorism strategy that focuses on the investigation of predicate offences committed by such groups. In fact, only in one of the cases provided by the country was a financial analysis presented as one of the elements of evidence to obtain a judgement.

413. In conclusion, the team considers that investigations, prosecutions and convictions for the crime of TF in El Salvador are developing to some extent.

TF investigation integrated with—and supportive of—national strategies

414. El Salvador has adopted a national policy based on the findings of the NRA, as well as an action plan to implement it, prioritise its actions and monitor compliance by the competent authorities. Strategic Pillar 1, related to the improvement of the legal framework, contains specific objectives on TF that address between 15 and 17 aspects related to improving the understanding and verification of UNSCR lists, as well as the implementation of financial sanctions, such as freezing and prohibiting the provision of resources to designated persons and entities, as provided for in the international standard.

415. Similarly, Strategic Pillar 6 of the National Policy provides for the design and implementation of a training programme on the identification of TF and the freezing of assets of persons designated under the UNSCRs or in accordance with designations made by national authorities. In this respect, it can be noted

that the legal framework measures have been completed and that progress has been made in relation to the training programme.

416. Similarly, Agreement No. 588 of 20 November 2023 establishes guidelines for coordination and cooperation between the FIU and the various specialised units of the FGR in order to maximise the effectiveness of financial intelligence reports in the various investigations, including TF.

417. Although the above-mentioned National Policy is relatively new, having been approved and entered into force in September 2023, some of the measures contained therein have already been implemented in a short period of time. The country has also implemented the so-called 'Territorial Control Plan', through which the Salvadoran state has sought to regain control of the land that was in the hands of the gangs.

418. Notwithstanding the above, while it is true that the country has addressed some aspects that may have an impact on the investigation, prosecution and conviction of TF crimes, the National Policy does not include specific aspects related to capacity building, through the training programme included in strategic pillar 6, and tools for the investigation of terrorist finances, beyond the reform of the legal framework, mainly the LECAT, in terms of criminalisation of TF and the prompt implementation of the TFSs. In this respect, the approach to TF investigations is considered limited in terms of national policy.

Effectiveness, proportionality and dissuasiveness of sanctions

419. The current legal framework for the offence of TF provides for a sentence of 20 to 30 years and a fine of USD 100,000 to USD 500,000, which could be considered sufficiently dissuasive. According to cases investigated by the Salvadoran authorities prior to the LECAT reform, the courts were already applying 20-year prison sentences for TF-related offences.

420. It is important to note that the legal framework had deficiencies in scope with regard to the adequate criminalisation of all the conducts required by the standard, although this has been remedied by the reforms to the LECAT described in the analysis of Recommendation 5, through Legislative Decree No. 928 of January 2024, although it is noticed that sanctions and penalties have not been modified.

421. In the cases analysed in which offences directly linked to the crime of TF were found (in all cases linked to the gangs or maras designated by the SCJ and LECAT - in reference to the Law for the Prohibition), sentences of 20 years were applied; further, to the weighting given to the offence of TF in the abstract, it is estimated that there are dissuasive criminal sanctions for this offence. However, the overall effectiveness of the system cannot be accurately assessed due to the lack of sufficient examples.

Alternative measures used when a TF conviction is not feasible (for instance, interruption)

422. Although, as noted above, El Salvador does not appear to have a strategy for terrorism-related financial investigations and the number of convictions and seizures for TF is perceived to be low, it is noted that alternative measures have been taken to deal with domestic terrorist groups.

423. Given that the country's risk analysis indicates that local terrorist groups are self-financing through illicit activities such as extortion, drug trafficking and trafficking in persons for sexual exploitation,

investigations have focused on these illicit activities in order to reduce the number of gang and *mara* members. The crime of extortion, which is the main ML threat identified by the NRA, has resulted in a high number of arrests of members of domestic terrorist groups, as shown in the table below:

Table 4.2 - Arrests for Extortion 2019-2023.

Arrested	2019	2020	2021	2022	2023	TOTAL
MS-13	1,015	779	702	702	529	3,727
P-18S	244	199	177	188	123	931
P-18R	193	186	192	172	110	853
MS503	5	0	6	1	2	14
MM	10	0	0	0	0	10
MAO MAO	4	2	2	0	0	8
LMLS	3	0	1	0	0	4
Total	**1,474**	**1,116**	**1,080**	**1,063**	**764**	**5,547**

Source: The author's elaboration with information from the PNC

424. The table above shows that the number of people linked to maras and gangs designated as domestic terrorists arrested for the crime of extortion totalled more than 5,500 people during the period analysed. This provides evidence of the self-financing of terrorist groups through the commission of criminal acts, suggesting that the investigation and arrest for the crime of extortion has been used extensively to detain members of groups designated as domestic terrorists, thus having a disruptive effect on their terrorist and criminal activities.

425. Another case in which charges of other crimes were sought as an alternative was the case of 13 individuals who collected and managed funds provided by the cliques, which was dismissed for lack of evidence to prove the existence of the crime and the participation of the accused in it. These 13 people were tried for other offences, including illegal association, preparation, instigation and conspiracy to commit murder. The latter is considered to have had the necessary disruptive effect to prevent them from providing funds to the "cliques".

426. In addition to the above, the statistics provided include the seizure of sums of money from the maras or gangs, which, it is stated, were part of the funds available for their operations, thereby interrupting the movement of funds.

427. Similarly, the country has reformulated the procedure for freezing TF assets without delay; however, it has been observed that in practice precautionary measures are taken in a timely manner. This has also been possible in the case of sanctions under regimes other than the UNSC TF, including domestic lists, and it is therefore considered that this could be an alternative means of disrupting TF. The country also has the Law on Asset Forfeiture, which is used strategically to dismantle structures through asset forfeiture actions. However, this strategy needs to be strengthened to enable actors to respond to the high demand, as analysed in more detail in Immediate Outcome 8.

428. Based on the analysis, it is considered that alternative measures are applied where conviction of TF is not possible to a certain extent.

Conclusions on Immediate Outcome 9

429. El Salvador has a medium-high domestic TF risk with a downward trend, due to the high presence of gang members designated as terrorists who have committed terrorist acts as part of their criminal activities. Meanwhile, international TF risk is lower than domestic TF risk. In this context, El Salvador has initiated and investigated domestic TF cases arising from investigations into gangs and acts of terrorism committed by gangs and gangs, although the number is considered limited compared to the country's risk profile. Investigations have shown that the main source of income for these terrorist groups is the commission of crimes such as extortion, drug trafficking and illicit trafficking in persons, which generate cash resources that do not follow formal financial channels and do not show sophistication in terms of their transfer or use. With regard to international terrorist financing, the authorities and the private sector have not identified any use of the financial system for this purpose, which appears to be consistent with the risk profile identified by the country.

430. Despite the level of risk, law enforcement agencies do not have specific units to investigate TF, and while their staff have skills and expertise in investigating general crime, they are not sufficiently specialised in TF. There are also no specific protocols for urgent action or to ensure that such cases are prioritised. However, both the FGR and the PNC have anti-organised crime units responsible for investigating acts of terrorism and TF and have carried out some investigations in this area. In this regard, there have been some TF convictions in the country, but in general there is neither a regular use of financial investigation tools in TF cases nor a comprehensive strategy for the effective investigation, prosecution and conviction of TF acts, in addition to challenges in understanding the scope and application of the offence by the Judicial branch. Nevertheless, the sanctions applied generally appear to be proportionate and dissuasive.

431. Finally, in certain cases where it has not been possible to make progress with TF cases, the country has developed cases for predicate offences related to the financing of terrorist groups, mainly extortion, which has led to a high number of arrests of members of such organisations. These cases have had the effect of disrupting the criminals' finances.

432. In conclusion, although measures have been taken to investigate and prosecute TF, it is considered that the country still needs to make significant improvements in order to be effective in this area. On the basis of the above, **El Salvador has a moderate level of effectiveness for Immediate Outcome9.**

Immediate Outcome 10 (TF preventive measures and financial sanctions)

Implementation of targeted financial sanctions without delay for TF

433. The Republic of El Salvador has a legal framework that allows it to implement targeted financial sanctions based on UNSCR 1267/1988 and its successor resolutions, as well as designations that may be made through domestic mechanisms, consistent with UNSCR 1373. The freezing and immobilisation mechanism is judicial in nature and is contained in the LECAT, which was amended in January 2024 by Legislative Decree No. 928 to further cover the implementation of TFS of international standard. It should be noted, however, that the freezing mechanism was already in place for TFSs for TF before the reform.

434. The adjustments made consisted of reducing the time limit for the FGR to act from 3 days to 24 hours in the event that a reporting entity detects a match with the UNSC lists. The aforementioned deadline was previously established as a guideline by the FGR through Agreement No. 619 of 8 December 2023, which establishes guidelines for the freezing of capital, funds, financial transactions and other assets of persons and entities designated under the UNSCR without delay, as well as a three-working day period for applying to the court to ratify the measure. The reforms of the Mechanism aim at a more expeditious compliance with the freezing of funds and assets, which would be in line with the "within hours" concept considered acceptable for the purposes of the Standards. In this context and given that the process has recently been modified to shorten the timeframe and bring it more in line with international best practices and standards, it is considered that the stages and timeframes foreseen in the new scheme formally allow for the implementation of TFSs without delay.

435. In order to ensure that REs have access to the lists of entities and persons sanctioned by the UN Security Council, the FIU has developed a web portal to which all entities registered as reporting entities have access and through which they receive, inter alia, updates, guidance, reference materials, guidelines, typologies and red flags to be observed in relation to the sanctions regimes. An important aspect of this system is that it is automatically updated with respect to changes in the UNSCR lists, ensuring that any changes are immediately communicated to both the competent authorities and the REs.

436. These portals also provide access to training, both live and asynchronous, on aspects related to better compliance with the AML/CFT regime obligations, including the implementation of the TFSs. In this regard, it is considered that REs are able to adequately identify persons and entities subject to the TFSs due to TF and report any matches immediately.

437. It is important to note that, according to the regulation, once a match is identified, the RE must communicate it to the FIU and should refrain from any transaction with the designated person or entity. This was confirmed as a practice by private sector entities, mainly banks, which have additional monitoring measures regularly encouraged by the parent companies of the conglomerate to which they belong. As a result, regardless of the circuit foreseen for TFSs to be ordered by the competent authorities, REs must refrain from entering into transactions, which in practice means a freeze. In addition, financial institutions have the ability to stop transactions through the application of enhanced CDD measures, which supports the application of TFSs measures.

438. The country indicated that there has been no case of identification of a designated person or entity on the basis of the relevant UNSCRs, either from sanctions regimes or designations by third countries, nor has there been a case of implementation resulting in a "false positive". The lack of matches between the UNSC TF sanctions lists and the databases of customers and/or users of the REs is consistent with the level of risk identified by the country for international TF purposes, which is lower than for domestic purposes. In addition, it was noted that the mechanism has worked to some extent in the case of sanctions other than those applicable under the standard.

439. As noted in IO.9, El Salvador has designated the maras (specifically MS-13 and the Barrio 18 gang) and their members as terrorists and terrorist groups at the national level. These designations were not made

on the basis of the UNSCR 1373 mechanism, but on the basis of a Supreme Court ruling in August 2015 and the adoption of the LECAT. In this regard, the CSJ, in an accumulation of judicial proceedings, ruled that *"[...] the gangs known as Mara Salvatrucha or MS-13 and Pandilla 18 or Mara 18 are terrorist groups, as well as any other gang or criminal organisation that seeks to arrogate to itself the exercise of powers that belong to the sovereignty of the State—such as territorial control, as well as the monopoly of the legitimate use of force by the various institutions that make up the criminal justice system—terrorising, endangering or systematically and arbitrarily violating the rights of the population or a section of the population; consequently, their leaders, members, collaborators, apologists and financiers are included in the concept of "terrorists" [...]*". This criterion was later included in the definitions of the LECAT, taking into account the organisations listed in article 1 of the Law for the Prohibition of Maras and Gangs.

440. It should be noted that, in addition to these designations of the *maras* as terrorist organisations and individuals, by Decree-Law No. 928 the country established a designation mechanism in accordance with UNSCR 1373, which states that the Attorney General of the Republic will be the competent national authority to designate, at the national level, natural or legal persons as terrorists if there is an investigation, trial or conviction for any of the acts of terrorism or for their membership of any of the groups defined as terrorist. In addition, the FGR, through the Ministry of Foreign Affairs, may submit a request for designation to the UN Security Council in the event of the identification of persons or entities linked to the sanctions regimes.

441. It should be noted that, even in preparation for the entry into force of the designation mechanism, no designation proposals have been prepared on the basis of UNSCR 1267, nor have any designations been made at the national level on the basis of the criteria and guidelines of UNSCR 1373. This appears in principle to be consistent with the low risk profile for international TF purposes that the country has identified in its NRA.

442. The designation mechanism provides that any natural or legal person who is investigated, prosecuted or convicted for terrorist offences may be designated domestically as a terrorist. It also provides for a mechanism whereby they may be included at the national level at the request of international partners who meet the established requirements. However, it is not entirely clear whether the domestic designation mechanism can work in practice, where suspicious transactions can be identified or before an investigation or prosecution for terrorist offences is formally initiated.

443. It is important to note that under the previous legal framework, which set deadlines that did not guarantee compliance with the measures "within a matter of hours", and with the recent adoption and entry into force of the new legal framework, the lack of hits, evidence or designations made on the basis of the procedure, or false positives to the system to verify its functioning, makes it impossible to determine whether it is actually effective.

444. In line with the analysis of the regulatory and legal framework, as well as the available information, it is considered that El Salvador has some capacity to implement targeted financial sanctions in relation to TF without delay.

Targeted approach, outreach and oversight of at-risk non-profit organisations

445. El Salvador carried out a study on TF risks in the NPO sector as part of its NRA. However, as noted in the risk assessment document itself, this assessment was carried out with limited information from both the authorities and the entities in the sector, which meant that the tool used did not have all the relevant inputs. Notwithstanding this situation, a total of 17,448 entities were identified as registered NPOs in the country, of which 4,427 fall within the FATF functional definition. The categories of NPOs identified for the study include educational, social, religious, charitable, foreign and agricultural.

446. Within the above analysis, the categories of NPOs that were identified as being most vulnerable to misuse for the purpose of financing terrorist activities were religious organisations, particularly evangelical churches, as the country had identified a number of cases where personnel from these organisations had provided support to members of gangs and maras designated as terrorists in the country. In addition, it has been noted that in some cases gang members seeking reformation go to evangelical churches that run rehabilitation programmes. However, as described in the TC Annex, there are no elements to identify the nature of the threat beyond a number of cases. For the remaining NPO categories, low inherent risk and medium to high mitigation measures were identified (the latter for foreign NPOs).

447. In addition to the provisions of the Law on Non-Profit Associations and Foundations, which aim to ensure transparency, integrity and public confidence in the management of NPOs, the LCLDA included the sector as a reporting entity subject to the same requirements imposed on DNFBPs, for which a notice was sent to all entities included in the Register of Non-Profit Associations and Foundations, requesting verification of their registration and the appointment of a permanent and deputy compliance officer. Other obligations imposed on the sector are included in article 84 of the FIU Instructions. Other obligations imposed on the sector are included in article 84 of the FIU Instructions. The only perceived exception to application concerns international accounting standards for religious associations.

448. According to the sector representatives, the obligations imposed by the authorities in the FIU Instructions have created complications for some entities, in particular the appointment of a compliance officer, mainly due to the high costs that this may entail. This difficulty was also noted by officials of the Ministry of the Interior and Territorial Development, but no additional measures appear to have been taken to assist entities in complying with this obligation. The FIU has provided some training and reference materials to assist the sector in complying with the obligations, although such materials or approaches do not appear to be focused on the activities of NPOs and the specific characteristics of the sector that should be addressed in order to reduce their vulnerability to TF.

449. From the above, it can be concluded that El Salvador does not use a risk-based approach to implement measures related to the prevention of the misuse of the sector for terrorist financing purposes, nor does it implement an approach, monitoring and/or supervision of NPOs. Instead, it has chosen to implement requirements similar to those of an AML/CFT reporting entity for NPOs present in the country, regardless of the low risk they pose for TF purposes.

Deprivation of TF property and instrumentalities

450. El Salvador has a legal framework and procedure that allows it to freeze and block transactions based on UNSC lists. It was also observed that reporting entities, mainly in the banking sector and Bitcoin service

providers, and to a large extent non-financial reporting entities, have systems in place that allow them to monitor the updates of the UNSC sanctions committees as well as the internal lists developed by El Salvador.

451. As explained above, public bodies and reporting entities in El Salvador indicated that they had not found any matches with the UNSC lists during the review of their systems. However, REs, mainly in the financial sector and Bitcoin service providers, and to some extent DNFBPs, there is a screening process in place, supported by private service providers, that allows them to follow up on customers and, at the time of a potential transaction or establishment of a business relationship, to check that the customer is not sanctioned by the UNSC, OFAC or located in a high-risk jurisdiction.

452. The procedure for checking sanctions lists, whether UNSCR, OFAC or other lists, is generally automated through the use of monitoring services, although the lists distributed through the FIU's reporting entity portal must also be checked. Depending on the reporting entity, if it is a regular customer, checks of the customer database may be carried out automatically with a certain periodicity, or they may be carried out when the user presents himself for a transaction. According to the procedures reported by private sector representatives, validations are generally carried out before a match is reported, so that a "false positive" can be ruled out, although this is done relatively quickly and, in the case of a transaction due at the time, the transaction is held pending a decision by the authorities.

453. Given that there has not yet been any match with the lists, but that there is a recently reformed legal framework that allows them to be applied, as well as the identification of matches with other sanctions regime to be observed by reporting entities, it is considered that the property and instruments linked to TF can be deprived to a certain extent.

Consistency of measures with overall TF risk profile

454. As noted in the analysis of Immediate Outcomes 1 and 9, the country assessed its risk of domestic terrorism as medium-high, based on the designation of gangs and maras as terrorist groups at the national level. With regard to international terrorism, including groups and individuals designated on the basis of UNSCR 1267/1988 and designations by third countries on the basis of UNSCR 1373, no requests were identified. However, it should be noted that there was no clear indication of the existence of the procedure under the legal framework prior to its reform in January 2024, so it is not possible to conclude whether designations were not made due to low risk or the absence of a procedure.

455. Although there was no apparent designation mechanism based on the provisions of UNSCR 1373, the authorities and REs indicated that one of the criteria for the review of the lists was the cross-checking of the names with those of persons prosecuted or convicted for terrorist acts according to the LECAT, which are compiled internally by the authorities, mainly the FGR.

456. Given that El Salvador is a remittance receiving country rather than a remittance sending country, the risk of individual terrorists, terrorist groups or their sympathisers and financiers raising funds within the country and sending them to conflict zones is considered to be reduced. However, the assessment team notes that a typology has been identified whereby products are opened in El Salvador and withdrawals are made

in other jurisdictions close to risk zones, and therefore it is considered of utmost importance to improve the understanding of the potential risks of external terrorist financing.

457. In general, it can be said that the low number of matches with the lists of persons or entities designated by the UN Security Council in relation to TFSs for TF is consistent with the risk profile that the country has identified in this area.

458. On the basis of the above, it is considered that the measures implemented and the absence of freezing are to some extent consistent with the level of TF risk in El Salvador.

Conclusions on Immediate Outcome 10

459. El Salvador has a legal framework and mechanisms that allow it to prevent, to a certain extent, terrorist financing activities by applying targeted financial sanctions. The legal framework has recently been amended to ensure that these TFSs are implemented without delay, by shortening the timeframe originally provided for. Mechanisms have also been put in place to make designations to the UNSC for the 1267 sanctions regime, as well as a mechanism for designations based on the guidelines and criteria of UNSCR 1373.

460. For NPOs, the country has identified the subset of entities that meet the FATF definition, although it carried out a limited analysis of their TF exposure in a module of its NRA. In spite of this, obligations have been in place for virtually the entire sector without the implementation of a risk-based approach. This has led to compliance difficulties for some smaller entities.

461. The FIU has a web portal through which it distributes the lists and provides guidance on how to comply with the obligations arising from the checking of the lists. For their part, the REs have shown that they are aware of their obligations and have screened the lists, either through the portal or through dedicated platforms contracted to private providers. The country has not identified any persons or entities subject to TFSs or likely to meet the UNSCR designation criteria, which appears to be consistent with the level of risk identified by the country in its NRA, although concerns remain about the comprehensive understanding of TF risks, particularly at the international level.

462. On the basis of the above, it is concluded that **El Salvador has a moderate level of effectiveness for Immediate Outcome 10.**

Immediate Outcome 11 (PF financial sanctions)

463. To provide context for the assessment of this Immediate Outcome, it is important to note that El Salvador has no diplomatic or trade relations with the Democratic People's Republic of Korea, a country subject to TFS for proliferation financing under the UNSC sanctions regime. In addition, El Salvador is not an international or regional financial centre, and its financial system is small by international standards. Moreover, there is no evidence of dual-use goods being produced in the country. Consequently, El Salvador has a low exposure to PF risk and, in terms of materiality, the deficiencies identified have a lower relative weight than those identified in relation to Immediate Outcome 10.

Implementation of targeted financial sanctions without delay for proliferation financing[17]

464. As discussed in the legal framework relevant to TF TFSs, El Salvador has a legal framework that was updated prior to the completion of the on-site visit. In the explanatory memorandum to Legislative Decree No. 298, which amends the LECAT in relation to the implementation of the TFS, reference is made to the need to comply with the provisions on targeted financial sanctions based on UN Security Council Resolutions related to WMD proliferation programmes. The rationale for the reform stated in the Decree is compliance with UNSC resolutions on proliferation financing, and article 37(1) of the LECAT refers to UNSC designations under Chapter VII of the UN Charter, and could therefore broadly be considered part of the scope of the LECAT.

465. The process of freezing and restraining funds and assets, as indicated in the analysis of IO.10, begins with the updating of the Sanctions Committee list or the UN consolidated list, which is disseminated by the FIU through its website and by providers contracted by reporting entities. If a match is found between the UNSC lists and the customer database, or if a potential user seeks to conduct an individual transaction and the CDD process indicates that the person or entity is sanctioned, the REs must notify the FGR within a maximum of 24 hours and refrain from conducting transactions with the customer or user. The FGR, for its part, will have to go to court to have the precautionary measures confirmed.

466. Notwithstanding the above, as noted in the technical compliance analysis of Recommendation 7, although the legislation expressly refers to the purpose of complying with UNSCR 1718, the provisions refer to "persons or entities designated for terrorist financing" in a restrictive manner, so it is not clear that a natural or legal person subject to the sanctions regime of UNSCR 1718, if not designated as a terrorist, can be applied in the terms required by the standard.

467. At the time of the conclusion of the on-site visit, the reported taxation of terrorist organisations or their associates has not led to problems in the implementation of the TFS, although this is largely due to the fact that both national authorities and reporting entities have indicated that they have not identified any matches with the UNSC sanctions regime, nor have they identified any "false positives" with the PF lists.

468. Notwithstanding this, both banks and BSPs and DASPs, which are very important sectors, reported the use of automated list-checking mechanisms that allow them to detect potential matches and report them immediately to the FIU, and to temporarily stop transactions on the basis of the application of enhanced CDD based on their own policies, pending the finalisation of a freezing order. In the light of the above, it is considered that targeted financial sanctions could, to a certain extent, be implemented in a timely manner.

Identification of assets and funds held by designated persons/entities and prohibitions

469. During the on-site visit, REs (financial, non-financial and Bitcoin service providers) indicated that no matches were found between their customer or user databases and the natural persons or entities designated by the UN Security Council under Resolution 1718. In addition, no cases were identified that were potentially

[17] On 18 October 2023, the TFS elements of UNSCR 2231 expired. Therefore, the assessment team did not assess the implementation of UNSCR 2231.

related to PF. As a result, no assets or funds owned or held by designated persons or entities have been frozen or restrained.

470. It is important to point out that the absence of matches in the lists seems reasonable given the characteristics and materiality of the country, as there is no significant diplomatic or commercial activity with the Democratic People's Republic of Korea; it should be noted that there is no diplomatic representation of this country in El Salvador. In addition, as discussed in more detail in Immediate Outcome 10, financial institutions and Bitcoin service operators, and to a lesser extent DNFBPs, have a good understanding of how to conduct list monitoring with respect to their user or customer base. Furthermore, by being subject to the monitoring and enforcement of the OFAC list, which includes sanctions on North Korean entities, the entities are considered to be prepared to respond to a match.

471. Although the country generally does not appear to fully understand concepts related to PFs other than designation, such as circumvention of sanctions for the acquisition of dual use goods, as well as cyber-attacks on digital asset platforms or electronic payment platforms, as warned by the Panel of Experts of the DPRK Sanctions Committee, El Salvador's limited contact with the DPRK, its geographical location, and the understanding and adherence to obligations by Bitcoin service providers and financial institutions seem to significantly reduce the likelihood of such scenarios occurring in the country.

472. On the basis of the above analysis, it is considered that the country is able to identify funds and assets held by designated persons or entities and to implement the prohibitions to a certain extent.

Understanding of and compliance with obligations by FIs, DNFBPs and VASPs

473. Bitcoin financial institutions and service providers seem to have a good understanding of the implementation of sanctions. In many cases, their systems are based on solutions from external commercial vendors who provide them with the list update service against which they run searches of their customer databases. These solutions provide them with lists that include the UN Consolidated List as well as country-specific sanctions, such as OFAC, which, by including specific sanctions related to the DPRK sanctions regime, reinforces REs' understanding of the importance of sanctions implementation.

474. DNFBPs showed a lower level of awareness and understanding than FIs and Bitcoin service providers with regard to the checking of lists. While there are a number of non-financial actors who carry out checks against lists provided by the FIU, external providers or even by directly consulting the UNSC consolidated list, some of the REs in these sectors do not yet have manuals, policies and procedures for the prevention and sanctioning of PF. In addition, there are a significant number of DNFBPs that are registered with their supervisor but not with the FIU, which results in these entities being less aware of their obligations to implement TFSs for PF.

Competent authorities ensuring and monitoring compliance

475. During the on-site visit, it was reported that the CIPLAFT is the interagency body mandated at government level to discuss PF-related issues. The CIPLAFT was created on 5th September 2023 with the signing of the specific agreement for its creation by the heads of the authorities that make it up: President of the SCJ, the Attorney General of the Republic, the Minister of Justice and Public Security, the Minister of

Economy and the Superintendent of the Financial System, as well as the UIF, in her capacity as technical secretary of the Committee.

476. In addition to the CIPLAFT, other authorities are responsible for ensuring the implementation of the TFSs derived from the UNSCRs. TheMRE, for example, receives notifications from the UNSC and must communicate updates to the FGR. The FIU is the authority responsible for sending these lists to the REs via its electronic platform, which also allows it to confirm that the REs have checked the lists. This system, in turn, allows contact with the REs to provide advice and guidance on obligations to the system.

477. In repeated cases where it is confirmed that REs do not consult the lists on the FIU platform, supervisors are informed in order to make the relevant actions, although DNFBP supervisors do not have the power to verify whether the entities carry out the relevant checks. In the case of digital asset service providers (other than Bitcoin), the powers existed but had not been implemented at the time of the on-site visit. From the above, it can be concluded that regulators and supervisors are to a large extent ensuring that REs comply with their obligations, although to a lesser extent for DNFBPs and virtual assets other than Bitcoin.

Conclusions on Immediate Outcome 11

478. El Salvador, which has a low exposure to PF risk, has a system in place that allows it to implement TFS based on UNSC sanctions regimes with timelines that seem to meet the need to act without delay. However, the text of the LECAT, which provides the legal framework for the application of TFSs, seems to apply only to the TF (despite the reference to UNSCR 1718 in its recitals), which may limit the scope of the TFS measures for PF.

479. Notwithstanding this situation, REs have demonstrated awareness of the updates to the lists and have implemented solutions that allow them to identify customers and/or users designated by the UNSCR 1718 Sanctions Committee. In addition, a number of private sector entities, including financial regulators and the FIU, monitor compliance and seek to ensure that the importance of implementing sanctions is understood. No matches of sanctioned persons or entities with customers and/or users of the REs were found during the period under review, which is reasonable given that El Salvador has no diplomatic and/or trade relations with the DPRK.

480. In addition, due to the need to maintain correspondents and its close trading relationships with other countries, the financial system must comply with sanctions lists that include DPRK entities and officials who are also subject to UN Security Council sanctions, so they may take measures to freeze or stop transactions on the basis of their own internal policies.

481. The sum of all these factors gives **the country a moderate level of effectiveness in Immediate Outcome 11.**

CHAPTER 5. PREVENTIVE MEASURES

Key Findings and Recommended Actions

Key findings

1. FIs demonstrated a good understanding of ML/TF risks and AML/CFT obligations. In this regard, it was evident that the sectors supervised by the SSF, such as banks, securities, insurance, co-operatives, remittance companies and exchange houses, have a good understanding of their main ML risks. Similarly, there is a good understanding of ML risks among accountants and auditors, dealers in precious metals and stones, lawyers, notaries and casinos. In addition, the real estate sector does not understand its own vulnerability to ML and, consequently, does not demonstrate an understanding of the risks to which it is exposed.
2. Regarding TF risks, REs have limited knowledge and understanding, and the risk is mainly associated with their customers matching international and domestic terrorist lists.
3. Most FIs apply ML/TF risk mitigation measures. However, some sectors, such as FIs regulated by INSAFOCOOP and SOM, DASPs, real estate, lawyers and notaries, still have room for improvement in this respect.
4. The financial sector generally applies enhanced CDD (EDD) procedures for customers engaged in high-risk activities, or simplified CDD (SDD) procedures for lower risk scenarios, depending on the risk profile of each customer. For DNFBPs, the effective implementation of CDD measures with RBA varies across sectors. In particular, the lawyers, notaries and accountants sector, despite having an ML/TF prevention manual, compliance areas and technological tools to screen their customers against international lists, still has weaknesses in the effective application of AML/CFT measures. The real estate sector also shows deficiencies in the implementation of enhanced measures due to a lack of understanding of ML/TF risks.
5. While DASPs generally apply ML/TF prevention measures, they have only recently been integrated into the prevention system and the measures they apply appear to focus on compliance with applicable legislation rather than on the ML/TF risks they face.
6. Although the number of REs registered with the FIU has increased in recent years, there are sectors where there are still entities that have not complied with their registration, which affects the ability to issue suspicious transaction reports.
7. With regard to the quality of STRs, there is room for improvement due to weaknesses in the CDD processes of the REs and incorrect or minimal presentation in the content of STRs. Similarly, notaries, lawyers, casinos, dealers in precious stones and accountants have not yet reported.

Recommended Actions

1. Strengthen knowledge of AML/CFT obligations and implementation of preventive measures by REs, in particular VASPs and DNFBPs with higher risk exposure, such as the real estate sector, lawyers, notaries and accountants.
2. Develop activities to improve the understanding of ML/TF risks and compliance with AML/CFT requirements by entities regulated by the SOM, INSAFOCOOP and CNAD.
3. Promote the incorporation of NRA findings into reporting entities' ML risk assessments to strengthen the proper application of the RBA in their business relationships.
4. Expand efforts to improve understanding of TF risks and continue to train REs on the subject.
5. Strengthen the implementation of EDD on a risk basis and in line with NRA findings, mainly by VASPs and DNFBPs.
6. Adopt measures or actions to identify and register, and sanction accordingly, natural or legal persons falling within the category of reporting entities who are not registered with the FIU.
7. Continue to develop STR training and feedback activities to improve the quality of STRs.

The relevant Immediate Outcome considered and assessed in this chapter is IO. 4[18]. The Recommendations relevant for the assessment of effectiveness under this section are R. 9-23 and elements of R. 1, 6, 15, and 29

Immediate Outcome 4 (Preventive Measures)[19]

482. With respect to the risk, context and materiality aspects of El Salvador analysed in Chapter 1 of this report, the sectors have been weighted by assigning the following relative weights: (a) Sectors of higher relative importance: banking entities, cooperative sector (including savings and credit cooperatives), Bitcoin and digital asset service providers, notaries and real estate sector; (b) medium relative importance sectors: securities, remittances, lawyers, accountants and casinos; and (c) lower relative importance sectors: insurance, exchange houses, trust services, factoring and leasing companies, pawnshops and money lenders, credit card issuers and administrators, companies and partnerships that grant credit and microcredit, and dealers in precious metals and stones.

483. In the specific case of BSPs, the country has included in the NRA a risk analysis of the different services they provide; in this sense, entities that offer the exchange of one virtual asset for another virtual asset, whenever this involves a virtual asset not regulated in the country or an unidentified technology, as well as ATM services from BTC to fiat or vice versa, represent a potential risk of use in criminal activities. It should also be noted that the country's analysis does not conclude on the level of ML/TF risk in the VASP sector. There is also no ML/TF risk identification and assessment of ML/TF risks in relation to Digital Asset Service Providers that are regulated under the Digital Asset Issuance Law, taking into consideration that the NRA incorporates information on the operations of BSPs for the period 2021-2022 and the LEAD came into force in February 2023.

Table 5.1. Levels of Inherent Risk Bitcoin Service Providers

Type of service of the tool	Specific Service in El Salvador	Classification	Threat (Product Dimension) + Vulnerability (Entity Dimension)
Wallet provider	Wallet	Hot wallet	48% (Moderate)
Virtual Asset Swap	Exchange house or Exchange	Dollars to Bitcoin	42% (Moderate)
		Bitcoin to dollars	41% (Moderate)
		Virtual to virtual	66% (High)
Bitcoin Mediation/Payment Processing	ATMs	ATMs	62% (High)
	Payment processors	Traders	21% (Low)

Source: Table 111 of the NRA.

[18] When assessing effectiveness under Immediate Outcome 4, evaluators should take into account the risk, context and materiality of the country being evaluated. Evaluators should clearly explain these factors in Chapter 1 of the mutual evaluation report under the heading 'Financial institutions, DNFBPs and VASPs', as required by the instructions under this heading in the Methodology.

[19] The first paragraph should provide a brief summary of the relative importance that the assessors have given to the different types of financial institutions, DNFBPs and VASPs, taking into account the risk, context and materiality of the country being assessed. This should be complemented by a cross-reference to the more detailed information in Chapter 1 on how each sector has been weighted (according to risk, context and materiality) (as required by the Methodology Headline Instructions).

484. The findings and conclusions in Immediate Outcome 4 are based on information and statistics provided by supervisors and the FIU, interviews with a variety of private sector representatives, and information shared by reporting entities, including ML/TF prevention policy and procedures manuals and other relevant information.

485. In general terms, the interviews conducted with the private sector and supervisors highlighted the communication and coordination actions that have been developed jointly for compliance with AML/CFT measures.

486. Moreover, it was not possible to ascertain the understanding of the risks and implementation of AML/CFT measures by other financial institutions regulated by INSAFOCOOP and the SOM as they were not part of the interviews conducted during the on-site visit.

Understanding of ML/TF risks and AML/CFT obligations.

487. El Salvador approved the National Money Laundering and Terrorist Financing Risk Assessment in July 2023, which covers an analysis period from 2017 to 2021, and the National Policy for the Prevention of ML and TF in September 2023, which aims to address the gaps identified in the various sectors analysed in the NRA. Following the approval of the NRA, the FIU held face-to-face outreach sessions with some financial sectors and DNFBPs to raise awareness of the main ML/TF threats, vulnerabilities and risks in the country; in those sectors where no outreach sessions were held, the NRA report was sent to them electronically. In December 2023, the SSF also held the first technical roundtable of compliance officers on the national TF threat.

488. Based on the latest feedback (November, December 2023 and January 2024), reporting entities have recently started to assess the information in order to strengthen their risk management and to adopt mitigation measures by 2024 in accordance with the identified national, sectoral and individual ML/TF risks. As a result, the assessment team perceived a greater understanding of ML-related risks and, to a lesser extent, TF-related risks.

489. With regard to AML/CFT obligations, in general, financial reporting entities are aware of and understand the obligations arising from the FIU Instructions and the technical standards issued by the BCR, the latter of which are applicable to FIs and BSPs supervised by the SSF. DASPs and DNFBPs still have room for improvement in this respect.

Financial Institutions

490. The financial sector demonstrated a good understanding of ML/TF risks and AML/CFT obligations. The interviews conducted with the different categories of financial institutions revealed that the banking, securities, insurance, cooperative, remittance and foreign exchange sectors supervised by the SSF have a good understanding of their main ML risks, but to a lesser extent of TF risks.

VASP: Bitcoin service providers (BSPs) and digital asset service providers (DASPs)

491. The BSPs and DASPs showed a good understanding of the ML risks they face, particularly with regard to local threats and vulnerabilities. However, there is still room for improvement in terms of understanding the risks the services they provide are exposed to and in terms of the transnational nature of operations, in addition to weaknesses in information gathering related to the "travel rule" and offshore transactions between digital assets other than Bitcoin and TF risks.

DNFBPs

492. DNFBPs participate in FIU training and other supervisory activities to enhance their understanding of AML/CFT obligations and risks, and to adopt policies and procedures to mitigate risks. In this respect, the sectors of accountants and auditors, dealers in precious metals and stones, lawyers, notaries and casinos have a good understanding of ML risks, while the real estate sector does not understand its own vulnerability to ML and consequently does not demonstrate an understanding of the risks it faces.

493. In conclusion, the feedback on the outcomes of the NRA have contributed to the strengthening of RE's risk understanding and have led them to include further mitigation measures in their AML/CFT programmes and policies by 2024. These include: updates of individual ML/TF/PF risk assessments, reinforcements of risk matrices and updates of ML/TF/PF prevention policy and procedures manuals, among others.

494. Regarding TF risks, REs have limited knowledge and understanding of this threat, and the risk is mainly associated with their customers matching international and domestic terrorist lists related to criminal organisations (gangs).

Implementation of risk-mitigating measures.

495. REs must identify, assess and understand their ML/TF risks and allocate resources to ensure that they are effectively mitigated. The interviews revealed that the REs interviewed have AML/CFT manuals describing policies, processes and procedures to mitigate ML risks. In addition, they have compliance officers, technology tools and risk matrices that enable them to apply due diligence to clients based on their risk exposure, taking into account the risk factor of customer, products and services, geographic location and distribution channels.

496. In the specific case of FIs supervised by the SSF that represent a sector of significant materiality, they must comply with the provisions of BCR Technical Rule NRP-36 for the application of the risk-based approach. In general terms, FIs take measures proportionate to the risks identified. With regard to VASPs, BSPs are more advanced in implementing measures than DASPs, due to their recent integration into the AML/CFT system. For their part, DNFBPs have recently adopted measures to mitigate ML/TF risks due to the lack of AML/CFT supervision.

Financial Institutions

497. FIs generally apply ML/TF risk mitigation measures and have the ability to update and adapt internal policies and procedures according to the risks, applying enhanced measures in higher risk situations (PEPs, correspondent banking, new technologies, targeted financial sanctions related to TF, etc.).

498. FIs are required to determine the level of inherent risk of customers or counterparties using weighting criteria, and if they identify high risk customers, they must apply enhanced due diligence as reflected in their internal manuals and procedures. FIs in the banking, securities, remittances and insurance sectors apply measures depending on the risk profile of each customer; for customers classified as high risk, they apply enhanced due diligence measures, e.g., obtaining additional information on the source of funds, interviews, on-site visits, approvals for customer on-boarding, etc.

VASP: Bitcoin service providers (BSPs) and digital asset service providers (DASPs)

499. In the case of BSPs and DASPs, although they apply AML/CFT preventive measures, these are based on the requirements of national legislation rather than on the ML/TF risks to which they are exposed. In particular, there are opportunities for improvement in the DASPs due to their recent incorporation as reporting entities.

DNFBPs

500. In relation to lawyers, and notaries interviewed, despite having an ML/TF prevention manual, compliance areas and technological tools to screen their customers against international lists, there is still room for improvement in the effective application of the measures. It is also noteworthy that the REs surveyed included the non-acceptance of cash payments as a risk management mechanism.

501. The casino sector and dealers in precious metals and stones showed a higher level of maturity in the mitigation measures implemented, which is directly related to the level of understanding of the risks in these sectors. In this regard, it details the implementation of AML/CFT compliance areas, maximum transaction thresholds, transaction monitoring, and customer checks against national and international lists.

502. The accountants and auditors who participated in the interviews have risk management policies and procedures, risk matrices, red flags, customer checks against lists and apply due diligence measures commensurate with the risks. However, according to the CVCPA's 2023 survey of 1,180 accountants and auditors, 41% have no policies and procedures to prevent ML/TF, 85% have not appointed a compliance officer and 35% have no training plan.

503. There are also weaknesses in the real estate sector with regard to mitigation policies. In line with the results of the SOM's request to 78 real estate agents, it was found that only 1 RE out of the selected sample had complied with 60% of the legal requirements before the FIU, i.e., the remaining REs do not have ML/TF procedures and mitigating measures in place. Moreover, 98% reported that they had no internal controls in place to mitigate risks.

504. In conclusion, while FIs of significant materiality are implementing risk prevention and mitigation measures. There are still significant deficiencies in materially relevant sectors such as DASPs, real estate, lawyers, notaries and accountants.

Implementation of specific and enhanced CDD and record keeping requirements.

505. In order to comply with the obligations, set out in the LCLDA and the FIU Instructions, reporting entities are required to have an internal due diligence policy for the reliable identification of customers, beneficial owners and record keeping, as well as enhanced due diligence measures for customers identified as high risk.

506. El Salvador has a mechanism for issuing a Unique Identity Document (DUI) through the National Registry of Natural Persons (RNPN) to all Salvadorans of legal age. This document is required by REs from customers at the time of entering into a business relationship.

Financial Institutions

507. The banking, securities, insurance, remittance and money exchange sectors implement enhanced CDD measures in higher risk scenarios, record keeping, identification of the BO and ongoing monitoring of the relationship, as set out in their ML/TF prevention policies and procedures manuals. Failure to comply with these measures is subject to sanctions. In particular, weaknesses have been identified in the banking sector in relation to enhanced CDD.

508. With regard to the identification of the BO, FIs obtain information on persons holding 10% or more of the shares through affidavits and certificates signed by the legal representative. Most FIs focus on identifying the BO through ownership, but others identify the most senior natural person who manages the legal person. All the financial institutions interviewed agreed on the limitations of verifying accurate information on the BO other than that provided by the customer.

509. Regarding the implementation of CDD measures and record keeping in the cooperative sector regulated by INSAFOCOOP, according to the main weaknesses identified in the supervisory processes for the period 2019 to 2023, most are related to the lack of a comprehensive prevention system, the lack of internal policies for due diligence of members and the lack of a compliance officer.

510. They apply additional due diligence measures to agents, sub-agents, and managers of sub-agents, particularly in the case of remittance companies. And in the case of insurers belonging to financial conglomerates, whose customers are bank customers, the corresponding CDD is performed in the same way.

VASP: Bitcoin service providers (BSPs) and digital asset service providers (DASPs)

511. The BSPs are implementing CDD and record keeping policies. Before determining the CDD measures to be implemented, the type of customer, the economic activity, the jurisdiction, the product to be used and the channel through which the customer will be contacted are identified. These entities have manuals, policies and procedures that provide for the above obligations, as well as forensic tools that allow them to detect operations originating from the dark or deep web.

512. As for the DASPs, although they are at a preliminary stage of being subject to AML/CFT supervision, they implement ML/TF prevention measures, in particular customer and transaction knowledge, and have technological tools for transaction analysis of operations and risk scenario assessment.

513. In the case of VASPs that provide ATM services, the purchase of BTC via ATMs is permitted and simplified CDD measures apply as long as the transaction is less than USD 500 (single or split). In case the person is an occasional customer and sells BTC, a "know your transaction" CDD is always applied.

514. It should be noted, however, that operations or transactions conducted using other technologies, virtual assets other than Bitcoin, or peer-to-peer (P2P) that fall outside the regular operations of VASPs are not subject to AML/CFT preventive controls.

DNFBPs

515. DNFBPs generally have policies and mechanisms in place to identify and verify their customers, and these measures are phased according to the level of risk. In addition, they maintain measures to monitor transactions or operations, including red flags in their systems that trigger the application of enhanced CDD measures.

516. Casinos and dealers in precious metals and stones have a customer base focused on natural persons, so the main source of verification is the DUI. In particular, casinos operate cashless systems, i.e., customers can only access services by means of an authorised, non-transferable gaming card, which acts as a closed-loop electronic wallet and allows the control and registration of each customer's activity.

517. The interviewed sectors of lawyers, notaries, accountants and auditors apply CDD measures to a good extent as a result of their understanding of their risks and the AML/CFT policies reflected in their ML/TF prevention manuals. However, there are limitations in understanding the concept of beneficial owner as it only refers to the partners or shareholders of the legal person.

518. In the real estate sector, opportunities for improvement in the application of CDD are identified due to the limited understanding of ML/TF risks. In the specific case of real estate agents who are natural persons, there is no prudential regulation, they are only registered with the DGII for tax purposes, and consequently the implementation of AML/CFT measures by them is also unknown.

519. The limited legal powers of DNFBP supervisors to supervise in AML/CFT matters make it difficult to carry out a more detailed assessment of the level of implementation of CDD measures, as well as record keeping and safekeeping.

520. In conclusion, most FIs implement CDD and record keeping measures based on the provisions of the Regulation, which consist of identifying and verifying customers and the identity of any other natural or legal person on whose behalf they act, including the identification of the BO. However, there is room for improvement in the implementation of CDD for the cooperative sector and other financial institutions supervised by INSAFOCOOP and SOM respectively. VASPs implement AML/CFT measures with the support of technological tools, although risk scenarios are recognised in the case of offshore transactions between virtual assets outside their regular operations. DNFBPs also implement ML/TF prevention measures, but there are weaknesses in the real estate sector and in particular for lawyers, notaries, accountants and auditors in terms of BO identification and verification.

Implementation of EDD Measures

521. The Salvadoran legal framework provides for the obligation for REs to apply enhanced CDD measures in situations considered high risk. Financial institutions in general and VASPs demonstrated the implementation of customer identification and know-your-customer policies, including enhanced CDD measures, as well as the adoption of measures in cases of politically exposed persons (PEPs), checking of lists of designated persons and entities and higher risk countries. The DNFBPs include these obligations in their AML/CFT manuals and procedures, but the lack of supervision made it impossible to verify compliance.

522. Furthermore, it is noted that these measures should be strengthened on a risk basis, as institutions assess the results of the NRA published at the end of 2023, which will lead them to update or reconsider the risk mitigation measures in their AML/CFT programmes and policies.

523. In particular, with regard to PEPs, FIU-registered entities have a list of charges provided by the Unit to enable them to draw up their own internal lists and identify when they are dealing with a PEP, in addition to the forms that the customer can fill in to declare their status. In addition, with regard to the UNSC lists, the FIU submits, through its platform, the amendments to these lists so that the REs can proceed according to the freezing procedures, if applicable. However, there are a significant number of entities identified by the prudential regulators that are not registered with the FIU.

Financial Institutions

524. In general, FIs are aware of the risks associated with PEPs, and the banking sector is one of the most used in ML investigations, especially those where the predicate offence is related to corruption. In this context, it was noted that FIs have procedures in place to mitigate the risks associated with PEPs, such as policies for accepting customers under these conditions, which require the approval of the hierarchical superior to continue the business relationship, enhanced monitoring, election campaign monitoring, income verification, etc.

525. In terms of new technologies, FIU Instructions state that reporting entities should identify and assess risks that may arise in connection with the development of new products and new business practices, including new delivery mechanisms and the use of new or developing technologies for new or existing products. As far as banks are concerned, they indicated that they have applied thresholds (less than USD 200,000) for automatic Bitcoin-to-dollar conversion transactions, in addition to identifying red flags and notifying the relevant authorities. In addition, their prevention manuals include procedures for identifying and assessing the risks posed by new products, business practices or technologies.

526. In accordance with the Instructions of the FIU, CDD measures, which include obtaining information on the originator and the beneficiary, the customer number and the transaction identification number, must be applied by financial institutions providing wire transfer services. They also provide monthly reports on international, domestic and remittance transfers, where applicable. In addition, FIs should include in their risk analysis the services and products component, which includes international remittances and wire transfers.

527. FIs review and maintain the lists of designated persons and entities under UNSC Resolutions and are aware of the procedures for reporting to the FIU the existence of proceeds, property or services related to listed persons for freezing purposes. Most FIs incorporate these lists into automated monitoring systems, alerting them to matches against customer databases and keeping logs of false positives. If positive, the FIU is notified within 24 hours via the direct system.

VASP: Bitcoin service providers (BSPs) and digital asset service providers (DASPs)

528. The VASPs demonstrated the application of enhanced CDD measures in cases of higher risk scenarios, such as high-risk countries or PEP customers, using different technology tool providers. In particular, they can block transactions if they find matches on international lists such as the UN Security Council.

529. However, in transactions conducted using other technologies, virtual assets other than Bitcoin, or peer-to-peer (P2P) that fall outside the regular operations of VASPs are not subject to AML/CFT preventive controls. Similarly, the findings of the NRA and the interviews conducted during the on-site visit identified limitations in obtaining the information required by the travel rule.

DNFBPs

530. DNFBPs generally apply enhanced due diligence especially in risk scenarios linked to PEPs or higher risk countries. In terms of identifying matches against UNSC lists, DNFBPs check their customer lists to proceed with freezing where appropriate.

531. The casinos and dealers in precious metals and stones, according to the on-site visit interviews and their AML/CFT procedures manuals, are implementing enhanced due diligence measures. However, concerns remain due to the lack of an oversight or monitoring body.

532. Lawyers, notaries, accountants and auditors have only recently been included as REs, so it was not possible to determine the effective implementation of enhanced CDD measures. In particular, in the case of lawyers and notaries, some law firms can receive payments in Bitcoin currency and have advised companies that provide Bitcoin services. In this sense, they do not appear to have any risk criteria associated with such customers

533. In addition, real estate agents show significant room for improvement in the application of EDD measures, especially when dealing with cash transactions and PEP customers.

534. In conclusion, REs are generally implementing enhanced CDD measures in higher risk scenarios. However, major weaknesses are noted in the real estate sector and in the VASPs, especially with regard to the implementation of the travel rule. And in the specific case of lawyers, notaries, accountants and auditors, it was not possible to determine the effective implementation of enhanced CDD measures, as they have only recently been incorporated as REs (2021).

Reporting and tipping-off obligations.

535. Reporting entities must submit suspicious transaction reports to the FIU as provided for in the LCLDA and FIU Instructions. The AML/CFT procedures manuals contain procedures for the identification and reporting of suspicious transactions. Financial institutions submitted 8,558 STRs to the FIU, representing 78% of the total STRs for the period 2019-2023.The sectors with the highest number of STRs are private banks (4,981), credit unions (307) and cooperative savings and credit unions (290). For DNFBPs, STRs were received only from real estate companies and intermediaries (11).

536. According to the statistics provided by the country, there is evidence of a decrease in reporting for all sectors from 2022 onwards, which in principle corresponds to the feedback activities and guidelines that have contributed to improving the STR content.

Table 5.2 Number of STRs by type of RE

Type of reporting entity	2019	2020	2021	2022	2023(Nov)	Total number of STR
Financial Institutions	1,972	1,587	2,070	1,566	1,363	8,558
DNFBP	7	2	2	0	0	11
VASP	0	0	0	25	16	41
Total of reporting sectors based on FATF 22	1,979	1,589	2,072	1,591	1,379	8,610
Other economic sectors[20]	972	546	629	207	36	2,390
Total	**2,951**	**2,135**	**2,701**	**1,798**	**1,415**	**11,000**

537. Despite the fact that the reporting entities submit STRs in a timely manner and under the established formats, these have presented significant deficiencies mainly related to the quality, incorrect or minimal information submitted, as a consequence of weaknesses in the customer due diligence processes. Given the importance of ensuring the quality of STRs, the FIU has conducted feedback approaches at the sectoral level and on an individual basis, mainly with the financial sectors.

538. With regard to TF-related STRs, although the country did not provide precise figures, it can be noted that both financial institutions, BSPs and DASPs and DNFBPs associate them mainly with matches in the lists of UNSC Resolutions, rather than as part of the analysis and reporting process of their detection system.

539. The LCLDA provides for a penalty of three to six years' imprisonment for any person who discloses, divulges or misuses information required to be reported to the FIU. In addition, the prevention manuals contained provisions relating to the prohibition of disclosure.

[20] Importers or exporters of agricultural products and inputs and of new or used vehicles, travel agencies, air, land and sea transport companies, construction companies, private security companies and importers and dealers in firearms, ammunition, explosives and similar articles, non-governmental organisations, drugstores, pharmaceutical laboratories and pharmacy chains, associations, consortia and business guilds and any other business associations, consortia and trade unions, and any other private or mixed economy institution or business.

540. In addition, with regard to the registration of FIUs for the period 2019-Nov 2023 to comply with reporting obligations, the approved and accredited[21] reporting entities are as follows:

Table 5.3 Reporting entities registered with the FIU as of December 2023

Reporting entities	Approved	Accredited:
FIs		
Any company, firm or entity of any kind, national or foreign, that is part of a financial institution, group or conglomerate supervised and regulated by the Superintendence of the Financial System.	128	111
Natural and legal persons engaged in sending and receiving parcels and remittances.	102	13
Micro-finance institutions, credit unions and non-bank financial intermediaries.	453	246
Credit card issuers, co-issuers and related groups.	6	4
Natural and legal persons engaged in the systematic or large-scale transfer of funds, including pawnbrokers and other credit institutions.	542	79
Total IF	1,231	453
VASP		
Virtual Assets Service Providers (VASP)	84	33
DNFBP		
Trust Company Service Providers.	60	8
Casinos and games of chance	24	6
Dealers in Precious Metals and Stones	38	10
Real Estate Companies and Brokers	824	241
Lawyers	3,988	0
Accountants	4,664	0
Notaries	8,972	0
Total DNFBPs	18,570	265
Total	**19,885**	**751**

541. Based on the data presented, it was found that the number of companies registered with the regulator in November 2023 (59,855) is higher than the number of companies registered with the FIU in December 2023 (19,885). In this respect, only 33% of the universe of reporting entities are included in the FIU register, which shows the lack of compliance with the obligation to report suspicious transactions by the different categories of reporting entities.

Imminent implementation of internal controls and legal/regulatory requirements.

[21] Approved registrations are those where, after the reporting entity has registered and uploaded the affidavit that the information provided is accurate, the FIU reviews and approves the application in the system so that the system sends the access credentials to the FIU portal.
The accredited registries are those that have already been approved by the FIU, the reporting entity has entered its credentials in the FIU portal and has proceeded to register the compliance officer, has uploaded the agreement of the highest body establishing the compliance office and appointing the compliance officer, the ML/TF prevention manual, the work plan, the training plan, the description of the monitoring system, the audit plan.

542. El Salvador's AML/CFT system facilitates the implementation of internal controls by reporting entities, which develop risk-based procedures and controls.

543. The internal control procedures and mechanisms are integrated into the ML/TF Risk Prevention Procedures Manual, which is approved by the highest governance body of the reporting entity and disseminated to RE staff.

544. In general, REs, mainly FIs, have developed internal ML/TF prevention systems to ensure compliance and risk management in this area. These systems consist mainly of procedures and controls linked to timely detection and issuance of STRs, all under the responsibility of a compliance officer.

545. There are no known impediments to compliance with the obligation to report to the FIU, including the background information analysed by the REs in order to report the suspicious transaction.

Conclusions on Immediate Outcome 4

546. FIs and BSPs generally apply AML/CFT measures commensurate with their risks. FIs supervised by the SSF, especially banks, have more established AML/CFT systems. The understanding of risks and the implementation of measures could not be ascertained for the FIs regulated by INSAFOCOOP and SOM. For their part, the DASPs, due to their recent inclusion, still have weaknesses in the application of CDD measures.

547. Overall, FIs and VASPs have a higher level of understanding of ML risks and implementation of AML/CFT preventive measures than DNFBPs. However, DNFBP sectors interviewed have CDD measures in place that are applied with a RBA, although weaknesses in the implementation of enhanced measures are noted in the real estate sector due to a lack of understanding of ML/TF risks, and in the lawyers, notaries and accountants sector due to their recent inclusion as REs in 2021. The understanding the risk posed by TF in general is a challenge, which also reflects opportunities for improvement in the detection of suspicious TF transactions.

548. In terms of reporting of suspicious transactions, despite the fact that the reporting entities submit STRs in a timely manner and under the established formats, these have presented significant deficiencies mainly related to the quality, incorrect or minimal information submitted, as a consequence of weaknesses in the customer due diligence processes. Similarly, for DNFBPs, only 11 STRs were received from real estate companies and intermediaries in the period between 2019 and Nov 2023.

549. Moreover, only 33% of the universe of reporting entities are included in the FIU register, which shows the lack of compliance with the obligation to report suspicious transactions by the different categories of reporting entities.

550. In this respect, certain deficiencies have been identified in the prevention framework which need to be significantly improved. Therefore, **El Salvador shows a moderate level of effectiveness in Immediate Outcome 4.**

CHAPTER 6. SUPERVISION

Key Findings and Recommended Actions

Key findings

1. Financial and DASP sector regulators and/or supervisors have powers and procedures to control the market entry of reporting entities and apply licensing and/or registration controls to prevent the market entry of criminals, their partners, associates and BOs. However, the controls carried out by the BCR, INSAFOCOOP and the SOM on the entities they regulate and/or supervise are not considered sufficient to fully achieve the intended objective.
2. The SSF has the highest level of understanding of ML risks, as compared with the other authorities. INSAFOCOOP has a risk rating of its regulated entities, but there are still weaknesses in its understanding of the risks faced by the sector it supervises. The SOM, the CNAD, the CSJ and the CVPCPA have started the process of identifying and classifying the risks of the entities they regulate, but they are still in the process of developing measures in this respect and therefore do not have a full understanding of the risk exposure of the entities they regulate.
3. The AML/CFT supervisory system consists of the supervisors of the various financial institutions and DASPs that have the power to supervise the ML/TF prevention component in the framework of prudential supervisions. As regards DNFBPs, the SOM, the CSJ and the CVPCPA still lack the powers to supervise AML/CFT effectively, although they are making significant efforts.
4. In November 2023, the AML/CFT system supervisors signed a framework agreement on technical assistance and implementation of the RBS, with the aim of reducing systemic supervisory gaps and homogenising supervisory standards. It should be noted that supervisors maintain good communication with supervised sectors, which has a positive impact on the understanding of AML/CFT obligations.
5. The SSF conducts risk-based supervision. However, for the rest of the FI, DASP and DNFBP supervisors, the risk-based approach is in the process of adaptation and development.
6. For the BSPs, consolidated supervision has been established on the basis of the SSF's own experience, in contrast to the DASPs, which are in the early stages of supervision with a RBA due to the recent introduction of the supervisor.
7. In particular, the SSF has carried out risk-based on-site and off-site supervision, albeit with certain limitations in terms of frequency.
8. With regard to STR supervision, the SFF reviews the alerts and procedures used to escalate suspicious transactions. In cases where a failure to send STRs is detected, the entity is provided with feedback on its reporting obligation and, if the SSF finds an indication, it sends a report to the FGR. The AML/CFT Law empowers the FIU to conduct inspections, analyses or audits of REs. In this context, the FIU, together with INSAFOCOOP, carried out 6 inspection visits on the implementation of the AML/CFT legal framework. However, no specific follow-up or sanctions were applied to the observations identified.
9. With regard to the supervision of the DNFBP sectors, the CSJ, the CVPCPA and the SOM have no legal powers to supervise on AML/CFT matters. However, these supervisors have taken steps to supervise the RBA. The SOM has included AML/CFT components in its prudential supervisory visits. The CSJ and the CVPCPA have distributed surveys to their regulated entities, enabling them to identify those engaged in the activities described in FATF R.22.
10. The organisational structure of the SSF consists of 4 superintendencies and 7 intendancies; each superintendence has its own supervision department, which is coordinated with the Risk Directorate, which has several departments, one of which is dedicated to ML/TF risks. INSAFOCOOP and SOM have 12 staff members who are currently carrying out some AML/CFT monitoring activities. The CSJ

has 7 persons and the CVPPCA has 3 persons who carry out professional identification activities in accordance with FATF R.22. Finally, the CNAD, which was recently created, has a staff of 25.

11. In general, the deficiencies detected in the supervision of SSFs lead to remedial actions such as resolution plans and, exceptionally, to sanctions, and during the period under review only financial sanctions were applied, which limits the application of effective, proportionate and dissuasive sanctions.
12. In the case of INSAFOCOOP, the SOM, the CSJ and the CVPCPA, the lack of competence in this AML/CFT area is a significant limitation for the application of effective, proportionate and dissuasive sanctions for breaches of the AML/CFT framework, and no data on sanctions applied in the evaluation period was presented, with the exception of INSAFOCOOP, which submitted a sanctioning resolution that includes violations related to the AML/CFT programme. As for the CNAD, it did not carry out any supervisory actions and, consequently, did not take any remedial and sanctioning actions during the evaluation period.

Recommended Actions

1. Urgently amend the legal framework to give specific AML/CFT supervisory and sanctioning powers to INSAFOCOOP, SOM, CSJ and CVPCPA.
2. Improve controls on the licensing or registration of entities regulated by the BCR, INSAFOCOOP and SOM.
3. Increase financial, human and technological resources in the AML/CFT supervisory areas of supervisors in general and DNFBP supervisors in particular.
4. Deepen the application of the risk-based approach to AML/CFT supervision, including the updating and effective implementation of supervisory prioritisation matrices.
5. Increase the frequency and intensity of supervision of higher risk reporting entities.
6. Improve understanding of sectoral ML/TF risks by updating and/or developing sectoral risk assessments.
7. Initiate of RBA monitoring procedures for DASPs by the CNAD and continue with the adequacy of the RBS in the BSPs supervised by the SSF.
8. In the specific case of the SSF, follow up the resolution plans of financial institutions within a reasonable timeframe and, where appropriate, apply sanctions that are dissuasive and proportionate to the size of the institution and the seriousness of the breaches.
9. Take measures to strengthen the sanctions regime and the application of effective, proportionate and dissuasive sanctions. Strengthen the co-ordination of supervisors with the FIU for feedback on the quality of STRs.
10. Increase feedback and training activities to promote a clear understanding of AML/CFT obligations and ML/TF risks in regulated entities.

The relevant Immediate Outcome considered and assessed in this chapter is IO. 3. The Recommendations relevant for the assessment of effectiveness under this section are R. 14, 15, 26-28, R. 34 and 35, and elements of R. 1 and 40.

Immediate Outcome 3 (Supervision)

551. The AML/CFT supervisory system consists of the supervisors of the various financial institutions that have the power to supervise the ML/TF prevention component. The financial sector is supervised by the SSF, the SOM and the INSAFOCOOP. In the case of VASPs, the regulator for Bitcoin (BSPs) the prudential regulator is the BCR and the AML/CFT supervisor is the SSF, and for DASPs it is the CNAD.

552. As for DNFBPs, lawyers and notaries are regulated and supervised by the CSJ, auditors and accountants by the CVPCPA, casinos, dealers in precious metals and stones and the real estate sector by the SOM, and trust service provision is carried out by banking institutions supervised by the SFF. However, the legal framework in place at the time of the on-site visit did not provide non-finncial DNFBP supervisors with clear supervisory and sanctioning powers in AML/CFT matters.

553. In this section, and taking into account the aspects of risk, context and materiality identified in Chapter 1 of the report, the elements of the core issues have been weighted by assigning a higher relative weight to the sectors of banking institutions, the cooperative sector (including savings and credit cooperatives), Bitcoin and digital asset service providers, notaries and real estate; followed by securities, remittances, lawyers, accountants and casinos; and thirdly by insurance, exchange houses, factoring and leasing companies, pawnshops and money lenders, credit card issuers and administrators, companies and partnerships that grant credit and microcredit, trust service providers,[22] and dealers in precious metals and stones.

554. The assessment team took into account supervisory statistics, interviews with supervisors and private sector entities, as well as relevant supervisory cases, sanction files and other relevant documents to analyse the core issues.

555. As a cross-cutting element, the assessment team noted that only the SSF and the CNAD have AML/CFT supervisory and sanctioning powers, an aspect that could not be verified in relation to the other regulators/supervisors of financial institutions and DNFBPs (INSAFOCOOP, SOM, CSJ and CVPCPA). The lack of specific AML/CFT powers is a significant weakness. However, it is recognised that the supervisors without specific AML/CFT powers have developed certain measures to mitigate the vulnerabilities of the sectors under their jurisdiction, detailed in the analysis of the core issues below.

Licensing, registration and controls preventing criminals and associates from entering the market.

556. Financial sector supervisors, VASPs and DNFBPs have powers and procedures to monitor the entry of reporting entities into the commercial market. The legal framework generally provides for the disqualification of persons convicted of criminal offences from obtaining authorisation to commence business; with regard to mechanisms and controls to prevent criminals from becoming directors or owners of financial institutions, DNFBPs and VASPs, the assessment team found that most competent authorities apply certain mitigating measures in this respect. In addition, all reporting entities are required to register with the FIU, although weaknesses have been identified in this regard.

Financial institutions and VASPs (BSPs and DASPs)

557. The main control used by the SSF to ensure that criminals and their beneficial owners are not part of a financial institution is an affidavit, which indicates as follows:

- Not having been convicted of having committed a criminal offence or of having participated with the intent to commit a criminal offence.

[22] The provision of trust services in the country is provided solely by banks.

- There has never been any judicial evidence of involvement in activities related to drug trafficking and related crimes of money and asset laundering.
- No administrative or judicial conviction for involvement in serious violations of financial laws and regulations, in particular unauthorised collection of funds from the public, granting or receiving related loans in excess of the permitted limit, and financial crimes.

558. Criminal records issued by the PNC or the Criminal Records Bureau are also required to support the affidavit.

559. In addition, financial institutions are required to report changes in management and hierarchy, and the information is verified at inception and on subsequent changes. Similarly, the SSF verifies the existence of administrative proceedings against shareholders, directors and managers and their spouses in order to ensure that the disqualifications laid down in the legal framework do not apply; it also checks the lists sent by the FIU in order to avoid matches.

560. The SSF reported that no circumstances had arisen in the course of the shareholder authorisation procedures that would have led to a rejection of the request made by the financial institutions. Similarly, the annual disqualification reviews complied with the requirements set out in the legislation of the various regulated industries.

561. However, with regard to the start of operations, the SSF rejected 5 applications for authorisation in the period 2019-2023: an Electronic Money Transfer Company (EMTC) and a voluntary pension savings fund due to deficiencies that were not remedied despite several time extensions, and a securitisation company, an investment fund manager and an EMTC due to non-compliance with the documentation required by the technical standards for the start of operations and applicable functioning

562. For its part, INSAFOCOOP asks its members to fill in a form on the source of funds and a sworn declaration. With regard to the SOM, there was no evidence of controls on registration to prevent people who set up cooperatives, pawnshops and loan companies, microcredit societies and financial leasing services, among others, from being criminals or setting them up for illicit purposes.

563. In the case of BSPs, according to article 3 of the Bitcoin Law Regulation, the BCR is the designated authority to grant them the authorisation prior to the start of their operations The country indicated that the administration of this authorisation is the management of the information provided by users, which includes adding, modifying or deleting data from the register upon request. Therefore, it is not an authorisation to access the ecosystem, i.e. the authorisation to perform operations is not granted until the SSF performs the corresponding follow-up. It is therefore concluded that the BCR register is not constitutive, although it allows the identification of BSPs operating in the country.

564. In this sense, the BCR requires the completion of a form and a digital copy of the articles of association and the identity documents of the partners or, in the case of natural persons, the DUI or passport. Information on partners or natural person BSPs is checked against criminal records and matches are reported to the FIU. For its part, the SSF, in its supervisory role for BSPs, applies the same controls as for FIs under its supervision. The country indicated that the SSF contacts and monitors the requesting entity to determine the

feasibility of the operations it intends to carry out prior to the execution of the operations, and that the FIU monitors compliance with registration as a reporting entity in the relevant portal.

565. When examining applications for DASP licences, the CNAD sets out the requirements for the analysis, such as identification documents, legal entity and beneficial owners, understanding of the services to be offered and requesting legal, technological and ML/TF/PF prevention documentation. Once shareholders and BOs have been identified, filters are run on watch lists and open sources to prevent criminals and related parties from participating in the ecosystem as directors, controllers and owners, although the legal framework does not provide controls to prevent criminals, partners or BOs from being part of the entity.

566. The SOM refused to authorise a company to operate credit cards in 2021 due to its failure to comply with the requirements of the Technical Norms of the Credit Card System. Specifically, the company could not provide evidence of the policies and procedures of the risk management system adopted by the company, which included policies related to customer identification and qualification, in violation of articles 3(w), 4(p), 11, 14 and 19 of the Technical Norms of the Credit Card System.

567. In addition, the CNAD reported the suspension of the operation of one DASP for failing to provide documentation demonstrating the maintenance of an ML/TF prevention programme and for failure to comply with article 12 of the LEAD regarding the payment of the registration fee, and rejected the applications of 15 entities, mainly for failure to respond to the requirements requested. INSAFOCOOP reported that during the period under review there were no cases of irregularities in the registration of savings and credit cooperatives.

568. In none of the cases did the country report any refusals of proposals to change directors, shareholders, etc.

DNFBPs

569. In order to operate in El Salvador, casinos must have an operating licence, which is granted by the mayor of the municipality in which they will operate. As part of the licensing process, the municipalities must be informed of the company's shareholders, as well as being registered in the Commercial Registry and the DGII Registry, where the company's shareholders must be updated at least once a year.

570. In the case of lawyers and notaries, the Supreme Court of Justice (CSJ) is the body competent to grant licences to practise as lawyers and notaries. The Professional Investigation Section of the CSJ is responsible for authorising lawyers after an investigation of the applicant's public and private conduct, carried out in consultation with the FGR, the PGR and the country's courts, to verify that the applicant has no pending or expired cases for any crime or misdemeanour. The sine qua non condition for exercising the function of notary is to be a lawyer; after being admitted as a lawyer, prospective notaries must pass an aptitude test enabling them to exercise the function of notary.

571. With regard to accountants and auditors, the CVPCPA is the body responsible for granting authorisation to carry out these activities, checking against the FGR database and the lists issued by OFAC and CSNU, in order to guarantee the probity of future accountants and auditors.

572. With regard to the other types of DNFBPs (real estate and dealers in precious metals and stones) that fall within the scope of the SOM, REs must have the status of traders as provided for in article 7 of the Commercial Code, but those who do not have this status may not exercise it and are therefore subject to article 11 of the Commercial Code: "shall be disqualified from engaging in commercial activities and from holding office in commercial companies: I. Those who are prohibited by law from engaging in such activities. II. Those who have been deprived of the same activities by an enforceable sentence. III. Those who have been declared bankrupt, as long as they have not been rehabilitated", but the SOM does not have any internal controls or mechanisms that would allow it to identify and prevent criminals from being partners, associates or directors of the company under its supervision.

Registration with the FIU

573. In addition to the requirements to obtain a licence or authorisation to operate, all reporting entities, without exception, must register with the FIU and update their registration within 15 working days of any change in the information required.

574. The process of registering as a reporting entity with the FIU is carried out online through the registration portal by filling in forms by the reporting entity and the administrator or compliance officer and attaching documents confirming their appointment; they must also attach documents such as the ML/TF prevention manual, training programme, power of attorney and DUI, among others. If there are no objections, it is accepted and an e-mail is sent to the reporting entity indicating that the application has been accepted and that it can access the system, otherwise it is indicated that it has been rejected and the reporting entity must submit a new application correcting the observations.

575. The FIU has a register of reporting entities covering financial institutions, non-financial institutions and Bitcoin and digital asset service providers. However, for some sectors, the registration process is still ongoing with regard to the total number of identified entities (a total of 59,855 entities have been verified, of which only 19,885 have been registered with the FIU). During the interviews, the assessment team was told that there is coordination between the BCR, SSF, CNAD, SOM, INSAFOCOOP and the FIU to report a new registration and that they take action to register with the FIU.

Table 6.1 - Applications for registration of REs with the FIU[23]

Year	Received	Approved	Accredited[24]
2019	124	73	34
2020	62	58	24
2021	104	99	40
2022	16,872	16,420	78
2023	2,114	1,893	77
Total	**19,276**	**18,543**	**253**

[23] For the purposes of this statistic, the entities listed by the FATF have been taken into account. In addition, the country did not provide information on rejected registration applications and the reasons for rejection.
[24] In order to be accredited by the FIU, they must submit the work plan, the ML/TF prevention manual and appoint a compliance officer, but the FIU has indicated that the reporting entity can fulfil the reporting functions even if it is not accredited.

576. Based on the above, it can be concluded that the SSF, which covers most financial institutions, including those of higher materiality and the BSPs, as well as the CNAD, has largely achieved the outcome of the core issue. There is still room for improvement for BCR, INSAFOCOOP and SOM. Finally, as regards registration with the FIU, there is a systematic mechanism for obtaining registration as a reporting entity. Notwithstanding this, it is not apparent that the requirements prevent criminals, associates or BOs from being owners, partners, shareholders or managers of a reporting entity.

Supervisors' understanding and identification of ML/TF risks.

577. Regarding the understanding of ML risks, the assessment team found that all the supervisors interviewed (SSF, INSAFOCOOP, SOM, CNAD, CSJ and CVPCPA) are aware of the NRA and its results, but the level of understanding of the risks of the sectors they supervise varies between the authorities.

578. There is less understanding of the risks of TF than of ML. It is noted that supervisors tend to associate them with local terrorist groups (gangs) and that there is generally less understanding of the risks associated with international terrorist organisations and UNSCR designated entities.

Table 6.2 - NRA results by sector

Sectors	Risk rating
Banking	Medium
Securities	Medium-low
Insurance	Low
OFI[25]	Medium
BSP	No overall risk[26]

579. The FIU led the development of the NRA for the period 2017-2021, which was approved in 2023. The SSF, for its part, actively participated in the NRA by providing relevant information to the ML Section, in particular for the identification of threats and vulnerabilities in the banking, securities, insurance and other financial institutions, asset and virtual asset service providers, among others. In this respect, the SSF is considered to have a good understanding of the ML risks associated with the main offences identified in the NRA.

580. The generation of risk profiles of the entities supervised by the SSF is systematised by means of the Financial Intelligence System (SIFI), which calculates the inherent risks (55%) and the quality of management (45%), credit risk, market, operational and technological, money laundering and terrorist financing (ML/TF) and technical risk (for insurance only); these are combined to give the net risk and the

[25] OFIs: Other financial institutions, as described in Table 75 of the NRA, are: microfinance institutions, state-owned financial institutions, pawn shops and money lenders, factoring and leasing companies, issuers and administrators of credit cards and ARNB.
[26] The country has developed a risk assessment by type of service provided by the BSPs and indicates in Table 111 of the NRA that: The Bitcoin service that poses the highest risk is the exchange house service from one virtual asset to another virtual asset (66%), mainly because although Bitcoin is regulated, the nature of the crypto-asset ecosystem allows it to be exchanged for another virtual asset that may not be regulated in the country. Then there is the service of ATMs (62%), which allow the exchange of cash for Bitcoin or vice versa by verifying a number". A risk assessment of DASPs has not yet been carried out.

liquidity, capital and earnings ratings are aggregated to give the composite risk of the entity, with the qualitative risk categories being low, moderate, above average and high.

581. The information in the SIFI is updated each time a supervisory visit is completed. Risk profiles are generated at least once a year, with the most recent information entered into the system. According to the interviews, the SSF indicated that several indicators already taken into account have been confirmed, while some have changed in relation to the results of the NRA, and that the risk profiles are a key input for the design of the institutional supervision strategy and the planning of visits for each year.

Table 6.3 - Risk level of financial institutions supervised by the SSF in 2022

Risk	Number of entities	Representation
High risk	11	7%
Above-average risk	29	18%
Moderate risk	94	59%
Low risk	10	6%
No risk[27]	14	9%
Total	**158**	**100%**

582. INSAFOCOOP indicated that of the 348 credit union associations, 280 (81%) are high risk, 18 (5%) medium risk and 50 (14%) low risk, but there are concerns about the process and techniques used to determine the risk profile of the institutions and how the results of the NRA are taken into account. This classification was based on the application of an ML prevention compliance questionnaire submitted in 2021 through on-site visits, which required supporting information to calculate the inherent risk, and a follow-up in August 2023 to determine the level of compliance and thus calculate the net risk in credit union associations. However, it is not clear how ML/TF risk factors and NRA findings are taken into account.

583. For its part, the SOM did not present the risk rating for all the financial institutions it supervises (314 FIs as of November 2023), but only for 30 institutions. It also reported on the update of the Monitoring and Surveillance Policy (Manual), noting that the risk identification and assessment process for 2024 will include the results of the NRA, taking into account the vulnerabilities and threats of the sectors.

Table 6.4 ML risk rating under SOM supervision as at Nov. 23

Sector	Medium risk 2020-2021	High risk 2022	High risk 2023
Credit cards administrators	1	1	1
Credit associations	7	1	3
Credit and micro-credit institutions	11	28	24
Pawnshops and money lenders	2	1	1
Entities providing financial leasing	1	0	1

[27] Number of units with no risk level. This may be due to the fact that they are in the process of qualification, or they are inactive or in the process of closure, which submit financial information on a regular basis in order to monitor their inactivity and to inform the SSF in case they decide to resume activities or liquidate.

584. As for the CNAD, despite its recent creation (January 2023), it has made considerable efforts to identify the risks of the DASP sector. In this context, it has developed a supervisory manual and guidelines in which it has tried to incorporate the findings of the NRA, although it did not participate in its drafting. The supervisory manual refers to the need to determine the quality of the comprehensive risk management applied by the institutions, based on the analysis of significant activities and the quantification of their materiality. They also presented a composite risk matrix including the ML/TF prevention component.

Table 6.5 - Risk level of DASPs supervised by the CNAD as of 2023

Risk	Number of entities	Representation
High risk	4	24%
Moderate risk	5	29%
Low risk	2	12%
No risk	6	35%
Total	**17**	**100%**

** Entities classified as no-risk are those that have not yet started operations*

585. DNFBP supervisors are at an early stage of identifying and categorising the risk of the entities. In the information provided by the country, it was verified that the CVPCPA , through a survey of 1,118 accounting and auditing professionals, found that 48% of them work independently (they are not employed in the public or private sector) and have been classified as high risk, and the remaining 52% who work as employees (they are employed in the public or private sector) have been classified as medium-high risk. These questionnaires are part of the sectoral assessment and risk matrix process currently underway.

586. For its part, the SOM from 2020 to November 2023 has managed to categorise the risk of certain reporting entities on the basis of its monitoring and supervision manual; out of a total of 1,664 REs, 95 have been classified as high risk.

Table 6.6. Annual risk rating of DNFBPs supervised by the SOM as at 23 Nov

Sector	High risk 2020-2021	High risk 2022	High risk 2023
Casinos	2	2	2
Dealers in Precious Metals and Stones	1	2	3
Real Estate	121	79	90

587. In the case of the CSJ, it is carrying out activities to identify reporting entities through a request to legal professionals and notaries, to which 9,730 professionals responded, indicating that they carry out activities in accordance with FATF R.22.

588. To improve their understanding of the risks to which they are exposed, supervisors have trained their supervisory staff in AML/CFT matters, with 249 officials from financial supervisors and DNFBPs trained last year.

Table 6.7. Number of supervisory staff trained in AML/CFT issues

Supervisor	2019	2020	2021	2022	Nov23
SSF	6	29	58	143	190
CNAD	0	0	0	0	10
CVPCPA	12	12	34	12	33
SOM	0	2	3	4	9
CSJ	0	0	0	7	7
Total	**18**	**43**	**95**	**166**	**249**

589. In view of the above, the SSF has the highest level of understanding of ML risks, followed by INSAFOCOOP to a medium level. With regard to the SOM, the CNAD, the CSJ and the CVPCPA, while developing efforts to identify and understand ML/TF risks in the sectors they regulate, still face challenges in this regard.

Risk-based supervision of compliance with AML/CFT requirements

590. Risk-based supervision (RBS) in the financial sectors is most developed in the SSF and is being adapted and strengthened in the other supervisory authorities, INSAFOCOOP, SOM and CNAD. The AML/CFT system supervisors signed a framework agreement on technical assistance and implementation of the RBS in November 2023, the main objective of which is to reduce systemic supervisory gaps by homogenising and raising the standard of supervision.

591. The application of an RBA is largely visible in the SSF's AML/CFT supervision. In their supervisory manual, they adopt an RBS model that aims to verify that supervised entities adequately manage the risks in the conduct of their activities and to assess the quality of management systems and internal controls through the implementation of three types of supervision - extended, focused and routine - and five levels of supervision. The types and levels of supervision to be applied will depend on the overall risk rating of the supervised entities, focusing the scope of the assessments on the areas identified as having the highest risk exposure (based on a composite risk matrix including, inter alia, liquidity risk, capital risk and operational risk, with the component related to the prevention of ML/TF).

592. As regards the frequency of supervision, institutions in risk levels 1 and 2 are supervised twice a year, and those in risk levels 3 and 4 are supervised annually. However, there is a particular weakness in the supervision cycle, which includes the follow-up of the resolution of deficiencies, as there is no clear timeframe for addressing deficiencies identified in a particular supervision process.

593. The start of a supervision is formalised by a communication indicating the areas to be evaluated in terms of compliance and ML/TF risk management. This is followed by a memorandum planning the supervision visit, setting out the scope of the visit, the procedures to be developed and the time frame for conducting the visit. The results of the supervision are documented in a preliminary report, which reflects the observations made during the visit, with a view to the entity submitting remedial actions, which are evaluated and, if sufficient, the observations are corrected. Otherwise, the results must be communicated to the highest authority and a remedial action plan submitted.

594. In particular, the SSF has carried out 644 risk-based supervisory activities in the period 2019-2023, of which 200 (31%) are on-site and 444 (69%) are off-site; the sectors with the highest number of supervisory activities are Bitcoin service providers, private banks and insurance. The main deficiencies identified relate to manuals, policies, procedures, work plans and training programmes, the monitoring system, customer due diligence and the structure, profile and functions of the Compliance Officer's staff.

Table 6.8 - AML/CFT supervisions by SSF

Modality	2019	2020	2021	2022	2023	Total
On-site Supervisions	49	18	22	54	57	200
Off-Site Supervisions	48	70	73	101	152	444
Total	**97**	**88**	**95**	**155**	**209**	**644**

Table 6.9 - AML/CFT supervision by sector regulated by the SSF

Sector	2019	2020	2021	2022	2023	Total
Private banks	20	29	26	18	15	**108**
State-owned banks	2	2	3	6	2	**15**
Foreign branch	1	0	0	0	4	**5**
Cooperative Banks	8	8	4	3	13	**36**
State financial institutions	6	6	12	3	4	**31**
Insurance	11	12	4	25	51	**103**
Brokerage houses	3	1	0	7	2	**13**
Stock exchanges	1	0	0	0	1	**2**
Specialised Depository and Custodian Company	1	0	1	0	1	**3**
Savings and Loans Companies	6	6	5	7	1	**25**
Pension Fund Managers (AFP)	7	7	5	4	1	**24**
Agents and MVTS (Remittances)	15	9	11	5	12	**52**
Exchange houses	0	1	7	2	4	**14**
Virtual Asset Service Providers	N/A	N/A	9	64	89	**162**
Electronic Money Transfer Companies (SPDE)	7	6	4	6	4	**27**
Investment Fund Managing Companies	7	1	1	3	3	**15**
Securitisation	2	0	3	2	2	**9**
Total	**97**	**88**	**95**	**155**	**209**	**644**

595. With regard to STR supervision, the SFF reviews the alerts and procedures used to escalate suspicious transactions. In cases where the failure to send an STR is detected, the entity is provided with feedback on the reporting obligation and, if an indication is found, a report is sent to the FGR, although at the time of the on-site visit the SSF indicated that no cases of this nature had yet occurred. In addition, the AML/CFT Law

empowers the FIU to carry out inspections, analyses or audits of reporting entities on a random basis or where there are indications of irregularities, in order to verify proper compliance with the reporting obligation, although there have been no cases applicable to FIs supervised by the SSF.

596. With regard to the BSPs, since this is a recently included sector in the preventive system supervised by the SSF, it was found necessary to approach the sector in order to acquire a better knowledge of its characteristics. For this reason, as soon as the SSF receives a new registration from the BCR, on-site visits and requests for information are made to the registered subject. This approach has provided insight into the sector's operations and has enabled the structuring of a strategy for risk-based supervision (RBS).

597. To this end, the Digital and Complementary Financial Services Intendancy was created, with a multidisciplinary supervisory team trained in ML/TF information technology, risk mapping, the creation of specialised guides and the adaptation of risk identification matrices. As a result, it was noted that at the time of the on-site visit, the SSF was supervising with the same RBA as the FIs and that measures were being developed to modify the sector's own risk criteria in order to improve the RBS.

598. As for the DASP, they are in the early stages of supervision with a RBA due to the recent introduction of the supervisor. In this respect, the CNAD has recently started its AML/CFT regulatory and supervisory work and, despite the short time that has passed since its creation, it is noteworthy that it has developed a supervisory manual and a risk matrix, carried out off-site inspections and plans to carry out 8 on-site inspections by 2024. However, there are challenges in fully understanding the ML/TF risks of all digital assets, and supervisions with RBA have not materialised.

599. With regard to INSAFOCOOP, it does not have specific AML/CFT powers. In practice, however, it has carried out 418 on-site inspections in the period 2019-2023 that included some AML/CTF components. With regard to the methodology used for the RBS, the "Methodology of the risk profile of the cooperatives affiliated to INSAFOCOOP" – approved through decree No. 205/2021 of August 31st, 2021 – provides for supervision priorities (low, medium and maximum) according to the risk rating of the cooperatives and a supervision horizon of 6 months, 1 and 2 years. The recent establishment of the Office of the Compliance Officer (2023) and a work plan for 2024 were also presented.

Table 6.10 - Supervisions by INSAFOCOOP

Modality	2019	2020	2021	2022	2023	Total
On-site Supervisions	31	31	234	70	52	418

600. Finally, the SOM reported conducting 95 on-site supervisions to credit unions, savings and credit cooperatives, credit unions, microcredit and other financial services, credit card companies, and money transfer companies, but these are prudential in nature due to the lack of specific AML/CFT powers.

Table 6.11 - Supervision by the SOM

Modality	2019	2020	2021	2022	2023	Total
On-site Supervisions	0	0	30	32	33	95

601. With regard to STR supervision, the AML/CFT Law empowers the FIU to carry out inspections, analyses or audits of reporting entities on a random basis or where there are indications of irregularities, in order to verify proper compliance with the reporting obligation. In this context, the FIU, together with INSAFOCOOP, carried out 6 inspection visits on the implementation of the AML/CFT legal framework in 2023. However, no specific follow-up or sanctions were applied to the observations identified.

602. With regard to the RBS of the DNFBP sectors, at the time of the on-site visit the CSJ, the CVPCPA and the SOM had no legal powers to supervise on AML/CFT matters. However, these supervisors have taken steps to strengthen their capacity, and some have moved towards supervision with the RBA.

603. The CSJ, with the aim of supervising lawyers and notaries in the prevention of ML/TF, created the Directorate for the Prevention of Money Laundering, Terrorist Financing and Corruption in 2022, which has 7 staff members. They are also in the process of recruiting to strengthen their capacity. The region has a Manual for the Prevention of Money Laundering, Terrorist Financing and the Financing of the Proliferation of Weapons of Mass Destruction for lawyers and notaries in the Republic of El Salvador.

604. In addition, in order to identify lawyers and notaries carrying out the activities listed in FATF R.22, a questionnaire was sent to lawyers and notaries. Responses were received from 9,730 professionals, of whom 6,076 indicated that they worked in the private sector, 3,009 in the public sector and 645 in both sectors.

Table 6.12 Activities of the 9,730 lawyers and notaries who replied to the CSJ questionnaire

Activities	Number of lawyers and notaries
Purchase and sale of real estate	8,429
Creation, operation or management of legal persons or arrangements, and their buying and selling.	6,838
Corporate services	3,122
Organization of contributions for the creation, operation or management of companies	1,669
Management of bank, savings or securities accounts	797

605. As far as the CVPCPA is concerned, it has 3 persons assigned to the Prevention Department, which may prove to be a limitation in the future to supervise the universe of reporting entities under its control. It also has a Supervisory Policy Manual on the Prevention of Money Laundering, Terrorist Financing and Proliferation of Weapons of Mass Destruction, which describes the supervisory processes and was approved in January 2024. The Council also sent a questionnaire to 1,180 accountants and auditors to measure, among other things, whether the profession had policies and procedures to prevent ML/TF, whether a compliance officer had been appointed and whether a training plan was in place, thus providing a first approximation of the level of compliance in the sector. A second survey was distributed in December 2023

606. For its part, the SOM, like the other DNFBP supervisors, has a manual entitled Surveillance and Supervision Policy, which describes the methodology to be applied when it has legal powers of supervision in AML/CFT matters. In addition, the country reported that it has been conducting on-site inspections since 2020, focusing on business and accounting compliance reviews, including verification of certain AML/CFT prevention requirements.

Table 6.13 On-site supervisory inspections including AML/CFT questions

Sector	2019		2020		2021		2022		2023	
	On-site	Remark	On-site	Remark	On-site	Remark	On-site	Remark	On-site	Remark
Casinos	0	0	2	0		0	2	0	2	0
Dealers in Precious Metals and Stones	0	0	1	0		0	2	0	3	0
Real Estate	0	0		0	112	0	79	0	79	0
Total	0	0	3	0	112	0	83	0	84	0

607. With regard to the personnel carrying out the supervisory functions of the REs, these are detailed below:

Table 6.14 Staff dedicated to AML/CFT supervision as of November 2023

Supervisors	Staff in AML/CFT supervision
SSF	91
INSAFOCOOP	12
SOM	12
CNAD	10
CSJ	7
CVCPA	3

608. The organisational structure of the SSF comprises 4 deputy superintendencies and 7 supervisory intendancies, which are responsible for assessing compliance with the applicable regulatory framework and managing the risks of the different sectors of the financial system, including ML/TF risks, supported by the ML/TF Risk Department of the Risk Directorate. Currently, 137 staff are dedicated to supervision: 122 auditors and 15 managers, of which 66 %, i.e., 78 auditors and 13 managers (91) participate in the ML/TF component of supervisions. As regards the other supervisory authorities, the number of staff indicated is a function of the recent measures they are implementing in the area of AML/CFT (identification of entities, monitoring, etc.).

609. In order to analyse the impact of the weaknesses identified by the assessment team on El Salvador's AML/CFT supervisory system, the sectors with the highest, medium and lowest relative weight in terms of materiality were identified. For this purpose, all information provided by the country on risk and context, including the NRA, elements of the risk matrices, typologies, etc., was used as a reference. It is therefore important to mention the following aspects:

610. **a) Sectors considered to have the greatest relative weight in terms of materiality:**

• The 9 private banks, which are the most important reporting entities, have been subject to 108 inspections in the last 5 years. Thirty-four on-site inspections were conducted, with the highest number of inspections in 2020 (8) and 2019 and 2022 (7 each year). These supervisions were mainly conducted from a holistic perspective, focusing on different integral risk components, including money laundering. These on-site processes included an assessment of control policies and manuals,

compliance committee and unit, decision making, review of customer and employee files, assessment of internal control, completion of policies, training, analysis of software (testing). In addition, 74 off-site inspections were carried out.

• The institutions of the cooperative sector, the cooperative banks supervised by the SSF, include 7 institutions that were supervised 13 times on site and 23 times off site. Cooperative societies and savings and credit cooperatives supervised by the SOM (69 institutions) were subject to 11 on-site inspections. The cooperatives supervised by INSAFOCOOP (352) have been subject to only 418 on-site inspections for compliance with the basic aspects of money laundering.

• The BSPs supervised by the SSF started their supervision process in 2021. From 2021 to November 2023, 12 on-site and 150 off-site inspections were carried out. On the part of the CNAD, despite its recent designation as an AML/CFT supervisor, it has carried out 58 off-site information reviews related to registration applications.

• With regard to DNFBPs, although the SOM does not have AML/CFT supervisory powers over the real estate sector, it has issued 78 recommendations in the course of its on-site supervisory activities in relation to registration with the FIU and the completion of AML procedures.

611. The assessment team noted that, although the statistical frequency of supervision in the private banking sector is generally good, the interviews conducted during the on-site visit showed that, even for all those supervised by the SSF, the process of correcting the deficiencies identified takes a long time, which could have an impact on the supervisory cycles and, due to the lack of a specific deadline, there is a percentage of deficiencies that have not been corrected and have not led to sanctions. For example, during the period under review, 2.044 weaknesses were detected, from which 206 are still pending correction.

612. In the cooperative sector, 170 deficiencies were detected in cooperative banks, of which 96 were remedied, leaving 44% of the deficiencies to be remedied, and 11 fines were imposed. With regard to the entities supervised by INSAFOCOOP, there is no statistical data on the resolution of weaknesses in the 418 supervisory actions carried out, and one cooperative was subject to an administrative sanction, which suspended its operations for a period of 30 days. In addition, 5 warnings were sent to the FGR in the period 2023, so that the corresponding investigations can be carried out.

613. In addition, the BSPs supervised by the SSF revealed 223 weaknesses in their supervisory processes, of which 64 were corrected, i.e., 28%, and no sanctions imposed, although 11 BSPs are in the process of being sanctioned. With regard to the DASPs, they have not yet initiated formal AML/CFT supervisory processes, although they have conducted off-site reviews of 58 applications, which were subjected to the examination parameters of the requirements provided for in the LEAD and its Regulations. As a result of this process, 5 registration processes were refused and 4 others were rejected for processing, all due to deficiencies in the documentation related to AML issues.

614. Finally, with regard to DNFBPs, the SOM has made significant efforts to monitor the implementation of measures by the real estate sector, despite the lack of explicit AML/CFT supervisory powers.

615. **b) Sectors considered to be of medium and low relative importance in terms of materiality:** The securities sector, money remittance companies, the insurance sector and exchange houses were subject to extensive on-site and off-site supervision. As regards DNFBPs, lawyers, notaries, dealers in precious metals and stones and accountants have not yet been subject to AML/CFT supervision.

616. From the data collected, it can be concluded that although AML/CFT supervision processes have been carried out both onsite and offsite, the methodology and scope of supervision is more consolidated in financial entities supervised by the SSF, in sectors with greater materiality in the country, although more limited for other financial supervisors, and, above all, in non-financial entities, which also have significant materiality and which, despite recent efforts to carry out AML/CFT monitoring, the lack of supervisory powers limits the implementation of supervisory actions with RBA.

Remedial actions and effective, proportionate, and dissuasive sanctions.

617. Entities supervised by the SSF that have not remedied the observations following a supervision are required to submit a remedial plan setting out the actions to be taken to remedy the observations, the persons responsible and the dates for implementation. The follow-up of the corrective plans is carried out off-site or they can be used as a starting point for a new supervision; if the entity fails to remedy the observations, an administrative sanction procedure is initiated. The country indicated that the SSF validates that the arguments and deadlines provided in the resolution plans are reasonable and commensurate with the criticality of the observations identified, and in the event that unreasonable deadlines are identified, the entity is instructed to reduce them. However, it is noted that some of the proposed deadlines resulted in the accumulation of weaknesses from different supervisory cycles, thereby extending the deadline for addressing identified weaknesses and reducing the effectiveness of supervisory actions to achieve effective compliance with AML/CFT requirements in supervised entities in a timely manner.

618. According to the data provided by the SSF on detected and resolved AML/CFT deficiencies, 2,044 deficiencies were identified in supervised entities during the reporting period, of which 86% (1,765) were resolved by December 2023 and 10% (206) remain to be resolved. Although the percentage of deficiencies resolved is high, it is evident that this is done on average two years following the identification of the deficiency, which can be a very long time and may mean that remedial action does not have a timely impact on compliance with AML/CFT requirements in the face of ML/TF or predicate offence risk scenarios.

Table 6.15 - Number of AML/CFT deficiencies detected and overcome by SSF-supervised entities

Deficiencies	2019	2020	2021	2022	2023	Total
AML/CFT deficiencies detected	788	322	248	283	403	2,044
AML/CFT deficiencies overcome	788	322	248	264	216	1,838
Compliance percentage						**90%**

Source: SSF

Table No. 6.16 – Number of AML/CTF deficiencies overcome by SSF-supervised entities per year

Year overcome	Year detected					
	2019	2020	2021	2022	2023	Totales
2019	449					**449**
2020	231	218				**449**
2021	26	69	158			**253**

2022	60	35	79	91		**265**
2023	22		11	144	172	**349**
2024	0			29	44	**73**
Pending	0			19	187	**206**
Total	**788**	**322**	**248**	**283**	**403**	**2,044**

Source: SSF

619. In general, the deficiencies detected in the supervision lead to remedial actions such as resolution plans and, exceptionally, to sanctions, reason why there are important weaknesses in the application of effective, proportionate and dissuasive sanctions. In the period 2019-2023, the SSF imposed 26 sanctions (fines), of which 11 (42%) were imposed on cooperative banks, 5 (19%) on private banks and 5 (19%) on savings and credit associations. The reasons reported by the country are related to, among others, deficiencies in customer due diligence, monitoring system, alerts, reports, failure to report suspicious transactions, lack of ML/TF management methodology. In addition to the fine, detected deficiencies must be overcome by REs.

Table 6.17 - Fines applied by sector in USD for the period 2019-2023

Sector	2019	2020	2021	2022	2023	USD
Financial Institutions	10,260.44	25,805.44	159,069.09	157,760.94	5,923.94	**358,819.85**
VASP	0	0	0	0	0	0
Total in USD	10,260.44	25,805.44	159,069.09	157,760.94	5,923.94	**358,819.85**

Table 6.18 - Fines applied by sector in the period 2019-2023

Sector	2019	2020	2021	2022	2023	Total
Cooperative Banks	0	10	1	-	-	**11**
Private banks	1	1	1	2	-	**5**
Savings and Loans Companies	-	-	5	-	-	**5**
State-owned banks	-	-	1	-	-	**1**
Insurance	-	-	1	-	-	**1**
Agents and MVTS (Remittances)	-	-	1	-	-	**1**
Exchange houses	-	-	1	-	-	**1**
Pension Fund Managers	-	-		-	1	**1**
Total	**1**	**11**	**11**	**2**	**1**	**26**

620. During the period under review, there were no cases of other sanctions under article 43 of the LSRSF (written warning, fine, disqualification, suspension, cancellation of the relevant registration or revocation of the authorisation granted to them). In this regard, the country indicated that the application of sanctions provided for in the LSRSF takes into account the degree of non-compliance, assessing the type of ML/TF offences committed by the supervised entities and the principle of proportionality.

621. In the case of INSAFOCOOP and the SOM, the lack of competence in this AML/CFT area is a significant limitation for the application of effective, proportionate and dissuasive sanctions for breaches of the AML/CFT framework, and no data on sanctions applied in the evaluation period was presented, with the

exception of INSAFOCOOP, which submitted a sanctioning resolution that includes violations related to the AML/CFT programme.

622. With regard to the CNAD, although off-site examinations of registration applications are recognised, it has not yet carried out any on-site or off-site monitoring of the obligations of the AML/CFT Preventive Framework of the DASPs and therefore has not taken any remedial and sanctioning actions during the evaluation period.

623. In the DNFBP sectors, supervisors have the power to impose supervisory remedies and sanctions. However, due to the lack of legal powers of supervisors in AML/CFT matters, effective, proportionate and dissuasive remedies and sanctions have not been applied in this respect.

Impact of supervisory actions on compliance.

624. According to the data provided by the SSF and the interviews with the private sector, despite the fact that the process of remedying the observations made in the course of the inspections is lengthy and that there is a percentage of observations that have not been remedied, the entities interviewed indicated that the supervisory processes and the remedial plans implemented are having an impact, as they have helped to strengthen ML/TF prevention policies and, in some cases, to strengthen monitoring systems and red flags.

625. In the case of INSAFOCOOP, SOM and CNAD, actions aimed at AML/CFT supervision were less frequent and, in some cases, have not initiated the corresponding processes, so it is not possible to verify their impact on the level of compliance or improvement of the entities they supervise.

626. The lack of legal powers of DNFBP supervisors in the area of AML/CFT prevents the implementation of supervisory processes with RBA and the application of effective, proportionate and dissuasive remedial measures and sanctions to measure the impact on compliance in the supervised sectors.

Promoting a clear understanding of AML/CFT obligations and ML/TF risks

627. Supervisors generally communicate well with the regulated sectors, which has a positive impact on the understanding of AML/CFT obligations.

628. The SSF has held face-to-face and virtual meetings with the supervised sectors during the period 2019-2023, in connection with the presentation of risk maps by industry. In addition, with the support of the UNODC, the course "Management of the Risks of Money Laundering, Terrorist Financing and the Financing of the Proliferation of Weapons of Mass Destruction in the Financial Sector" was held in virtual mode for financial institutions from 8 August to 6 November, with a total of 2,449 participants.

629. The SSF also hosted the first Technical Roundtable of Financial System Compliance Officers on 21 December 2002, aimed at addressing and reinforcing ML/TF/FPWMD issues, including those related to TF/PF, red flags, watchlists; 105 participants attended, including 77 compliance officers, 23 SSF officials, 3 from the BCR and 2 speakers.

630. With regard to the CNAD, it issued Circular 001-2024 to the DASPs on ML/TF/PF risk management guidelines, the purpose of which is to provide specific guidance on the application of the legal framework, focusing on issues related to the risk-based approach and the implementation of a risk management system, the identification and verification of the BO, suspicious transactions, among others.

631. For its part, INSAFOCOOP presented a training plan for the prevention of ML/TF/PF, to be implemented in 2024, which provides for training and educational activities to be carried out throughout the year, aimed at both the institute's staff and the cooperative sector, particularly the savings and credit sector.

632. Finally, it is important to note that coordination between FIUs and supervisors on issues of feedback on the quality of STRs has had positive results in operational intelligence work.

633. DNFBP supervisors, together with the FIU, have conducted training sessions for non-financial entities on topics such as AML/CFT regulatory obligations, red flags, risk-based approach, reporting by reporting entities to the FIU, STRs, etc. In addition, guidelines on the obligations of reporting entities have been issued and disseminated.

634. The information provided by the country showed that the CSJ and the CVCPA disseminate, in training sessions and on their websites, guides on the obligations of reporting entities and other documents that facilitate the understanding of AML/CFT obligations.

Table 6.19 Number of training courses received by lawyers and notaries

Period	Number of courses	Number of people trained
2022	2	160
2023	2	297
Total	**4**	**457**

Table 6.20 Number of training courses received by accountants and auditors

Period	Number of courses or sessions	Trained auditors	Trained accountants
2021	1	1,142	2,072
2023	7	4,658	5,906

Conclusions on Immediate Outcome 3

635. With regard to the licensing regime and integrity verification measures, the SSF and the CNAD have controls in place to prevent criminals, associates or BOs from becoming owners or shareholders of REs. However, the controls carried out by the BCR, INSAFOCOOP and the SOM on the entities they regulate and/or supervise are not considered sufficient to fully achieve the intended objective.

636. SSF has the highest level of understanding of ML risks, followed by INSAFOCOOP to a medium level. With regard to the SOM, the CNAD, the CSJ and the CVPCPA, while developing efforts to identify and understand ML/TF risks in the sectors they regulate, still face challenges in this regard.

637. For the most important sectors, the effectiveness of AML/CFT supervision varies from supervisor to supervisor. Supervision is more consolidated in financial institutions regulated by the SSF (private banks, cooperative banks) and in the process of improvement with the BSPs. However, there is a particular weakness in the supervisory cycle in relation to the monitoring of the correction of deficiencies, as there is no clear deadline for the correction of deficiencies identified in a given supervisory process. In addition, supervision is more limited for other financial supervisors, such as the SOM (which supervises cooperatives, savings and credit unions, credit and microcredit institutions) and INSAFOCOOP (which supervises savings and credit associations), as well as the newly created CNAD, which has carried out off-site inspections and plans to start on-site supervision of DASPs from 2024. In particular, the SOM and the CSJ, which supervise non-financial entities (the real estate sector and lawyers and notaries) and which have recently made efforts to implement AML/CFT supervision, have fundamental limitations in the implementation of supervisory measures with RBA due to their lack of supervisory powers.

638. Risk-based supervision is stronger in the SSF, but still has weaknesses in terms of frequency. The other regulators, such as INSAFOCOOP, SOM, CNAD, CSJ and CVPCPA, are still in the process of adaptation and development.

639. As far as sanctions are concerned, only the SSF has applied them and they have been of a financial nature. However, there appears to be a lack of proportionality in the application of the sanctioning framework, as no other type of sanction was applied to the non-compliance found.

640. Accordingly, given the need for legal reforms in relation to the AML/CFT powers of various supervisors and the identification of a baseline in relation to the RBA in areas of significant materiality, the improvements required are considered to be of a fundamental nature. **El Salvador shows a moderate level of effectiveness in Immediate Outcome 3.**

CHAPTER 7. LEGAL PERSONS AND ARRANGEMENTS

Key Findings and Recommended Actions

Key findings

1. Basic information on the types and characteristics of legal persons and arrangements, as well as the procedures for their formation and registration, is publicly available through various laws, regulations and websites.
2. Most public limited companies registered in the country have simple shareholding structures with natural persons and, to a lesser extent, partners or shareholders who are legal persons. El Salvador is not a regional centre for the formation of legal persons or arrangements and does not have legal persons with complex international structures. However, there have been related investigations and

some cases where companies have been used as vehicles and front companies to facilitate ML related to tax fraud and other crimes.

3. El Salvador has made efforts to assess and understand the risks associated with legal persons and arrangements. In particular, the country has included in its NRA a section on legal persons and arrangements, where some weaknesses have been identified and where corporations have been identified as the most vulnerable to ML risks. The FIU has also produced typology reports on the use of legal persons for ML. However, studies lack the necessary depth and competent authorities have a limited understanding of the potential ML/TF risks associated with legal persons and arrangements.
4. El Salvador has adopted some risk mitigation measures to prevent the misuse of legal persons. For example, online access to the Trade Registry for the general public, the dissemination of the results of the NRA, including the analysis of legal persons and arrangements, and the making available to the public of the typology reports on the abuse of legal persons through the FIU website.
5. The competent authorities can obtain basic information on legal persons from the commercial register managed by the CNR and the tax register managed by the DGII. However, the information held by the CNR lacks mechanisms to ensure that it is fully updated, and the information held by the DGII, although it includes the legal entities legally authorised to carry out economic activities, does not include all the legal entities existing in the country. In addition, in the specific case of shareholders who are legal persons incorporated abroad and who do not operate in El Salvador, and who are part of the chain of ownership of a Salvadoran company, information on them is not available in the existing registers.
6. With respect to the understanding of the concept of beneficial owner by the competent authorities, it was verified during the on-site interviews that the FGR, SSF and CVPCPA have a good understanding, while the FIU knows it to a certain extent. As for other entities such as SOM, INSAFOCOOP, CSJ, PNC, DGII-MHC and CNR, understanding is more limited. On the other hand, El Salvador does not have legislation that determines that commercial companies or commercial registries must obtain information on the BF of legal persons or arrangements.
7. Beneficial ownership information can only be accessed by competent authorities through REs. However, there are no effective mechanisms to verify that this information is adequate and up to date.
8. Despite the limitations in collecting beneficial ownership information, law enforcement authorities have identified beneficial owners of companies in some relevant cases.
9. The sanctioning regime is the responsibility of the supervisors in the context of non-compliance with the obligation to obtain BO information from REs. However, the country has not demonstrated the ability to implement effective, proportionate and dissuasive sanctions to mitigate the ML/TF risks associated with the misuse of legal persons and arrangements, as well as the obtaining and verification of basic and beneficial owner information of legal persons and arrangements by means other than reporting entities.

Recommended Actions

1. Deepen the ML/TF risk assessment of legal persons and arrangements. In particular, analyse the vulnerabilities of all types of companies and legal arrangements operating in the country and the potential for abuse (including vulnerabilities associated with corporate service providers, lawyers, nominee shareholders and directors, or risks associated with dormant entities, among others).

2. Continue to improve the understanding of the risks associated with legal persons and arrangements by reporting entities and competent authorities, in particular the FIU, FGR, DGII and supervisors.
3. Adapt the legal framework to obtain basic information on all legal entities present in the country and allow for updating of information.
4. Take appropriate measures to verify, update and assimilate criteria on the existing registers of "active" and "inactive" legal persons.
5. Develop further actions to promote the understanding of the BO concept for reporting entities and competent authorities, especially SOM, INSAFOCOOP, CSJ, PNC, DGII-MH and CNR.
6. Provide an appropriate regulatory and operational framework, including obligations for companies to collect adequate and up-to-date BO information and to make it verifiable and accessible to competent authorities in a timely manner.
7. Adopt measures for the application of proportionate, effective and dissuasive sanctions against legal persons that fail to provide and duly update beneficial owner information.

The relevant Immediate Outcome considered and assessed in this chapter is IO. 5. The Recommendations relevant for the assessment of effectiveness under this section are R.24 and 25 and elements of R.1, 10, 37 and 40.[28]

Immediate Outcome 5 (Legal Persons and Arrangements)

Public availability of information on the creation and types of legal persons and arrangements.

a. Legal persons

641. The Salvadoran legal system regulates the creation of different types of legal entities through article 18 of the Commercial Code, which provides for a division between partnerships and corporations, which must be registered at the Commercial Registry of the National Registry Centre (CNR).

Table 7.1. Types of partnerships

Partnerships	Corporations
• Partnerships or General Partnerships • Limited partnerships • Limited Liability Companies	• Corporations • Limited partnerships issuing shares

642. The main steps in setting up a company include:

1. Execution of the public deed of incorporation before a notary;
2. Obtaining the municipal solvency of each of the partners or shareholders forming the company;
3. Payment of registration fees for the registration of the company;
4. Apply for registration of the company;
5. Create an account on the https://miempresa.gob.sv/ platform;
6. Fill in the company incorporation form, depending on the type of company;

[28] The availability of accurate and up-to-date basic information on the beneficial owner is also assessed by the OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes. In some cases, the findings may differ due to differences in the methodologies, objectives and scope of the FATF and Global Forum's Standards.

7. Scan and upload documents;
8. Submit the application;
9. Submit original documents by the person named on the form;
10. Registration qualification;
11. Withdrawal of registered documents by the person named on the form;

643. Once the company is incorporated and registered, the information in the Memorandum and Articles of Association is available to the relevant authorities.

644. In addition, article 22 of the Commercial Code regulates the content of the company's articles of association in order to be registered with the CNR. The procedures are carried out through the platform miempresa.gob.sv, where all the relevant information is uploaded (payment of fees, municipal solvency,[29] completion of the form), checked, verified and approved.

645. In addition to mandatory registration with the Tax Registry, cooperatives, agricultural associations and non-profit organisations must also register with the Salvadoran Cooperative Development Institute (INSAFOCOOP), the Ministry of Agriculture and Livestock and the Ministry of the Interior.[30]

646. As of 2023, the following companies are registered with the CNR:

Table 7.2. Total number of legal persons registered with the CNR (December 2023)

Type of legal persons	Total number of registrations
Corporations	72,761
Limited Liability Companies	653
Partnerships or General Partnerships	3,053
Limited Partnerships	12
Limited partnerships issuing shares	26
Cooperative businesses	530
Mixed economy joint stock companies	50
Total	**77,085**

647. For the number of legal entities registered with the General Internal Revenue Office of the Ministry of Finance (DGII-MH), global statistics are available from 1972 to 2023:

Table 7.3. Total number of legal persons registered with the Ministry of Finance (DGII-MH)

[29] The municipal solvency is a document that shows that the taxpayer is up to date with its municipal tax obligations and that the LP carries out an economic activity or owns real estate.
[30] As provided for in the General Law on Cooperative Associations and its Regulations, the Special Law on Agricultural Associations, the Law on Non-Profit Associations and Foundations for Associations and Foundations and the Civil Code, Art. 543 et seq. (applicable to churches).

Types of legal persons	Number of registered legal persons in the period 2019-2023	Number of registered legal persons from 1972 to 2023
Corporations	13,385	60,023
Limited Liability Companies	259	1,489
Partnerships or General Partnerships	13	2,778
Limited Partnerships	10	3,652
Limited partnerships issuing shares	9	4,704
Trusts	26	441
Securitisation Funds	46	50
Total	**13,748**	**73,137**

Types of legal persons	Number of registered legal persons in the period 2019- Oct 2023
Civil associations	1,256
Catholic churches	436
Foundations	218
Total	**1,910**

648. With regard to the other legal entities regulated by INSAFOCOOP, the Ministry of Agriculture (MAG) and the Ministry of the Interior (MIGOB) in the period 2019-2023, they are the following:

Table 7.4. Total number of legal persons registered with the CNR

Types of legal persons	Number of registered legal persons in the period 2019-2023
Cooperative associations	172
Agricultural associations	277
NPO	11,747*
Total	**12,196**

*Of which 7,192 are active and 4,555 are inactive, i.e., not operational.

649. In addition, taking into account the statistical information provided by the country and the interviews conducted during the on-site visit, the assessment team noted that although the concepts of "active" and "inactive" are not covered by El Salvador's commercial registry legislation, taking as an example the data from the CNR's commercial registry by the year 2023 (77.085 companies) and considering the companies that renewed their company registration[31] in 2022 (22,460 companies, including associations and NPOs), there is a significant number of legal persons that are no longer active before the registry and that have not completed the formal liquidation process, which could represent a risk of abuse of these companies.

[31] The company registration is the document that accredits traders to carry out acts of commerce and must be renewed annually, articles. 418 to 420 of the Commercial Code.

Table 7.5. Total number of active and inactive legal persons registered with the CNR

Type of legal person or entity	Status									
	2019		2020		2021		2022		2023	
	Active	Inactive	Active	Inactive	Active	Inactive	Active	Inactive	Active	Inactive
Corporations	24,894	36,997	24,927	38,697	26,150	40,484	25,689	44,006	25,380	47,381
Limited liability companies	277	270	283	287	295	285	287	325	315	338
Partnerships or general partnerships	320	2,701	310	2,715	292	2,739	276	2,761	268	2,785
Limited partnerships	-	11	1	11	1	11	1	11	0	12
Limited partnerships issuing shares	10	14	10	15	10	15	9	17	9	17
Cooperative businesses	128	369	133	372	140	375	146	378	142	388
Mixed economy joint stock companies	17	17	18	20	17	21	22	22	23	27
Total	**25,646**	**40,379**	**25,682**	**42,117**	**26,905**	**43,930**	**26,430**	**47,520**	**26,137**	**50,948**

650. Similarly, the statistical information provided by the DGII on the companies registered with it in 2023 (73,137) shows that there is a significant number of legal persons that have not renewed their company registration with the Commercial Register (only 26,137 are considered active in 2023) and are therefore not operating. However, the entities have updated their information in the tax register and are now tax active. Consequently, this status of inactivity in the CNR registry and of fiscal activity in the DGII could increase the risk of misuse of these entities for ML/TF or related crimes.

651. The same scenario is foreseen for the Register of Cooperative Associations of INSAFOCOOP and the Ministry of the Interior, which at the time of the visit (January 2024) had 1,751 inactive cooperatives[32] out of 2,377 registered and 5,944 inactive[33] NPOs out of 11,747 registered.

b) Legal arrangements

[32] Entities that have not reported any activity for more than 3 years, including those that do not carry out the process of holding the General Assembly of Members, do not request credentials and there is no movement of registration of operations, notified to INSAFOCOOP through ex officio on-site visits. It should be clarified that the law, regulations or instructions do not define the status of active or inactive.

[33] No operational status, i.e., they have not submitted any kind of procedure to the Register of Non-Profit Associations and Foundations during the last 5 years. It should be clarified that the law, regulations or instructions do not define the status of active or inactive.

652. In accordance with the Commercial Code (Article 1238), the trustees may only be banks or credit institutions authorised to do so by the special law on the subject, to whom the property or property rights are transferred, but without the power to dispose of them except in accordance with the precise instructions given by the settlor in the deed of incorporation.

653. In addition, securitisation funds must be registered with the SSF and are constituted with independent equity capital from the sale of cash flow generating assets and managed by companies established for this purpose. The purpose of these assets is to provide payments for the issuance of publicly offered securities issued under the Fund. (Article 2 of the Securitisation Law).

Table 7.6. Total number of legal arrangements (as of November 2023) registered with SSF

Types of legal arrangements	Number
Trusts*	62
Securitisation Funds**	47

**There are 6 banks authorised to manage the trusts.*

*** There are 3 authorised securitisation companies, which manage 36 debt funds and 11 participation funds.*

654. In addition, the Tax Code provides that trusts must register with the tax administration and update their information in the event of any changes through the Special Taxpayer Registration and Control System. They are taxpayers obliged to comply with all substantive and formal tax obligations applicable to all other legal persons (article 86(3) of the Tax Code).

655. On the basis of the above, the fundamental issue has been largely achieved, as information on the creation and type of legal persons and arrangements in the country is publicly available. However, there is room for improvement in the identification and verification of 'inactive' legal persons in the different registers, as there may be a high risk of misuse.

Identification, assessment and understanding of ML/TF risks and vulnerabilities of legal entities.

656. According to the DGII, 92.10% of the variable capital companies registered in the Tax Registry have only natural persons as partners or shareholders, while 2.56% of the companies have partners or shareholders who are only legal persons and 0.09% have partners or shareholders who are not resident in El Salvador. It was also identified that less than 1% (0.5%) of the corporations with non-domiciled partners operate through branches through legal representatives who are in the country.

Table 7.7. Status of partners or shareholders of public corporations with variable capital in the Tax Register - DGII

Description of the legal person register	Number per item	Total LP registered and active in RUC	%
Number of legal persons with registered and active partners or shareholders that are ONLY NATURAL PERSONS	55,279	60,023	92.10

Number of legal persons with one or more registered and active partners or shareholders that are legal persons with NOT RESIDENT status	54		0.09
Number of legal persons that in the field of partners or shareholders have both registered and active natural and legal persons.	2,857		4.76
Number of legal persons with registered and active partners or shareholders that are only legal persons.	1,534		2.56
Number of legal persons with registered partners or shareholders that are legal and natural persons who are not domiciled and only the legal representative is in El Salvador operating through a branch office.	299		0.50
Total	**60,023**	Based on type conditions	**100.00**

657. In this sense, most public limited companies registered in the country have simple shareholding structures with natural persons and, to a lesser extent, partners or shareholders who are only legal persons. Nevertheless, there have been related investigations and some cases where companies have been used as vehicles and front companies to facilitate ML related to tax fraud and other crimes.

658. El Salvador has included in its NRA (2017-2021) a section on legal persons and arrangements, where vulnerabilities have been identified in relation to their establishment, the sanctions framework, the applicable regulations and the capacity of the competent authorities. The type of legal entity with the highest ML risk is the limited liability company, as more than 90% of legal persons incorporated are of this type, which is the most widely used in ML schemes.

659. Similarly, the NRA points out that the country's regulations do not require direct disclosure of the beneficial owner of legal persons to a specific public institution, affecting the risk level of all companies. The country highlights as a mitigating factor in this scenario that where a national legal person is a shareholder of another national legal person, both are required to register with the tax registry and consequently their natural person shareholder data.

660. However, although the country has included an analysis of the use of legal persons and arrangements for ML/TF purposes in the NRA, it does not go into sufficient depth on the vulnerabilities present in all types of companies,[34] including the economic activities most commonly used for ML, typologies and potential for abuse, as well as the vulnerabilities associated with corporate service providers, lawyers, nominee shareholders and directors, and the risks associated with inactive legal persons, etc.

661. Similarly, while there have been some reports on typologies in the use of legal persons for the crime of ML in 2022, these do not appear to be sufficient to draw conclusions on how legal persons and arrangements are used for the predicate offence of ML/TF.

[34] Following the on-site visit, the country made it possible to establish simplified joint-stock companies online, a procedure which should be subject to an ML/TF risk analysis. Although this procedure was approved by the relevant legislation after the on-site visit, the possibility of incorporation was described on the website https://miempresa.gob.sv/ prior to the on-site visit.

662. Consequently, while competent authorities are largely aware of the results of the NRAs and the efforts of the FIUs in disseminating typology reports are acknowledged, there is still considerable scope for improving competent authorities' understanding of the risks associated with legal persons and arrangements, mainly due to the weaknesses in risk identification described in the previous paragraphs.

663. Regarding the understanding of the beneficial owner concept by competent authorities, it was verified during on-site interviews that the FGR has a good level of understanding of the concept, being a key authority in the AML/CFT system as regards investigations on the identification of the BF. Next, supervisory authorities such as the SSF and CVPCPA also have a good level of understanding. For its part, the FIU understands the concept to some extent, while other entities such as SOM, INSAFOCOOP, CSJ, PNC, DGII-MH and CNR, which have an opportunity for improvement in the understanding of the notions of indirect control.

664. In this respect, the on-site visit confirmed that the latter competent authorities generally have a lower understanding that the beneficial owner is the natural person with the largest number of shares described in the articles of association or other legal instruments, and that this information is obtained from the records of the National Registry Centre and the Tax Register,[35] which do not handle beneficial ownership information, but only basic information on legal persons. In the case of the tax register, it should be noted that it is a streamlined online tool and contains useful information on the chain of ownership, even when foreign companies are involved.

665. Based on the above, it is concluded that the competent authorities have a limited understanding of the potential risks associated with legal persons and arrangements. There is significant room for improvement in identifying, assessing and understanding the vulnerabilities and consequently the ML/TF risks associated with the misuse of legal persons and arrangements.

Mitigating measures to prevent misuse of legal persons and arrangements

666. The results of the NRA, including the section on legal persons and arrangements, have been disseminated to competent authorities and reporting entities. In addition, typology reports on the misuse of legal persons are made available to the general public through the FIU website in order to contribute to the understanding of ML/TF risks.

667. For its part, the Commercial Register of the CNR draws up a half-yearly report on legal persons of a commercial nature set up in the country and sends it to the FIU as part of the coordination measures. It has also provided more than 50 accounts for the FGR, which can be accessed in real time on the Trade Registry platform to obtain information on founding shareholders, increases in assets, as well as the legal status of the company, directors, legal representatives, articles of association, information on the registered office and branches. Furthermore, the nature of the commercial register is public and the general public can access the commercial register platform for a fee or free of charge at the offices of the Commercial Register.

[35] According to paragraph 740 of the NRA 2017-2021: "While the initial information on shareholders or partners is recorded, there is no obligation to report the change of this information to the Commercial Register, but there is an obligation to report changes in shareholders or their shareholding to the Tax Administration."

668. The DGII-MH has a tax register that includes legal persons that are taxable under the tax laws, as well as other legal arrangements that enjoy tax benefits (e.g., some NPOs that register for tax exemptions). This register contains details of shareholders, legal representatives and proxies and is available to the competent authorities within 24 hours of a formal request.

669. In addition, the FIU Instruction and its subsequent amendment stipulate that reporting entities are obliged to identify and verify the identity of the BO of legal persons. The SSF, which supervises the most important financial institutions, includes in its supervisory activities the review of BO verification procedures. The other supervisors, both financial and non-financial, offer opportunities for improvement in terms of BO reporting. In the case of the SOM, although they do not have AML/CFT supervisory powers, they have made efforts to check corporate links in accounting records to determine whether the entity is part of a group or conglomerate, and to check related party accounts to determine whether the accounts are properly documented and whether there are any ML/TF alerts. For its part, INSAFOCOOP requires its regulated entities to provide it with the list of natural and legal persons associated with the ACACs each year, within 90 days of the end of the financial year.

670. In terms of suspicious transaction reports, the FIU received 1,587 STRs on legal persons between 2019 and November 2023. Similarly, up to September 2023, the FIU has disseminated 93 reports, 39 financial intelligence reports and 54 spontaneous dissemination reports, of which 89 were related to legal persons, of which 66.29% were corporations.

Table 7.8 Number of STRs received involving legal persons (November 2023)

Person Type	2019	2020	2021	2022	2023 (Nov)	Total
Corporation (S.A.)	429	323	307	144	78	1281
Public sector	23	36	33	12	6	110
Limited Liability Companies (S.R.L.)	14	14	16	5	2	51
Non-profit associations and foundations	26	11	10	3		50
Foreign companies	9	5	9	2	1	26
NPOs	4	12	8			24
Mixed economy partnership (SEM)	18	2	2			22
Municipalities	4	2	3	4	1	14
Foreign company branch	3		1			4
Association (UDP)	1		1	1		3
Public sector (international)					1	1
Trust	1					1
Total legal persons	532	405	390	171	89	1,587
Total Received STRs	**2,951**	**2,135**	**2,701**	**1,798**	**1,415**	**11,000**

671. In order to identify the BO of the legal person, the FIU carries out a search in databases, requests information from the DGII-Ministry of Finance and requests information from the REs on the sworn

declarations of the legal representatives and shareholders. In this context, in order to strengthen the analysis of STRs linked to legal persons, it comprehensively analyses other data of a financial, tax, legal, family, company and asset nature, which makes it possible to identify indications linked to ML/TF and to disseminate the report to the FGR.

Table 7.9 Number of intelligence reports disseminated involving legal persons (September 2023)

Type of Company	Total legal persons	%	Total related to disseminated reports
Corporation (S.A.)	59	66.29%	72
Public sector	12	13.48%	16
Limited Liability Companies (S.R.L.)	6	6.74%	8
Non-governmental organisation	3	3.37%	3
Foreign companies	3	3.37%	3
Non-profit associations and foundations	2	2.25%	2
Association (UDP)	1	1.12%	1
Foreign Banks	1	1.12%	2
Partnerships	1	1.12%	1
Mixed economy partnership (SEM)	1	1.12%	3
Total	**89**	**100.00%**	**111**

672. In the period from 2019 to November 2023, the FGR has investigated 37 legal persons linked to ML/TF offences, which are at different stages of the judicial process. In this context, cases related to the misuse of legal persons were also prosecuted and resulted in convictions.

Table 7.10 Number of investigations and different stages of judicial proceedings involving legal persons 2019-2023 (FGR)

Year	Number of legal persons	Judicial Stage
2019	2	Administrative investigation
2020	4	Administrative investigation
	1	Pre-trial hearing
2021	7	Administrative investigation
2022	7	Administrative investigation
2023	8	Administrative investigation
Total	**29**	

673. In conclusion, El Salvador is developing some measures to mitigate the misuse of legal persons and arrangements in the country, such as the analysis and dissemination of typologies, the prohibition of bearer shares, the identification of STRs associated with the misuse of legal entities, etc. However, considerable improvements are still needed to prevent their use for ML/TF activities.

Timely access to adequate, accurate and current basic and beneficial ownership information on legal persons

a) Basic Information

674. El Salvador obtains basic information on legal persons mainly from the commercial register managed by the CNR and the tax register managed by the DGII.

675. Basic information on shareholders or partners of legal persons is obtained from the Commercial Register at the time of incorporation, and it is not obligatory to update the information when a transfer of shares or change of partners takes place; according to the Commercial Code (Article 40, Roman III), every commercial company must record the corresponding changes in the book of partners or shareholders.[36] The register can be accessed online by users provided by the competent authorities or by formal request, with an average response time of no more than 3 working days.

676. The SOM, in its role of supervisor of commercial companies, sanctioned 73 legal persons for non-compliance with the entries in the book of shareholders or partners. The SOM also carries out audits and inspections of traders and their administrators to verify compliance with their commercial obligations, as well as information to identify and verify the identity of partners or shareholders.

677. In turn, the Tax Register collects basic information on the shareholders or partners of legal persons liable to tax under the tax laws and other legal arrangements that enjoy tax benefits, but not on all legal persons in the country. This information must be updated once a year, in January, on the list of persons who have the status of partner, shareholder or cooperative member of the respective legal person, whether or not dividends, surpluses or profits have been distributed to them, and on the list of persons who have lost the status of partner, shareholder or cooperative member of the respective legal person in the immediately preceding year, as well as those who have acquired it, indicating the book value of the shares, social participations or contributions. In turn, the Tax Code stipulates that taxpayers must inform the tax administration of any change in the basic data entered in the register within five working days of the change.

678. Access to the Commercial Register database is online and several free consultation users have been granted to the competent authorities such as FGR, FIU, SSF, DGII, etc. In addition, the competent authorities have access to the Tax Register by means of official letters, which are replied to within 24 hours and, in the case of requests for additional information, within reasonable time limits (1 to 2 working days).

679. In both registers, if a shareholder or partner is a legal person, information can be obtained from the natural person partner or shareholder of the last share class. However, in the case of shareholders of foreign legal persons who do not operate in El Salvador and who are part of the shareholding chain of a Salvadoran

[36] In the case of public limited companies in particular, supervision is entrusted to an external auditor who must inspect the company's books and other documents at least once a month. (Article 291, Roman V, Commercial Code). Similarly, in the case of partnerships, transfers of partnership rights must be entered in the Commercial Register in order to be valid against third parties (article 50(2) of the Commercial Code).
In addition, the SOM is the body responsible for verifying that traders comply with the provisions of the Commercial Code, which include updating the information in the registers and partners' books, in accordance with article 155 of the Commercial Code and article 124 of the Tax Code; that the shares (in the case of capital companies) contain the relevant endorsements, if any, and that these are entered in the relevant book, in accordance with article 154 of the Commercial Code.

company, the stock information is not available in the above-mentioned registers and may be requested directly from the company domiciled in the country, in accordance with the provisions of articles 120 and 126 of the Tax Code, or through the mechanisms established in international agreements for the exchange of information.

680. In addition, the basic information on cooperatives and NPOs contained in the registers managed by INSAFOCOOP and the Ministries of Agriculture and the Interior can also be consulted by the competent authorities on request, with an average response time of 3 to 5 working days.

b) Beneficial Ownership Information

681. In accordance with the FIU Instruction and its subsequent amendments, reporting entities are required to identify and verify the identity of the BO of legal persons, as reflected in their AML/CFT manuals, policies and procedures. In this regard, supervisors have developed measures to verify compliance with this obligation. The SSF, which supervises the most material REs, applied 4 sanctions and 1 remedial action for non-compliance related to BO reporting during the reporting period. Although the SOM does not have supervisory powers in AML/CFT matters, it conducts inspections that result in general reports on the status of compliance with AML/CFT, commercial and accounting legislation, which have led to recommendations for entities to implement internal policies and procedures to record information on the beneficial owners of customers and to understand the nature of their business.

682. In addition, with regard to the other supervisors, such as INSAFOCOOP, CSJ, MIGOB, CVPCPA , CNAD, there is no evidence of procedures carried out with regard to the verification of the BO, taking into account that in some cases they still do not have ML/TF supervisory powers and in other cases those that have carried out supervisions have not included procedures that go deeper into the verification of the BO. Similarly, the interviews conducted during the on-site visit revealed differences in the understanding of the concept of beneficial owner by reporting entities, mainly non-financial and financial institutions under the SOM regime, this could be a consequence of the weaknesses contained in the definition of BO prior to the reform of the FIU regulation (Attorney General's Agreement 476 of September 2023).

683. However, the information contained in the Commercial Register is basic information on legal persons and does not contain information on beneficial owners. The tax register, on the other hand, by default designates as BO the partner or shareholder who owns the largest number of shares or interests of 25% or more. Where all partners or shareholders own the same percentage of shares or all own less than 25%, the country has reported that the DGII carries out a tax analysis or report to determine who is the real BO. The country also reports that during the period under review there were no inconsistencies in taxpayers' declarations with regard to the correct declaration of partners or shareholders with a shareholding of 25% or more, according to the databases of the DGII's Single Register of Taxpayers.

684. As a result, BO information is practically collected from the information provided by REs and, in addition, from commercial and tax registers, which can provide information on the shareholders or legal representatives of the entities. Legal persons are not required to obtain and keep up-to-date information on their BOs.

685. However, despite the weaknesses identified in the collection of BO information, there are some cases where the BO has been identified through the information held by the REs and existing registers. For instance:

Box 7.1 - Cases with BO identification

Case	Reference
Transport	Individuals involved in the transport sector set up various companies used for criminal activities, using family members and employees as partners or legal representatives. Information from the DGII and customer profiles were used to identify the signatories and legal representatives of certain companies, and the BO was identified by analysing the links in the corporate network.
Cooperative associations	A natural person withdraws money from cooperative "X" and creates companies to divert the stolen funds and carry out other criminal activities. The companies were set up with the help of front men. The BO of the legal persons created was established by means of information requests to both the registers and the reporting entities.
Cooperative bank	Within the investigations against Mr. X for the crime of money laundering, it was identified that a cooperative bank through the CDD process detected unusual operations between Mr. X and company AA. In order to identify the final beneficiary of the company AA, a request was made to the General Directorate of Internal Taxes of the Ministry of Finance for the Tax Report System. Upon inquiring about the legal representative of the company, it was noticed that it was a person with whom Mr. X had maintained a sentimental relationship, said company had been acquired by this person in 2012 and that, since that date, the company had increased its operational capacity. Upon analysing his documentation from the financial institution, as well as the answers received to the request for information addressed to all SOs and other competent entities, it was noted that over the years he had had access to different funds from loans, but that until that date he had a good customer profile; although Mr. X had never had a shareholding in the company AA, the Bank had identified the company AA as part of a business group related to Mr. X, and he had received funds from the accounts of the company AA, and it could be determined that it was X the final beneficiary.

686. Now, when in an investigation the FGR notices that there is a legal person involved, the proceedings are initiated to determine the beneficial owner, this is done with the request of information to the CNR and the DGII, where the proof of constitution of the legal entity, legal form, domicile, types of shares, list of shareholders and their share participation of the legal property, means of control of the corporation, directive positions and administrators of the corporation are corroborated. Additionally, the notary section of the Supreme Court is consulted on the existence of administrative powers granted by the investigated legal entity to natural persons and CDD information is requested from FIs where the legal entity has financial products and services and the authorized signatures in these.

687. The FGR expands the patrimonial investigation of the family or related third parties of the linked persons, commercial links with other legal entities are identified, requests are made to competent entities and REs, the corresponding crosschecks of information are made and the identification of the natural person who owns or controls the legal entity is achieved.

688. In conclusion, in general terms, the competent authorities have access to the basic information of shareholders and partners in an adequate, accurate, updated (in certain cases) and timely manner, which contributes to the identification of the BO in the investigative processes. On the other hand, although there are considerable limitations associated with the understanding of the scope of the concept by some competent authorities and certain regulated entities -who consequently would not be properly identifying the BO-, the competent authorities have presented some cases that demonstrate the identification of the BO through access to the information of the REs and that existing in the registries.

689. Further, although weaknesses have been identified in the mechanisms for obtaining, updating and verifying BO information, there have been cases where the BO has been established and the information in the registers with basic information is very useful for the work of the competent authorities and investigators. In addition, the deficiencies in the BO are not of fundamental importance due to identified mitigation measures, as well as the country's risk and context..

Timely access to adequate, accurate and current basic and beneficial ownership information on legal arrangements

690. According to the information provided, the trustee may only be a bank or a credit institution authorised to do so under the relevant special law. To obtain authorisation to administer trusts, banks must submit an application to the SSF, together with business plans, organisational structure and policies applicable to the different classes of trusts.

691. Banks are obliged to inform the SSF in writing of the trusts they have set up in the previous month; the SSF has 30 days from the date of receipt of the information to object to such trusts.

692. In addition, securitisation funds are also registered with the SSF and are constituted with independent equity capital from the sale of cash flow generating assets and managed by companies established for this purpose.

693. The following is a breakdown of the amount of assets managed by banks and securitisation entities:

Table 7.11 Number and value of trusts (November 2023)

Types of legal arrangements	Number	USD Equity
Trusts	62	1,247,094,916.68
Securitisation entities	47	3,545,812,000.00

694. Trusts and their parties must also register with the Commercial and Tax Registry. However, only basic trust information is recorded. The SSF, for its part, as the body that authorises and supervises both the trustees and the securitisation companies, has the power to request information from the BO, which can also be requested by the competent authorities.

695. In conclusion, the basic and BO information held by trustees and securitisation companies can be obtained directly by both the SSF and the investigative authorities.

Effectiveness, proportionality and dissuasiveness of sanctions

696. The DGII provides for fines for failure to submit or late submission of form F915 (containing basic information on legal persons and arrangements), which is used to update the annual information in the tax register. The fine is 0.1% of the company's equity, which may not be less than 3 monthly minimum wages.[37] However, there are mitigating factors for taxpayers who agree to pay voluntarily and those who do not are subject to administrative sanctions. If the fine is not paid, the company will not be able to obtain tax solvency, which is required for various acts such as registration in the Commercial Register, applying for bank loans, etc. (Article 218, Tax Code). In 2021 and 2022, when such sanctions were applied, a total of USD 976,712.00 was imposed in 3,032 sanctions, with an average of USD 322.00 per sanction. The country has also reported the number of companies that have not been granted tax solvency: 169 in 2021, 14 in 2022 and 0 in 2023.

697. In addition, as mentioned above, during the reporting period the SSF imposed 4 sanctions for non-compliance with AML/CFT measures, including proper identification of beneficial owners, for a total amount of USD 39,427.28.

Table 7.12 - Number of sanctions related to proper identification of beneficial owners imposed by the SSF (2019-2022)

Year/Sector	Number of Sanctions	Amount
2019: Private banks	1	10,260.44
2020: Cooperative	1	1,138.71
2021: Savings and Loans Companies	1	4,909.88
2022: Private banks	1	23,118.25
Total	**4**	**39,427.28**

698. In the case of the SOM, which does not yet have supervisory powers in the area of AML/CFT, it has carried out some inspections which have revealed that 280 legal persons do not comply with the respective entries or inconsistencies in the register of shareholders and partners, of which 73 sanctioned companies have been ordered to correct the deficiencies or inconsistencies in their register of shareholders or partners. The remaining companies are subject to ongoing administrative sanction proceedings. The sanctions referred to in article 12(a) of the SOM Law are minor, i.e., a written warning in the case of a first-time breach of the obligations referred to in article 10. It should be noted that article 15(2) of the SOM Law provides that, in

[37] The minimum wage for the commerce sector, in force for the financial years 2021 and 2022, i.e. Three hundred and sixty-five dollars ($365.00) multiplied by three.

the context of the sanctioning procedure, the trader may be granted a maximum period of up to sixty working days to rectify the infringement.

699. As regards other supervisors, no sanctions were reported in the area of basic or BO information.

700. Therefore, based on provided data it is concluded that El Salvador has not demonstrated the ability to implement effective, proportionate and dissuasive sanctions to mitigate the ML/TF risks associated with the misuse of legal persons and arrangements, as well as the obtaining and verification of basic and BO information of legal persons and arrangements other than those established under the AML/CFT preventive framework applicable to REs. Thus, considerable improvements are required.

Conclusions on Immediate Outcome 5

701. In general, information on the creation and type of LP is widely available. The country has included in its NRA (2017-2021) a section on legal persons and arrangements where certain vulnerabilities have been identified, and has identified corporations as the legal persons most exposed to ML risk. However, it was found that competent authorities have a limited understanding of the potential ML/TF risks associated with legal persons and arrangements. Regarding the understanding of the concept of BF, there are opportunities for improvement for some competent authorities.

702. Basic information on legal persons and arrangements is largely accessible to the competent authorities and is available directly online in the corresponding registries or on request, which contributes to the identification of the BO in investigative processes. With regard to BO information, the information held by the CNR and the DGII has been useful for the comparison of data and the subsequent identification of the BO through the investigative processes carried out by the FGR. In addition, REs carry out a process of BO identification through the application of CDD measures, although there are no effective mechanisms to verify that this information is adequate and up to date. However, despite the weaknesses identified in the collection, verification and access to information of the BO, it is considered that these are not of fundamental importance due to there being some cases where the BO was determined through the investigative work of the FGR, based on information in possession of the SOs and existing records. Likewise, there are certain mitigating measures. On the other hand, the country is not a regional centre for the formation of legal persons or arrangements and that there are few legal persons with international connections.

703. The sanctioning regime is the responsibility of the supervisors in the context of non-compliance with the obligation to obtain BO information from REs. However, the country has not demonstrated the ability to implement effective, proportionate and dissuasive sanctions to mitigate the ML/TF risks associated with the misuse of legal persons and arrangements, as well as the obtaining and verification of basic and BO information of legal persons and arrangements by means other than reporting entities.

704. Taking these elements into account, it is concluded that the improvements that El Salvador needs to make in this area are of a considerable nature. Therefore, **El Salvador shows a moderate level of effectiveness in Immediate Outcome 5.**

CHAPTER 8. INTERNATIONAL COOPERATION

Key Findings and Recommended Actions

Key findings

1. El Salvador has a designated central authority in the FGR to deal with MLAs through the Directorate of International Affairs. The Ministry of Foreign Affairs is the central authority for dealing with extradition in the country.
2. The international cooperation and MLA mechanisms have been useful both for requesting States and domestically. On the one hand, requests are made in a constructive and high-quality manner in order to obtain investigative and intelligence inputs. In addition, the country has generally provided constructive and high-quality cooperation, and response times have improved in recent periods. Overall, MLA and extradition are in line with the country risk profile.
3. Requests for international cooperation are effectively managed and executed according to the needs and characteristics of each request. While no prioritisation or case management mechanisms are evident, countries that have had co-operation with El Salvador have indicated that the country has a satisfactory capacity to deal with priority requests.
4. The authorities of El Salvador have the capacity and make requests for cooperation from their foreign counterparts and have signed various international instruments (memoranda of understanding and cooperation agreements, among others) to this end, covering law enforcement, the FIU and the financial supervisory authority, although in the latter case no cooperation was noted.
5. The country has a special legal framework, adopted in January 2024, which allows it to offer a wide range of international cooperation through MLAs and other forms of international cooperation However, a limited number of exchanges with international partners other than those with which specific instruments have been signed are observed.
6. International cooperation requested by El Salvador es, to a good extent, consistent with its ML/TF risks; particularly regarding the main threats identified, linked to drug trafficking, trafficking of human beings, embezzlement, and aggravated extorsion.
7. The deficiencies identified in the IO.5 on BO information may have an impact on the provision of international cooperation in this area. While the country was able to provide basic information on legal persons, the lack of access to BO information limits the scope for co-operation in this area.

Recommended Actions

1. Maintain active existing cooperation mechanisms that allow for the continuation of constructive and timely cooperation activities.
2. Adapt the recently reformed legal framework to clarify the scope of mutual legal assistance in situations other than cooperation for extradition purposes.
3. Strengthen the capacity of the FGR to access information on the BO of legal persons and arrangements in a comprehensive and timely manner in order to ensure a full cooperation in this area by requiring counterparts.
4. Provide for prioritisation mechanisms, including IT systems, control and monitoring of MLA to ensure proper implementation of international cooperation by all competent authorities.
5. Make greater use of available tools and mechanisms for joint operational cooperation between law enforcement authorities.
6. Seek contacts with specialised fora in the field of financial supervision, in particular in the banking and insurance sectors, with a view to expanding the possibilities for cooperation available to Salvadoran supervisors.

7. Promote joint actions, cooperation and collaboration with other supervisors, both financial and non-financial, with a view to enhancing each other's capacities and conducting joint supervisory actions.

The relevant Immediate Outcome considered and assessed in this chapter is IO. 2. The Recommendations relevant for the assessment of effectiveness under this section are R. 36- 40, and with elements of R. 9, 15, 25, 25 and 32.

Immediate Outcome 2 (International Cooperation)

705. El Salvador has a special legal system that allows it to provide a wide range of mutual legal assistance (MLA). On the one hand, international cooperation can be provided through the signing of bilateral or multilateral treaties on criminal matters that have been previously ratified and, in their absence, El Salvador has the constitutional power to apply the principle of reciprocity. On the other hand, the country has various mechanisms or instruments for the exchange of information and has signed memoranda or agreements, both with counterparts and with international organisations, as well as informal mechanisms for the exchange of information.

706. In addition, in January 2024, El Salvador promoted the reform of the CPP to include provisions related to international cooperation, particularly in relation to the MLA and extradition, in which it could act mainly on the basis of bilateral or multilateral treaties or on the basis of the principle of reciprocity. In the absence of a specific instrument, this legal framework is intended to provide international partners with greater certainty about the mechanisms and procedures and to improve the management of active and passive assistance.

707. International cooperation involves a number of competent authorities, central supervisory bodies responsible for initiating rapid responses to foreign requests to identify, freeze, seize and confiscate laundered assets, proceeds of money laundering and predicate offences. The national authorities involved in formal international legal cooperation in criminal matters are: i. FGR; ii. CSJ; iii. Ministry of Justice and Public Security; and iv. Ministry of Foreign Affairs. It should also be noted that other forms of international cooperation are also available through the FGR, through the Financial Investigation Unit, and INTERPOL El Salvador, which is attached to the PNC.

708. Taking into account the powers and attributions granted to each authority by the Constitution of the Republic of El Salvador and special ordinary laws, and as the body responsible for investigating crimes, to fulfil its mandate of mutual legal assistance, the FGR has at its disposal the Directorate of International Affairs of the Attorney General's Office, which is the unit responsible for receiving requests for mutual legal assistance from other States, or requesting them directly if they are central authorities, or through the established channels of communication if they are not central authorities. In this respect, the Directorate has the human, (1 Director, 6 legal advisers and 3 administrative assistants) technological and financial resources to carry out its tasks.

709. In this regard, it should be noted that, as of 6 January 2021, the Directorate of International Affairs of the FGR is the central authority for the treaties of the United Nations Convention against Corruption and Illicit Trafficking in Narcotic Drugs and Psychotropic Substances and the United Nations Convention against Transnational Organised Crime, as well as the treaties of the Inter-American Convention on Mutual Legal

Assistance in Criminal Matters and against Corruption. In addition, as of 21 June 2022, the CSJ modified the jurisprudential criterion by issuing the resolution to order the processing of requests for assistance and the sending and receiving of their replies; in other words, the aforementioned Directorate, in addition to being the competent authority for the processing of requests for assistance, also acts as the central authority, thus ensuring greater efficiency in terms of time for the direct sending and receiving of requests for information and replies.

Provision of Mutual Legal Assistance (MLA) and Extradition

710. The country provides constructive and cooperative assistance, which has been verified through statistical data, discussions during on-site visits and complementary information provided by the national competent authorities, as well as feedback received from 14 GAFILAT jurisdictions and the FATF Global Network. In general, it is considered that the quality of the cooperation provided was good and that the response times were timely. Although the contributions received from international partners have been limited due to the fact that El Salvador is perceived as having little exchange with non-bordering countries, the requests made by El Salvador are considered to have the necessary elements of attention and to be of good quality. During the period under review, no concerns were reported regarding the confidentiality or proper treatment of the information exchanged.

711. El Salvador has a central authority designated to deal with MLA requests, the FGR, which is responsible for channelling such assistance requested by and to other States. Likewise, the Attorney General of the Republic communicates directly with other central authorities provided for in treaties relating to criminal matters. For these purposes, the MLA is managed by the Directorate of International Affairs of the Attorney General of the Republic, which refers to the competent special unit according to the territory where the requested proceedings are to be carried out; likewise, the Directorate directs and manages MLA requests and replies from other countries. It is important to highlight that the countries that have provided input on international cooperation with El Salvador have indicated an improvement in the quality and response time of requests sent to El Salvador since the FGR assumed the role of central authority.

712. At present, the procedure for active MLA is that requests are received by the operational units of the FGR or by magistrates with jurisdiction in criminal matters, which are assessed for compliance with the formal and substantive requirements and then processed directly with the central authority of the requesting State; in the case of passive MLA, requests are received by the said Directorate for execution once the established requirements have been met.

713. In the period 2019-2023, the FGR received 405 formal requests for international legal assistance in criminal matters. In this respect, dual criminality is not an obstacle to granting international cooperation to its counterparts. This aspect has been formalised in the reform of the Code of Criminal Procedure, which establishes this principle as one of the pillars of cooperation.

Table 8.1 Total passive MLA requests per country and year

Country	2019	2020	2021	2022	2023	Grand Total

Argentina					1	1
Chile	4	0	2	0	0	6
Colombia	1	0	0	1	1	3
Costa Rica	3	2	1	2	0	8
Spain	1	1	2	1	2	7
France					2	2
Guatemala	34	18	21	31	33	137
Honduras	2	15	1	1	3	22
Mexico	21	28	26	32	34	141
Nicaragua	1	1	3	1	0	6
Panama	7	0	5	5	2	19
Paraguay	1	0	0	0	0	1
Peru	3	0	0	0	1	4
Turkey	1	0	0	0	0	1
United States	0	4	8	8	15	35
Jordan	0	1	0	0	0	1
Kazakhstan	0	1	0	0	0	1
Netherlands	0	1	0	0	0	1
Russia	0	0	1	0	1	2
Switzerland	0	0	1	0	0	1
Sweden	0	0	0	1	0	1
Croatia	0	0	0	0	1	1
Italy	0	0	0	0	1	1
Dominican Republic	0	0	0	0	1	1
Greece	0	0	0	1	0	1
Venezuela	0	0	0	0	1	1
Grand Total	79	72	71	84	99	405

714. Similarly, for the period 2019-2023, 16 MLA requests were received for ML and 106 for predicate offences. The response time varies depending on the complexity and nature of the request. In particular, the time depends on the type of assistance required by the requesting country and whether the request involves the implementation of various investigative measures carried out by the FGR in accordance with its legal tasks. In this respect, and according to the information provided by the country, it takes 64 and 45 days respectively for an active and passive MLA managed by the Directorate of International Affairs as the Central Authority.

715. Within the framework of mutual cooperation, the assistance is related to the execution of different types of evidence that the requesting country has to carry out and, consequently, the response times depend on the amount and type of investigative measures requested, which are entrusted to the Attorney General's Office of the Republic in accordance with its functional competence.

Table 8.2 - Number of MLA requests received in relation to ML offences

Country	2019	2020	2021	2022	2023	Grand Total
Chile	1	0	0	0	0	**1**
Guatemala	1	1	0	2	0	**4**
Colombia	1	0	0	1	0	**2**
Costa Rica	0	1	0	0	0	**1**
Honduras	0	0	1	0	0	**1**
Nicaragua	0	0	2	1	0	**3**
United States	0	0	1	0	0	**1**
Mexico	0	0	0	0	1	**1**
Peru					1	**1**
Panama	0	0	1	0	0	**1**
Grand Total	3	2	5	4	2	**16**

Table 8.3 - MLA requests received per predicate offence

Predicate offence	2019	2020	2021	2022	2023	Total
Aggravated extortion	1	0	0	0	0	1
Proper bribery	1	0	0	0	1	2
Improper bribery	0	0	0	0	0	0
Illicit trafficking	0	2	0	4	4	10
Trafficking in persons	15	16	12	14	27	84
Smuggling of goods	0	0		1	1	2
Motor vehicle theft	1	0	0	0	0	1
Theft of motor vehicles	1	0	0	0	0	1
Embezzlement	0	0	1	0	0	1
Administrative fraud	0	0	0	0	0	0
Illicit firearms trafficking	0	0	0	0	0	0
Trafficking in Persons for Sexual Exploitation	2	0	0	0	0	2
Tax evasion	0	0	0	1	1	2
Illicit negotiations	0	0	0	0	0	0
Illicit enrichment	0	0	0	0	0	0
Grand Total	21	18	13	20	34	106

716. The country provided statistical data on the results of the MLA, from which it is worth noting that, of the 406 requests received during the period analysed, 70.44% of the requests were granted, 6.15% were partially granted, 20.44% are under way, and finally, 2.95% were refused. From the data in the table above, it can be seen that the predicate offence for which the most assistance is requested from El Salvador is trafficking in persons, which was identified in the NRA as one of the main ML threats to the country, so in principle this appears to be in line with the risk profile identified.

717. In this context, the requested MLA will be refused if it could be used to prosecute a person who has already been convicted or acquitted for the same acts, if it seeks to discriminate in any way against a person or group of persons, if it relates to politically motivated offences, or if it affects public order, sovereignty or fundamental public interests. The above is provided for in the provisions of the CCP Reform of January 2024.

718. In extradition matters, the Ministry of Foreign Affairs is the central authority responsible for sending, receiving and following up on extradition requests through diplomatic channels. El Salvador has strengthened its extradition legislation through the reform of the CCP, which has established rules for the processing of extradition, providing for specific aspects for granting extradition as well as grounds for refusal; in this regard, it is important to highlight the possibility of conducting a domestic trial for refusal of extradition, either for the grounds previously indicated in the CCP or in the corresponding international treaties, for which the judicial body may conduct the prosecution if the requesting State expresses its agreement to do so.

719. El Salvador provides effective cooperation in extradition matters. For the period 2019-2023, 70 extradition requests have been received, of which 45 have been granted, 13 have been denied and 12 are pending or processing. With regard to the rejected requests, these were due to the fact that they did not meet the criteria in force in Salvadoran legislation at the time the MLA was requested, including: non-compliance with the principle of reciprocity; prescription of the offence prosecuted in accordance with the statute of limitations criteria established in criminal legislation lack of guarantees that the requesting State will not apply a life sentence; formal request for extradition submitted outside the time limit provided for in the international instrument invoked; inappropriateness of extradition because the offence was partially committed on Salvadoran territory. The above is without prejudice to the reforms of the Criminal Code on international cooperation mentioned above. Specifically for ML/TF, 8 extradition requests have been received between 2019 and 2023, of which 4 have been granted, 1 has not been granted and 2 are being executed.

Table 8.4 - Total extradition requests received per year and country (passive)

Country	2019	2020	2021	2022	2023	Total
Australia	0	0	1	1	0	2
Costa Rica	0	0	1	3	0	4
Croatia	0	0	0	0	1	1
United States	4	5	15	12	5	41
Spain	0	0	0	1	2	3
United Arab Emirates	0	0	0	1	0	1
Guatemala	0	1	1	4	2	8
Honduras	0	0	0	0	1	1
Mexico					1	
Panama	0	0	0	0	3	3
Peru	1	0	1	0	0	2
Russia	0	0	0	0	1	1

Venezuela	0	0	0	0	3	3
Grand Total	5	6	19	22	18	70

Table 8.5 - Outcome of extraditions per year

Outcome	2019	2020	2021	2022	2023	Total
Extradited	11	8	8	8	10	45
Denied	4	2	2	2	3	13
Pending/processing	0	0	0	2	10	12
Grand Total	15	10	10	10	23	70

720. Regarding the refusal to extradite a person, this may derive from causes not attributable to the State, since the Salvadoran legislation establishes that the requesting country guarantees procedural measures such as the non-imposition of life imprisonment, death penalty or non-compliance with the principle of reciprocity, based on the Constitution of the Republic of El Salvador. Notwithstanding the above, in order to provide international judicial cooperation, the Plenary of the CSJ in those cases in which the requesting State does not comply with the legal requirements, offers the development of a domestic trial in order to avoid the impunity of the requested person.

721. During the on-site visit, the country indicated that it does not have a system for prioritising MLA and extradition requests, but that all of them are treated equally with a view to granting or refusing them in the cases provided for by law. Notwithstanding the above, the countries that shared their experiences in international cooperation with El Salvador indicated that El Salvador has the possibility to prioritise such requests by indicating the urgency.

722. As a result of the above, it is considered that the country has, to a large extent, effective mechanisms in place to provide effective and constructive assistance and cooperation, as well as to process and manage extradition requests.

Seeking timely legal assistance to fight against domestic ML, associated predicate offences and TF cases with transnational elements.

723. Requests for MLA to other countries are processed by the Directorate of International Affairs of the FGR, in its capacity as the central authority that manages, monitors and follows up on requests made on the basis of the Inter-American Convention on Mutual Assistance in Criminal Matters, the Inter-American Convention against Corruption, and the Vienna, Palermo and Merida Conventions, in order to obtain timely information for the investigative process.

724. With regard to the request for MLA, it must be sent by the authority conducting the investigation, indicating the nature of the investigation, the applicable legal provisions, and the precise description of the MLA, which includes, among other things, the notification of decisions and judgments, the reception of testimonies and anticipated statements of persons, the practice of seizure and freezing of property, the freezing of assets, inspections or seizures, the examination of objects and places, and other acts that may arise and that the States agree to provide in the assistance.

725. El Salvador, through the MLA, requests international cooperation from other countries to gather information relevant to the cases under investigation. During the period 2019-2023, the Directorate made 714 MLA requests, 64 for the crime of ML and 215 for predicate offences.

Table 8.6. - MLA requests related to ML

Country	2019	2020	2021	2022	2023	Grand Total
China	1	0	0	0	0	1
Canada					1	1
Chile	0	0	0	0	1	1
Germany	0	0	0	0	1	1
Costa Rica	1	0	1	1	0	3
United States	1	2	4	1	4	12
Italy	1	0	0	2	2	5
Mexico					1	1
Panama	1	1	1	1	1	5
Venezuela	1	0	0	0	0	1
Brazil	0	1	0	0	1	2
Guatemala	0	3	2	2	5	12
Honduras	0	1	2	0	1	4
Nicaragua	0	1	2	3	5	11
OIRSA					1	1
Sweden					1	1
Switzerland	0	0	0	1	1	2
Grand Total	6	9	12	11	26	64

726. At the request of the International Regional Organisation for Agricultural Health (OIRSA), the UECLA of the FGR asked the Directorate of International Affairs to summon the legal representative of this organisation, accredited in Salvadoran territory, to a judicial hearing as a subsidiary victim of the crime of money laundering.

Table 8.7 - MLA requests related to predicate offences

Predicate offence	2019	2020	2021	2022	2023	Total
Aggravated extortion	0	0	1	12	4	17
Proper bribery	1	0	0	0	0	1
Improper bribery	0	0	0	0	0	0
Illicit drug trafficking	9	11	7	24	22	73

Trafficking in persons	6	5	2	18	27	58
Smuggling of goods	0	0	0	0	14	14
Motor vehicle theft	0	8	0	0	2	10
Theft of motor vehicles	0	0	0	0	4	4
Embezzlement	0	7	3	3	5	18
Administrative fraud	0	0	3	1	5	9
Illicit firearms trafficking	0	0	0	0	0	0
Trafficking in Persons for Sexual Exploitation	1	1	1	0	0	3
Tax evasion	5	0	0	0	0	5
Illicit negotiations	0	1	2	0	0	3
Illicit enrichment	0	0	0	0	0	0
Grand Total	22	33	19	58	83	215

727. Table 8.7 shows that the four main predicate offences for which El Salvador made MLA requests, representing more than 77% of the requests, are drug trafficking, trafficking in persons, embezzlement and aggravated extortion, which are the main ML threats identified by the country in its NRA. This is in line with the risk profile indicated by the country, given the transnational nature of drug trafficking and trafficking in persons.

Table. 8.8 – Status of requests for MLA (active))

Status	2019	2020	2021	2022	2023	Total
Granted	78	103	82	112	101	476
Refused or observed	4	4	0	13	0	21
Under way	0	0	6	37	174	217
Total	**82**	**107**	**88**	**162**	**275**	**714**

Table. 8.9 Detailed MLA requests (active) by country

Country	2019	2020	2021	2022	2023	Total
Bangladesh	**1**	**0**	**0**	**0**	**0**	**1**
Belize	**0**	**0**	**0**	**0**	**1**	**1**
Canada	**0**	**2**	**1**	**2**	**3**	**8**
Chile	**0**	**0**	**0**	**0**	**1**	**1**
China	**1**	**0**	**0**	**0**	**0**	**1**
Colombia	**5**	**1**	**1**	**5**	**8**	**20**
Costa Rica	**8**	**7**	**5**	**2**	**4**	**26**
Ecuador	**3**	**2**	**1**	**7**	**2**	**15**
Spain	**1**	**2**	**3**	**4**	**9**	**19**

United States	**19**	**13**	**29**	**71**	**133**	**265**
France	**1**	**1**	**0**	**0**	**0**	**2**
Guatemala	**18**	**31**	**18**	**27**	**54**	**148**
Honduras	**10**	**16**	**14**	**8**	**9**	**57**
Italy	**1**	**0**	**0**	**5**	**3**	**9**
Mexico	**2**	**10**	**1**	**6**	**13**	**32**
Nicaragua	**7**	**8**	**5**	**15**	**12**	**47**
Netherlands	**1**	**1**	**1**	**1**	**1**	**5**
Panama	**1**	**6**	**3**	**1**	**6**	**17**
Peru	**1**	**0**	**0**	**0**	**0**	**1**
Russia	**1**	**0**	**0**	**1**	**0**	**2**
Venezuela	**1**	**0**	**0**	**0**	**0**	**1**
Argentina	**0**	**2**	**1**	**0**	**0**	**3**
Brazil	**0**	**4**	**0**	**1**	**4**	**9**
Israel	**0**	**1**	**1**	**0**	**0**	**2**
Barbados	**0**	**0**	**1**	**0**	**0**	**1**
United Kingdom	**0**	**0**	**1**	**1**	**2**	**4**
Dominican Republic	**0**	**0**	**1**	**2**	**1**	**4**
Switzerland	**0**	**0**	**1**	**0**	**2**	**3**
Germany	**0**	**0**	**0**	**1**	**1**	**2**
Greece	**0**	**0**	**0**	**1**	**0**	**1**
Australia	**0**	**0**	**0**	**0**	**1**	**1**
Puerto Rico	**0**	**0**	**0**	**1**	**0**	**1**
British Virgin Islands					**1**	**1**
OIRSA*					**1**	**1**
Sweden					**1**	**1**
England					**1**	**1**
Singapore					**1**	**1**
Total	**82**	**107**	**88**	**162**	**275**	**714**

728. According to the information in Table No. 8.8, 66,66% of MLA requests by El Salvador have been granted by the requested countries, while 2,94% are under the status of "refused or observed", i.e. they did not comply with some requirement, or the country is pending the provision of information. Likewise, 30,39% of MLA are pending response from the requested country. In this respect, El Salvador has requested requesting prosecution units to complete the information required for their processing, and the MLA requests have been reiterated to the Central Authority of the requested countries based on the internal procedures established by the Directorate. As previously indicated, the response time varies according to the type of MLA requested, and the response of the requested country, which has averaged approximately 64 working days.

729. For its part, El Salvador also makes use of international cooperation to submit extradition requests to other countries. For the period 2019-2023, 22 extradition requests have been registered, of which 9 are still pending. 18 of these active extraditions relate to either ML or TF

Table 8.10 - Total extradition requests conducted 2019 - 2023

Country	2019	2020	2021	2022	2023	Total
Canada	1	0	0	0	0	1
Costa Rica	2	0	0	0	0	2
Nicaragua	1	0	0	0	0	1
Honduras	1	0	0	0	1	2
Panama	0	1	0	0	0	1
Spain	0	0	3	0	3	6
France	0	0	1	0	0	1
Italy	0	0	1	0	0	1
Guatemala	0	0	0	2	2	4
United States	0	0	0	0	3	3
Grand Total	5	1	5	2	9	22

Table 8.11 - Total extradition requests conducted 2019 - 2023

Outcome	2019	2020	2021	2022	2023	Total
Extradited	3	1	8	2	0	14
Denied	2	0	1	0	0	3
Pending	0	0	0	0	9	9
Grand Total	5	1	9	2	9	26

730. In this respect, according to the information provided by the country, the difference between the requests and the extraditions carried out corresponds to the fact that in 2021, 9 requests were executed, 4 of which were received before 2019, i.e., outside the period analysed.

Box 8.1 Active MLA request

The Specialised Corruption Crimes Prosecution Unit requested the MLA of the Republic of Panama to obtain financial records of bank account holders and beneficial owners, as well as registration records of the companies H.A., S.A. and T.C., S.A. and the natural persons O.E. and R.H.

O.E., who worked in one of the government institutions of El Salvador, created the company H.A., S.A. in Panama, with R.H. as his proxy, from which he received payments from Panama to El Salvador through the company T.C., S.A., which enjoyed special treatment in terms of taxes and fines. The company T.C., S.A. transferred the amount of USD 89,965.00 to the company H.A., S.A. through a banking institution N.A. since 2013, and subsequently H.A., S.A. issued cheques for amounts ranging from USD 4,000.00 to USD 5,000.00, which were exchanged in El Salvador, Guatemala and Panama; in addition, O.E. purchased

a vehicle from Panama through money transfers to the account of a dealer in El Salvador for the amount of USD 25,000.00.

The investigation established the existence of transfers between banks in the Panamanian financial system to the company H.A., S.A., up to an amount of more than USD 80,000, as well as the purchase of the aforementioned vehicle, identifying the route of the funds transferred to that country.

To this end, the Panamanian Central Authority sent, through official channels, the results of the bank and registry investigations to the Directorate of International Affairs of the FGR, which forwarded the documents to the requesting Prosecutor's Unit.

Source: FGR

731. As noted above, the country, through the FGR as the main central authority, makes use of MLA to obtain effective and timely information for the development of cases under investigation; there is also a significant number of active MLA requests as opposed to passive requests. For its part, it also makes use of international cooperation to submit extradition requests to other countries. In view of the above, it can be concluded that the country makes adequate use of international cooperation to obtain effective and timely information on cases under investigation.

Seeking other forms of international cooperation for AML/CFT purposes

732. The authorities of El Salvador seek other forms of international cooperation for AML/CFT purposes. They are also part of several international and regional networks that are used for effective and timely exchange of information, as well as the creation of working groups with agencies of other countries.

733. In this respect, it is worth mentioning that the FGR can make requests for information through INTERPOL, of which the PNC is a member, and this has led to joint work for the consultation of information, the arrest of natural persons for extradition purposes, the exchange of criminal information with other countries and the materialisation of relevant cases related to ML and related predicate offences.

Box 8.2 - Extradition requests with El Salvador INTERPOL cooperation

Name of the requested person: RCSP
Nationality: Salvadorian
Crime: active bribery, special ML cases.
Requesting country: El Salvador
Requesting court: First Criminal Chamber of the First Section of the Centre, San Salvador.

Box 8.3 - Passive extradition executed with El Salvador INTERPOL cooperation

Name: EAVR
Nationality: Salvadorian
Offences: racketeering conspiracy; electronic fraud conspiracy; ML conspiracy; electronic fraud; money laundering.
Court: US District Court, Eastern District of New York City.

734. Likewise, El Salvador, through the FIU, is a member of the Egmont Group of Financial Intelligence Units, which has specific procedures for the management of international mutual legal assistance that provide for the monitoring of the communication channels of requests made through the Egmont Group Secure Web ESW, as described below, or through the FIU Direct Network, as the information exchange network generally used to manage assistance with Nicaragua.

735. In this regard, El Salvador provided evidence of cases where international cooperation has taken place through the aforementioned secure network, managing requests and responses to requests for financial intelligence information on natural or legal persons and their possible links to STRs, cases under investigation or prosecution, acquisition of products or services, information on property or assets appearing in public records, among others.

Box 8.4 international co-operation in ML matters processed through FIUs

Requested country: Guatemala
Crime: Money and asset laundering (article 4 of the Law for the Prevention of Money and Asset Laundering).
Sectors involved: 2 natural persons of Salvadoran nationality and 2 natural persons of unknown nationality.
Date of International Assistance: 19 July 2023.
Total time for the management of International Assistance: 66 days.

Case description: Investigation into cheques issued by Mr J.J.R. in the name of Mr D.F. and Mr M.F. and deposited in their bank accounts at the Banco de A.C. de Guatemala. Also transfers of funds made by Mr J.J.R.A. from Banco de A.C. of El Salvador to account XXXXXX7192, the beneficiary bank being Banco de D.R. In addition, A.M.E.R. has issued cheques in favour of D.F. and M.F., which have been deposited in accounts at the Banco de A.C. de Guatemala.

Therefore, the FIU of Guatemala was requested to provide information or available data on the aforementioned individuals, such as bank account status, personal information, STRs, etc., and the information would be used for intelligence purposes.

Outcome: Information on the persons under investigation was sought and the following was reported by the FIU of Guatemala:

Information was obtained on financial products by financial institution (customer data, KYC, bank accounts, statements, opening date, date of last transaction, current balance, available balance, purpose of account, beneficiaries, authorised signatures, etc.), identification data of the persons under investigation, information on transfers and details of suspicious transaction reports relating to the persons under investigation.

736. In this regard, in the event that requests for information through the aforementioned secure network or other international cooperation mechanisms yield positive results, whether in relation to ML/TF, related predicate offences, or the recovery of assets, mutual legal assistance in criminal matters may be initiated as a mechanism for developing investigations, trials, and proceedings in accordance with Salvadoran criminal law and the conventions to which El Salvador is a party.

737. In this regard, El Salvador indicated during the on-site visit and the face-to-face meeting that MLA requests for the recovery of forfeited assets are currently being processed, including the location of a property through intelligence information managed by the Egmont Group Secure Network.

738. In addition, the authorities have signed 42 international Memoranda of Understanding (MOUs) on AML/CFT matters: 20 MOUs by the FIU and 22 by the SSF; 17 international conventions: 10 by the FGR, 3 by the SSF, 4 by the CSJ, 2 agreements by the FIU and 11 agreements by the SSF.

Table 8.12 - Types and cooperation agreements with other countries entered into by the FIU.

(Year)	Memoranda	Agreements	Conventions	Total
2019	0	0	1	1
2020	1	0	2	3
2021	4	0	2	6
2022	5	0	4	9
2023	2	1	0	3
Grand Total	12	1	9	22

739. The FGR is also part of the Memorandum of Understanding between the Ibero-American Association of Prosecutors (AIAMP) and the International Association of Prosecutors (IAP), which aims to promote the exchange of information and best practices in the field of criminal legal cooperation. It is worth noting that the FGR, together with the PNC's Transnational Anti-Gang Centre, has signed a Memorandum of Understanding with the Federal Bureau of Investigation of the US Department of Justice (FBI) to strengthen information exchange and data analysis capabilities in order to effectively combat the criminal activities of transnational criminal organisations.

740. Furthermore, from 2021, the FGR is part of the RRAG, first as a guest country with one contact point, and then with two contact points, one belonging to the aforementioned Prosecutor's Office and the other to the FIU after joining GAFILAT. In the period 2021-2023, 37 requests for information were sent, providing information on 16 natural persons and 55 legal persons.

Table 8.13 - Information sent through the GAFILAT Asset Recovery Network (RRAG)

(Year)	Requests sent	Natural Persons requested	Legal Persons requested
2021	1	2	5
2022	30	3	7
2023	6	11	43
Grand Total	**37**	**16**	**55**

Source: Prepared by the authors on the basis of information from the Financial Investigation Unit.

741. According to the information provided, in the period 2021-2023, 94.28% of the 37 requests received were dealt with within a maximum of 20 days and 10 hours.

Table 8.14 - Outcome of the information sent through the RRAG

Year	Sent	Granted	Rejected	Pending
2021	1	1	0	0
2022	30	29	1	0
2023	6	5	1	0

Source: Financial Investigation Unit

Table 8.15 - Average time taken to respond to requests for information through RRAG

	2021		2022		2023	
	Granted	**Rejected**	**Granted**	**Rejected**	**Granted**	**Rejected**
Acceptance of request	N/A	N/A	2 days and 12 hours	1 day	1 day and 10 hours	1 day
Provide response	N/A	N/A	18 days	27 days	20 days and 10 hours	7 days

Source: Financial Investigation Unit

742. As a member of the Egmont Group and in view of its operational intelligence needs, the FIU uses the Secure Web to exchange financial intelligence information with its foreign counterparts. Between 2019 and 2023, it sent 169 requests to FIUs in other countries and received information on 650 natural persons and 441 legal persons.

Table 8.16 - Requests for information sent via the Egmont Group Secure Web

Year	Requests sent	Natural Persons requested	Legal Persons requested
2019	16	41	34
2020	57	88	149
2021	33	72	49
2022	17	37	17
2023	46	412	192
Grand Total	169	650	441

Source: Financial Investigation Unit

Table 8.17 - Result of information submitted via the Egmont Group Secure Web

Year	Sent	Granted	Rejected	Pending
2019	16	16	0	0
2020	57	57	0	0
2021	33	33	0	0
2022	17	17	0	0
2023	46	46	0	0

Source: Financial Investigation Unit

743. In addition, El Salvador demonstrated international cooperation through spontaneous dissemination and follow-up of a request, with a significant amount of information and results sent to the competent authorities. This is evidenced by the fact that, of the 100% of requests received, 91.66% were sent to the competent authorities in 2023. However, it is not known why no related information was disseminated in the years 2019 to 2021. Similarly, there was no evidence of the treatment of the information sent, the feedback or the result of this cooperation, as there are no specific procedures or manuals for the development of this function of the FIU.

Table 8.18 - Amount of spontaneously disseminated information

	2019	2020	2021	2022	2023	Total
Sent	0	0	0	0	1	1
Received	0	0	0	1	11	12
Total	0	0	0	1	12	13

Source: Financial Investigation Unit

744. From the above, it can be concluded that El Salvador is part of several international networks through which the competent authorities request other forms of international cooperation for AML/CFT purposes.

Granting other forms of international cooperation for AML/CFT purposes.

745. As mentioned above, the country has signed international instruments with its foreign partners that allow it to access and provide financial information from various competent institutions to its foreign partners.

746. Regarding the information requested through the RRAG for the period 2019-2023, a total of 12 requests were received, corresponding to information from 44 natural persons and 9 legal persons, including information on reported real and personal assets: 3 and 4 respectively. In this respect, all requests were met.

Table 8.19 - Result of requests for information received (RRAG)

Year	Received	Granted	Rejected	Pending
2021	1	1	0	0
2022	5	5	0	0
2023	6	6	0	0

Source: Financial Investigation Unit

Table 8.20 - Requests for information received through the Egmont Group Secure Web

Year	Requests Received	Natural Persons requested	Legal Persons requested	Crypto-wallet requested
2019	7	19	7	0
2020	4	23	6	0

2021	23	85	147	0
2022	10	95	19	0
2023	6	17	9	3
Grand Total	50	239	188	3

Source: Financial Investigation Unit.

747. With respect to information received through the Egmont Group's Secure Web through the FIU's International Relations Unit, 100% of the requests received have been granted, corresponding to 44 requests from 2019 to 2023; similarly, the assessment team noted that there were no pending requests at the time of the conclusion of the on-site visit.

748. Based on the information provided by the FIU staff during the on-site visit, it was noted that information requests and responses are processed in less than 30 days from the date of receipt of the valid request.

749. With regard to TF, the FIU noted that on 2 occasions, requests for information were received through the Egmont Group Secure Web from a risk jurisdiction (which were forwarded to the entire global network). Although the FIU did not find any relevant information to provide to the requester, a response was provided after an exhaustive search of the FIU's databases. Alerts were also shared and information requested from FIs.

750. With regard to law enforcement, the PNC is able to cooperate with its counterparts in various countries. It has signed agreements with the United Nations Office on Drugs and Crime (UNODC) for the Airport Communications Programme (AIRCOP), as well as a broader framework cooperation agreement, and cooperation agreements with the Government of the United States of America as part of the Joint Security Plan. For its part, the legal framework authorises the PNC, as the INTERPOL contact point, to make arrests on the basis of red notices.

751. The Salvadoran armed forces play an important role in the fight against ML predicate crimes and against gangs and *maras*, which are internally designated as terrorist groups. Their main tasks in this area are surveillance, protection and action against unauthorised border crossings, as well as maritime surveillance, which they carry out in close coordination with international partners, such as neighbouring countries and the armed forces of the United States of America. The cooperation with the latter is particularly noteworthy due to the degree of cooperation in various areas, including training, provision of equipment, exchange of operational intelligence and operations, among others.

752. In the case of supervisory authorities, they have the power to request and require information from foreign counterparts and to sign memoranda of understanding and agreements on joint supervision, exchange of information, methodologies and best practices. In the specific case of the SSF, it also has the power to act on behalf of foreign counterparts, although there is no information that such powers have been used during the period under review. In addition, the Superintendence of the Financial System is a member of the International Organisation of Securities Commissions (IOSCO), a mechanism that can also be used to cooperate with other securities supervisors. However, El Salvador is not a member of the Basel Committee on Banking Supervision or the International Association of Insurance Supervisors (IAIS).

753. In light of the above, it can be said that El Salvador is able to provide forms of international cooperation and that it does so to a good extent, given the requirements.

International exchange of basic and beneficial ownership information on legal persons and arrangements.

754. Information on the types of legal persons and their incorporation is published and disseminated in various public web portals, particularly in the Commercial Registry of the National Registry Centre (CNR), which contains basic information on companies incorporated under the Commercial Code of El Salvador, which is accessible to national and foreign authorities, so that this information can be shared with authorities of other countries.

755. In addition, the FGR, through the Directorate of International Affairs, has responded to 15 requests in relation to the MLA and has made 6 requests in relation to the BO for the period 2019-2023.

Table 8.21 - MLA requests through the Prosecution Directorate of International Affairs

Type of entry	2019	2020	2021	2022	2023
Active request	2	37	7	9	6
Passive request	34	0	0	11	15
Grand Total	36	37	7	20	21

Source: Prosecution Directorate of International Affairs

756. It is important to note that, as discussed in more detail under Immediate Outcome 5, the authorities of El Salvador do not have full and timely access to beneficial ownership information on legal persons and arrangements in the country. In this respect, it is considered that the information that can be provided by the country in the context of these requests is of a basic nature, as it is contained in the registers to which the authorities have indicated that they have access (Business Register and Tax Register).

757. El Salvador has cooperated and responded to foreign requests for basic information on legal persons and arrangements available in internal and external databases, but the problems noted above in relation to IO.5 on the availability of information on BO limit its ability to respond in a timely manner in relation to international cooperation.

Conclusions on Immediate Outcome 2

758. El Salvador offers mutual legal assistance, extradition in a constructive and timely manner. Similarly, it requests MLA to prosecute ML, TF and predicate offences associated to its identified domestic threats.

759. The MLA and extradition procedures are regulated by the Code of Criminal Procedure and other laws and bilateral and multilateral instruments, with the procedures being centralised by the Directorate of International Affairs of the FGR. It lays down the principles, requirements and limitations for their implementation. There are also powers to enter into international agreements between the authorities and their relevant foreign counterparts. Successful cases of international cooperation have been recorded, which

have contributed to the development of investigations by the competent authorities. The country has also shown itself to be proactive in terms of international cooperation, being able and actually sending information spontaneously and following up on requests.

760. Notwithstanding this, the deficiencies identified in IO.5 on BO information may limit the international co-operation that the country can provide in this area. There is also room for improvement in the prioritisation, control and management of international cooperation requests, which are moderate in nature.

761. On the basis of the above, it is concluded that only moderated improvements are needed, and El Salvador has a **substantial level of effectiveness for Immediate Outcome 2.**

TECHNICAL COMPLIANCE ANNEX

CT1. This annex provides a detailed analysis of the level of compliance with the FATF 40 Recommendations in their numerological order. It does not include descriptive text on the country's situation or risks, and it is limited to the analysis of the technical criteria for each Recommendation. It should be read in together with the Mutual Evaluation Report.

CT2. Where both the FATF requirements and national laws or regulations remain the same, this report refers to the analysis conducted as part of the previous 2010 Mutual Evaluation. This report is available from [https://cfatf-gafic.org/es/documentos-del-gafic/informes-de-evaluacion-mutua/el-salvador-3].

Recommendation 1 - Assessing risks and applying a risk-based approach

CT3. As this is a new requirement in the Methodology approved in 2014, there is no reference to it in El Salvador's Third Round Mutual Evaluation Report (MER).

CT4. *Criterion 1.1* – El Salvador has conducted a National Risk Assessment (NRA) covering information for the period from 1 January 2017 to 31 December 2021, developed using the Methodology and with technical assistance from the World Bank. The NRA was approved by Agreement No. 408 of the FGR of 31 July 2023. The NRA has been developed based on input from all key competent authorities.[38] With regard to private sector participation, input was sought through questionnaires that were discussed in various working groups.

CT5. The NRA concludes that the overall threat level for ML is medium-high. It also found that the country is not attractive to ML for crimes committed in foreign jurisdictions. The main threats identified were: property crimes (aggravated extortion, car theft and robbery, and administrative fraud); drug trafficking; crimes against humanity (illicit trafficking in persons and trafficking in persons for sexual exploitation); corruption crimes (bribery, embezzlement, unlawful negotiations and illicit enrichment); and crimes against the treasury (smuggling of goods and tax evasion).

CT6. According to the NRA, the main sectors involved in ML activities are banks, cooperatives, credit unions and the use of legal persons. As for DNFBPs, these sectors are identified as highly vulnerable to ML, mainly due to the lack of understanding and/or implementation of their obligations by the real estate sector and the legal and accounting professions, as well as the lack of AML/CFT supervisory and sanctioning powers of the SOM and the CSJ. The NRA also analysed the Bitcoin ecosystem, although there is no in-depth assessment of the sector and other digital assets were not included.

[38] The participating authorities were: FGR, with several agencies, as coordinating entity; CSJ; Ministry of Justice and Public Security; Ministry of Foreign Affairs; Ministry of Economy; Superintendence of Commercial Obligations; Salvadoran Cooperative Development Institute; Ministry of Environment and Natural Resources; Ministry of Agriculture and Livestock; Oversight Board of the Profession of Public Accounting and Auditing; General Internal Revenue Office; General Customs Directorate; Ministry of Interior and Territorial Development; National Civil Police; National Council of Property Administration; General Directorate of Immigration and Foreign Citizens; Executive Port Commission; Superintendence of the Financial System; Central Reserve Bank; Agricultural Development Bank; National Registry of Natural Persons; National Registry Centre; National Anti-Drug Commission.

CT7. With regard to the TF risk analysis, the NRA identifies a medium-high risk with a downward trend, and although it covers aspects related to domestic and international terrorism, it does not go into sufficient depth. The NPO sector was also assessed and found to have an inherently low level of risk and mitigating measures in place, with the exception of religious NPOs, which are more vulnerable due to the almost non-existent regulatory framework to which they are subject. Nevertheless, the sector did not participate in the NRA.

CT8. Accordingly, El Salvador has identified and assessed its risks and the findings and conclusions are generally reasonable, although areas such as TF and virtual assets are not adequately explored.

CT9. *Criterion 1.2* – The authority responsible for coordinating ML/TF risk assessment activities is the Inter-agency Committee for the Prevention of Money Laundering, Terrorist Financing and the Financing of the Proliferation of Weapons of Mass Destruction (CIPLAFT). The functions of the CIPLAFT include preparing, directing and following up, through the FIU, the implementation of the NRA and ensuring the updating of the assessment (Clause II, Inter-agency Agreement establishing the CIPLAFT of 5 September 2023).

CT10. *Criterion 1.3* – The NRA was approved in 2023 and covers a reporting period from January 2017 to December 2021, which is considered a reasonable range of information. In addition, based on the special agreement for the creation of the CIPLAFT, one of the tasks assigned to this committee is to ensure the updating of the NRA with a four-year frequency, as well as to ensure the permanent updating of the risks and threats identified in the different economic sectors and professional activities.

CT11. *Criterion 1.4* – El Salvador has mechanisms in place to disseminate the results of the NRA, including publication on the Internet, electronic notification, training and feedback to relevant sectors. In addition, according to Agreement No. 408 of 31 August 2023, the results should be disseminated to the CSJ, the Ministry of Justice and Public Security, the Ministry of Economy, the Ministry of Finance, the Ministry of Foreign Affairs, the Ministry of Interior and Territorial Development, the Ministry of Environment and Natural Resources, the Central Reserve Bank, the Superintendence of the Financial System and the reporting entities under the LCLDA.

CT12. *Criterion 1.5* – Following the NRA, El Salvador prepared a document entitled "National Strategy for the Prevention of Money Laundering and Terrorist Financing", which was approved by the CIPLAFT on 22 September 2023 under the title "National Policy for the Prevention of Money Laundering and Terrorist Financing" ("National Policy"), which covers the period 2023-2025 for its implementation. In its introduction, the National Policy states that its objective is to address the gaps identified in the various sectors assessed in the NRA, serving as a basis for the implementation of a risk-based approach (RBA), in addition to pursuing technical compliance, focusing on effectiveness and also aiming to promote financial inclusion.

CT13. Based on the analysis of the identified vulnerabilities, an action plan has been defined with a series of strategic measures to minimise these vulnerabilities and to address the identified threats in order to mitigate the risks. However, the national policy document does not describe measures to reduce vulnerabilities and address threats, with allocation of resources and specific follow-up activities.

CT14. *Criterion 1.6* –

(a) In principle, El Salvador does not provide for any exceptions to the application of the Recommendations.

(b) As indicated in sub-criterion 1.6a, no exceptions are foreseen.

CT15. *Criterion 1.7* – In accordance with the provisions of article 4 of the "Instructions for the Prevention, Detection and Control of Money Laundering, Terrorist Financing and the Financing of the Proliferation of Weapons of Mass Destruction" (hereinafter referred to as the FIU Instructions) of October 2021, reporting entities shall apply a risk-based approach (RBA) in fulfilling their obligations, i.e., they shall assess and understand their ML/TF/PF risks and allocate the necessary resources for their effective mitigation, with measures proportionate to the risks identified. It also states that in assessing risks, reporting entities should consider all relevant factors before determining the overall level of risk and the appropriate level of mitigation, so that the scope of measures can be differentiated according to the nature and level of risk of the various factors.

CT16. In particular, art. 10 of the FIU Instructions indicates that reporting entities must determine the risk level of customers by weighting risk ratings, which may be based, inter alia, on (a) activities or sectors that have been identified by international bodies as high risk; (b) activities or sectors that have a high inherent ML/TF/PF risk; (c) the risk of products or services offered to customers or counterparties; (d) the risk of channels; (e) the risk of geographical areas or jurisdictions; (f) the inclusion of the customer on warning lists issued by international bodies or local authorities or under investigation; and; (g) the performance of transactions with higher risk countries.

CT17. *Criterion 1.8* – In accordance with art. 4 of the FIU Instructions, reporting entities may differentiate the scope of mitigating measures to be applied depending on the level and type of risk for the different risk factors, with the possibility of implementing simplified measures for lower risks, which shall be justified and documented in the risk assessments carried out by them. Similarly, art. 14, paragraph 4 of the FIU Instructions mentions that simplified CDD measures may not be implemented in high-risk scenarios or in case of suspicion of ML/TF.

CT18. *Criterion 1.9* – The SSF has a legal framework that allows for the supervision, regulation and control of some financial institutions, mainly banks. Furthermore, art. 4 of the FIU Instructions indicates in paragraphs 5 and 6 that the supervisory, control and monitoring authorities of reporting entities, within the framework of their legal powers, may verify the effectiveness of adopted ML/TF programmes, where risk profiles and ML/TF/PF risk assessments prepared by reporting entities may be reviewed. Similarly, reporting entities supervised by the SSF shall comply with the provisions established by the BCR of El Salvador based on the provisions of Technical Rules NRP-36.

CT19. However, there are no supervisory authorities or self-regulatory bodies for DNFBPs with legal powers in AML/CFT matters, so that verification of compliance with the obligations of Recommendation 1 would not be possible for a significant number of entities.

CT20. *Criterion 1.10* –

(a) Article 10 of the Money Laundering Risk Management Technical Rules NRP-36, issued by the BCR, states that for ML/TF/PF risk management, institutions must have an ongoing and documented process to establish a methodology designed to identify, measure, control, monitor and communicate potential ML/TF/PF risk events that may affect them, in order to prevent, detect and mitigate them in a timely manner. These Technical Rules are not applicable to all reporting entities, as they are not within their scope, in particular DNFBPs to which art. 4, paragraphs 3 and 5 of the FIU Instructions would be applicable, where it is indicated that the implementation of simplified or enhanced measures, as well as the non-compliance with some measures, must be duly supported and justified in the risk assessments carried out by reporting entities, which implies that they must have documented risk assessments.

(b) Art. 4, paragraph 4 of the FIU Instructions states that reporting entities must consider all relevant factors in their risk assessment before determining the overall level of risk and the type of mitigation measures to be applied, thus allowing them to differentiate the scope of measures according to the level and type of risk posed by different factors. In addition, art. 10 of the Instructions states that the reporting entity shall determine the level of inherent risk of its customers and counterparties on the basis of, inter alia, the following criteria: (a) activities or sectors that have been identified by international bodies as high risk; (b) activities or sectors that have a high inherent ML/TF/PF risk; (c) the risk of products or services offered to customers or counterparties; (d) the risk of channels; (e) the risk of geographical areas or jurisdictions; (f) the inclusion of the customer on warning lists issued by international bodies or local authorities or under investigation; and; (g) the performance of transactions with higher risk countries. With regard to financial institutions, the BCR Technical Rules NRP-36 state in art. 15 that institutions should establish methodologies to segment risk factors and identify the forms and typologies through which ML/TF/PF risks may arise. The minimum variables are further specified in art. 16 of the Rules, which include the following elements:

- Customer: economic activity of the customer; products and services used; distribution channels used.
- Products and services: transferability, speed, lack or difficulty of verification, lack of face-to-face contact, ease of omission in means of identification or its verification, possibility of cash withdrawal, etc.
- Distribution channels: ease of circumventing means of identification or its verification; difficulty in recording and documenting ML/TF/PF-related information; and difficulty in establishing the traceability of transactions.
- Employees: decision-making in relation to the business; dealing with customers or counterparties; receiving funds and controlling information; intervening in the handling, receipt, custody or disbursement of funds or securities; and performing functions directly related to AML/CFT/CFP.

(c) Financial institutions that are subject to the BCR Technical Rules NRP-36 in accordance with art. 10, shall have a continuous and documented process to establish a methodology designed to identify, measure, control, monitor and communicate potential ML/TF/PF risk events. As a continuous process, it is understood that it should be kept up to date and take into account new factors and situations as they arise. Notwithstanding the above, there are no provisions regarding the updating of risk assessments in other institutions not subject to the Technical Rules, such as non-financial institutions, although there are provisions regarding the updating of AML/CFT manuals and policies.

(d) In accordance with the provisions of art. 4, paragraph 5 of the FIU Instructions, the supervisory, control and monitoring authorities of the REs may review the effectiveness of AML/CFT/CFP

programmes, including risk assessments prepared by reporting entities. In addition, art. 37 of the Law on the Supervision and Regulation of the Financial System establishes the obligation of reporting entities to provide all relevant information on supervisory activities, as well as all necessary background and explanations to clarify any matter within their competence, and to provide the necessary cooperation. In addition, Technical Rules NRP-36 direct financial institutions to submit training plans, compliance officer reports, internal audit assessment results, and AML/CFT/CFP policies and procedures through the means established by the Superintendence within a period not to exceed ten (10) business days. Another very important aspect of the Technical Rules is contained in art. 14, which states that for the communication of ML/TF/CFP risks, institutions must have a documentation and record system, either physical or electronic, in which the information of each stage of risk management is condensed and in which the data, opportunities for improvement and reliability are immediately available. In addition, entities should develop an information and communication process on aspects related to ML/TF/PF risks and the process for managing them within the entity.

CT21.*Criterion 1.11* –

(a) Article 5 of the FIU Instructions states that the most senior management body of the reporting entity, or whoever acts on its behalf, shall approve, promote and implement the policy for the prevention, control and detection of activities related to ML/TF/PF. Subsequently, article 7 establishes the responsibility of the board of directors or equivalent body to approve the policies referred to in article 5; paragraph e) indicates the responsibility to approve policies, including enhanced customer due diligence (CDD) procedures to mitigate the risk of politically exposed persons (PEPs) and other high-risk customers; similarly, paragraph r) establishes the responsibility to approve procedures for the filing and keeping of records. For institutions that make up the financial system, article 8 of Technical Rules NRP-36 states that senior management is responsible for ensuring that the risk management system for ML/TF/PF prevention approved by the board of directors or equivalent body is adequately implemented and complied with.

(b) Art. 10(1)(d) of the LCLDA states that reporting entities shall establish internal audit mechanisms to verify compliance with the requirements set out in the law. In addition, art. 8, paragraph 1 of the FIU Instructions states that reporting entities shall establish bodies and units responsible for evaluating compliance with applicable AML/CFT/CFP controls in accordance with the risk-based approach, and paragraph 5 states that there shall be an annual compliance review plan. Specifically for institutions in the financial system, art. 14 of Technical Rules NRP-36 states that institutions must monitor ML/TF/PF factors in a systematic and timely manner and determine whether the controls implemented are functioning in a timely, effective and efficient manner; in addition, based on segmentation, institutions may calibrate their monitoring system to monitor the activities of customers, counterparties, employees, products and services and others in order to identify ML/TF/PF risks.

(c) Article 4, paragraph 3 of the FIU Instructions states that the general principle of the RBA is that in the face of a higher risk, reporting entities shall implement enhanced measures to manage and mitigate those risks. Similarly, art. 7, paragraph 1 (d) and (e) of the Instructions indicate that the most senior management body, or whoever performs its functions, has the task of approving a risk management system for the prevention of ML/TF/PF-related offences in accordance with the activities, nature, size, operations and risk level of the reporting entity, in line with the risk-based approach. Additional articles of the Instructions refer to the need to implement enhanced due

diligence measures for high-risk customers or counterparties, including PEPs and users with transactions with higher-risk countries, although they do not refer to other enhanced measures to address higher risks. Technical Rules NRP-36 indicate that the entity must take measures to control and mitigate the occurrence of activities that give rise to ML/TF/PF risks, through measures such as: designing and implementing programmes, policies, standards, procedures and internal controls in accordance with the entity's operations; and establishing and applying a methodology that allows for periodic evaluation of the design and effectiveness of the control measures.

CT22. *Criterion 1.12* – In accordance with art. 4, paragraphs 1 and 3 of the FIU Instructions, reporting entities are required to apply a RBA which indicates that, as a general principle, where there are higher risks, reporting entities must implement enhanced measures to manage and mitigate them. It also indicates that simplified measures may not be applied in cases of suspicion of ML/TF/PF. Art. 14, paragraph 4 of the above-mentioned Instructions indicates that simplified CDD measures are not acceptable when there is suspicion of ML/TF/PF or when they are applied in certain higher risk scenarios.

Weighting and Conclusion

CT23. El Salvador has conducted a ML/TF NRA identifying the country's main threats and vulnerabilities in both areas. The NRA's conclusions are generally reasonable, although they do not address virtual assets and TF in any depth. A special committee (CIPLAFT) has been established to follow up on the risk assessments and to update and report to the relevant bodies. A national policy has also been established, which to some extent responds to the findings of the NRA. There are no plans to introduce exceptions to the application of measures or Recommendations, even in situations where the risk has been demonstrated to be low, and there is the possibility of graduating measures according to the risks identified and documented by the REs, although there are weaknesses in terms of compliance by DNFBPs. **Recommendation 1 is rated Largely Compliant.**

Recommendation 2 - National Cooperation and Coordination

CT24. In the Third Round MER, El Salvador was rated PC for compliance with the previous Recommendation 31. The report stated that the country had some mechanisms or instruments for the development and implementation of policies and activities to combat ML/TF, but that no real public policy on domestic coordination and cooperation had been implemented.

CT25. *Criterion 2.1* – Based on the findings and conclusions reported by the NRA and the analysis of the current legal framework, the 2023-2025 National AML/CFT Policy (originally conceived as a National Strategy) was developed to address the identified risks through regulatory and operational measures. The strategy consists of six strategic pillars for its implementation: Legal Framework, Supervision, National Cooperation, Parallel Financial Investigations, Databases and Strengthening.

CT26. *Criterion 2.2* – In accordance with its authority to defend the interests of the State and society, as conferred by art. 193 of the Constitution, the Attorney General's Office (FGR) is the authority responsible for coordinating AML/CFT/CFP activities in the country. For its part, the special agreement establishing the CIPLAFT entrusts it with the duty of designing and proposing public policies for the prevention, detection,

control and punishment of ML/TF/PF. CIPLAFT is also responsible for monitoring compliance with this public policy.

CT27. *Criterion 2.3* – There are various provisions empowering the State authorities to coordinate and cooperate with different institutions. According to article 72 (5) of the Organic Law of the FGR, the Financial Investigation Unit may provide information to support decision-making in the formulation of public policy for the AML/CFT/CFP regime.

CT28. Art. 16 of the LCDA states that state agencies and institutions, in particular the Ministry of Finance, the Central Reserve Bank, the Real Estate and Mortgages Registry, and public oversight bodies, are required to provide access to their databases and appropriate cooperation in the investigation of AML/CFT activities and offences at the request of the FIU. Likewise, art. 18 of the same law states that the FGR shall create and maintain a database on ML offences with information obtained from national and international sources. In this sense, the information obtained by the aforementioned institutions in the investigation and detection of ML shall be shared and, if possible, exchanged with other national and international institutions. With regard to the Superintendence of the Financial System, article 34 of the Law on the Supervision and Regulation of the Financial System states that the Superintendence may request and obtain from other public administration bodies the information and data it deems necessary for the performance of its functions, which shall be of a confidential nature and shall be provided promptly, through direct access mechanisms or databases of the institutions or bodies, as agreed or established by the Superintendence.

CT29. With regard to the tax administration, art. 276 of the Tax Code states that agreements may be concluded with the FGR to ensure the coordination of tasks related to the collection of taxes and the prosecution of offences against the Treasury. Other authorities the Tax Administration may enter into agreements with are the municipal mayors' offices, the National Registry Centre and any other authority that, in the opinion of the TA, contributes to the optimisation of information tasks related to tax debts.

CT30. The DGA, on the basis of art. 26 of its Organic Law, states that the DGA and other bodies of the Ministry of Finance, in particular the General Internal Revenue Office, have the power to exchange tax and customs information, which must be treated confidentially, under the conditions established by the tax legislation and with the corresponding liabilities in case of non-compliance. Other authorities with which the DGA may collaborate, on the basis of the same decree, include the migration authorities, quarantine control, health, police and any public or private entity that exercises control over the entry or exit of persons, goods and means of transport. Likewise, it may carry out control operations with other agencies of the Ministry of Finance and with public entities legally authorised to do so, such as the PNC, the FGR and other entities, where they may coordinate their functions and exchange tax information for the purpose of efficient tax collection.

CT31. Similarly, art. 27 of the Organic Law of the DGA states that the DGA, through a national coordinator appointed by the General Director, may coordinate actions with other institutions to prevent and combat smuggling, customs fraud and other related crimes.

CT32. In addition to the above, the Special Agreement for the Establishment of CIPLAFT states that one of the functions of the Committee will be to coordinate all the sectors and entities that make up the National

System for the Prevention of Money Laundering and Terrorist Financing in the prevention, detection, control and punishment of ML/TF/PF. It is important to note that the CIPLAFT will have technical support commissions in addition to the Board of Directors.

CT33. *Criterion 2.4* – The mandate of the CIPLAFT includes coordination for the proposal and monitoring of TF policies.

CT34. *Criterion 2.5* – El Salvador has a Law on Access to Public Information, which establishes the principles of maximum disclosure and states that information from public bodies, as well as private entities that handle and manage public funds, shall be open, including information of an informal nature for some of the national authorities. Having said this, article 19 states that classified information is information that would seriously harm the prevention, investigation or prosecution of illegal activities, the administration of justice or the verification of compliance with the law, as well as information that would compromise the strategies and functions of the State in ongoing judicial or administrative proceedings. According to article 20, classified information shall remain classified for a period of up to seven years and may be declassified if the reasons for its classification cease to exist; in addition, the confidentiality of information may be extended for another five years if it is justified that the reasons for its classification still exist. The same law states that confidential information is considered to be information provided by private individuals to the reporting entities, provided that they have the right to restrict it due to the nature of the information, as well as professional, commercial, industrial, tax, banking, fiduciary and other secrets considered as such by law.

CT35. The aforementioned legal system establishes in its Title III, Chapter I the protection of personal data, although it establishes in its art. 34, that the reporting entities may disclose information or personal data without the consent of their owners in cases such as communication between reporting entities when it is intended for the exercise of their powers, for the investigation of criminal or administrative offences, in the case of a court order or in the case of recourse to third parties for the provision of services that require the processing of personal data.

CT36. In addition to the above, and in the terms established by art. 22 of the LCLDA, all information obtained during the investigation of ML offences is confidential. On the other hand, art. 76 of the Organic Law of the FGR states that all information received, processed, kept and issued by the FIU in relation to AML/CFT/CFP is confidential, based on the applicable laws and regulations, and therefore its dissemination or reproduction by any means is prohibited. With regard to financial supervision activities, art. 33 of the Law on the Supervision and Regulation of the Financial System states that the information collected by the Superintendence is confidential and may be disclosed to the competent authorities only when appropriate and expressly authorised by law.

CT37. Pursuant to art. 232 of the Banking Law, deposits received by these institutions are subject to secrecy and information about them may be disclosed only to their owner, its legal representative and the General Internal Revenue Office when necessary. All other transactions are confidential and may only be disclosed to the authorities and to persons with a legitimate interest with the authorisation of the Superintendence. Similar provisions for other institutions are contained in art. 143 of the Law on Cooperative Banks and Savings and Credit Associations and art. 63 of the Law on the Electronic Entry of Securities in Accounts.

CT38. On the basis of the provisions discussed above, it is concluded that the confidentiality provisions and the law on access to information complement each other and do not constitute an obstacle.

Weighting and Conclusion

CT39. All criteria are met. **Recommendation 2 is rated Compliant.**

Recommendation 3 - Money laundering offence

CT40. In its previous MER, El Salvador was rated LC for compliance with former R.1 and 2. The report noted a number of deficiencies, including that implementation was inadequate because there were not enough convictions, few of which were for serious or complex ML cases, and the investigation of predicate offences did not adequately follow up on the money laundering derived from them. It was also noted that the only sanction for legal persons was dissolution, which lacked graduation and proportionality and was not applied in practice. Several reforms of the LCLDA have taken place in El Salvador since the third MER, strengthening certain elements of the AML/CFT system.

CT41. *Criterion 3.1* – El Salvador has criminalised the offence of ML in Chapter II, arts. 4 to 8 of the AML/CFT Law, which cover different categories of behaviours: First, the criminal type covers acts of deposit, withdrawal, conversion and transfer of funds, property or related rights derived directly or indirectly from criminal activities, with the purpose of: (i) hiding or concealing their illicit origin, or (ii) helping those who participated in the commission of such criminal activities to evade the legal consequences of their actions; inside or outside the country. These behaviours take full account of the provisions of the Vienna and Palermo Conventions on conversion and transfer.

CT42. Secondly, the offence includes a paragraph stating that ML shall be understood as any operation, transaction, act or omission aimed at concealing the illicit origin and legalising goods or securities derived from criminal activities committed inside or outside the country.

CT43. Likewise, in art. 5 of the AML/CFT Law, the country has also criminalised special cases of ML, which include two additional categories of behaviours punishable by 8 to 12 years' imprisonment:

(i) (i) concealing or disguising in any way the nature, source, location, destination, movement or apparent legal ownership of funds, property or rights related thereto derived directly or indirectly from criminal activity. Such behaviours satisfactorily address the provisions of the Vienna and Palermo Conventions relating to concealment and disguise/concealment.

(ii) The acquisition, possession and use of funds, property or related rights, knowing that they are derived from criminal activity, for the purpose of legitimising such activity. In this case, the requirements of the Vienna and Palermo Conventions are partially covered, since the Salvadoran legislation provides for a subjective element not provided for in the Conventions, which makes the application of the figure more restrictive. However, given that the AML/CFT Law satisfactorily covers the main provisions of the Conventions, this deficiency is considered minor.

CT44. Accordingly, El Salvador has criminalised the offence of ML largely in line with the Vienna and Palermo Conventions, although there is a minor deficiency in the criminalisation of the acquisition, possession and use.

CT45. *Criterion 3.2* – According to art. 4 of the LCLDA, the ML applies to property or related rights derived from criminal activity. Consequently, a broad approach is adopted, which implies that all offences punishable in the country may be predicate offences for ML. Similarly, Salvadoran criminal legislation criminalises all categories of predicate offences under the FATF standard.

Categories of predicate offences	**Offences under the local CC**
Participation in an organised criminal group and fraud	LECAT, art. 215 and 345
Terrorism, including terrorist financing	LECAT, art. 29.
Trafficking in persons and illicit trafficking in migrants	CC, art. 367 and 367 a
Sexual exploitation, including sexual exploitation of minors	Special Law against Trafficking in Persons, art. 3 a, art. 5 b
Illicit trafficking in narcotic drugs and psychotropic substances	Law on the Regulation of Drug Activities, art. 33
Illicit arms trafficking	CC, art. 346 "a"
Illicit trafficking in stolen and other property	CC, art. 214 "b"
Corruption and bribery	CC, art. 307, 325 - 334
Fraud	CC, art. 211, 218 "a", 238 "a", 295, 306
Counterfeiting currency	CC, art. 279
Counterfeiting and piracy of products	CC, art. 229
Environmental crimes	CC, art. 225 -262 "b"
Murder, grievous bodily injury	CC, art. 128-132, 143.
Kidnapping, illegal restraint and hostage-taking	CC, art. 148-152 "a"
Robbery or theft	CC, art. 207-209, 212-213
Smuggling (includes taxes and customs fees)	Special Law on Punishment of Customs Offences, art. 16-18, 22-26
Tax crimes (related to direct and indirect taxes)	CC, art. 249-251.
Extortion	Special Law against the Offence of Extortion, 2-4
Forgery	CC, art. 279-289 "b"
Insider trading and market manipulation	CC, art. 230, 231, 233-240 "a" 324, 355, 356
Piracy	CC, 368-370.

CT46. *Criterion 3.3* – El Salvador has not adopted a threshold approach, so this criterion is not applicable.

CT47. *Criterion 3.4* – The material object of the offence is funds, property or related rights resulting directly or indirectly from criminal activity. The offence does not discriminate between types of property, nor does it set value limits, and therefore applies to any type of property.

CT48. *Criterion 3.5* – The ML offence does not require conviction of a predicate offence in order to establish that the property is the proceeds of crime. In addition, there is CSJ case law confirming this fact.

CT49. *Criterion 3.6* – The offence of ML covers predicate offences committed in the country or abroad, as provided for in the first item of art. 4, based on the principles of extraterritoriality and universal justice, in accordance with articles 8 and 10 of the CC.

CT50. *Criterion 3.7* – The ML offence does not impose any restriction on the person committing the predicate offence. Consequently, the concept of "self-laundering" is covered.

CT51. *Criterion 3.8* – Art. 175 of the Code of Criminal Procedure (CCP) provides that evidence must be assessed in accordance with the rules of sound criticism. Art. 176 of the CCP establishes the principle of freedom of evidence, while art. 177 states that evidence is admissible if it is useful for establishing the truth and relevant because it directly or indirectly relates to the facts and circumstances of the case, to the identity and criminal responsibility of the accused or to the credibility of witnesses or experts.

CT52. Likewise, the Criminal Chamber of the CSJ established a precedent in which it considered circumstantial evidence to be valid in ML cases and ruled that the unlawfulness of the activities generating the goods or securities may be inferred from the material circumstances in which the money laundering conduct takes place (288-CAS-2004 - ACCUMULATED 288-CAS-2011). In this sense, the Salvadoran legal system allows the element of intent of the ML offence to be inferred from objective factual circumstances.

CT53. *Criterion 3.9* – Depending on the category of behaviour, the offence of ML may be punishable with 5 to 15 years' imprisonment. Special cases under art. 5 of the LCLDA are punishable with 8 to 12 years' imprisonment, with a penalty of 2 to 4 years for negligent offences. On the basis of the above, ML is considered to have a proportionate and dissuasive scale of penalties.

CT54. *Criterion 3.10* – El Salvador does not have a criminal liability regime for legal persons involved in the commission of ML and this omission is not based on a fundamental principle of law. However, if involved in an offence, companies may be fined or dissolved through the application of administrative sanctions derived from corporate legislation.

CT55. *Criterion 3.11* – The CC regulates in art. 32 and 22 the various forms of criminal participation and establishes their criminal liability. Art. 33 deals with accomplices. Art. 34 deals with accessories. Art. 35 covers instigators and art. 36 covers accomplices, i.e., those who assist the perpetrator in such a way that the offence could not have been committed without them, and those who assist in any other way in the commission of the offence, which would include advising and facilitating. Meanwhile, art. 62 includes attempt. As for the auxiliary forms of instigation and conspiracy to commit ML, they are not regulated, since the general rule established in article 23 of the CC applies only in the cases expressly provided for in the relevant Code.

Weighting and Conclusion

CT56. El Salvador has criminalised the offence of ML largely in line with the Vienna and Palermo Conventions, although there is a minor deficiency in the criminalisation of the acts of acquisition, possession and use, the lack of criminal liability of legal persons and some limitations in the coverage of ancillary offences. However, these deficiencies are considered minor, as most of the substantive requirements are covered by the legislation. **Recommendation 3 is rated as Largely Compliant.**

Recommendation 4 - Confiscation and provisional measures

CT57. In its previous MER, El Salvador was rated LC for compliance with former R. 3. The report noted that seizures were not ordered in more than half of the
ML cases investigated.

CT58. *Criterion 4.1* –

(a) El Salvador has legislation covering the confiscation of laundered assets. Art. 126 of the Criminal Code provides that the judge or court shall order the confiscation, in favour of the State, of the proceeds, benefits and advantages obtained by the convicted person as a result of the offence. Meanwhile, art. 127 of the CC provides that the court shall order the confiscation or forfeiture to the State of the objects or instruments used by the convicted person to prepare or facilitate the offence. These provisions sufficiently cover the concept of laundered property.

(b) Art. 126 and 127 CC, cited in the previous sub-criterion, cover both proceeds of crime (including profits or benefits) and instrumentalities of crime. As attempts are punishable under the CC, confiscation is also applicable to them.

(c) Art. 35 of the LECAT provides for the confiscation of funds and property used or intended to be used for the commission of TF and terrorist acts. The provision also covers the confiscation of property that is the object of the offence or the proceeds or effects thereof. Meanwhile, it is provided that if it is not possible to identify or locate the property to be confiscated, the confiscation of its equivalent value may be ordered, subject to prior valuation.

(d) The CC does not provide for the confiscation of property of an equivalent value. Notwithstanding this, El Salvador has the Special Law on Assets Forfeiture and Administration of Assets of Illicit Origin or Destination (LED), which allows for the forfeiture of property of an equivalent value. However, despite the relevance of this instrument, the asset forfeiture action is not linked to the criminal process and should be brought autonomously.

CT59. *Criterion 4.2* –

(a) The FGR has broad investigative powers that enable it to take measures to identify and trace assets that may eventually be subject to confiscation. El Salvador's Code of Criminal Procedure (CCP) provides in art. 74 et seq. on the investigative powers and competences of the FGR, which directs the investigation of crimes and promotes their prosecution. In particular, art. 77 of the CCP stipulates that the prosecutors have the power to request information, to request the cooperation of public officials and any authority, who are obliged to cooperate and to provide the requested information without delay, where appropriate. They may also summon witnesses and victims, take any steps they consider relevant to the investigation and order any precautionary measures within their competence. To this end, they may request the intervention of the police and order any measures they deem necessary within their competence. In addition, art. 17 of the LCLDA provides that the FGR may request information for the investigation of ML from any State, autonomous or private entity or natural person, who will be obliged to provide the information requested. Notwithstanding the above, there are doubts as to whether the FGR would have the authority, within its jurisdiction, to appraise the assets that may be subject to confiscation. Meanwhile, the Law on Assets Forfeiture gives the power to appraise property, although it is not clear whether such appraisal could be applied to property under criminal proceedings.

(b) The legal framework allows the FGR to take provisional measures, such as freezing or seizure, to prevent the dissipation of property that may eventually be confiscated. Art. 77 of the CCP empowers the FGR to take provisional measures within its competence. Art. 278 of the CCP provides that the judge may, at the request of the prosecutor, order the freezing or blocking of the bank accounts of the accused, as well as the funds, rights and property subject to investigation. In cases of urgency, the FGR may order the freezing of bank accounts for a maximum period of ten days, in which case the competent judge must be informed. Art. 283 provides that, during the investigation, the FGR may order the seizure or collection and preservation of objects or documents related to the commission of an offence and which may serve as evidence. In urgent cases, the seizure or collection of objects or documents may be ordered by the police, who must inform the prosecutor within eight hours. In addition, art. 284 of the CCP regulates the confiscation of seized objects or evidence.

(c) As mentioned above, art. 278 of the CCP provides for the possibility that, in urgent cases, the FGR may order the freezing or blocking of the bank accounts of the accused, as well as of the funds, rights and property under investigation, and must report to the competent judge within 10 days. The purpose of these freezing measures is to prevent the rapid dissipation of the property in question.

(d) Pursuant to the legal framework, the FGR is empowered to adopt the necessary measures for the investigation of criminal offences. Article 193 of the Constitution of the Republic defines the functions of the FGR, and paragraph 3 provides that it is responsible for directing the investigation of crimes, in collaboration with the PNC, in the manner established by law. Meanwhile, art. 74 et seq. regulate the investigative functions of the FGR.

CT60. *Criterion 4.3* – Art. 127 of the CC on confiscation expressly provides for the protection of the rights of bona fide purchasers for valuable consideration and of improvements made or expenses incurred by gratuitous purchasers.

CT61. *Criterion 4.4* – Art. 500 of the Code of Criminal Procedure stipulates that, when the court orders the confiscation of property, it shall designate the appropriate destination for the property, based on its nature, in accordance with the rules governing the matter. For its part, article 287 of the Code of Criminal Procedure stipulates that, in exceptional cases, when the seizure order relates to property to be confiscated, such as motor vehicles, vessels, aircraft or objects suitable or useful in the fight against organised crime, the judge may, at the request of the prosecutor, order that it be deposited with the police or the prosecutor's office itself, which must use it immediately and exclusively for that purpose. If the judge considers that such goods or objects are not suitable or useful for this purpose, he or she may order that they be deposited with the Armed Forces for their institutional purposes.

CT62. El Salvador also has legislation on asset forfeiture, which establishes a system for the management and disposal of property subject to such measures. In this regard, the LED provides for the existence of the National Council of Property Administration (CONAB), which is responsible for the administration, preservation and disposition of forfeited assets.

CT63. However, beyond the specific case provided for in art. 287 CCP and the provisions of the LED—which seems to apply only to assets subject to asset forfeiture—the ordinary criminal framework does not appear to provide for a system for the management and disposal of property frozen, seized or confiscated in criminal proceedings.

Weighting and Conclusion

CT64. El Salvador has a comprehensive system of confiscation and provisional measures, including asset forfeiture. The country does not have a system of confiscation of equivalent value, although it can apply asset forfeiture in such cases. While the country has an agency for the administration of forfeited assets, there is no agency responsible for the administration of confiscated property. Given the scope of the country's system to deprive from property, the deficiencies are considered minor. **Recommendation 4 is rated Largely Compliant.**

Recommendation 5 - Terrorist Financing Offence

CT65. In its previous MER, El Salvador was rated C for compliance with former Special R. II.

CT66. *Criterion 5.1* – The offence of TF is provided for in art. 29 of the Special Law Against Terrorist Acts (LECAT), amended in January 2024 by Legislative Decree 928, which includes the elements foreseen in the International Convention against TF (CFT Convention). Art. 29 punishes with 20 to 30 years' imprisonment and a fine of USD 100,000 to USD 500,000 anyone who, by any means, directly or indirectly, provides, collects, transports, makes available or has in his/her possession, or attempts to provide or collect, or makes available or attempts to make available, financial or other services, with the intention that they be used, in whole or in part, to commit any of the acts provided for by the law (terrorist acts).

CT67. This penalty also applies to anyone who provides, directly or indirectly, funds, assets, financial or material resources, or financial or related services of any other nature to a person or entity designated by the UN Security Council or by a national authority as a terrorist or terrorist group, or to an entity that uses them to commit any of the offences provided for in the LECAT. Similarly, under the reform introduced by Legislative Decree No. 928 of January 2024, the same sanction applies to anyone who, in a situation of armed conflict, directly or indirectly provides or collects funds for any other act intended to cause death or serious bodily injury to a civilian or to any other person not directly taking part in the hostilities, when the purpose of such act, by its nature or context, is to intimidate a population or to compel a government or an international organisation to do or abstain from doing any act.

CT68. The offence of TF in El Salvador contains the typical elements provided for in the CFT Convention. Similarly, LECAT covers all terrorist acts as defined in art. 2 of the CFT Convention.

CT69. *Criterion 5.2* – The TF offence punishes anyone who, by any means, directly or indirectly, provides, collects, transports, makes available or possesses, or attempts to provide or collect, financial services or other services, with the intention that they be used, in whole or in part, to commit any of the offences covered by the LECAT. Similarly, this crime will be committed by anyone who directly or indirectly, provides funds, financial or material resources or financial or related services of any other nature to a person or entity for the commission of any of the terrorist acts provided for in the CFT Law (article 29(2)). While this provision covers the mere financing of terrorist persons or entities, it requires that the persons or entities receiving the financing be used for the commission of one of the offences defined in the LECAT, which covers a wide range of offences, including collaboration, preparation, instigation and conspiracy, membership of terrorist

organisations, attempt, and apology for terrorism, among others. In the latter cases (e.g., membership of terrorist organisations), no connection with terrorist acts is required. This criterion is therefore met, since it requires that the mere financing of terrorist persons or entities be punishable, even if there is no link to a specific terrorist act.

CT70. *Criterion 5.2 bis* – The TF offence includes as punishable conduct the financing of travel within or outside national territory for the purpose of committing, planning, preparing or participating in terrorist acts or providing or receiving terrorist training.

CT71. *Criterion 5.3* – The offence of TF includes the collection or provision of funds, regardless of their lawful or unlawful origin, as well as the provision of funds, financial or material resources or financial or related services of any other nature to persons or entities designated by the UN Security Council or national authorities, or to anyone who makes them available for the commission of the offences contained in LECAT. Consequently, both categories are covered and the criterion is therefore met.

CT72. *Criterion 5.4* – The offence of TF does not require the completion of the terrorist act. Given that the LECAT covers a number of offences that do not require a specific completed terrorist act, such as preparatory acts, proposing and conspiring, apologising, threatening, simulating offences, attempting or even belonging to terrorist organisations, it is not necessary that they be linked to a specific terrorist act.

CT73. *Criterion 5.5* – Art. 175 of the Code of Criminal Procedure (CCP) provides that evidence must be assessed in accordance with the rules of sound criticism. Art. 176 of the CCP establishes the principle of freedom of evidence, while art. 177 states that evidence is admissible if it is useful for establishing the truth and relevant because it directly or indirectly relates to the facts and circumstances of the case, to the identity and criminal responsibility of the accused or to the credibility of witnesses or experts. On the basis of the foregoing, it is considered that the procedural system allows the intent and knowledge required to prove the offence to be inferred from objective factual circumstances.

CT74. *Criterion 5.6* – The crime of TF is punishable with 20 to 30 years' imprisonment and a fine of USD 100,000 to USD 500,000. In principle, the penalty provided for seems proportionate and dissuasive.

CT75. *Criterion 5.7* – The LECAT provides for the criminal liability of legal persons involved in the commission of TF. In this sense, article 41 establishes that if it is proven that individuals who are members of the administrative or management bodies of a legal or private entity authorise, collaborate with, support or participate, on its behalf or on its behalf, in the commission of TF or terrorist acts, penalties of a fine of between USD 50,000 and USD 500,000 and the dissolution of the legal or private entity concerned may be applied. The sanction will also be published in the media. However, it is not clear that the measures can be imposed without prejudice to the criminal liability of natural persons. Similarly, natural persons who exercise control by other means on behalf of the latter may also be convicted.

CT76. *Criterion 5.8* –

(a) Attempted TF is provided for in art. 32 of the LECAT, which carries a penalty of three quarters of the minimum and three quarters of the maximum penalty.

(b) Complicity in the commission of TF is provided for in art. 33 of the LECAT. It is sanctioned as follows: 1) Anyone who provides the offender or offenders with the necessary assistance, without which the offence could not have been committed, shall be sentenced to between three-quarters of the minimum and three-quarters of the maximum penalty; and 2) Anyone who assists in the commission of the offence in any other way, even by promising assistance after the commission of the offence, shall be sentenced to between the legal minimum corresponding to the offence and two-thirds of the maximum of the same penalty.
(c) Art. 31 of the LECAT punishes the preparatory acts and the "proposal" to commit the crime, and provides for a sentence of 5 to 8 years' imprisonment.
(d) Contribution to the commission of TF is covered by art. 33 of the LECAT, which regulates the forms of complicity.

CT77. *Criterion 5.9* – TF is a predicate offence for ML, according to art. 6 of the LCLDA.

CT78. *Criterion 5.10* – According to art. 2 of the LECAT, the TF offence can be applied regardless of whether the offender is in the same country or in a country other than that in which the terrorist or terrorist organisation is located or the place where the terrorist act occurred or will occur.

Weighting and Conclusion

CT79. El Salvador has criminalised TF on the basis of international instruments, including a wide range of funds and other assets, as well as activities in accordance with the standard. Notwithstanding the above, it is not entirely clear whether civil liability measures against legal persons can be imposed without prejudice to the criminal measures applicable in TF cases. **Recommendation 5 is rated Largely Compliant.**

Recommendation 6 - Targeted financial sanctions related to terrorism and terrorist financing

CT80. In its previous MER, El Salvador was rated LC for compliance with former Special R. III. The report noted that the functioning or implementation of the provision of terrorist directories or lists was inadequate and that there was no access or regulation of the persons whose funds or assets had been frozen to the extent necessary for certain basic purposes.

CT81. *Criterion 6.1* – Legislative Decree No. 928 of 3 January 2024, published on 9 January 2024 and in force since 17 January 2024, amended the Special Law Against Terrorist Acts (LECAT) to take into account aspects related to the application of targeted financial sanctions (TFS) applicable to United Nations Security Council Resolutions (UNSCRs) relevant to terrorist financing.

(a) Art. 34-B of the LECAT, as amended by Decree No. 928, provides that the Attorney General of the Republic, through the Ministry of Foreign Affairs, may, after due assessment, propose to the UNSC the designation of groups, associations, organisations or individuals as terrorist groups if, in the course of an investigation, sufficient objective indications are found that they meet the characteristics of terrorist groups set forth in the relevant UNSC Resolutions.
(b) The addressees of a designation will be identified when, in the course of an investigation, sufficient objective indications are established that a group, association, organisation of persons, whether temporary or permanent, de jure or de facto, possessing some degree of structure, or a natural or

legal person belonging to such groups, meets the characteristics set out in the relevant UNSCRs. However, the first item of Article 34-B of the amended LECAT provides that the proposal to the UN Security Council shall be made in accordance with the procedures established by the Attorney General. However, it is not entirely clear what these specific procedures are.

(c) Art. 43-B of the LECAT indicates that, in the course of an investigation, if sufficient objective indications are found, the designation may be made after the Attorney General of the Republic has analysed the information.

(d) Art. 34-B of the amended LECAT states that the designation made by the Attorney General of the Republic, through the Ministry of Foreign Affairs, shall be notified to the United Nations Security Council in accordance with the procedures established by the latter.

(e) Pursuant to art. 34-B of the LECAT reform, the request for designation must contain information on the group, entity or person, including identifying data such as current or former names, areas of activity, address, organisational links, nature of activities, state or states in which they carry out their principal activities, founders or leaders, as well as any other information relevant for these purposes.

CT82. *Criterion 6.2* –

(a) Art. 34-A and 34-B of the LECAT, as amended by Decree 928 (2024), generally establish that the authority to make designations at the national level, or in accordance with requests from other states, is the Attorney General of the Republic. However, not all of the elements provided for in UNSCR 1373 are specifically covered.

(b) Pursuant to article 34-A of the LECAT, added by Legislative Decree No. 928, the designation may be made if there is an investigation, judicial process or conviction for any act of terrorism or membership of any of the groups defined as terrorist by the LECAT. Similarly, any temporary or permanent, *de facto* or *de jure* group, association or organisation of persons that meets the parameters of the definition of the law or that is proven to belong to, or to be directly or indirectly controlled or directed by, a natural or legal person designated as a terrorist at the national level may also be designated.

(c) Art. 34-A in fine provides generally that the designation may be made at the request of another State, provided that all possible information for identification and specific information supporting the designation is provided by the requesting State. However, the elements of Crit. 3.c) are not specifically covered.

(d) Art. 34-A of the LECAT, as amended on 3 January 2024 by Legislative Decree No. 928, states that the General Attorney of the Republic may designate as terrorist groups, associations and organisations of persons that meet the parameters of the law or that are found to belong to, or to be directly or indirectly controlled or directed by, a natural or legal person designated as terrorist. However, it is not entirely clear whether the designation can be made on reasonable grounds or grounds outside the context of an investigation or prosecution for terrorism, TF or related offences.

(e) Legislative Decree No. 929 introduces an amendment to the Code of Criminal Procedure, adding various articles related to international assistance, including art. 502-PP, which establishes that assistance includes, in addition to the list, other acts that occur and that States agree to provide assistance, which would make it possible to request assistance for the designation of designated terrorist individuals or groups on the basis of art. 34-A of the LECAT, as amended by Legislative Decree No. 928. In this sense, the applicable legislation would be art. 502-QQ, which provides in its

various paragraphs that it must contain the applicable legal provisions, the description of the procedure or special requirements and all the information necessary for the fulfilment of the request.

CT83. *Criterion 6.3* –

(a) Art. 34-A and 34-B of LECAT as amended by Decree 928 establishes the Attorney General of the Republic as the authority in charge of designations of terrorists and domestic terrorist organisations or based on requests from another State or UNSCRs. In accordance with the powers provided by the CPP and LECAT, the Attorney General of the Republic has sufficient powers to gather or request information to identify persons and entities that, on reasonable grounds, or on reasonable grounds to suspect or believe, meet the criteria for designation.

(b) According to the current regulatory framework, which provides for broad investigative powers for law enforcement authorities, the FGR can operate ex parte (without giving notice) on identified persons whose designation is under consideration.

CT84. *Criterion 6.4* – El Salvador has a regulatory framework that allows for the implementation of targeted financial sanctions (TFS) for TF without delay. The SFD system in El Salvador is judicial in nature and is perfected through freezing orders issued by a court or the FGR, in cases of urgent need, against defendants, as well as funds, rights and property under investigation for the crimes contained in the LECAT and those operations and assets of persons or entities designated by the UNSC. Until the measure is ordered, reporting entities must refrain from engaging in any type of transaction with the designated person or entity. This obligation to refrain from making transactions ensures that, although the freezing is of a judicial nature, the property remain frozen by the reporting entities until the relevant court order is received.

CT85. The TFS regime is governed by art. 37 of the LECAT and Chapter V of the FIU Instructions for the Prevention of ML - Agreement 380 of the FGR (hereinafter referred to as the FIU Instructions), as well as Agreement No. 619 of 8 December 2023 of the General Attorney of the Republic. The process resulting from these regulations is as follows:

a) *Communication of the UNSCRs lists:* The Ministry of Foreign Affairs (MRE) directly and immediately informs the FGR of UNSCRs containing lists of terrorist individuals or entities (para. 4 art. 37 LECAT). It is important to note that no formal receipt is required to trigger the communication mechanism.

b) *Dissemination of lists to REs:* The FGR, through the FIU, must immediately disseminate the lists to the agencies and to all REs (paras. 4 and 5 in fine of art. 37 LECAT). This dissemination must be made within 24 hours to all financial institutions and supervisory authorities through secure electronic channels and without delay (FGR Agreement No. 619, para. IX).

c) *Checking of lists by REs and reporting of matches to the FIU:* The REs are required to check the UNSCR lists and report any matches to the FGR, through the Directorate of International Affairs of the Attorney General's Office, which, upon receipt of the notification, shall, within a maximum of 24 hours, freeze the capital, funds, financial transactions and other assets of the financial institution, using the sample prepared jointly with the FIU for this purpose (FGR Agreement No. 619, paragraph IV)..

d) *Abstention from operations by REs:* After informing the FGR, REs must not conduct transactions involving products of any nature, property and services of listed persons until they receive

instructions from the competent judicial authority (para. 6 art. 37 LECAT, as modified under Decree 928 of January 2024, and art. 30 FIU Instructions).

e) *FIU report to the FGR:* Upon receipt of the RE's report, the FIU will review and analyse the report (art. 37 LECAT), and proceed to inform the corresponding Unit of the FGR (art. 29).

f) *Ratification of the preventive measure:* Once the freezing order has been issued, the DFAI has three working days to ask the competent court to ratify the preventive measure (FGR Agreement No. 619, Section V).

g) *Freezing of property:* Within 3 working days, the FGR will take the necessary steps to immediately formalise the blocking of the property or services of the listed persons and issue instructions to withhold or, as the case may be, allow the flow of property or services of such persons. It should be recalled that the property was in fact blocked by the RE from the moment the match was established.

CT86. In summary, El Salvador has the ability to freeze funds or other property of designated persons or entities, within a maximum of 24 hours and upon detection of a match, the RE must refrain from conducting any transaction. This allows for a relatively quick preventive freezing of funds.

CT87. *Criterion 6.5* –

(a) Article 37 of the LECAT states that the FGR or the judge of the Court against Organised Crime may order the freezing of funds, rights and property under investigation, as well as the freezing of capital, funds, financial transactions and other assets of persons and organisations designated by the UN Security Council. Additionally, Chapter V of the FIU Instructions establish that REs must refrain from conducting designated person operations while awaiting a freezing order from the FGR. Similarly, art. 29 of LECAT, as amended by Legislative Decree No. 928, establishes a general prohibition to all persons to provide, collect, transport, make available or hold funds or assets of persons designated as terrorists by the UN Security Council or national authorities by highlighting this provision as one of the behaviours constituting the crime of TF.

(b) Pursuant to the above provisions, the obligation to freeze applies to property or services related to a person included in the list of persons or entities associated with or belonging to terrorist organisations, including funds or assets controlled directly or indirectly, as well as assets of persons or entities associated with or belonging to organisations designated as terrorist organisations.

(c) Art. 29 of the LECAT, as amended on 3 January 2024 by Legislative Decree No. 928, provides for a penalty of imprisonment, as well as a fine, for anyone who, by any means, directly or indirectly, provides, collects, transports, makes available or possesses funds, or attempts to provide or collect them, or provides or attempts to provide financial services, to persons or entities designated by the UN Security Council or by a national authority as terrorists or terrorist groups or to any entity for the purpose of committing offences under the Law, so it is understood that the provision also covers entities, but not persons, acting at the direction of designated persons or entities.

(d) In accordance with art. 37 of the LECAT, as amended by Legislative Decree No. 928 of 3 January 2024, the MRE must notify the FGR directly and without delay of the decisions concerning the lists, and the FGR, through the FIU, must transmit them to the REs. For the purposes of compliance, Agreement No. 619 of 8 December 2023 of the Attorney General of the Republic states that the notifications shall be received by the Directorate of International Affairs of the Attorney General's

Office, that a secure mail channel shall be used for such purposes, and that templates of notifications and instructions on the documents to be sent shall be prepared.

(e) Article 28 of the FIU Instructions provides that in cases where the RE discovers the existence of products, property or services linked to designated persons, it shall report this to the FIU within 3 working days. This report must be duly substantiated, specifying and attaching to the report the UNSCR that designated the person; adding the products, property or services of the designated person, including the product number, the balance of each and the date of the customer's link with the reporting entity. According to art. 29, the RE may not conduct any transactions. Therefore, by reporting property and services related to the designated person or entity, the RE is deemed to also report that he/she has refrained from conducting transactions related to such property and services. In addition, art. 37 of the LECAT, as amended by Legislative Decree No. 928 of 3 January 2024, provides that financial institutions must report the existence of property of any nature, services, funds or assets related to a person included in the list of persons or entities associated with or belonging to terrorist organisations.

(f) Art. 37(12), of the LECAT provides that any person with a legitimate interest in property seized or frozen may apply to the competent court for an order for its release, provided that such person can prove that he or she has no connection with the designated person(s) or entity(ies), thereby protecting the rights of bona fide third parties.

CT88. *Criterion 6.6* –

(a) Art. 39 of the LECAT provides that any person or entity whose funds have been frozen and who believes to have been erroneously included in the lists may seek their exclusion by submitting a request to that effect to the competent judicial authority, in which he/she must indicate all the elements that may prove the error. In addition to the above, art. 34-C of the LECAT, as amended by Legislative Decree No. 928 of 3 January 2024, establishes that, in the case of designations made to the UN Security Council, the removal thereof may be requested at any time directly from the Office of the UN Ombudsman or from the authority that proposed the designation to the Council. If the request is made to a national authority, it is forwarded within five working days to the Ministry of Foreign Affairs, which in turn forwards it to the Office of the UN Ombudsman. In the case of domestically designated terrorists, the request for removal is submitted to the FGR. In the event of delisting, whether by the UN Security Council or by a national authority, the judge who ratified the precautionary measures must order their cessation immediately upon receipt of the notification.

(b) In accordance with art. 34-C of the LECAT, added by the reform of Legislative Decree No. 928 of 3 January 2024, in the case of domestic designations, requests for removal must be submitted to the FGR, indicating the reasons why it is considered that the criteria for designation are not or are no longer met. However, it is not clear what the procedure is for analysing such requests in order to accept or reject the appeal.

(c) As indicated in the analysis of the previous sub-criterion, in such cases a request for delisting must be submitted to the FGR; in the event of delisting, the judge who ordered the precautionary measures must order the delisting immediately upon receipt of the notification.

(d) For the purposes of art. 34-C of the LECAT, as amended by Legislative Decree no. 928 of 3 January 2024, applications must be submitted directly to the Office of the Ombudsman, to the Security Council or to the authority that proposed the Council's designation.

(e) Art. 39 of the LECAT provides that any person or entity whose funds have been frozen and who believes that they have been included in the lists in error may request their removal by submitting a request to the competent judicial authority, setting out all the elements that may prove the error. Where appropriate, the lifting or termination of the freezing measures may be ordered at the request of the FGR or the holder. Likewise, art. 34-C of the LECAT, as amended by Legislative Decree No. 928 of 3 January 2024, indicates that if a person or entity with the same or similar name as the designated persons or entities is affected by the designation, a review may be requested directly before the UNSC or through the authority that proposed the designation, as well as before the FGR.

(f) According to art. 37 of the LECAT, the MRE shall transmit the lists to the FGR, which shall forward them to the REs. However, without prejudice to the provisions of the Regulations, the FIU has a portal for registered REs to consult the lists of UNSC designated persons, which would allow for a more immediate verification of the lists and their updates. According to the provisions of art. 34-C of the LECAT, as amended by Legislative Decree No. 928 of January 3, 2024, the judge who has ratified precautionary measures must order the cessation of such measures immediately upon receipt of the notification. Notwithstanding the above, it does not seem clear that the procedures should be made public beyond the portal for REs.

(g) Pursuant to Article 39 of the LECAT, as amended by Legislative Decree No. 928 of 3 January 2024, the competent judge shall notify the UN Security Council at least ten (10) days in advance of the intention to lift the freeze.

CT89. *Criterion 6.7* – Art. 39 of the LECAT, as amended by Legislative Decree No. 928 of 3 January 2024, provides that any natural or legal person whose property, services, funds or assets have been frozen may request the judge who ratified the preventive measure to authorise access to the frozen funds or assets that are necessary for basic expenses, including medicines and medical treatment, taxes, water and electricity costs, payments to bona fide third parties, payment of reasonable professional fees, costs and charges for services or extraordinary payments. Where appropriate, the judge shall order access to frozen funds or assets within the specific parameters of their use and shall notify the parties responsible for compliance with the same conditions. The judge shall notify the UN Security Council, through the Ministry of Foreign Affairs, of the intention to make the payments or to authorise the unfreezing for such purposes within ten working days prior to the authorisation.

Weighting and Conclusion

CT90. El Salvador has put in place a system that allows it to apply targeted financial sanctions on TF resulting from UNSC Resolutions, which has been reformed so that the timeframes set meet the requirement of being without delay. It has also established procedures for making designations to the UNSC. However, deficiencies are noted in relation to the identification of subjects in accordance with UNSCR. However, these deficiencies have a minor nature considering the elements covered by the LECAT on TFS. **Recommendation 6 is rated Largely Compliant.**

Recommendation 7 - Targeted Financial Sanctions Related to Proliferation

CT91. Recommendation 7 contains new requirements that were not included in the 2004 Recommendations and were therefore not assessed in El Salvador's third-round MER.

CT92. *Criterion 7.1* – As noted in Recommendation 6, the freezing of funds in connection with targeted financial sanctions adopted by the United Nations Security Council is regulated by art. 37 of the LECAT. It should also be noted that Legislative Decree No. 928, adopted on 3 January 2024 and in force since 17 January 2024, amended sections of this article relating to the implementation of such sanctions.

CT93. Financial institutions shall inform the FGR of the existence of any property or service related to the lists of terrorist organisations, persons or entities associated with them, as well as those designated by the UN Security Council for financing the proliferation of weapons of mass destruction. In such cases, the competent judge or the FGR will order the freezing measure. If the FGR orders the freezing, the competent judge must be informed within fifteen working days so that he/she can indicate within ten working days whether the measure is appropriate; the freezing will be maintained until the judge orders otherwise.

CT94. For the purpose of identifying persons and entities subject to TFSs by the UN Security Council, art. 27 of the FIU Instructions states that reporting entities shall check the lists and immediately inform the FGR of the existence of products, property or services related to persons included in the lists for freezing purposes, which, in accordance with art. 28 of the aforementioned Decree, shall be done within 3 working days. The reporting entities must refrain from conducting transactions until they have received instructions from the competent judicial authority, including the termination of the business relationship with the designated person.

CT95. However, it is not entirely clear whether the regime is applicable to targeted financial sanctions implemented on the basis of the proliferation financing sanctions regimes, since the provisions of LECAT, in particular art. 37, are exhaustive and refer to "persons included in the lists of terrorist organisations, persons or entities associated with or belonging to them", to which reference is made in the amended text of the law itself.

CT96. *Criterion 7.2* –

(a) The provisions relevant to the application of the TFSs in El Salvador are of general application, irrespective of whether they fall within the category of REs. In addition, there is an obligation to notify the implementation of freezing measures by REs, as provided for in article 37 of LECAT. However, based on the taxativity indicated in the analysis of criterion 7.1, it is not entirely clear that all persons and entities, regardless of whether they are REs or not, must comply with the targeted financial sanctions related to the PF on the territory of El Salvador.

(b) With regard to art. 37 of the LECAT, as amended on 3 January 2024 by Legislative Decree No. 928, the freezing applies to property of any kind, services, funds or assets related to persons included in the lists drawn up by the UN Security Council or the national authority. It is important to note that although LECAT refers to specific UNSC Resolutions on PF, the text of the amended art. 37 refers in general terms to persons and organisations designated by the UN Security Council under Chapter VII of the UN Charter, the text of the same article also refers to "lists of terrorist organisations, individuals or entities associated with or belonging to them [...]", which could therefore exclude legal or natural persons associated with PF.

(c) Article 29 of the LECAT, as amended by Legislative Decree No. 928 of 3 January 2024, establishes that anyone who, by any means, directly or indirectly, provides funds, assets, financial or material

resources or financial or related services of any other nature to a person or entity designated by the UN Security Council shall be punished with twenty to thirty years' imprisonment and a fine of one hundred thousand five hundred dollars. However, as mentioned in the analysis of the previous sub-criterion, although the scope of the reform of the LECAT includes provisions relating to PF, the article is limited to persons designated as terrorists or terrorist groups, so the scope of these norms is not entirely clear.

(d) According to art. 37 of the LECAT, the MRE shall transmit the lists to the FGR, which shall forward them to the REs. Notwithstanding the provisions of the Regulations, the FIU has a portal for registered REs to consult the lists of persons designated by the UNSC, which would facilitate the verification of the lists. Finally, although both LECAT and the FIU Instructions define the framework applicable to TFSs, there are currently no guidelines or instructions for REs to understand and comply with the application of TFSs, nor an adequate scope of application for TFSs in relation to PF.

(e) Art. 37 of LECAT, as amended by Legislative Decree No. 928 of 3 January 2024, indicates that financial institutions must report the existence of property of any kind, services, funds or assets related to persons included in the lists drawn up by the UN Security Council, as well as lists drawn up by national or foreign authorities and persons prosecuted or convicted for terrorist acts. Likewise, art. 28 of the FIU Instructions provides that in cases where the RE establishes the existence of products, property or services linked to designated persons, it must report this to the FIU within 3 working days. This report must be duly substantiated, specifying and attaching to the report the UNSCR that designated the person; adding the products, property or services of the designated person, including the product number, the balance of each and the date of the customer's link with the reporting entity. According to art. 29, the RE may not conduct any transactions. Therefore, by reporting property and services related to the designated person or entity, the RE is deemed to also report that he/she has refrained from conducting transactions related to such property and services.

(f) Article 37(12), of the LECAT provides that any person who has a legitimate interest in property that has been frozen as a result of the application of the law may request the competent court to order the release of such property, provided that he or she proves that he or she has no relationship with the sanctioned person or persons. In addition, article 39 of the LECAT, as amended on 3 January 2024 by Legislative Decree No. 928, provides that any natural or legal person whose property, services, funds or assets have been frozen may apply to the judge who ratified the provisional measure for authorisation to access frozen funds or assets necessary for various purposes, including payments to bona fide third parties.

CT97.*Criterion 7.3* – The Law on the Supervision and Regulation of the Financial System establishes the supervisory powers of the Superintendence and that all financial institutions and virtual asset service providers (VASPs) will be subject to this supervision. In addition, the Technical Rules NRP-36 issued by the Central Reserve Bank states in art. 1 that the purpose of the regulations is to provide minimum guidelines for the management of ML, TF and PF risks to enable entities in the financial system to prevent such risks, detect unusual transactions and report transactions related to such risks, in addition to adopting policies and procedures related to PF risk management in accordance with the risk profile and risk factors. However, there is no indication that compliance with and implementation of the TFS for PF, regardless of the risk model adopted and other requirements contained therein, is within the scope of supervisory action; moreover, no provisions relevant to DNFBPs are included, at least in an exhaustive manner.

CT98. *Criterion 7.4* –

(a) The country has procedures in place to inform the Contact Point of the possibility of removal from the UNSC TFS lists related to terrorist financing, in a comprehensive manner. However, there is no mention of designating entities or persons linked to proliferation financing, so it is not entirely clear that such measures can be implemented in this case.

(b) Article 39 of the LECAT, as amended by Legislative Decree No. 928 of 3 January 2024, establishes a mechanism for requesting the delisting and unfreezing of a person or entity that is considered to have been included in the UNSC lists in error. However, this procedure relates to individuals and entities that are members of or associated with terrorist organisations, and while the text and explanatory memorandum of the LECAT reform refer to designations in general terms, it is not entirely clear that it applies to TFSs for PF.

(c) According to art. 39 of the LECAT, as amended by Legislative Decree No. 928 of 3 January 2024, any natural or legal person whose property, services, funds or assets have been frozen may apply to the judge for authorisation to access frozen funds or assets necessary for basic expenses such as medicines and medical treatment, taxes, water and electricity costs, payments to bona fide third parties, payment of reasonable professional fees, costs and charges for services or extraordinary expenses, or payments corresponding to contracts, agreements or obligations entered into prior to the imposition of the precautionary measure. If access is granted, the judge shall order the requested access to the frozen funds or assets, within the specific parameters for the use of the property, services, funds or assets, notifying the parties responsible for compliance under the same conditions; likewise, the judge shall notify the UN Security Council, through the Ministry of Foreign Affairs, of the intention to make or receive such payments or authorise the unfreezing of funds.

(d) According to art. 37 of the LECAT, the MRE shall transmit the lists to the FGR, which shall forward them to the REs. Likewise, art. 34-C of the LECAT, added by Legislative Decree No. 928 of 3 January 2024, provides that in the event of the removal of a designation by the UN Security Council or a national authority, the judge who ratified the preventive measures must order its cessation immediately upon receipt of the notification.

CT99. *Criterion 7.5* –

(a) Art. 37 of the LECAT, as amended by Legislative Decree 928 of 3 January 2024, provides that contracts, agreements or obligations entered into before the date on which the accounts became subject to the precautionary freezing measure, interest or other earnings due, or payments due under contracts, agreements or obligations entered into before the date on which the precautionary measure was taken, may be added, provided that the interest, other earnings and payments remain subject to the freezing measure.

(b) Art. 39 of the LECAT, as amended by Legislative Decree No. 928, provides, inter alia, for access to frozen funds or assets in order to make payments corresponding to contracts, agreements or obligations entered into before the imposition of the precautionary measure, as well as payments due under contracts entered into before the listing of the person or entity, provided that it is determined that the contract does not relate to prohibited items, materials, equipment, property, technology, assistance, training, financial assistance, investment, brokering or services referred to in the UNSCR and that the payment will not be received, directly or indirectly, by a person or entity subject to sanctions under the UNSCR. When authorising the release of frozen funds or assets, the Judge shall

notify the UNSC, through the Ministry of Foreign Affairs, of the intention to make or receive such payments or to authorise the unfreezing of the funds, ten working days prior to the authorisation.

Weighting and Conclusion

CT100. Art. 37 of El Salvador's Law against Terrorist Acts establishes a procedure for the implementation of targeted financial sanctions, which can be implemented without delay. However, given the restrictive nature of the list of terrorist organisations in the text referred to in the provisions, it is not clear that it can be applied in cases of PF sanctions regimes, which affects the possible application of measures on access to funds and compliance with contracts prior to designation. **Recommendation 7 is rated Partially Compliant.**

Recommendation 8 - Non-profit organisations

CT101. In the Third Round MER, El Salvador was rated PC for compliance with the previous Special Recommendation VIII. The deficiencies that resulted in the rating included the lack of a review of sectoral regulations to prevent the use of NPOs in the financing of terrorism, the lack of assessments analysing the vulnerability of the sector to TF, the lack of communication to the sector of the risks of their potential use in TF, and the lack of adequate mechanisms to sanction NPOs for breaches of standards.

CT102. *Criterion 8.1* – According to art. 83 of the FIU Instructions, for the purposes of the AML/CFT regime, it is established that non-profit associations and foundations (hereinafter referred to as "NPOs"), which carry out the activity of collection or disbursement in order to fulfil charitable, religious, cultural, educational, social or fraternal purposes, must adopt the measures set out in Recommendation 8 and its Interpretive Note, in accordance with the risk-based approach (RBA).

(a) The NRA considers the analysis of the TF risks of Non-Profit Organisations (NPOs). For this purpose, the existing legal framework was analysed, which indicates that NPOs are classified as reporting entities, as well as information from the World Bank methodology, although it is noted that most of the statistical data required by the tool were not collected. According to the analysis, 4.427 entities were identified as falling under the FATF definition of an NPO that could pose a high risk.

(b) As indicated above, there are no elements to conclude that the nature of the threats posed by terrorist organisations to vulnerable NPOs has been identified, which may be due to a lack of information available from the authorities.

(c) The country reported on the AML/CFT regulatory framework applicable to NPOs. However, at this stage there is no information on what measures have been taken to review the adequacy of laws and regulations relating to the subset of NPOs that could be misused for TF support, so that effective and proportionate measures can be taken to address the risks identified. It is important to note that the NRA notes that although NPOs are considered to be reporting entities of the AML/CFT system, no public institution or authority has been empowered to exercise supervision over the sector, in addition to the fact that it is not clear how such obligations can be complied with.

(d) The NRA does not provide for a reassessment of new information or updating deadlines.

CT103. *Criterion 8.2* –

(a) El Salvador has a Law on Non-Profit Associations and Foundations, the purpose of which is to establish an applicable legal regime that includes provisions aimed at promoting transparency, integrity and public confidence in their administration and management. Among other things, it lays down provisions for the accountability and transparency of its functions:

- Associations must keep a register of their members or affiliates in which aspects such as name, profession or trade, domicile, nationality, date of entry, etc. are recorded. (Article 15)
- The statutes of foundations and associations must be set out in a public deed and must include their name, address and duration; legal nature; object or purpose; assets; administrative bodies, functions and powers of the same; mode of membership and requirements for members; disciplinary measures, grounds and application procedure; rules for their dissolution and liquidation; and requirements and procedures for amending the statutes. (Art. 28)
- The administrators of an association or foundation may not dispose of its assets for private purposes (art. 31)
- The decisions of the governing bodies must be recorded in minutes which must be entered in the books approved by the General Directorate of the Registry (art. 32)
- Associations and foundations must keep formal accounts of their assets in accordance with generally accepted accounting systems and tax regulations; they must keep the records required by accounting techniques and their own needs (art. 40)
- Associations and foundations must have supervisory bodies for the management of the assets specified in the statutes (art. 41)

(b) The website of the Registry of Non-Profit Organisations of the Ministry of Interior and Territorial Development provides basic information on the sector, where it is possible to check, for example NGO queries (by entering a key); Appointments; Services, which provides requirements and information contained in the legal framework; and the FAQ section, which responds to concerns regarding registration and guidance, but it was not possible to verify precise information that assists NPOs and the donor community on potential vulnerabilities in the sector and measures they can take.

(c) The FIU has reached out to the sector to provide training on obligations and compliance, with some 320 officials attending 4 sessions. In this regard, it was possible to review an example of the content provided to the sector, which provides information on tools and best practices to address, inter alia, the risk and vulnerability of the sector in the context of the standard.

(d) There is no information to conclude that competent authorities encourage NPOs to operate through regulated financial channels (where feasible).

CT104. *Criterion 8.3* – Although the Salvadoran legal framework provides for a number of attributions to the Registry of Non-Profit Organisations of the Ministry of Interior and Territorial Development, which does not have information on those NPOs that are at risk for TF purposes and fall within the FATF definition, there is no evidence that the measures implemented are risk-based.

CT105. Moreover, under the LCLDA, NPOs have been included as REs. However, such inclusion as REs does not seem to be fully consistent with the RBA envisaged by Recommendation 8, as it does not seem to be based on risk or exposure to TF, as the sector is considered to be inherently low risk.

CT106. *Criterion 8.4* –

(a) As noted in the discussion of Criterion 8.3, while there are powers for the Registry, it is not possible to determine that the monitoring of the implementation of risk-based measures meets the requirements of Recommendation 8.

(b) Art. 84 of the Law on Non-profit Associations and Foundations establishes fines of between five hundred and ten thousand colones to be paid in the event of non-compliance by NPOs, which are detailed in the preceding article and include a) Failure to keep formal accounts; b) Failure to submit financial statements duly audited by an auditor; c) Failure to submit a list of representatives and administrators; d) Fraudulent modification of the values and contents of financial statements and inventories; e) Submission of false data to the Registry; f) Failure to appear when summoned; g) Failure to send or submit requested data; h) Failure to make entries in the Registry; and; i) Failure to comply with other obligations imposed by laws and regulations. Based on the above, there are currently no provisions that allow for sanctions for non-compliance with the requirements of NPOs based on TF risk.

CT107. *Criterion 8.5* –

(a) Art. 77 of the Code of Criminal Procedure states that the prosecutors, in the exercise of their functions, may take any measures they deem appropriate to carry out an investigation. This allows the FGR to request information from the General Director of the Registry of Non-Profit Associations and Foundations and from the relevant competent authorities.

(b) Article 43 of the NPO Law stipulates that the FGR, in order to protect the interests of the State and society, may order an investigation of any association or foundation in the following cases: a) if there is a manifest and obvious inconsistency between the aims and objectives set out in the statutes; b) if there is sufficient evidence of the misappropriation of funds; c) if it is a means of evading the law or the obligations of its leading members and; in any case, if it constitutes a crime or misdemeanour. Although it is not explicitly stated that an investigation may be initiated upon suspicion of TF, it could be initiated in cases such as the diversion of funds for terrorist purposes or the commission of the crime of TF.

(c) In accordance with the above sub-criteria, the FGR will be empowered to obtain information on the administration and management of NPOs in the course of an investigation.

(d) According to the Law on Non-Profit Associations and Foundations and the Code of Criminal Procedure, information can be requested from the FGR. However, no reference is made to the exchange of information with other authorities that could assist the investigation.

CT108. *Criterion 8.6* – There is no indication that the country has designated points of contact or procedures for responding to international requests for information on NPOs suspected of TF. However, the FGR and competent authorities are able to provide information in response to a request for international cooperation (R.40).

Weighting and Conclusion

CT109. El Salvador has conducted a risk analysis of the NPO sector as part of its national risk assessment. It has also implemented AML/CFT measures for NPOs that are comparable to those for financial or non-financial REs, although this is not considered to be a risk-based approach. Moreover, even where such measures have been imposed, there is no provision for risk-based monitoring of NPOs or for mitigating or sanctioning measures in the event of non-compliance with the measures imposed. Similarly, the possibility of exchanging information on potentially risky NPOs between national or foreign authorities has not been identified. **Recommendation 8 is rated Partially Compliant.**

Recommendation 9 - Financial institution secrecy laws

CT110. In its previous MER, El Salvador was rated C for compliance with former R. 4.

CT111. *Criterion 9.1* – Article 24 of the LCLDA provides that banking secrecy and tax secrecy do not apply to the investigation of money laundering offences and that the information obtained may only be used for evidentiary purposes in such investigation and may only be ordered by the FGR or the judge in the case at the appropriate procedural stage. The same is provided for in art. 277 of the CCP.

CT112. Moreover, art. 33 of the LSRSF provides that information collected by the Superintendence may be communicated to foreign supervisory authorities exercising equivalent powers to those of the Superintendence, for the exclusive purpose of being used by such authorities in the exercise of their powers, if the Superintendence deems it appropriate or if such authorities demonstrate an interest.

CT113. In the case of TF, banking secrecy and tax secrecy do not apply to the investigation of this offence, which is defined in article 29 of the LECAT, and the provisions of article 277 of the CCP apply.

CT114. Notwithstanding the above, there are concerns as to whether the provisions allow for the exchange of information between FIs when required by R.13, R.16 or R.17.

Weighting and Conclusion

CT115. In general terms, there is no evidence that the secrecy regulations have an impact on the implementation of the FATF Recommendations. However, there are concerns with respect to the impact of these secrecy regulations on the possibility for FIs to share information among themselves in cases required by R. 13, 16 and 17. **Recommendation 9 is rated Largely Compliant.**

Recommendation 10 - Customer due diligence

CT116. In its previous MER, El Salvador was rated PC for compliance with former R. 5. The report identified a number of deficiencies, including a lack of clarity, scope and clear and differentiated requirements in the instructions on compliance with AML/CFT regulations. In addition, significant legal and capacity deficiencies were identified in the implementation of CDD requirements for money remitters or remittance offices, and the use of an inappropriate CDD indicator of USD 57,142.86 for cash transaction reporting and transaction monitoring. The lack of a specific requirement for CDD in the event of suspicion of ML/FT or doubt as to the adequacy of customer information and/or certainty as to the accuracy, amendment or alteration of identification documents was also noted. The absence of adequate requirements to verify the identity of beneficial owners or customers and the absence of a general requirement to obtain information on the true nature and purpose of the business relationship were noted. Finally, the lack of regulations and adequate guidelines for risk-based CDD and the absence of risk mitigating controls for the deferral of identity verification, including for newly established companies, were noted.

CT117. *Criterion 10.1* – El Salvador's AML/CFT legislation includes the categories of financial institutions required by the FATF standard. Art. 11 of the LCLDA and art. 19 of the FIU Instructions establish that REs,

including FIs, must maintain nominative records of their users and are prohibited from maintaining anonymous accounts or accounts with false or fictitious names.

CT118. *Criterion 10.2* –

(a) art. 9-B of the LCLDA establishes the obligation of REs to have internal CDD policies. In addition, art. 10(a) of the LCLDA provides that REs must reliably identify, with due diligence, all users of their services and the identity of any other natural or legal person on whose behalf they are acting.

However, art. 12 paragraph a of the FIU Instructions provides that FIUs shall, as a minimum, take reasonable measures to carry out a range of CDD procedures that are commensurate with the activities, nature, size, operations and risk level of the reporting entity, in accordance with a RBA. The procedures must include reliable identification of the customer or counterparty. Finally, art. 14-A. inc. i) of the FIU Instructions (as amended by Agreement No 476 of the Attorney General's Office of 5 September 2023) provides that FIs must apply CDD measures in accordance with the ML/TF/FPWMD risk level of their customers or users at the time of establishing business relationships.

Accordingly, the regulations require FIs to apply CDD measures at the time of establishing business relationships.

(b) Art. 14-A. para. ii) of the FIU Instructions (as amended by Agreement No 476 of the Attorney General's Office) provides that FIs shall apply due diligence measures in accordance with the ML/TF/FPWMD risk level of their customers or users, when their customers or users conduct occasional transactions above the thresholds set out in art. 51 of FIU Instructions, either in a single transaction or in several transactions. This sub-criterion is therefore covered by this provision.

(c) Art. 14-A. paragraph iii) of the FIU Instructions (as amended by Agreement No 476 of the Attorney General's Office) states that REs must apply CDD measures in accordance with the ML/TF/FPWMD risk level of their customers or users when customers or users conduct occasional transactions by wire transfer.

(d) Art. 14-A. paragraph iv) of the FIU Instructions (as amended by Agreement No 476 of the Attorney General's Office) provides that REs must apply CDD measures in accordance with the ML/TF/FPWMD risk level of their customers or users when there is suspicion of ML and TF.

(e) Art. 14-A. paragraph v) of the FIU Instructions (as amended by Agreement No 476 of the Attorney General's Office) provides that REs must apply due diligence measures in accordance with the ML/TF/FPWMD risk level of their customers or users, if there are doubts about the veracity or accuracy of previously obtained customer identification data. The sub-criterion is therefore covered by this provision.

CT119. *Criterion 10.3* – Art. 12 of the FIU Instructions establishes the obligation of the RE to identify the customer in a reliable manner by means of identification documents at the moment of the establishment of the contractual relationship, and the addition to article 12 of the FIU Instructions by Agreement No 476 of the Attorney General's Office indicates that the verification of the identity of the customer or user shall always be carried out prior to the establishment of the commercial relationship. It also provides that the information on the identity of the customer or user shall be verified by means of official identity documents issued by the competent public authorities. The identification of a legal person or other legal arrangement shall include information on its name, its principal address in the country, its specific business name and its articles of association and/or any amendments thereto, duly recorded in the Commercial Registry, as evidence of its existence, as well as the powers that govern and bind the legal person or legal arrangement, and the names of the persons who hold senior management positions within the legal person or arrangement.

CT120. *Criterion 10.4* – Art. 10(a) of the LCLDA requires REs to reliably identify the identity of any other natural or legal person on whose behalf they are acting. In addition, art. 12 paragraph (a) of the FIU Instructions establishes that the RE shall, as a minimum, take reasonable measures to conduct CDD in

accordance with the activities, nature, size, operations and risk level of the RE, in accordance with the RBA. The procedures established include: reliable identification of the customer or counterparty by means of their identification documents, economic activity and other basic information requested by the RE at the time of entering into the contractual relationship; ensuring that the document is valid at the time of the engagement; and taking reasonable measures to obtain the name and identification number of the beneficial owners. Accordingly, the requirement for identification and verification of representatives is considered to be met.

CT121. *Criterion 10.5* – Article 20 of the FIU Instructions sets out the application of measures to ensure knowledge of the BO of legal persons, stating that the RE shall identify the beneficial owner and take appropriate measures to verify his/her identity prior to the establishment of any business relationship or the execution of any transaction. The criterion is therefore considered to be addressed.

CT122. *Criterion 10.6* – Article 13 paragraph (h) of the FIU Instructions provides that, in addition to the standard CDD measures, for the purpose of establishing and monitoring the transactions of customers or counterparties identified as high risk, the RE must obtain additional information on the nature of the intended business relationship.

CT123. In addition, Art. 10 Roman I) of the LCLDA establishes that the RE must have adequate knowledge of the economic activity developed by its customers and, upon request, obtain information justifying the origin and purpose of each transaction. Article 12 paragraph (b) of the FIU Instructions establishes that the RE must have a profile of the customer that allows it to know the economic activity developed. The criterion is therefore considered to be addressed.

CT124. *Criterion 10.7* –

(a) Article 12 paragraph (a) of the FIU Instructions provides that REs shall, as a minimum, take reasonable measures to carry out a range of CDD procedures in accordance with the activities, nature, size, transactions and risk level of the reporting entity, in accordance with a RBA, and paragraph (h) establishes the obligation of the entity to obtain information on the volume, value and movement of funds and assets of its customers or counterparties related to their economic activity. Moreover, art. 13 of the same Instructions establishes the application of enhanced CDD measures for counterparties and customers classified as high risk, including for natural persons: obtaining additional information on the origin of their property and/or funds, their assets and their contractual relationships with other reporting entities, and for legal persons: obtaining additional information on the origin of resources, assets and the source of funds. Notwithstanding the foregoing, the above provisions do not establish an obligation to review transactions throughout the customer relationship to determine whether they are consistent with the institution's knowledge of the customer, business activity, risk profile and source of funds.

(b) Art. 23 of the FIU Instructions provides that REs must have policies and procedures for updating the data of its customers or counterparties. In addition, it provides that for those customers or counterparties that, after analysis, it is determined that they may expose the RE to a higher degree of risk, the updating of this data must be done at any point in time.

CT125. *Criterion 10.8* – Article 12 (a) second item of the FIU Instructions provides that, in the case of legal persons, knowledge of the customer or counterparty includes, in addition to the provisions of the customer profile (which includes knowledge of the economic activity), knowledge of the shareholding structure and the BO, i.e., the identity of shareholders or associates holding, directly or indirectly, 10% or more of the share capital, contribution or participation in the entity. With regard to customers with legal structures, only banking institutions can provide the trust service, so the above description applies to them as legal persons.

CT126. *Criterion 10.9* –

(a) Art. 12 of the FIU Instructions (as amended by Agreement No. 476 of the Attorney General's Office) states that the identification of legal persons or other legal arrangements shall include information on the name, registered office in the country, specific corporate name and articles of association and/or amendments thereto, if any, duly registered in the Commercial Registry, as evidence of their existence. Therefore, the sub-criterion is duly addressed.

(b) Art. 12 of the FIU Instructions (as amended by Agreement No. 476 of the General Attorney's Office) states that the identification of a legal person or other legal arrangement shall include the powers that regulate and bind the legal person or legal arrangement, as well as the names of the persons who hold a senior management position within the legal person or legal arrangement. Therefore, the sub-criterion is duly addressed.

(c) Art. 12 of the FIU Instructions (as amended by Agreement No. 476 of the Attorney General's Office) states that the identification of legal persons or other legal arrangements includes information on the name, and registered office in the country. Therefore, the sub-criterion is duly addressed.

CT127. *Criterion 10.10* –

(a) Art. 20 paragraph (1) a) and b) of the FIU Instructions provides that REs shall identify BOs and take appropriate measures to verify their identity prior to establishing business relations or conducting transactions. It also defines BO as: a) the natural person on whose account a contractual relationship is to be established or an operation is to be conducted; and (b) the natural person who ultimately owns or controls, directly or indirectly, a percentage equal to or greater than 10% of the capital or voting rights of a legal person, or who otherwise exercises direct or indirect control over the management of a legal person. Finally, it indicates that if the customer, the counterparty or the owner of an interest equal to or greater than 10% of the capital of a customer is a commercial company listed on a stock exchange and subject to disclosure requirements and adequate transparency of beneficial ownership, it will not be necessary to identify the beneficial owners of such companies. In addition, art. 21-A.(1) of the FIU Instructions (as amended by Agreement no. 476 of the Attorney General's Office) indicates that REs must identify and verify the identity of the beneficial owner of legal persons or arrangements by obtaining information on the identity of the natural person or persons who ultimately hold the majority interest in the legal person and, for trusts, the identity of the settlor, the trustee or trustees, the protector (if any), the beneficiaries or classes of beneficiaries and any other natural person who exercises effective and final control over the trust, including through a chain of control/ownership. Therefore, the sub criterion is duly addressed.

(b) Art. 21-A. (2) of the FIU Instructions (as amended by Agreement No. 476 of the Attorney General's Office) provides that if there is any doubt as to whether the person or persons holding the majority of the shares are the beneficial owners or, if no natural person exercises control through shareholdings, the identity of the natural person or persons exercising control over the legal person by other means shall be identified and verified, and for other types of legal arrangements: the identity of persons in equivalent or similar positions shall be identified and verified. Therefore, the sub-criterion is duly addressed by the provision.

(c) Art. 21-A. (3) of the FIU Instructions (as amended by Agreement No. 476 of the Attorney General's Office) states that in cases where it is not possible to determine the identity of the beneficial owner or the person or persons exercising control over the legal person, the identity of the relevant natural person occupying the position of the highest-ranking management official shall be identified and verified. Therefore, the sub-criterion is duly addressed by the instructions.

CT128. *Criterion 10.11* –

(a) Art. 21-A. (1) of the FIU Instructions (as amended by Agreement No. 476 of the Attorney General's Office) provides that for trusts, REs must identify and verify the identity of the settlor, the trustee or

trustees, the protector (if any), the beneficiaries or classes of beneficiaries and any other natural person who exercises effective and final control over the trust, including through a chain of control/ownership.
(b) Art. 21-A.(2) of the FIU Instructions (as amended by Agreement No. 476 of the Attorney General's Office) determines that, for other type of legal arrangements, REs must identify and verify the identity of persons in equivalent or similar positions. Therefore, the sub criterion is duly addressed.

CT129. *Criterion 10.12* –

(a) Article 1459, paragraph II, of the Commercial Code stipulates that personal insurance policies must indicate the name of the beneficiary or the manner in which the beneficiary is to be determined. Additionally, art. 21-B (1) para. 1 of the FIU Instructions (as amended by Agreement No. 476 of the Attorney General's Office) provides that REs offering life insurance products or other types of insurance policies linked to investments must, in addition to the required customer due diligence measures and the identification of the beneficial owner and, if this is a politically exposed person, the name of the beneficiary, who is identified as a natural or legal person or a legal arrangement with a specific name. Therefore the sub-criterion is duly met.
(b) Art. 21-B (1) (2) of the FIU Instructions (as amended by Agreement No. 476 of the Attorney General's Office) provides that, in the case of a beneficiary identified by characteristics or class or by other means, the REs shall obtain sufficient information on the beneficiary to satisfy the financial institution that it can establish the identity of the beneficiary at the time of payment. Therefore, the sub-criterion is duly addressed.
(c) Art. 21-B (3) and (4) (1) of the FIU Instructions (as amended by Agreement No. 476 of the Attorney General's Office) provides that, in the two previous cases, the identity of the beneficiary may be verified at the time of payment. Therefore, the requirement of the sub-criterion is specifically covered by this provision.

CT130. *Criterion 10.13* – The country has no requirements for FIs to consider the beneficiary of a life insurance policy as a significant risk factor in determining whether to apply enhanced CDD measures. Nor does it provide that if the FI determines that the beneficiary that is a legal person or arrangement poses a higher risk, it should be required to take enhanced measures, which should include reasonable measures to identify and verify the identity of the beneficiary's BO at the time of payment.

CT131. *Criterion 10.14* –

(a) Art. 12 paragraph (i) of the FIU Instructions (as amended by Agreement No. 476 of the Attorney General's Office) provides that the identity of the customer or user shall always be verified prior to the establishment of the business relationship. Therefore, the sub-criterion is duly addressed.
(b) N/A given that the assumption in 10.14 a) will not occur.
(c) N/A given that the assumption in 10.14 a) will not occur.

CT132. *Criterion 10.15* – The country indicated that art. 12 paragraph (iii) of the FIU Instructions (as amended by Agreement No. 476 of the Attorney General's Office) provides that the identity of the customer or user shall always be verified prior to the establishment of the business relationship.

CT133. *Criterion 10.16* – According to articles 12 to 15 of the FIU Instructions, reporting entities must apply CDD measures on a risk-based basis to customers or counterparties, irrespective of whether they are current or prospective customers. Therefore, it should be noted that the obligation applies to all of the entity's customers or counterparties.

CT134. In this regard, the country also indicated that art. 23 of the FIU Instructions determines that REs must carry out all the necessary diligences to verify and periodically update the data collected from customers or

counterparties that by their nature may vary (address, telephone, economic activity, origin of resources, shareholder composition, etc.). Lastly, it provides that for those customers or counterparties that, after analysis, it is determined that they may expose the reporting entity to a higher degree of risk of ML/TF/FPWMD, the updating of this data must be done at any point in time.

CT135. *Criterion 10.17* – Art. 10 of the FIU Instructions provides that FIs should conduct enhanced CDD measures when ML/TF risks are high. In this regard, where a customer or counterparty is deemed to pose a high inherent AML/CFT/FPWMD risk as a result of the risk assessment, REs should apply enhanced CDD measures.

CT136. In addition, art. 13 of the FIU Instructions indicates that, in addition to the standard due diligence measures, the RE must apply enhanced due diligence procedures for the establishment and monitoring of the operations of customers or counterparties that are classified as high risk. These measures include, for natural persons: a) obtaining additional information on the source of their property and/or funds, their assets and their contractual relationships with other reporting entities; and b) conducting an interview with the customer or counterparty and a visit to their premises by the business unit, with a written report of the results.

CT137. For legal persons: a) Obtain additional information on the source of resources, capital and funds; b) Conduct an interview with the customer or counterparty and a visit to its premises by the business unit, with a written report on the outcome; c) Identify the managers of the potential customer or counterparty; d) Take any other enhanced measures that are effective and proportionate to the risks identified by the reporting entity; e) Obtain senior management approval to establish or continue business relationships with those customers or counterparties that are considered high risk or identified as PEPs; f) Conduct enhanced ongoing monitoring of the contractual or other relationship, increasing the number and duration of controls applied and selecting transaction patterns for further investigation; g) Obtain additional information on the customer or counterparty and update customer and beneficial owner identification data; h) Obtain additional information on the intended nature of the relationship; and i) Obtain information on the reasons for the transactions attempted or executed.

CT138. *Criterion 10.18* – Art. 14 of the FIU Instructions complies with the criterion. This article stipulates that the RE may apply simplified CDD measures if, on the basis of the risk assessment it carries out on its customers or counterparties, it concludes that the AML/CFT/FPWMD risks are low. The article provides that simplified measures shall correspond to lower risk factors.

CT139. *Criterion 10.19* –

(a) Art. 12 paragraph (iv) of the FIU Instructions (as amended by Agreement No. 476 of the Attorney General's Office) states that business relations may not be entered into in the absence of identification and verification of the customer's identity. Moreover, art. 14-A. of the FIU Instructions (as amended by Agreement No. 476 of the Attorney General's Office) establishes that if it is not possible to comply with the application of customer due diligence measures, REs may terminate business relations with such customer and this circumstance shall be analysed in order to proceed in accordance with the provisions of Chapters VII and VIII of Title II of the Instructions, relating to instructions for the control, follow-up and detection of unusual transactions and for the identification and reporting of suspicious transactions, respectively. The sub-criterion is therefore considered to have been met.

(b) Art. 14-A paragraph iii) of the FIU Instructions (as amended by Agreement No. 476 of the Attorney General's Office) indicates that if it is not possible to comply with the application of CDD measures, reporting entities may terminate business relations with such customer; this circumstance shall be analysed in order to proceed in accordance with the provisions of Chapters VII and VIII of Title II of the Instructions. The sub-criterion is therefore considered to have been met.

CT140. *Criterion 10.20* – Art. 14-A paragraph iii) of the FIU Instructions (modified by Agreement of the Attorney General No. 476) provides that where there is a suspicion of money laundering or terrorist financing and there is a warning that the application of CDD measures will tip off the customer, REs must refrain from continuing the process and proceed in accordance with the relevant provisions of Chapters VII and VIII of Title II of the Instructions, i.e., submit a STR to the FIU. The sub-criterion is therefore considered to have been met.

Weighting and Conclusion

CT141. El Salvador has provisions for FIs to identify and verify the identity of the customer and the customer's BO, and complies with most of the elements required by the Recommendation. However, deficiencies are noted in the review of transactions throughout the relationship to determine whether they are consistent with the institution's knowledge of the customer, business activity, risk profile and source of funds, as well as in the provisions required by criterion 10.13. However, these deficiencies are considered to be minor. **Recommendation 10 is rated Largely Compliant.**

Recommendation 11 - Record-keeping

CT142. In its previous MER, El Salvador was rated LC for compliance with R.10 above. The report noted that in the case of companies not subject to financial legislation, the obligation to keep correspondence related to the company was not clearly established.

CT143. *Criterion 11.1* – Art. 10 (B) of the LCLDA complies with this requirement, as it provides that REs must file and keep transaction documentation for a period of 5 years from the completion of each transaction. Furthermore, art. 12 of the same regulation extends the retention period for documents, stating that REs must keep the necessary records of transactions for a period of at least 15 years, explicitly clarifying that this refers to both domestic and international transactions.

CT144. *Criterion 11.2* – In addition to art. 10 (B) of the LCLDA, which was analysed in the previous criterion, art. 59 of the FIU Instructions indicates that the REs must keep, through printed, digital or electronic means, all documents and information that support the opening of accounts or contractual relations, copies of identification documents and transactions, which must be kept for a period of not less than fifteen years, in accordance with art. 12 of the LCLDA. Consequently, the requirement of the criterion is met.

CT145. *Criterion 11.3* – Art. 12 of the LCLDA provides that the records shall be used to reconstruct each transaction in order to provide, if necessary, evidence of the criminal conduct. Consequently, the requirement of the criterion is met.

CT146. *Criterion 11.4* – Art. 12 of the LCLDA requires REs to ensure that all CDD information and transaction records are promptly made available to the competent authorities with appropriate authorisation, indicating that they may be used either to respond promptly to requests for information from FGR supervisory or oversight bodies or competent courts in relation to the ML offence. Consequently, the requirement of the criterion is met.

Weighting and Conclusion

CT147. All criteria are met. **Recommendation 11 is rated Compliant.**

Recommendation 12 - Politically exposed persons

CT148. In its previous MER, El Salvador was rated NC for compliance with former R. 6. This was due to the absence of provisions related to PEPs.

CT149. *Criterion 12.1 –*

(a) Pursuant to art. 18 of the FIU Instructions, REs must apply due diligence measures to determine whether the customer or counterparty or the beneficial owner is a foreign PEP. According to this article, the measures apply as long as the PEP is acting in his capacity as a customer or beneficial owner in the business relationship. In addition, art. 9-B para. 1 of the LCLDA provides that REs must, on the basis of the provisions of the law, instruct a reliable and intensified due diligence policy for the identification of domestic and foreign PEPs. Consequently, the requirement of the sub-criterion is met.

(b) art. 13 para. 3 (e) of the FIU Instructions establishes the requirement to obtain the approval of senior management for the establishment or continuation of business relationships with those customers or counterparties classified as high risk or PEPs that are part of a legal person. Furthermore, art. 13 paragraph (2)(c) of the FIU Instructions (as amended by Agreement No 476 of the Attorney General's Office) provides that REs for the establishment and monitoring of transactions with customers or counterparties classified as high risk or PEPs and their family members must obtain the approval of the senior management of the agency to establish or continue business relations with such customers or counterparties. Therefore, the sub-criterion is duly addressed.

(c) Art. 12 paragraph (c) of the FIU Instructions provides that, at the request of the reporting entities, customers or counterparties shall provide any financial, commercial, accounting or tax information, as well as documents showing the ownership, possession or holding of movable and immovable property, proof of salaries or income justifying the origin or source of funds. In addition, art. 13 paragraph (2) (a) of the FIU Instructions provides that the REs must obtain additional information on the origin of their property and/or funds, their assets and their contractual relations with other REs. Consequently, the requirement of the sub-criterion is met.

(d) Art. 13 para. 3 (f) of the FIU Instructions addresses what is determined in the sub-criterion with regard to legal persons. With regard to natural persons, the same art. 13 of the FIU Instructions provides that, for the purpose of establishing and monitoring the transactions of customers or counterparties classified as high risk, REs must, in addition to the standard CDD measures referred to in art. 12 of these Instructions, apply enhanced due diligence procedures. However, there is no requirement for enhanced ongoing monitoring of relationships with natural persons defined as PEPs.

CT150. *Criterion 12.2 –*

(a) Art. 16 of the FIU Instructions provides that domestic PEPs are all natural persons identified at the beginning or during the course of the contractual relationship, whether nationals or naturalised, who perform or have performed public functions in our country or abroad. Art.18 of the FIU Instructions, provides that REs must apply due diligence measures to determine whether the customer, counterparty or beneficial owner is a PEP. Therefore, the sub-criterion is met.

(b) The country indicated that art. 7 (e), art. 12 (g), art. 13 paragraph (3) (e), (f), art. 15 of the FIU Instructions and art. 13 paragraph (2) (c) of the FIU Instructions (as amended by Agreement No. 476 of the Attorney General's Office) address the provision in the sub-criterion. As explained above, in cases of higher risk business relationships, it is envisaged that the measures contained in criterion 12.1 (b) to (d) will be adopted. However, there is no obligation for enhanced ongoing monitoring of relationships with natural persons defined as PEPs.

CT151. *Criterion 12.3* – Art. 13 paragraph (2)(c) of the FIU Instructions (as amended by Agreement No. 476 of the Attorney General's Office) provides that REs for the establishment and monitoring of transactions with customers or counterparties classified as high risk or PEPs and their family members must obtain the approval of the senior management of the agency to establish or continue business relations with such customers or counterparties. However, the deficiency identified in criterion 12.1.d impacts compliance with this criterion.

CT152. *Criterion 12.4* – Article 21-B paragraph (2) of the FIU Instructions (as amended by Agreement No. 476 of the Attorney General's Office) provides that, in addition to the required customer due diligence measures and the identification of the beneficial owner, and if the latter is a politically exposed person, REs providing life insurance products or other types of insurance policies linked to investments must apply the measures described in paragraphs 1 and 2 of the said article with respect to the beneficiary of life insurance and other insurance policies as soon as the beneficiary is identified or designated. Similarly, these amendments address the requirement for financial institutions to inform senior management when significant risks are identified, prior to disbursement of the policy, in order for them to conduct a more in-depth review of the entire relationship with the policyholder and consider filing a suspicious transaction report. Consequently, the criterion is met.

Weighting and Conclusion

CT153. The FIs implement CDD measures in relation to foreign PEPs, domestic PEPs and PEPs from international organisations. However, there is no obligation for enhanced ongoing monitoring of relationships with natural persons defined as PEPs. **Recommendation 12 is rated Largely Compliant.**

Recommendation 13 - Correspondent banking

CT154. In its previous MER, El Salvador was rated NC for compliance with former R. 7. This was due to the absence of provisions related to correspondent banking and cross-border businesses.

CT155. *Criterion 13.1* –

(a) Art. 8 of Rules NPB4-51 provides that for the provision of correspondent banking services by the SSF, prior to the conclusion of a correspondent banking services contract with a correspondent bank customer, the institution must collect sufficient information to enable it to verify the reputation of the bank, its compliance with the rules and controls of the home supervisor on the prevention, detection, control and reporting of money laundering and whether it has been the subject of an investigation for this offence, and must therefore keep a file documenting the requests for information and its replies. Consequently, the requirement of the sub-criterion is met.

(b) Art. 5 of Rules NPB4-51 provides that the board of directors or equivalent body of the local correspondent bank is responsible for ensuring adequate ML/TF risk management and must therefore approve policies, procedures and internal controls to identify and manage ML/TF risks in the correspondent banking services it provides. Furthermore, art. 7 of Rule NPB4-51 provides that domestic correspondent banks should review and assess the nature of their anti-money laundering and anti-terrorist financing controls and the manner in which they are applied periodically, at least annually, or whenever there is a material change in the risk profile of the correspondent banking service. Consequently, the requirement of the sub-criterion is met.

(c) Art. 8 (g) of Rule NPB4-51 states that a resolution authorising the use of local correspondent banking services must be adopted by the Board of Directors or the officer designated by it. Additionally, art. 5

paragraph (2) (e) of the FIU Instructions, determines that the highest governing body of the REs or whoever takes its place, shall approve, promote and implement the policy for the prevention, control and detection of unusual transaction related with ML/TF/FPWMD. Consequently, the requirement of the sub-criterion is met.

(d) Art. 4 of Rule NPB4-51 determines that domestic correspondent banks should be aware that customer correspondent banks apply CDD in detecting ML/TF, which establishes international practices and recommendations in this regard for correspondent banking operations. Similarly, art. 6 of Rule NPB4-51 provides that domestic correspondent banks must maintain transparent, clear and documented relationships with customer correspondent banks that do not jeopardise the institution, the customers, their shareholders and, consequently, the financial stability of the country. As a consequence, there is an understanding of each institution's AML/CFT responsibilities and the requirement of the sub-criterion is met.

CT156. *Criterion 13.2* –

(a) Art. 10 of Rules NPB4-51 provides that where the correspondent banking service includes payable-through accounts, the domestic correspondent bank must obtain a certification from the customer correspondent bank that it has verified the identity and performed due diligence on the user who has access to the customer correspondent bank's accounts and is able to provide identification information about the customer correspondent bank. Moreover, art. 6 of Rules NPB4-51 provides that domestic correspondent banks must maintain transparent, clear and documented relationships with customer correspondent banks that do not jeopardise the institution, the customers, their shareholders and, consequently, the financial stability of the country. Similarly, art. 9 of Rules NPB4-51 requires the domestic correspondent institution to require the customer correspondent banks to review and update the information in their customer files on a regular basis, at least once a year, or when there is a material change in the risk profile, which must be included in the contract signed for this purpose. Therefore, the requirement of the sub-criterion is met.

(b) Art. 11 of Rules NPB4-51 provides that in order to have a risk profile of the customer correspondent bank, the domestic correspondent bank must create a database containing the documentation and electronic evidence of the operations or transactions carried out with it. It is also specified that the statistical base should not only contain data on monetary figures, but should also indicate which of the total number of transactions were considered irregular or suspicious, the frequency of such transactions and why they were considered irregular or suspicious. However, there are doubts about its ability to provide key CDD information to the correspondent bank on request.

CT157. *Criterion 13.3* – Art. 5 of Rules NPB4-51 prohibits financial institutions from entering into or continuing a correspondent banking relationship with shell banks. However, there are no provisions for financial institutions to ensure that the financial institutions represented do not allow their accounts to be used by shell banks.

Weighting and Conclusion

CT158. The Salvadoran legal framework requires that, with respect to correspondent relationships, FIs should obtain sufficient information about the correspondent institution, assess AML/CFT controls, obtain senior management approval before establishing correspondent relationships, and understand AML/CFT responsibilities. However, in the case of payable-through accounts in other locations, there are doubts about the FI's ability to provide key CDD information to the correspondent bank on request, and there are no provisions for financial institutions to ensure that respondent financial institutions do not allow their accounts to be used by shell banks. **Recommendation 13 is rated Largely Compliant.**

Recommendation 14 - Money or value transfer services

CT159. In its previous MER, El Salvador was rated NC for compliance with former R. VI. The report identified a number of deficiencies, including that there was no system in place to require persons engaged in MVTS to be registered or licensed to engage in such activities. That there were no authorities legally empowered to regulate and supervise such persons in relation to AML/CFT matters. It was also noted that there were deficiencies in the obligations imposed on this type of business by the AML Law and its regulations, and that there were no sanctions for non-compliance applicable to wire transfer service providers.

CT160. *Criterion 14.1* – Art. 4 of Rules NRP-19 establishes that the Superintendence shall maintain a public registry, in accordance with article 78 of the Law on the Supervision and Regulation of the Financial System, in which MTCs whose country of origin is El Salvador and agents operating in the Republic of El Salvador shall be registered. Money or value transfer service providers (MVTS providers) must therefore be registered. Art. 3 of Rules NRP-19 regulates legal persons MTCs and defines sub-agents as natural or legal persons who have a contractual relationship with an agent or manager. Therefore, the requirement of the sub-criterion is met.

CT161. *Criterion 14.2* – Art. 4(m) and 15(n) of the LSRSF provide that the SSF has the power to order the suspension of the operations of natural or legal persons who, without the appropriate authorisation, carry out activities typical of members of the financial system or which require special authorisation. Therefore, if a natural or legal person is found to be providing MVTS services without a licence, the SSF may act in accordance with the powers set out in the LSRSF. The SSF also carries out educational and fraud prevention work for the general public through its website at the following link: https://ssf.gob.sv/estafas/?page_id=209. In this sense, the population can report entities that provide services without authorisation through telephone numbers and the website (https://ssf.gob.sv/atencion-al-publico/); in these cases, an on-site visit is made, an administrative sanction procedure is initiated, the closure of the entity is ordered and, if necessary, a referral to the Attorney General's Office can be made. In addition, the Directorate of Communications of the SSF constantly monitors issues of national and institutional interest in the media, so that if advertising by unregistered entities is detected, the appropriate investigation and sanction procedures are applied.

CT162. *Criterion 14.3* – Legal persons that systematically or substantially engage in the business of sending or receiving money, by any means, at a national or international level, are reporting entities that must comply with the ML/TF risk management technical standards and must be supervised by the SSF (art. 2. v of the Rules NRP-36 and art. 7.t of the LSRSF). Moreover, art. 33 of Rules NRP-19 refers to agents or subagents.

CT163. Art. 14 of Rules NRP-36 provides that the MVTS must monitor ML/TF/FPWMD risk factors in a systematic and timely manner, through ongoing monitoring activities, to determine whether the controls implemented cover all sources of potential ML/TF/FPWMD risk events and whether they are operating in a timely, effective and efficient manner; also on the basis of segmentation, institutions may calibrate their monitoring system to follow and monitor the operations of customers, counterparties, employees, products and services, distribution channels, among others, in order to identify ML/TF/FPWMD-related risks.

CT164. *Criterion 14.4* – Art. 4, art. 5, art. 11 and art. 14(d) of Rules NRP-19 address the requirement that MVTS originating in El Salvador and agents of MVTS providers operating in El Salvador must register with the SSF.

CT165. *Criterion 14.5* – The country stated that art. 2 of the LCLDA and art. 15(g), art. 20 and 35 of Rules NRP-19 address the requirement that MVTS providers using agents should be required to include them in their AML/CFT programmes and monitor them to ensure compliance with those programmes.

Weighting and Conclusion

CT166. All criteria are met. **Recommendation 14 is rated Compliant.**

Recommendation 15 - New technologies

CT167. In its previous MER, El Salvador was rated PC for compliance with former R. 8. This was due to the lack of specific requirements for the implementation of measures to prevent the inappropriate use of technological developments.

CT168. *Criterion 15.1* – The country pointed out that art. 99 of the LRSSF establishes the power of the Central Reserve Bank to issue technical regulations. In this respect, art. 11 of Rules NRP-36, Technical Rules for the Management of Money Laundering, Terrorism Financing and the Financing of the Proliferation of Weapons of Mass Destruction Risks, issued by the BCR, states that institutions must identify the ML/TF/PF risks inherent in the activities they carry out, taking into account at least the risk factors defined by the institution and the risks associated with them. In addition, when proposing a new product, upgrading, modifying or using a product, using new business practices, including new service delivery channels, and using new or developing technologies for new or existing products.

CT169. As indicated by the country, art. 4 and 5 of Rules NRP-22 states that Electronic Money Providers should establish a comprehensive risk management system. In addition, art. 4 and 5 of Rules NRP-20 define the general application of comprehensive risk management for financial institutions. Art. 5 of Rules NRP-29 establishes the obligation of the entity, before entering into a contractual relationship with a Bitcoin service provider, to carry out a CDD on the Bitcoin service provider, given the nature of the services to be provided and the risk associated with such a relationship, in accordance with the policies of each entity.

CT170. Finally, art. 22 of the FIU Instructions explicitly states that financial institutions should identify and assess ML/TF risks that may arise in connection with the development of new products and new business practices, including new delivery mechanisms and the use of new or developing technologies for new or existing products.

CT171. El Salvador has recently finalised its ML/TF NRA, which covers the period 2017-2021, and the report includes a section on risk assessment of financial inclusion products, mainly aimed at analysing e-money and savings accounts with simplified requirements. Risks to the virtual asset sector and VASPs were also assessed.

CT172. *Criterion 15.2* –

(a) Art. 11 of Rules NRP-36 requires institutions to identify the ML/TF/FPWMD risks inherent to the activity they conduct, taking into account at least the risk factors defined by the institution and the risks associated with them. In addition, paragraph (a) requires companies to identify ML/TF/FPWMD risks, in particular when proposing a new product, as well as when upgrading, modifying or using a product, when using new business practices, including new service delivery channels, and when using new or developing technologies for new or existing products.

In addition, art. 22 of the FIU Instructions states that, in accordance with FATF R.15, reporting entities must identify and assess the risks that may arise in relation to the development of new products and new business practices, including new delivery mechanisms and the use of new or evolving technologies for their products, and provides that the ML/TF/FPWMD risk assessment by REs must be carried out prior to the introduction of new products, business practices or the use of new or evolving technologies, and that they must take appropriate measures to manage and mitigate these risks. In view of the above, the criterion is duly met

(b) Art. 11 of Rules NRP-36 requires institutions to identify the ML/TF/FPWMD risks inherent in the activity they conduct, taking into account at least the risk factors defined by the institution and the risks associated with them. In addition, paragraph (a) requires companies to identify ML/TF/FPWMD risks, in particular when proposing a new product, as well as when upgrading, modifying or using a product, when using new business practices, including new service delivery channels, and when using new or developing technologies for new or existing products.

Moreover, art. 22 of the FIU Instructions states that, in accordance with FATF R.15, reporting entities must identify and assess the risks that may arise in relation to the development of new products and new business practices, including new delivery mechanisms and the use of new or evolving technologies for their products, and provides that the ML/TF/FPWMD risk assessment by REs must be carried out prior to the introduction of new products, business practices or the use of new or evolving technologies, and that they must take appropriate measures to manage and mitigate these risks. In view of the above, the criterion is duly met.

Furthermore, art. 13 of Rules NRP-36 states that the control and mitigation of ML/TF/FPWMD risks shall include, as a minimum, the design and implementation of programmes, policies, standards, procedures and internal controls appropriate to the entity's operations, using a risk-based approach, and the establishment and application of a methodology to periodically evaluate the design and effectiveness of control measures (programmes, policies, standards, procedures and existing internal controls), taking into account, at least, their characteristics, frequency and operation. If control measures are not effective and efficient, they should be strengthened, corrected and, if necessary, new ones implemented to reduce the likelihood and impact of the ML/TF/FPWMD risk materialising.

Likewise, art. 4 of the FIU Instructions also provides for the application of the risk-based approach. It states that in order to comply with the obligations set out in the LCLDA, REs must apply a RBA, which consists of identifying, assessing and understanding their ML/TF/FPWMD risks and applying resources to ensure that they are effectively mitigated. The adopted measures should be commensurate with the risks identified. In view of the above, the criterion is duly met.

CT173. *Criterion 15.3* –

(a) The latest ML/TF NRA identifies the net risk level of Bitcoin services according to the type of service of the tool and its use in the country, identifying the risks of wallet providers, virtual asset exchanges (analysing the risk of exchange houses and exchanges) and Bitcoin intermediation/payment processing (analysing the risk of the use of ATMs and payment processors). The country conducted an assessment focused on Bitcoin and BSPs as the regulated and functioning virtual asset ecosystem in the country, considering Bitcoin as legal tender from 7 September 2021, including the interaction of the Bitcoin ecosystem with traditional financial institutions and DNFBPs, and the interaction with unregulated VASPs in the country, given the nature of virtual assets.

The risk levels identified are linked to the nature of the services. In determining the level of inherent risk and the level of mitigating measures, a net risk rating was obtained for each specific Bitcoin service in El Salvador, identifying the virtual asset-to-virtual asset exchange service and the ATM service as high risk; the services with a medium level of risk were the custodied wallet service (41%), as well as the conversion of dollars to Bitcoin (24%) and vice versa (34%), and the payment processor service with a low level of risk (12%).

The country indicates that there is a high likelihood of relationships with unregulated senders or issuers, which it considers to be a risk when carrying out customer due diligence, in particular compliance with the travel rule.

However, the analysis does not conclude on the level of ML/TF risk because, although the NRA addresses the identification of the use of other virtual assets, ML/TF risks have not been identified and assessed. It is important to note that the LEAD entered into force in February 2023, at which time the country had a legal framework that provided legal certainty for the transfer operations in any title of digital assets used in the territory of El Salvador in accordance with the purpose of the law.

(b) It should be noted that art. 2 (e) of the regulations of the Bitcoin Law, art. 2 (3) (20) of the LCLDA, art. 5 and art. 19 of the Digital Asset Issuance Law and art. 4 of the FIU Instructions address what is set out in the sub-criteria which states that the country should apply a RBA based on an understanding of the risks to ensure that the measures to prevent or mitigate ML/TF are proportionate to the identified risks.

El Salvador has adopted the National Strategy for AML/CFT for the period 2023-2025, which includes 6 areas or pillars of action, including "Strengthening", which includes objectives related to virtual assets: (i) the acquisition of tools for monitoring and tracking transactions and blockchains by competent authorities such as regulators, supervisors and law enforcement agencies; (ii) the strengthening of law enforcement agencies' technical knowledge of crypto assets and blockchains for the investigation and detection of crimes related to virtual assets; and (iii) the continued promotion of guidance to the public on applicable laws, the functioning of virtual assets and the measures to be taken to minimise risks. Despite the above, no measures have been taken to strengthen the regulation of VAs and VASPs, although weaknesses have been identified in the NRA.

(c) Considering that the BSPs are reporting entities under the supervision of the SSF, and in accordance with art. 4(6) of the FIU Instructions, they shall comply with the provisions established by the Central Reserve Bank's Committee of Standards for the management of risks associated with ML/TF (i.e., Rule NRP-36), as well as the same FIU Instructions under art. 2 of the LCLDA, reference is made to the provisions described in criteria 1.10 and 1.11. In addition, with regard to the DASPs, art. 21 o) of the LEAD establishes the obligation to have systems in place to prevent, detect and disclose risks of financial crime, such as ML/TF; and art. 21 of the LEAD Regulations requires DASPs to adopt and update their risk management policies and mechanisms and, inter alia, to identify, assess, mitigate and disclose such risks in accordance with international best practices. These policies should include the measures to be taken to prevent possible non-compliance with legal requirements and those to be taken in the event of non-compliance, defining in both cases the parameters that will guide the action and those responsible for its implementation. However, these provisions applicable to DASP are general and do not fully cover the requirements of criteria 1.10 and 1.11.

CT174. *Criterion 15.4* –

(a) Art. 3 of the Bitcoin Law Regulation states that the BCR shall maintain the Bitcoin Service Provider Register. The register should include, inter alia, custodians, exchanges and payment processors or wallets. In addition, the Digital Asset Issuance Law establishes in art. 18 that the National Commission on Digital Assets shall maintain the Register of Digital Asset Service Providers. Therefore, the country requires that those who offer products and/or services to customers in its jurisdiction, or transact business from its jurisdiction, be registered.

(i) The country indicated that in the case of BSPs, art. 3 of the Bitcoin Law Regulation establishes that, before conducting transactions, they need only submit to the BCR the form and the digital copy of the Articles of Association and the identity documents of their members. The registration form includes fields to identify the country of origin, address and registration details in the country of origin.

In the case of digital asset service providers, art. 18 (d) of the Digital Asset Issuance Law provides that any legal person wishing to be registered in the Register of Digital Asset Service Providers must prove

its legal personality. In the case of foreign legal persons domiciled in another country, jurisdiction or territory, they shall form a corporation or branch, domiciled in El Salvador and duly registered with the National Registry Centre, and submit the legal personality of such corporation to the Commission.
(ii) The country indicated that, in the case of Bitcoin service providers, art. 3 of the Bitcoin Law Regulation stipulates that they must present to the BCR, in the case of natural persons, the identity card or passport before carrying out transactions, and must complete an information form with general details of the provider, the Bitcoin service it offers, details of the person designated as the liaison and details of the person signing the form. In the case of digital asset service providers, art. 18 (c) states that all natural persons wishing to register must present their identity card or residence card. In addition, they will also have to indicate their place of residence in the country.
(b) Neither art. 20 and 9 (o) and (p) of the Digital Asset Issuance Law nor art. 4 on Standards of Conduct of the Bitcoin Law Regulation require competent authorities to take the necessary legal or regulatory measures to prevent criminals or their associates from owning, being the beneficial owner of, having a controlling or significant interest in, or holding a management position in a VASP.

CT175. *Criterion 15.5* – With regard to BSPs, art. 5 of the Bitcoin Law Regulation states that the SSF is responsible for imposing sanctions for failure to comply with the registration requirement set forth in art. 3. In addition, the country indicated that art. 38 (a) (1) of the Digital Asset Issuance Law states that service providers and certifiers who fail to register in the respective registries shall be subject to a fine of up to one hundred and fourteen minimum wages of the trade and services sector.

CT176. In the specific case of the CNAD, it has implemented 2 mechanisms to identify DASPs: 1. Through various media, such as social media, circulation newspapers, television, radio or VA-related platforms or websites; and 2. Through the reporting and tip-off system via registro@cnad.gob.sv, any individual has the possibility to inform the Commission about any entity that carries out DASP transactions or advertises services that it purports to offer, without prior registration. With regard to BSPs, it should be noted that no measures are foreseen to identify and sanction natural or legal persons who carry out BSP activities without the necessary authorisation or registration.

CT177. *Criterion 15.6* –

(a) The country stated that art. 5 of the Bitcoin Law Regulation provides that Bitcoin providers will be supervised by the SSF on a risk basis, including with respect to the anti-ML programme (art. 4 of the Bitcoin Law Regulation and art. 31 of the LSRSF). While in the case of digital asset service providers, certifiers, issuers and acquirers, it will be the National Commission of Digital Assets according to art. 9 of the Digital Asset Issuance Law, who will supervise them, including the obligation to have systems to prevent, detect and disclose the risks of financial crimes such as ML/TF, it is not clear from the enacted rules that such supervision or monitoring must be carried out with a RBA.
(b) The country indicated that art. 5 of the Bitcoin Law Regulation establishes the Superintendence as the supervisory authority. In addition, art. 4 of the LSRSF establishes the powers of the Superintendence, including the power to carry out inspections (sub-paragraph c) and to compel the submission of information and impose a series of disciplinary and financial sanctions (sub-paragraph I and art. 43 of the LSRSF). Similarly, art. 4 (m) of the LSRSF states that the Superintendence may order the suspension of the operations of natural or legal persons who, without the appropriate authorisation, carry out activities typical of members of the financial system or which require a specific authorisation for their performance, and art. 15 (c) empowers the Board of Directors to authorise the suspension of operations, the withdrawal of authorisation and the closure of members of the financial system. In the case of Digital Asset Service Providers, Certifiers, Issuers and Acquirers, the supervisory authority is the National Commission of Digital Assets, which, pursuant to art. 9 (k, l and m) of Decree 643, the Digital Asset Issuance Law, has the obligation to supervise, monitor and carry out inspections to ensure

that DASPs comply with the Law and its regulations. And art. 21 o) states that DASPs must have systems in place to prevent, detect and disclose risks of financial crime, such as money laundering and terrorist financing. However, there is no reference to a supervisory process with a RBA.

CT178. *Criterion 15.7* – Pursuant to article 23-A of the LCLDA, the SFF, in coordination with the FGR and other agencies involved in financial activities, conducts annual awareness campaigns on the prevention of money laundering at the national level. Moreover, there is no evidence that art. 9, which sets out the powers of the Commission, and 21 of the Digital Asset Issuance Law, nor the provisions of arts. 18.e and 19 of the Digital Asset Service Providers Regulations, indicate the obligation of the supervisor to issue guidelines or information to assist digital asset service providers, certifiers, issuers and acquirers in the application of national AML/CFT measures and, in particular, in the detection and reporting of suspicious transactions.

CT179. *Criterion 15.8* –

(a) Art. 38 of the Digital Asset Issuance Law establishes a catalogue of violations and sanctions to be imposed on digital asset service providers, certifiers and issuers of public offerings. The country also indicated the same provisions as in R.35 regarding criminal, civil and administrative sanctions applicable to digital asset service providers, certifiers, issuers and acquirers. In the case of Bitcoin providers, arts. 43, 46 and 50 of the LSRSF describe a category of sanctions and certain regulatory violations. However, it is not clear what sanctions are applied for each breach of AML/CFT requirements, which is crucial for analysing whether they are proportionate and dissuasive.

(b) The country indicated that art. 3 (k), art. 4, art. 7, art. 38, art. 43, art. 44 and art. 46 of the LSRSF provide that sanctions shall apply not only to financial institutions but also to their directors and senior managers. With regard to DASPs, the country points out that art. 9 (n) of the LEAD establishes the CNAD's power to impose sanctions and further establishes that DASPs, certifiers and issuers of public offerings are subject to sanctions for committing the violations described in art. 38. In addition, article 37 of the LEAD provides that the procedure for the determination of infringements, their sanction and the statute of limitations shall be governed by the provisions of Title V of the Sanction Power of the Law on Administrative Procedure (LPA). However, although article 139 of the LPA indicate that liability also applies to natural persons, it is not apparent that these sanctions apply to directors and senior managers of DASPs. However, it does not appear that these sanctions cover directors and senior managers of DASPs. The country also stated that art. 15 of the LCLDA and art. 38, art. 114, art. 115 and art. 118 of the PC determine the possible civil and criminal actions.

CT180. *Criterion 15.9* –

(a) Art. 2 (3)(20) of the LCLDA provides that any other private institution of the mixed economy and commercial enterprises shall be considered a RE. The country stated that, in this regard, legal entities "Digital Asset Service Providers and Bitcoin Service Providers" must comply with the provisions on preventive measures and, in particular, CDD contained in the LCLDA and the FIU Instructions. It should also be noted that the Digital Asset Issuance Law (art. 18c) and the Bitcoin Law Regulation (art. 2e) describe that natural persons may also be providers of these services.

(b) (i) In line with the provisions analysed in R.16, the obligations set out in the FIU Instructions in art. 52 and 84C regarding the reporting of transactions to the FIU, as well as those analysed in criterion 16.1 regarding the information of the originator and the beneficiary of the transaction, seem to address this criterion to some extent. However, it is not clear that BSPs and DASPs should forward such information to the beneficiary VASP or FI (if any) and the requirement for beneficiary VASPs to obtain and maintain the necessary originator information on transfers of virtual assets and make it available to the competent authorities upon request in a timely and secure manner is not addressed.

(ii) Art. 2 (3) paragraph 20, art. 9-B, art. 10(A), (E), (I) and (II) of the LCLDA, as well as art. 84-B. and art. 84-C. of the FIU Instructions do not address the requirement that the beneficiaries of VASPs obtain

and keep the necessary information on the originator and the necessary and accurate information on the beneficiaries of virtual asset transfers and make it available to the competent authorities upon request.
(iii) Art. 2(3)(20), art. 9-B, art. 10 A, E, I and II of the LCLDA and art. 84-B. and art. 84-C. of the FIU Instructions do not provide that other requirements of R.16 (including the monitoring of the availability of information, the adoption of freezing measures and the prohibition of transactions with designated persons and entities) apply on the same basis as provided for in R.16.
(iv) Neither art. 2 (3) (20), art. 9-B, art. 10 A, E, I and II of the LCLDA, nor art. 84-B. and art. 84-C. of the FIU Instructions establish that the same obligations apply to FIs when sending or receiving transfers of virtual assets on behalf of a customer.

CT181. *Criterion 15.10* – With regard to the application of criterion 6.5(d), art. 37 of the LECAT, the MRE shall send the lists to the FGR, which shall forward them to the REs, including the VASPs. However, it remains to be seen how long this takes. Without prejudice to the provisions of the Regulations, the FIU has a portal for registered REs to consult the lists of UNSC designated persons, which would allow for a more immediate verification of the lists.

CT182. Although both the LECAT and the FIU Instructions define the framework applicable to TFSs, there are currently no guidelines for REs in general, or digital asset and Bitcoin service providers in particular, to understand and comply with the application of the TFSs.

CT183. With regard to 6.5(e), it should be noted that art. 28 of the FIU Instructions establishes that in cases where the REs identify the existence of products, property or services linked to designated persons, they must report it to the FIU within 3 working days. This report must be duly substantiated, specifying and attaching to the report the UNSCR that designated the person; adding the products, property or services of the designated person, including the product number, the balance of each and the date of the customer's link with the reporting entity. According to art. 29, the RE may not conduct any transactions. Therefore, by reporting property and services related to the designated person or entity, the RE is deemed to also report that he/she has refrained from conducting transactions related to such property and services. Therefore, digital asset service providers and Bitcoin service providers should comply with such a mechanism.

CT184. With regard to 6.6(g), according to art. 37 of the LECAT, the MRE shall transmit the lists to the FGR, which shall forward them to the REs. However, it remains to be seen how long this takes. However, without prejudice to the provisions of the Regulations, the FIU has a portal for registered REs to consult the lists of UNSC designated persons, which would allow for a more immediate verification of the lists and their updates. Finally, notwithstanding the above, there is no mechanism in place to notify REs in general or Digital Asset Service Providers and Bitcoin Service Providers of delistings or unfreezings.

CT185. *Criterion 15.11* – The country stated that art 4 and art. 34 of the LSRSF empower the Superintendence to exchange information with other supervisory bodies performing similar functions in other jurisdictions.

CT186. In addition, the Board of the National Commission of Digital Assets has the power to enter into acts, agreements and contracts with natural or legal persons, as well as with public or private, national or foreign entities. (Article 11k of the Digital Asset Issuance Law).

CT187. The country also pointed out that art. 75 of the Criminal Procedure Policy provides for the possibility of mutual legal assistance. Moreover, art. 72 of the LOFGR casts doubt on the possibility of achieving the widest possible international cooperation in this area quickly, constructively and effectively.

Weighting and Conclusion

CT188. The country has the authority to identify and assess the risks of new products and business practices, and the NRA has a section on the risks of financial inclusion products, mainly e-money and simplified savings accounts, as indicated in criteria 15.1 and 15.2. However, there are still weaknesses in the ML/TF risk identification and assessment of DASPs, which means that the RBA is not being applied to the VASP sector as a whole. There is no indication that the country has measures in place to identify natural or legal persons carrying out BSP activities without the necessary authorisation or registration, nor that the supervision of DASPs should be carried out with a RBA. Some provisions under criterion 15.7 and certain provisions under criterion 15.9 are not covered and it is not clear what sanctions apply for each breach of AML/CFT requirements and there are limitations on the implementation of TFS measures. **Recommendation 15 is rated Partially Compliant.**

Recommendation 16 - Wire transfers

CT189. In its previous MER, El Salvador was rated PC for compliance with former Special R.VII. This was because remittance companies were not subject to supervision and registration, which prevented the authorities from monitoring compliance with the provisions of the Recommendation.

CT190. *Criterion 16.1* –

(a)(i) Art. 52 paragraph (a) of the FIU Instructions (as amended by Agreement No. 476 of the Attorney General's Office through art. 8) states that FIs should ensure that all transfers they make under the parameters are accompanied by at least the information required by the FIU forms, which includes: a) the name of the customer making the transfer.

(ii) Art. 52 paragraphs (b) and (g) of the FIU Instructions (as amended by Agreement No. 476 of the Attorney General's Office through art. 8) provides that FIs should ensure that all transfers made under the parameters are accompanied by at least the information required by the FIU forms, including the account number of the originating customer ((b)) and a transaction identification number ((g)).

(iii) Art. 52 paragraph (c) of the FIU Instructions (as amended by Agreement No. 476 of the Attorney General's Office through art. 8) provides that FIs should ensure that all transfers made under the parameters are accompanied by at least the information required by the FIU forms, including the number and type of identity document of the originating customer.

(b)(i) Art. 52 paragraph (d) of the FIU Instructions (as amended by Agreement No. 476 of the Attorney General's Office through art. 8) requires FIs to ensure that all transfers they make under the parameters are accompanied by at least the information required by the FIU forms, including the name of the beneficiary of the transfer.

(ii) Art. 52 paragraphs (e), (f) and (g) of the FIU Instructions (as amended by Agreement No. 476 of the Attorney General's Office through art. 8) provides that FIs should ensure that all transfers made under the parameters are accompanied by at least the information required by the FIU forms, such as the account number of the beneficiary of the transfer ((e)), the name of the bank managing the beneficiary's account ((f)) and the transaction identification number.

CT191. *Criterion 16.2* – Art. 52 of the FIU Instructions (as amended by Agreement No. 476 of the Attorney General's Office through art. 8) provides that when several individual transfers from a single originator are grouped in a single batch file for transmission to the beneficiaries, the file shall contain the necessary and accurate information on the originator and complete information on the beneficiary in accordance with the provisions of this article and the systems established by the FIU.

CT192. *Criterion 16.3* –

(a)(i) Art. 52 paragraph (a) of the FIU Instructions (as amended by Agreement No. 476 of the Attorney General's Office through art. 8) determines that FIs should ensure that all wire transfers both domestic and international within the threshold equal to or greater than USD 1,000 including those that do not exceed the established thresholds are accompanied by at least the information required by the FIU forms, including the name of the customer originating the transfer.

(ii) Art. 52 paragraphs (b) and (g) of the FIU Instructions (as amended by Agreement No. 476 of the Attorney General's Office through art. 8) provides that FIs should ensure that all transfers not exceeding the established thresholds are accompanied by at least the information required by the FIU forms, including the account number of the originating customer ((b)) and a transaction identification number ((g)).

(b)(i) Art. 52 paragraph (d) of the FIU Instructions (as amended by Agreement No. 476 of the Attorney General's Office through art. 8) provides that FIs should ensure that all transfers below the established thresholds are accompanied by at least the information required by the FIU forms, including the name of the beneficiary of the transfer.

(ii) Art. 52 paragraphs (e) and (g) of the FIU Instructions (as amended by Agreement No. 476 of the Attorney General's Office through art. 8) provides that FIs should ensure that all transfers not exceeding the established thresholds are accompanied by the minimum information required by the FIU forms, including the beneficiary's account number ((e)) and a transaction identification number ((g)).

CT193. *Criterion 16.4* – The country indicates that 14-A paragraph iv) of the FIU Instructions (as amended by Agreement No. 476 of the Attorney General's Office through art. 6) provides that REs must apply CDD measures according to the ML/TF/FPWMD risk level of their customers or users, provided that any of the following circumstances occur, including that there is a suspicion of ML/TF/FPWMD.

CT194. *Criterion 16.5* – Art. 52 of FIU Instructions (as amended by Agreement No. 476 of the Attorney General's Office through art. 8) provides that financial institutions must ensure that all transfers made under the parameters of paragraphs (a) and (b) of the said article, even those that do not exceed the established thresholds, are accompanied by the minimum information required by the FIU forms, including the following: a) the name of the customer originating the transfer, b) the account number of the originating customer, and c) the number and type of identity document of the originating customer. In addition, where several individual transfers from a single originator are grouped into a single batch file for transmission to the beneficiaries, the file shall contain the required and accurate originator information and complete beneficiary information in accordance with the provisions of this article and under such systems as the FIU may determine.

CT195. *Criterion 16.6* – Art. 17-A of Rules NRP-36 states that FIs in the framework of wire transfers (both domestic and international) must comply with the requirements set out in art. 8 of the Agreement 476 amending art. 52 of the FIU Instructions, including the account number of the originator and beneficiary of the transaction, and if the relevant information is not submitted, the transaction should not be executed. In addition, under Article 10(B) of the LCLDA, customer and transaction information must be made available in a timely manner when requested by the authorities. However, there is no requirement for the originating FI to provide the information to the receiving FI within 3 working days in the case described in this criterion.

CT196. *Criterion 16.7* – Art. 10 (B), which states that REs should file and keep records of transactions for a period of 5 years, and art. 12 of the LCLDA, which states that REs should keep records of transactions, whether domestic or international, for a period of not less than 15 years, address the need to require the originating FI to keep all the information collected from the originator and the beneficiary in accordance with Recommendation 11.

CT197. *Criterion 16.8* – Art. 17-A of Rules NRP-36 provides that, with regard to international wire transfers, entities shall comply with the requirement to obtain information on such transfers, to carry out those that comply with the required information in accordance with the provisions of art. 8 of Agreement 476, which amends art. 52 of the FIU Instructions.

CT198. *Criterion 16.9* – The obligations described in Rules NRP-36 apply in accordance with art. 2 to all entities in the financial system, including entities that systematically or substantially engage in the business of sending or receiving money by any means, whether domestically or internationally, and are therefore applicable to intermediary FIs. In this regard, art. 17-A of Rules NRP-36 establishes that, with respect to international wire transfers, the entities must comply with the collection of information on such transfers, in accordance with art. 8 of Agreement 476 which amends art. 52 of the FIU Instructions. Therefore, the requirement to ensure that all originator and beneficiary information accompanying the electronic transfer is retained is addressed.

CT199. *Criterion 16.10* – Art. 17-A of NRP-36 provides that, when carrying out an international or domestic transaction, companies must obtain the information referred to in art. 8 of the Agreement 476, which amends art. 52 of the FIU Instructions. In addition, according to art. 10 (B) these REs must file and keep records of transactions for a period of 5 years and art. 12 of the LCLDA provides that REs must keep records of domestic or international transactions for a period of not less than 15 years.

CT200. *Criterion 16.11* – FIs wishing to provide correspondent banking services in El Salvador must comply with the Rules for the Provision of Correspondent Banking Services NPB4-51, as set out in article 4 of the said Rules: Domestic correspondent banks must be aware that customer correspondent banks apply due diligence in the detection and prevention of ML/TF, as provided for in international practices and recommendations on correspondent banking. In other words, compliance with the application of due diligence by customer correspondent banks includes knowledge and identification of the originator or the required information on the beneficiary, without which the operation or transaction should be rejected. However, there are no specific requirements that FI intermediaries should take reasonable steps to identify cross-border transfers that lack the required information on the originator or the required information on the beneficiary.

CT201. *Criterion 16.12* – FIs wishing to provide correspondent banking services in El Salvador must comply with the Rules for the Provision of Correspondent Banking Services NPB4-51, as set out in article 4 of the said Rules: Domestic correspondent banks should be aware that customer correspondent banks exercise due diligence in detecting and preventing ML/TF..

CT202. *Criterion 16.13* – Agreement 476, which amends article 52 of the FIU Instructions, states that it must be ensured that all transfers contain the information described in the previous criteria. However, it is noted that there is no obligation for intermediary financial institutions to have the information described above to take reasonable steps to identify cross-border wire transfers that lack the required information on the originator or the beneficiary. These measures might include post or real-time monitoring, where feasible.

CT203. *Criterion 16.14* – The country indicated that art. 10 (B) that provides that REs must file and keep records of transactions for a period of 5 years and art. 12 of the LCLDA that provides that REs must keep records of domestic or international transactions for a period of not less than 15 years address the requirements of this criterion. However, these rules make no reference to the fact that for cross-border wire transfers of USD/EUR 1,000 or more, the beneficiary FI should verify the identity of the beneficiary and, if

this has not already been done, retain the information in accordance with Recommendation 11. However, there are no rules on whether the beneficiary FI must request and verify the identity of the beneficiary.

CT204. Criterion 16.15 – There is no reference to the fact that beneficiary FI should have risk-based policies and procedures in place to determine: (a) when to execute, reject, or suspend a wire transfer lacking required originator or required beneficiary information; and (b) the appropriate follow-up action.

CT205. *Criterion 16.16* – Art. 28 (b) and (c) of Rules NFP-19 provides that all operations or transactions carried out by agents, directly or through sub-agents, must be recorded in writing on the corresponding vouchers, which must contain at least: b) the names of the originator and the beneficiary, and c) the identity card or passport number of the originator, if the transaction originates on national territory, or of the beneficiary, if the transaction is paid on national territory, depending on the type of transaction to be carried out. However, there are no provisions in relation to the requirement that all relevant requirements of Recommendation 16 should be complied with in the countries in which they operate, directly or through their agents.

CT206. *Criterion 16.17* –

(a) Remittance and exchange agents would be REs and, pursuant to art. 9-A of the LCLDA subject to the obligation to submit STRs. In addition, arts. 43 to 46, 48 of the FIU Instructions specify which documents and information must accompany the STR. Lastly, it is not clear that, when a RE controls both the originator and the beneficiary parts to a wire transfer, it should take into account all the information, both on the originator and on the beneficiary, in order to decide whether a STR should be submitted.

(b) Remittance and exchange agents would be REs and, pursuant to art. 9-A of the LCLDA subject to the obligation to submit STRs. In addition, arts. 43 to 46, 48 of the FIU Instructions specify which documents and information must accompany the STR. However, it is not clear whether, in the case where the RE controls both the originator and the beneficiary of a wire transfer, it should file a STR in the country affected by the suspicious transfer and provide the relevant information on the transaction to the relevant FIU.

CT207. *Criterion 16.18* – Art. 37 of the LECAT provides that the MRE shall communicate the lists to the FGR, which shall forward them to the REs, which include remittance and exchange agents, and that the REs shall be empowered to carry out freezing measures and to comply with the prohibitions on carrying out transactions with designated persons and entities, in accordance with the obligations set out in the relevant UNSCRs relating to the prevention and suppression of terrorism and its financing, such as UNSCR 1267 and 1373 and their successors. However, although both the LECAT and the FIU Instructions define the framework applicable to TFS, there are currently no guidelines for REs in general or in the specific context of the processing of wire transfers.

Weighting and Conclusion

CT208. FIs have provisions to identify the originator and beneficiary of credit transfers and to ensure that transaction information meets the requirements of criteria 16.1-16.7. However, there are no requirements for intermediary and beneficiary institutions to have risk-based policies and procedures for executing or rejecting transfers that lack information and for verifying the identity of the beneficiary. There are also certain deficiencies regarding compliance with criteria 16.16 to 16.18. Recommendation 16 is rated **Partially Compliant.**

Recommendation 17 - Reliance on third parties

CT209. In its previous MER, El Salvador was rated PC for compliance with former R. 9. The report identified a number of deficiencies, including the lack of specific regulation on the use of intermediaries that can perform some due diligence on behalf of FIs, the lack of requirements for FIs (insurance and money remittance) to obtain CDD information from third parties "promptly" as such entities were not explicitly included in the FIU Instructions, and the lack of supervision and inadequate monitoring of money remitters and paying agents (to whom compliance was delegated) for compliance with AML/CFT obligations by the remitting institutions.

CT210. *Criterion 17.1 to 17.3* - El Salvador's regulatory framework only provides for CDD measures to be carried out by REs. Reliance on third parties is not provided for. This is provided for in article 14-A. of the FIU Instructions (modified by Agreement No. 476 of the Attorney General's Office of September 2023), which specifies that CDD measures must be applied directly by the REs and that this obligation cannot be delegated to third parties.

Weighting and Conclusion

CT211. **Recommendation 17 is rated Not Applicable.**

Recommendation 18 - Internal controls and foreign branches and subsidiaries

CT212. In its previous MER, El Salvador was rated PC and LC for compliance with former R.15 and 22, respectively. With regard to R.15, the report identified a number of deficiencies, including an insufficient legal basis for the Compliance Officer, lack of functional independence and authority in FIs, and no specific requirements on the scope and procedures for internal audit to verify adequate compliance with AML/CFT recommendations. With regard to R.22, the report notes that no specific rules have been developed regarding AML/CFT measures for foreign branches and subsidiaries.

CT213. *Criterion 18.1* –

(a) Art. 14 of the LCLDA requires REs to set up a compliance office headed by an officer appointed by the board of directors or the competent body. This article also sets out a number of requirements that the latter must meet, among which the following stand out: AML/CFT certification and at least two years' experience in this field; a managerial position; legal, business and control skills and knowledge; a university degree and basic knowledge of the administrative and legal aspects of the business or activity in question. Therefore, the sub-criterion is met.

(b) Art. 4(d) of the LCLDA Regulations states that for the implementation and operation of the Law, FIs shall establish procedures to ensure a high level of integrity of staff and an internal audit system. Art. 6 of the LCLDA provides that REs must adopt due diligence measures for the selection and recruitment of their employees and collaborators and monitor the conduct of their employees ("know your employee policy"), in particular of those who occupy positions related to decision-making in their line of business or commercial activity, dealing with customers or counterparties, receiving money and controlling information, in order to avoid conflicts of interest in the exercise of their functions or otherwise contributing to the undermining of the business management. It also requires REs to have an institutional code of ethics to create a climate of values and to implement measures to raise awareness among all staff, establishing criteria to put ethical principles above the pursuit of profit and personal and commercial interests. In view of the above, the sub-criterion is duly met.

(c) Art. 10(c) of the LCLDA provides that REs shall train staff on ML processes or techniques to enable them to identify abnormal or suspicious situations. In accordance with the Law, art. 4 e) of the LCLDA Regulations establishes that, for the application and enforcement of the Law, FIs shall compile bibliographical documentation on ML and establish permanent training programmes for their staff, both in terms of ML processes and techniques, and in terms of how to report, in a timely manner, to whom it may concern, in a reasoned and documented manner, the cases in which, in the performance of their duties, they detect irregular or suspicious situations.

Art. 7 paragraph (g) of the FIU Instructions provides that the annual ML/TF/FPWMD training plan shall be the responsibility of the highest governance body or its substitute, in accordance with the activities, nature, size, operations and risk level of the reporting entity, in accordance with the risk-based approach. According to art. 54 of the same Instructions, the plan must be drawn up taking into account the characteristics of each area and the responsibilities of each employee in relation to the policies and procedures applicable to their functions, the size, structure, nature, characteristics and level of risk of the reporting entity. Training should be provided to employees and outsourced personnel at least once a year and, depending on the characteristics of the target group, should include, but not be limited to, the following basic aspects (a) raising awareness of ML/TF/FPWMD within the corporate culture; (b) legal standards and basic concepts of ML/TF/FPWMD; (c) organisational and control structure of the reporting entity for ML/TF/FPWMD prevention; (d) knowledge of customers, counterparties and the market; (e) application of ML/TF/FPWMD prevention policies and procedures; (f) awareness of ML/TF/FPWMD red flags; (g) identification of unusual transactions and reporting of suspicious transactions; and (h) information management and employee awareness. In view of the above, the sub-criterion is duly met.

(d) Art. 10 (d) of the LCLDA states that REs must establish internal audit mechanisms to verify compliance with the LCLDA. Additionally, art. 4 (d) of the LCLDA Regulations states that for the implementation and operation of the Law, FIs shall establish procedures to ensure a high level of integrity of staff and an internal audit system. In view of the above, the sub-criterion is duly met.

Art. 2 of Rules NRP-18 provides that the external audit shall be carried out by natural or legal persons who are registered with the Superintendence of the Financial System and who provide their professional external audit services to REs regulated by the Superintendence. Art. 36 of the same regulation states that the external auditors must include in their reports an opinion on compliance with the provisions of the LCLDA as well as on the management of the prevention of ML/TF risks. It shall also report in a timely manner to the Board of Directors, senior management and the Compliance Officer on any ML/TF risk issues of which it is aware. Therefore, the sub-criterion is met.

CT214. *Criterion 18.2* –

(a) The country indicated that art. 2 (1) and art. 14 (5) of the LCLDA, art. 133 of the Banking Law and arts. 65, 66 and 68 paragraph (3) of the FIU Instructions, address issues related to the policies and procedures of financial groups for the exchange of information required for CDD and ML/TF risk management purposes. However, there are concerns as to whether the obligation to share information required for CDD purposes is specifically covered by these provisions, given that art. 66 of the FIU Instructions states that financial conglomerates may not share information subject to banking secrecy or information subject to confidentiality under art. 26-B LCLDA. Nevertheless, they may share information that enables them to prevent the misuse of their services to legitimise funds derived from illicit activities, as well as to prevent contagion and reputational risks. Consequently, the requirements of the sub-criterion are met.

(b) The country indicated that art. 133 and art. 119 of the Banking Law and arts. 65, 66 and 68 paragraph (3) of the FIU Instructions address the requirements of the sub-criterion. However, there are concerns about the ability to provide customer, account and transaction information from branches and subsidiaries where necessary for AML/CFT purposes, and the ability to include information and

analysis of transactions or activities that appear unusual. In addition, there are concerns as to whether the exchange of information between branches and subsidiaries is affected by the provisions of art. 66 of the FIU Instructions, which states that financial conglomerates may not exchange information subject to banking secrecy or information subject to confidentiality under art. 26-B of the LCLDA.

(c) Art. 26-B of the LCLDA provides that anyone who improperly discloses, disseminates or uses information required to be reported to the FIU shall be punished with three to six years' imprisonment. It is therefore concluded that there is a prohibition on disclosing the submission of a report to the FIU. In accordance with the provisions of art. 66 of the FIU Instructions, they may exchange information that allows them to prevent the improper use of their services, which is intended to give legitimacy to funds derived from illicit activities, as well as to prevent contagion and reputational risks. The requirements of the sub-criterion are met.

CT215. *Criterion 18.3* – Art. 16 of Rules NPB1-11 states that the offices and banking subsidiaries shall be subject to the supervision of this Superintendence, with all the powers conferred by its Organic Law, without prejudice to the powers of other foreign supervisory bodies with respect to the supervision of such entities. In addition, art.16-A of NPB1-11 states that when investing in subsidiaries or offices abroad, such subsidiaries or offices of a bank or holding company incorporated in the country should be required to observe, ensure and comply with all AML/CFT measures in accordance with the requirements of the country and the FATF Recommendations. The requirements of this criterion are met.

Weighting and Conclusion

CT216. El Salvador satisfactorily addresses several important internal control requirements for FIs in R.18. Nevertheless, there are concerns as to whether the exchange of information between branches and subsidiaries is affected by the provisions of art. 66 of the FIU Instructions, which states that financial conglomerates may not exchange information subject to banking secrecy or information subject to confidentiality under art. 26-B of the LCLDA. **Recommendation 18 is rated Largely Compliant.**

Recommendation 19 - Higher-risk countries

CT217. In its previous MER, El Salvador was rated PC for compliance with former R. 21. The report notes that there are no requirements for FIs to pay particular attention to business relationships and transactions with persons from or in countries where the FATF Recommendations do not apply or are insufficiently applied.

CT218. *Criterion 19.1* – Art. 15 of the FIU Instructions provides that the FIUs must pay particular attention to natural or legal persons with business relations and transactions in countries that do not apply the FATF Recommendations or apply them insufficiently, for which they must apply enhanced due diligence measures and keep under constant review the higher risk countries included in the FATF lists of non-cooperative countries and high-risk jurisdictions. In view of the above, the criterion is duly met.

CT219. *Criterion 19.2* – Art.15 (2) of the FIU Instructions establishes the application of enhanced due diligence measures to counterparties, customers and users in transactions with higher risk jurisdictions, stating that REs must apply the countermeasures set out in the Interpretative Note to FATF Recommendation 19 to business relationships and transactions with higher risk jurisdictions when the FATF so requests or independently when the reporting entity considers it necessary. In view of the above, the criterion is duly met.

CT220. *Criterion 19.3* – Art. 72 (7) of the LOFGR provides that the FIU may send instructions to the REs. In line with this authority, the country indicated that a number of communications regarding concerns about weaknesses in other countries' AML/CFT systems are posted on the website.

Weighting and Conclusion

CT221. All criteria are met. **Recommendation 19 is rated Compliant.**

Recommendation 20 - Reporting of suspicious transaction

CT222. El Salvador was rated LC for compliance with former Recommendation 13 and PC for Special Recommendation IV. The main deficiencies noted in the case of former Recommendation 13 were that the law established limited obligations to report suspicious transactions in TF without considering it as a predicate offence for ML; also, in SR. IV it was noted that the obligation to report was limited to transactions of persons mentioned in lists of the Attorney General's Office or international bodies; also, the law did not establish the obligation to report non-concluded (attempted) suspicious transactions.

CT223. *Criterion 20.1* – Art. 9-A of the LCLDA provides for reporting entities to submit suspicious transaction reports. STRs must be sent to the FIU within a maximum of five working days from the moment that there are elements to consider them inconsistent or unrelated to the customer's profile, as well as when there are reasonable grounds to believe that the money or assets are related to or could be used for terrorist acts or terrorist organisations, organised crime, drug trafficking and any of its variants. The analysis must be carried out within 15 working days, which may be extended once. The provision states that attempted suspicious transactions should also be reported.

CT224. The obligation to identify and report suspicious transactions is also complemented by the FIU Instructions, articles 43 to 46 and 48. In this regard, the Compliance Officer must analyse unusual customer or counterparty transactions and determine whether there are sufficient elements, based on objective facts, to consider them suspicious. If, as a result of the analysis, the transaction is determined to be suspicious, it should be reported within five business days of such determination. The reports shall be submitted together with all documentation supporting the presumption of suspicion, including a detailed report of the operation, the analysis carried out and the conclusion, in order to facilitate the evaluation and analysis of the reported events, transactions and activities. If any of the requirements set out in the Law are missing, the FIU will inform the reporting entity that it must remedy the identified deficiencies and provide additional information. Transactions must be reported on the appropriate form.

CT225. Similarly, article 37(8) of the LECAT establishes the obligation of financial institutions to inform the FIU in writing, within a maximum of 3 days, of property, money, assets, services and transactions considered suspicious or attempted transactions related to terrorist acts, terrorist organisations and their financing.

CT226. Based on the above, reporting entities are considered to have an obligation to report if they have reasonable grounds to suspect that the funds or assets are of a criminal nature or related to TF. Similarly, the deadlines for both the report and its analysis set out in the country's regulations are considered to be in line with the requirement to report promptly.

CT227. *Criterion 20.2* – As mentioned in the analysis of criterion 20.1, art. 9-A of the LCLDA provides that attempted suspicious transactions must be reported using the form provided by the

FIU. This is also provided for in art. 47 of the FIU Instructions and art. 37 paragraph 8 of the Special Law against Terrorist Acts (LECAT). It is also stated that the amount of the transaction is irrelevant for reporting purposes.

Weighting and Conclusion

CT228. El Salvador has established an obligation to report transactions, both completed and attempted, that are suspicious or where there are reasonable grounds to suspect that the funds or assets are of a criminal nature, in accordance with the requirements of the standard. **Recommendation 20 is rated Compliant.**

Recommendation 21 - Tipping-off and confidentiality

CT229. In the Third Round MER, El Salvador was rated Compliant for the former Recommendation 14. However, concerns were raised by the assessment team at the time about the leakage of STR information to the media in practice. In addition, the legal framework evaluated in the third round has been amended and a re-evaluation of the existing framework is necessary.

CT230. *Criterion 21.1* – Art. 26-A of the LCLDA states that reporting entities, their legal representatives and employees shall not be liable for submitting reports or any information requested by the FIU, as well as for complying with the articles of the aforementioned law. Similarly, the FIU Instructions state in art. 44 that the submission of a suspicious transaction report does not entail civil or criminal liability for the reporting entity or the person signing the report, nor can civil or criminal liability be claimed if the reporting entity reports in good faith. The requirements of this criterion are met.

CT231. *Criterion 21.2* – Art. 26-B of the LCLDA provides that anyone who improperly discloses, disseminates or uses information required to be reported to the FIU shall be punished with three to six years' imprisonment. It is therefore concluded that there is a prohibition on disclosing the submission of a report to the FIU. Nevertheless, there are concerns that this provision may hinder the exchange of information envisaged in Recommendation 18.

Weighting and Conclusion

CT232. El Salvador has implemented measures to protect persons who provide STRs and has established mechanisms to ensure the confidentiality of STRs. However, it is not entirely clear that the confidentiality provisions allow for the exchange of information on the basis of R.18, which is considered a minor deficiency. **Recommendation 21 is rated Largely Compliant.**

Recommendation 22 - DNFBPs: Customer due diligence

CT233. In the Third Round MER, El Salvador was rated Non-Compliant with Recommendation 12, indicating that there were neither AML/CFT authorities for DNFBPs nor provisions that would allow compliance with the Recommendation.

CT234. *Criterion 22.1* – Art. 2 of the LCLDA states that a reporting entity is any person who, among other things, reports suspicious financial transactions or operations, exceeds the threshold established by law, appoints and trains a compliance officer, and any other person established by law, the regulations and the instructions of the FIU.

CT235. Based on the provisions of art. 9-B of the LCLDA, reporting entities must establish a due diligence policy for the identification of their users or customers, including a reliable and enhanced due diligence policy for the identification of politically exposed persons (PEPs), whether domestic or foreign, and the identity of any other natural or legal person on whose behalf they act, requiring updated and complementary information.

CT236. As set out in art. 12 of the FIU Instructions, reporting entities shall take reasonable measures to carry out due diligence procedures commensurate with the activities, nature, size, transactions and level of risk of the reporting entity, in accordance with the risk-based approach. However, the deficiencies in the implementation of CDD measures identified in R.10 also apply to DNFBPs.

(a) Art. 2 of the LCLDA establishes casinos and gaming houses as reporting entities for the purpose of fulfilling the responsibilities set forth in the Law, its regulations and the instructions issued by the FIU, and therefore they must comply with the CDD provisions. In this regard, art.77 paragraph (i) of the FIU Instructions stipulates that casinos and other gambling establishments, where customers are involved in financial transactions of USD 3,000 or more, shall implement the measures set out in Chapter III on due diligence measures of reporting entities. Consequently, the sub-criterion is met.

(b) Subsection 3, paragraph 8) of the aforementioned art.2 of the LCLDA indicates that real estate companies and intermediaries are considered to be reporting entities under the said law; likewise, art. 77paragraph (ii) of the FIU Instructions provides that real estate agents, when involved in transactions for their customers concerning the purchase and sale of real estate, shall implement the rules set out in the Instructions (Chapter III on CDD measures).

(c) Subsection 3, paragraph 7) of the aforementioned art. 2 of the LCLDA indicates that dealers in precious stones and metals are subject to the obligations of the aforementioned law. Art. 77 of the FIU Instructions mentions in paragraph iii. that these reporting entities shall apply the rules set out in the Instructions for compliance with FATF Recommendations 10, 11, 12, 15 and 17 when they are involved in a cash transaction with a customer for an amount equal to or greater than USD 10,000.

(d) Art. 2 of the LCLDA provides that lawyers, notaries and accountants are obliged to report or declare transactions made or to be made before their offices in excess of USD 10,000. In turn, art. 77paragraph (iv) of the FIU Instructions states that FIUs shall apply the provisions of Chapter III (on CDD) when their customers intend to carry out or carry out the following activities: purchase and sale of real estate; management of money, securities or other assets of the customer; management of bank, savings or securities accounts; organisation of contributions for the creation, operation or management of companies; creation, operation or management of legal persons, other legal structures and purchase and sale of the same.

(e) Art. 2 of the LCLDA establishes in paragraph 15 that corporate and trust service providers are reporting entities required to implement AML/CFT measures. Meanwhile, art. 77 paragraph (v) of the FIU Instruction provides that business service providers must apply preventive measures when they prepare to carry out or carry out for a customer the following activities: a. Acting as an agent for the incorporation of legal entities; b. Acting (or arranging for another person to act) as a director or attorney of a commercial company, as a partner of a company or in a similar position in relation to other legal persons; c. Providing (or arranging for another person to provide) a registered office, business address or postal or administrative address for a commercial company, a partnership or any other legal entity or legal structure; d. Acting or arranging for another person to act as a trustee of

an express trust or performing the equivalent function for any other form of legal entity; e. Acting or arranging for another person to act as a nominee shareholder for another person. With regard to trust service providers, pursuant to art. 1238 of the Commercial Code, only banks or credit institutions authorised by special law may act as trustees. In this regard, it is understood that banking institutions are subject to the CDD provisions discussed in R.10.

CT237. *Criterion 22.2* – Pursuant to art. 10 (B) of the LCLDA, all reporting entities must file and keep transaction records for a period of five years from the date of the termination of each transaction, as well as the identification data, account files and business correspondence of their customers after the termination of an account or business relationship. Customer and transaction information shall be made available when duly requested by competent authorities. The above meets the requirement of the standard.

CT238. Subsequently, art. 12 states that reporting entities must keep, for a period of not less than fifteen years, records of national and international transactions that will enable them to respond promptly to requests for information from supervisory bodies, the FGR and the competent courts, and that will serve to reconstruct each transaction and provide evidence of criminal conduct.

CT239. Furthermore, art. 59 of the FIU Instructions provides that reporting entities must keep, in printed, digital or electronic form, documents and information relating to the opening of accounts or contractual relations, copies of identification documents and transactions, which must be kept for a period of at least 15 years.

CT240. *Criterion 22.3* – Art. 9-B, paragraphs 1 and 2 of the LCLDA stipulates that reporting entities must establish an internal due diligence policy for the identification of users or customers, as well as a credible and enhanced due diligence policy for the identification of domestic and foreign politically exposed persons (PEPs).

CT241. As explained in the analysis of Recommendation 12, PEPs in El Salvador are the positions listed in articles 136(1) and 239(1) of the Constitution of the Republic.

CT242. In a complementary manner, the FIU Instructions provide in art. 5 paragraph (j) that reporting entities shall adopt policies and enhanced due diligence procedures for PEP control, together with other activities identified by the FATF as high risk. In accordance with art. 12 paragraph (g), lists of persons who perform or have performed prominent functions in the country of origin or in the country should be reviewed. In addition, art. 13 paragraph (e) states that senior management approval must be obtained for the establishment or continuation of business relationships with customers or counterparties classified as high risk or PEPs.

CT243. However, the concerns raised in the analysis of Recommendation 12 also have an impact on this criterion.

CT244. *Criterion 22.4* – The FIU Instructions provide in art. 22 that reporting entities, including DNFBPs, shall identify and assess risks that may arise in connection with the development of new products and new business practices, including new delivery mechanisms and the use of new or evolving technologies, prior to the introduction of new products, business practices or the use of new or evolving technologies.

CT245. *Criterion 22.5* – El Salvador's legal system does not allow for the possibility of relying on third parties to implement some of the requirements of the Recommendations.

Weighting and Conclusion

CT246. DNFBPs, as defined in the standard, are subject to similar prudential measures as financial institutions. However, minor deficiencies are noted in relation to R.10 and R.12, as indicated in the analysis of these recommendations. **Recommendation 22 is rated Largely Compliant.**

Recommendation 23 - DNFBPs: Other measures

CT247. In the Third Round MER, El Salvador was rated NC for the former Recommendation 16. Factors contributing to this rating included the absence of AML/CFT legislation applicable to DNFBPs and the absence of authorities with regulatory and supervisory powers over this type of reporting entity.

CT248. *Criterion 23.1* –

(a) The provisions of the LCLDA and the FIU Instructions discussed in R.20 also apply to lawyers, notaries and accountants.

(b) The provisions discussed in R.20 in relation to the LCLDA and the FIU Instruction also apply to dealers in precious metals and precious stones (without threshold restrictions).

(c) The provisions discussed in R.20 in relation to the LCLDA and the FIU Instructions also apply to trust and company service providers.

CT249. *Criterion 23.2* – For this criterion, the analysis of R.18 referred to all REs is applied. In accordance with the provisions of the FIU Instructions, art. 2 of the FIU Instructions states that reporting entities shall have programmes for the prevention and detection of ML/TF/PF, which shall be based on art. 4 of the LCLDA Regulations and in accordance with the risk level, characteristics, nature, structure, activities and size of each reporting entity. Subsequently, art. 5 of the aforementioned Instructions states that reporting entities must adopt policies to guide the actions of their managers, employees, subcontractors and other collaborators in all activities carried out by the reporting entity, so that their application strengthens the ML/TF/PF prevention culture, thus enabling control, detection of unusual transactions and reporting of suspicious transactions, applying a RBA.

CT250. According to the same article, the policies adopted by reporting entities should cover and develop the following aspects: Perform due diligence on its customers and users: Control customer and user transactions; and; manage the risks associated with ML/TF/PF offences.

CT251. In addition, art. 6 establishes that REs must have an institutional code of ethics in order to create a climate of values and to implement measures aimed at raising the awareness of all personnel, establishing criteria that allow them to place ethical principles above the achievement of benefits and profits. These requirements include due diligence in the selection and recruitment of employees and contractors, and the monitoring of the conduct of employees, particularly those in positions involving decision-making, dealing with customers or counterparties, receiving money and controlling information.

CT252. Art. 7 of these Instructions provides that the most senior management body, or whoever takes its place, must establish a compliance office as the unit responsible for coordinating ML/TF/PF prevention activities; define its responsibilities; appoint a compliance officer; and approve a ML/TF/PF risk

management system appropriate to the activities, nature, size, transactions and level of risk of the reporting entity. As these rules apply to reporting entities, whether financial or non-financial, the discussion of Recommendation 18 further develops the functions assigned to the compliance officer and the most senior governance body or equivalent. Notwithstanding the above, the level of compliance with this criterion is affected by the minor deficiency identified in criterion 18.2.a.

CT253. *Criterion 23.3* – For this criterion, the analysis of R.19 for all REs is applied. Art. 10 paragraph (1)(e) of the FIU Instructions establishes that, among the variables to be taken into account in determining the inherent risk of customers or counterparties, the risk of geographical areas or jurisdictions must be considered. Likewise, art. 12 paragraph (f) of the same Instructions establishes that the REs must review the lists of countries considered as zero or low tax jurisdictions and tax havens; in addition, art. 15 states that special attention must be paid to natural or legal persons with commercial relations and transactions in countries that do not apply the FATF Recommendations or do not apply them satisfactorily, for which they must apply enhanced measures and keep under constant review the highest risk countries included in the FATF lists of non-cooperative countries or high-risk jurisdictions. The function of setting up and coordinating the additional or enhanced monitoring mechanism for the operations of customers or counterparties in countries or jurisdictions designated by the FATF is the responsibility of the Compliance Officer, based on art. 73 of the FIU Instructions.

CT254. *Criterion 23.4* – For this criterion, the analysis of R.21 for all REs is applied. As indicated in the analysis of Recommendation 21, reporting entities, which include financial and non-financial entities as defined by art. 26-A of the LCLDA, as well as their legal representatives and employees, shall not be liable for submitting to the FIU any reports or information required by the FIU, as well as for complying with the articles of the aforementioned law. Similarly, the FIU Instructions state in art. 44 that the submission of a suspicious transaction report does not entail civil or criminal liability for the reporting entity or the person signing the report, nor can civil or criminal liability be claimed if the reporting entity reports in good faith.

CT255. In addition, the provisions of art 26-B of the LCLDA provide for a penalty of three to six years' imprisonment for anyone who improperly discloses, divulges or uses information reported by reporting entities to the FIU, aggravating the offence in the case of public and private officials, employees or authorities. Notwithstanding the above, the level of compliance with this criterion is affected by the minor deficiency identified in R.21.

Weighting and Conclusion

CT256. El Salvador has implemented requirements for policies and procedures, reporting measures, and confidentiality and protection of reporting persons, similar to those for financial institutions. However, minor deficiencies are noted in relation to the requirements of Recommendations 18 and 21. **Recommendation 23 is rated Largely Compliant.**

Recommendation 24 - Transparency and beneficial ownership of legal persons

CT257. In its previous MER, El Salvador was rated PC for compliance with former R. 33. The report noted that there was a low degree of effectiveness and opacity of bearer shares.

CT258. *Criterion 24.1* – The legal system of El Salvador regulates the creation of different types of legal entities, art. 18 of the Commercial Code establishes that they are generally divided into partnerships and limited liability companies. The partnerships contemplate: I- Partnerships or General Partnerships; II- Limited partnerships; and III- Limited liability companies. In addition, the capital companies contemplate: I - Corporations and II - Limited partnerships issuing shares. They are all registered in the Commercial Registry at the National Registry Centre. Cooperatives and agricultural associations are registered with the Salvadoran Cooperative Development Institute, which is public in accordance with article 2 of the Law on Access to Public Information or the Ministry of Agriculture and Livestock. With regard to the latter, there are concerns as to whether it is open to the public.

CT259. With regard to the procedures for establishing such legal entities, art 24 of the Commercial Code provides that the deeds of incorporation, alteration, transformation, merger and liquidation of companies shall be registered in the Commercial Registry. According to the information provided by the country, the procedures for setting up companies regulated by the Commercial Code can be found on the following website: www.miempresa.gob.sv. In turn, art. 461 of the Commercial Code stipulates that the register is open to the public on request.

CT260. Furthermore, article 86 of the Tax Code establishes the obligation for all taxpayers, in particular legal persons and arrangements, to register in the Taxpayers' Register and to inform the Tax Administration of any changes in the data contained in the Register. In addition, the obligation to notify the Tax Administration of the distribution of dividends, surpluses or profits and of transactions with related parties or parties domiciled in countries with preferential tax regimes is laid down in article 124 of the Tax Code. This register is available to the competent authorities.

CT261. With regard to BO information, there are no discernible processes for obtaining and recording BO information separately from that obtained and held by the REs.

CT262. *Criterion 24.2* – The recent AML/CFT NRA includes a module on legal persons. The study identifies corporations as the most exposed to ML risk. This type of company has been used in ML schemes, noting that these investigations originated in El Salvador and not in foreign jurisdictions. In relation to the other companies included in the analysis, they are considered to be of medium risk; based on criminal investigations, no misuse of any other type of company other than a corporation has been detected. It should also be noted that the country's regulations do not require direct disclosure of the beneficial owner of legal persons to a specific public institution, affecting the risk level of all companies. According to the risk analysis, production and housing cooperatives and service cooperatives have a low risk.

CT263. The NRA analyses the risk of NPOs in terms of their use for TF and indicates that most have a low inherent risk, with the exception of the religious type, which has a medium inherent risk and few mitigating factors. This category is therefore the most vulnerable to abuse for TF purposes, as it has little or no legal framework. Notwithstanding the above, the relevant analysis does not go into sufficient depth with respect to the vulnerabilities present in all types of companies and the potential modalities of abuse (including vulnerabilities associated with corporate service providers, lawyers, nominee shareholders and directors, or the risks associated with dormant legal persons, among others). Furthermore, there is no evidence that the NRA has assessed the TF risks of the other types of LPs.

CT264. *Criterion 24.3* – Art. 24 of the Commercial Code provides that the deeds of incorporation, alteration, transformation, merger and liquidation of companies shall be registered in the Commercial Registry.

CT265. In addition, art. 22 of the Commercial Code sets out the requirements that must be contained in the statutes of regulated legal persons, which include the form and legal status (Conf. art. 22 (III) of the Commercial Code), the address of the registered office (Conf. art. 22 (II) of the Commercial Code), basic regulatory powers (Conf. art. 22 (IV) et seq. of the Commercial Code) and the list of directors (Conf. art. 22 (IX) of the Commercial Code). Finally, art. 461 of the Commercial Code provides for the publication of the Commercial Registry, giving the public access to the information contained therein. The Registry of Cooperatives (INSAFOCOOP) and the Registry of Agricultural and Livestock Associations are also public, as they contain information that does not fall under the exceptions provided for in art. 24 of the Law on Access to Public Information.

CT266. *Criterion 24.4* – Art. 40 (III) of the Commercial Code establishes in general terms the obligation imposed on all types of companies to keep a book of partners or shareholders, depending on the type of company, while art. 40 (IV) of the Commercial Code states that if a variable capital system is adopted, companies must also keep a register of capital increases and decreases.

CT267. Furthermore, for limited liability companies, art. 113 of the Commercial Code stipulates that the company must keep a special register of shareholders, which remains in the possession of the administrator, who is responsible for its existence, its preservation and the timely and correct entries made in it. In addition, they shall keep a register of capital increases and decreases. The book can be consulted by members and anyone else who can show a legitimate interest.

CT268. With regard to capital companies, which may be public limited companies or limited partnerships by shares, art. 155 of the Commercial Code provides that they shall keep a register of the registered shares issued by them, and paragraph 1 provides that the register shall contain the name and address of the shareholder; the indication of the shares belonging to the shareholder, stating the numbers, series, classes and other particulars.

CT269. Article 244 (G) of the Tax Code provides that failure to inform the Tax Administration of the place where the books or records required by the Code are kept is punishable by a fine equal to 0.5% of the capital or equity shown in the balance sheet, which may not be less than twenty minimum monthly salaries.

CT270. Notwithstanding the above, it should be noted that this information must be kept in the country at a place notified to the Company Register.

CT271. *Criterion 24.5* – With regard to the accuracy of the information, art. 24 of the Commercial Code states that the deeds of incorporation of companies shall be entered in the Commercial Registry. In relation to the update of information, art. 24 of the Commercial Code provides that the deeds of alteration, transformation, merger and liquidation of companies shall be registered in the Commercial Registry. In turn, the Commercial Code requires companies, in general, to keep a register of shareholders or partners by virtue of art. 40 Roman III; this register must be updated whenever legal circumstances change.

CT272. Likewise, art. 124 of the Tax Code also stipulates that legal persons who distribute dividends, surpluses or profits must notify the Tax Administration in January of the list of persons who are partners, shareholders or collaborators of the respective legal person, regardless of whether dividends, surpluses or profits have been distributed to them. In turn, art. 86 of the Tax Code stipulates that taxpayers must inform the tax administration of any change in the basic data entered in the register within five working days of the change.

CT273. As far as the INSAFOCOOP register is concerned, it keeps its records up to date through an internal database that is updated by the National Cooperative Register and the Development Management Department.

CT274. Therefore, legal persons in particular do not seem to be obliged to update basic information in the Company Register in a timely manner. At the same time, there is no evidence that the information in INSAFOCOOP and the register of agricultural associations is up to date.

CT275. *Criterion 24.6* –

(a) The country indicated that there is no legislation requiring companies or commercial registries to obtain and keep up to date information on the BO of companies.

(b) Article 40 Roman III, 113, art. 154(1), art. 155 and art. 156 of the Commercial Code do not seem to require companies to take reasonable measures to obtain and keep up to date information on the BO of companies.

(c) In line with the analysis in R.10 and 22, there are elements in both the LCLDA and the FIU Instructions that can work together to ensure compliance, as it is established that REs must identify the BO and take appropriate measures to verify its identity. In addition, it determines a definition of BO. On the other hand, the reform of the FIU Instructions (Agreement 476) stipulates that REs must identify and verify the identity of the BO of legal persons or arrangements by obtaining information on the identity of the person who ultimately holds the controlling interest in the LP and trusts. Similarly, if there is doubt as to whether the persons with the majority shareholding are the BOs, the identity of the natural person(s) exercising control over the LP must be identified and verified by other means (art. 21-A). However, beyond the requirement for REs to obtain BO information from their LP customers, there is no evidence to ensure that mechanisms are in place to obtain BO information and that such information is available.

CT276. *Criterion 24.7* – It is not apparent that at. 155 of the Commercial Code, art. 86 (5) and (6), nor art. 124 of the Tax Code, address what is required by the sub-criterion. Therefore, there is no indication that the information on the BO needs to be accurate and up to date. Notwithstanding the above, it should be noted that in accordance with the provisions of art. 23 of the FIU Instructions, the country has a number of requirements for REs aimed at keeping customer or counterparty information up to date, which, although not specific to BOs, contribute in part to compliance.

CT277. *Criterion 24.8* – While art. 16 of the Organic Law of the FGR establishes the obligation of private individuals to provide information and assistance to the FGR:

(a) Art. 155 and art. 291 of the Commercial Code and art. 86 (5) and art. 127 of the Tax Code do not address the requirements of the sub-criterion.

(b) Domestic DNFBPs are not required to be authorised by the company and accountable to the competent authorities, to provide all available basic and beneficial ownership information.

(c) There is no indication that the country could take other comparable measures.

CT278. *Criterion 24.9* – Art. 451 of the Commercial Code provides that traders, their heirs or successors must keep the records of their general business for 10 years and up to 5 years after the liquidation of all their commercial activities. In addition, the country reported that traders include companies, which are called social traders, and therefore legal persons have to keep their records.

CT279. *Criterion 24.10* – Art. 77 (1) of the CCP stipulates that, in the exercise of their functions, the prosecutors have the power to request information, to request the cooperation of public officials and any

authority, who are obliged to cooperate and to provide the requested information without delay, where appropriate. Likewise, art. 17 of the LCLDA provides that the FGR may request information for the investigation of ML from any State, autonomous or private entity or natural person, who will be obliged to provide the information requested. Finally, art. 12 of the FIU Instructions stipulates that reporting entities must keep at the disposal of the authorities documents and information on the beneficial owners of their customers and counterparties.

CT280. *Criterion 24.11* –

(a) The country pointed out that art. 134 of the Commercial Code states that shares are always nominee shares.

(b) As reported by the country, Legislative Decree 153, published in Official Gazette 185, Volume 432 of 29 September 2021, was the decree that amended art. 134 and 153 of the Commercial Code. The same decree contains in art. 9 a transitional provision for the conversion of bearer shares into registered shares, which stipulates that companies that have issued founder's shares or bonds in the form of bearer shares are obliged to convert them into registered shares, considering as owners the persons who hold them and present them for conversion, who must be entered as such in the register kept by the company. In addition, a one-year term was established for the conversion.

It has also been established that, once the deadline for the conversion of bearer shares or securities into registered shares has expired, companies that have not complied with this obligation will be subject to the following consequences, which mainly consist in not being able to carry out active, passive or neutral operations whose capital is represented by bearer shares, and in the blocking of the Single Taxpayers Register (RUC), which will be unblocked once these companies have regularised their situation with regard to the shares.

(c) The country indicates that this is not applicable since, after the 2021 reform, art. 134 of the Commercial Code states that shares must always be registered.

(d) The country indicates that this is not applicable since, after the 2021 reform, art. 134 of the Commercial Code states that shares must always be registered.

(e) The country indicates that this is not applicable since, after the 2021 reform, art. 134 of the Commercial Code states that shares must always be registered.

CT281. *Criterion 24.12* –

(a) After the 2021 reform, art. 134 of the Commercial Code states that shares must always be registered. However, before the reform of the Commercial Code, there were no measures in place to require nominee shareholders and directors to disclose the identity of their nominators to the company and to the Company Register, and for this information to be included in the Register.

(b) The country does not appear to require nominee shareholders and directors to hold a licence to have their nominee status recorded in company registers and to maintain information identifying their respective nominators, or to make such information available to the competent authorities upon request.

(c) The country reported that the general meeting of partners or shareholders is the only competent body to appoint directors, as there is a direct relationship and responsibility between the director(s) and the company. This appointment must be entered in the Commercial Registry, which is a public register. Likewise, the administrator is always directly accountable to the company, and the natural or legal person who appears as the holder of the shares in the relevant certificate is always deemed to be the person who exercises administrative control and holds the economic rights. However, the abuse of nominee shareholders and directors is not explicitly prevented.

CT282. *Criterion 24.13* – Art. 124 of the Tax Code establishes the obligation for legal entities to inform the Tax Administration, within the month of January, about the distribution of dividends, surpluses or profits of the previous year, as well as to provide a list of partners, shareholders or co-operators, even if no dividends

have been distributed to them. This list should also include persons who have acquired or lost this status during the previous year, with the book value of the shares, partnership interests or contributions.

CT283. Failure to comply with this obligation, pursuant to art. 241 of the same Code, is punishable by a fine of 0.1% of the shareholders' equity shown in the balance sheet, with a minimum fine of three minimum monthly salaries. In addition, in the event of non-compliance, the tax debt is established and the taxpayer's current account may be affected. In extreme cases, the debt may be certified to the Attorney General's Office for compulsory collection and the taxpayer's tax solvency will not be extended, as provided for in article 264 of the Tax Code. However, this sanction only relates to obtaining and updating basic information, not BO information. Moreover, it is not clear whether it can be considered dissuasive and proportionate, and there is no evidence that there are sanctions applicable to natural persons who are in breach of the requirements of the R. 24.

CT284. *Criterion 24.14* –

(a) The country indicated that art. 75 of the Criminal Procedure Policy provides for the possibility of mutual legal assistance. In addition, art. 72 of the LOFGR establishes the functions of the FIU, including the signing of MOUs. The reforms of the Code of Criminal Procedure contained in Legislative Decree No. 929 of 3 January 2024, published in the Official Gazette No. 5, Volume No. 442 of 9 January 2024, included article 502 PP, which establishes in its paragraphs 8, 11 and 12 that: "The assistance shall consist of the following acts 8. the production of certain documents, information and evidence that are not subject to confidentiality. 11. the preservation and collection of electronic evidence. 12. other acts that may arise and for which the States agree to provide assistance". Similarly, article 77, first paragraph, of the Code of Criminal Procedure provides for the coercive powers of the Attorney General's Office, article 28, fifth paragraph, of the Tax Code provides for the confidentiality of information before prosecutors and art. 16 and 17 of the Anti-Money Laundering Law provide for direct access to the databases of the FIU and the Attorney General's Office, respectively. However, the Company Register, which contains basic information on shareholders or partners, is not up to date.

(b) The country indicated that art. 75 of the Criminal Procedure Policy provides for the possibility of mutual legal assistance. In addition, art. 72 of the LOFGR establishes the functions of the FIU, including the signing of MOUs. The reforms of the Code of Criminal Procedure contained in Legislative Decree No. 929 of 3 January 2024, published in the Official Gazette No. 5, Volume No. 442 of 9 January 2024, included article 502 PP, which establishes in its paragraphs 8, 11 and 12 that: "The assistance shall consist of the following acts 8. the production of certain documents, information and evidence that are not subject to confidentiality. 11. the preservation and collection of electronic evidence. 12. other acts that may arise and for which the States agree to provide assistance". Similarly, article 77, first paragraph, of the Code of Criminal Procedure provides for the coercive powers of the Attorney General's Office, article 28, fifth paragraph, of the Tax Code provides for the confidentiality of information before prosecutors and art. 16 and 17 of the Anti-Money Laundering Law provide for direct access to the databases of the FIU and the Attorney General's Office, respectively. However, the Company Register, which contains basic information on shareholders or partners, is not up to date.

(c) The country indicated that art. 75 of the Criminal Procedure Policy provides for the possibility of mutual legal assistance. In addition, art. 72 of the LOFGR establishes the functions of the FIU, including the signing of MOUs. However, there are concerns as to whether the investigative powers of competent authorities under their domestic laws can be used to obtain beneficial ownership information on behalf of foreign counterparties. In addition, the registers do not contain information on beneficial owners. The reforms of the Code of Criminal Procedure contained in Legislative Decree No. 929 of 3 January 2024, published in the Official Gazette No. 5, Volume No. 442 of 9 January 2024, included article 502 PP, which establishes in its paragraphs 8, 11 and 12 that: "The assistance shall consist of the following acts 8. the production of certain documents, information and evidence that are not subject to confidentiality.

11. the preservation and collection of electronic evidence. 12. other acts that may arise and for which the States agree to provide assistance".

CT285. *Criterion 24.15* – The country does not appear to have the authority to monitor the quality of assistance received from other countries in response to requests for basic and beneficial ownership information or for assistance in locating BOs resident abroad.

Weighting and Conclusion

CT286. The country provides information on the different types, forms and basic characteristics of LPs and has also produced an analysis which concludes that legal entities are the most exposed to ML/TF risks. However, the analysis does not go into sufficient depth with regard to the vulnerabilities that exist in all types of enterprises and the potential modalities of abuse, as well as the risks associated with TF for all types of enterprises. In addition, the information held by the Commercial Registry is not updated in a timely manner. Apart from the obligation for REs to obtain BO information from their LP customers, there are no provisions to ensure that the trading company itself obtains information on its BOs. There are weaknesses in the requirements for BO information to be accurate and up to date. Similarly, there are no provisions for compliance with criteria 24.8, 24.13 and 24.15. **Recommendation 24 is rated Partially Compliant.**

Recommendation 25 - Transparency and beneficial ownership of legal arrangements

CT287. In its previous MER, El Salvador was rated PC for compliance with former R. 34. The report noted that there were practical problems in identifying the beneficial owner where the beneficial owner was from a third country.

CT288. *Criterion 25.1* –

(a) Art. 1238 of the Commercial Code states that only authorised banks or credit institutions can be trustees, therefore trustees are REs. In addition, the country noted that art. 21 paragraphs (1), (3) and (4) of the FIU Instructions establishes that REs authorised by law to manage trust schemes or other legal arrangements must identify all subjects related to the trust business or structure, i.e. identify the trustors and those who exercise control over the trustor and the beneficiaries, who for the purposes of these Instructions have the quality of customers or potential customers, including the beneficial owners of the assets subject to such trust business.

(b) Art. 21 paragraphs (3) and (4) of the FIU Instructions states that trustees of all trusts must keep basic information on other regulated agents of the trust and service providers to the trust, including investment advisors or managers, accountants and tax advisors.

(c) The country reported that art. 21 paragraph (4) requires trustees to keep this information for at least fifteen (15) years after the termination of the trustee's relationship with the trust.

CT289. *Criterion 25.2* – Trusts in El Salvador are operations of the banking system, so the provisions contained in R.10 and 11 on identification and verification of the identity of the BO, as well as those on record keeping, are applicable. However, there is no evidence that there are specific provisions concerns remain about the RE's obligation to ensure that the BO's information is accurate and kept up to date or regularly updated.

CT290. *Criterion 25.3* – As banks are the only entities that can provide trust services, this criterion is not applicable.

CT291. *Criterion 25.4* – Art. 21 of the FIU Instructions indicates that trustees must keep the information for at least fifteen (15) years after their relationship with the trust has ended. It also indicates that any person acting as a trustee has an obligation to disclose their status to FIs and other REs when establishing a business relationship or carrying out an occasional transaction. Finally, it stipulates that trustees who, at the request of the competent authorities, financial institutions or other reporting entities, provide information on the beneficial owners and on the trust property held or managed in accordance with the terms of their business relationship, shall not be in breach of professional secrecy or banking secrecy.

CT292. *Criterion 25.5* – Art. 77 of the CCP, art. 16 of the LOFGR provide law enforcement authorities with the necessary powers to obtain timely access to information. In addition, the country reported that art. 173 (k) of the Tax Code regulates the investigation and audit powers of the tax administration and that art. 4 (c) and art. 32 of the LSRSF, which set out the general powers of the Superintendence and the Superintendent respectively to request access to information in the context of their supervision. Although the competent authorities have broad powers to obtain information, the rules do not explicitly state that information can be obtained about the BO and the control of the trust, including: (a) the beneficial ownership; (b) the residence of the trustee; and (c) any assets held or managed by the financial institution or DNFBP, in relation to any trustees with which they have a business relationship, or for which they undertake an occasional transaction.

CT293. *Criterion 25.6* –

(a) Neither art. 74 (1) and (2) of the CCP, which provides that the FGR is the competent authority for the investigation, nor art. 75 of the Criminal Procedure Policy, which regulates mutual legal assistance, extradition and international legal cooperation, provide for facilitated access by foreign competent authorities to the basic information held by the commercial registers.

(b) Neither art. 74 (1) and (2) of the CCP, which provides that the FGR is the competent authority for the investigation, nor art. 75 of the Criminal Procedure Policy, which regulates mutual legal assistance, extradition and international legal cooperation, provide for the possibility of exchanging internally available information on trusts and other legal arrangements.

(c) Although competent authorities have the power to access information held by reporting and other entities, neither art. 74 (1) and (2) of the CCP, which establishes the FGR as the competent authority for investigations, nor art. 75 of the Criminal Procedure Policy, which determines the form of channelling mutual legal assistance, extradition and international legal cooperation, nor art. 78, which regulates cooperation in international investigations, in particular the possibility of setting up JITs, stipulate that the investigative powers of the competent authorities, in accordance with their domestic law, may be used to obtain information on the BO on behalf of foreign counterparts.

CT294. *Criterion 25.7* – As trusts are banking operations, trustees may only be banks duly authorised to administer trusts and subject to the supervision of the SSF pursuant to art. 7 of the LSRSF. Similarly, the system of sanctions set out in art. 43 and art. 44 of the LSRSF also apply to them. The range of administrative sanctions may include a written warning, a fine, disqualification, suspension, cancellation of registration or revocation of authorisation.

CT295. *Criterion 25.8* – Pursuant to arts. 32 and 37 of the LSRSF, banks ("trust service providers") must provide the SSF with direct access to any data, reports or documents relating to their activities and must provide the necessary information, without any confidentiality or reservation, for the examination of business, acts, transactions, property, books, accounts, files, archives, documents, correspondence, databases and information systems in all matters relevant to the supervisory activity. To this end, it may impose sanctions both on the company and on the directors or managers responsible for the infringement, in accordance with the procedures laid down in arts. 43 and 44 of the aforementioned law. In addition, art. 17 of the LCLDA establishes that the General Attorney of the Republic may request information from any state,

autonomous or private entity or natural person for the investigation of the offence of money laundering, and they are obliged to provide the requested information.

Weighting and Conclusion

CT296. Trusts in El Salvador are operations of the banking system, so the provisions contained in R.10 and 11 on identification and verification of the identity of the BO, as well as those on record keeping, are applicable. However, weaknesses remain in relation to RE's obligation to ensure that the BO's information is accurate and kept up to date or regularly updated. The weaknesses reflected in R.37 and R.40 also affect compliance with criterion 25.6. **Recommendation 25 is rated Largely Compliant.**

Recommendation 26 - Regulation and supervision of financial institutions

CT297. In its previous MER, El Salvador was rated PC for compliance with former R. 23. The report identified a number of deficiencies, such as insufficient resources (staff, equipment, training) for supervisors to carry out their supervisory tasks, and a lack of control and supervision of remittance and other non-bank financial institutions that are not part of financial conglomerates.

CT298. *Criterion 26.1* – The financial system consists of banks, companies forming financial conglomerates, pension fund managers, insurance companies, stock exchanges, stockbrokers, companies specialising in the deposit and custody of securities, risk rating agencies, institutions that provide ancillary services to the stock market, agents specialising in the valuation of securities and deposit warehouses, cooperative banks, savings and loan companies, mutual guarantee companies, companies that offer complementary services to financial services, companies that manage or operate payment and securities settlement systems, the Social Fund for Housing, the Central Reserve Bank of El Salvador and the National Fund for Popular Housing, INPEP and ISSS, the Social Security Institute of the Armed Forces, the Salvadoran Investment Corporation, foreign exchange bureaus; foreign currency exchange houses, securitisation companies, the Deposit Guarantee Institute and the Fund for Financial Sanitation and Strengthening, the Salvadoran Microenterprise Family Fund in all matters concerning their laws and regulations, the commodities and services exchanges; in general, the entities referred to in art. 7 of the LSRSF.

CT299. According to art. 1 of the LSRSF, the financial supervision and regulation system consists of the Superintendence and the BCR of El Salvador. The Superintendence is responsible for the supervision of members of the financial system and other supervised entities under this LSRSF. The BCR is responsible for approving the prudential regulatory framework necessary for the proper application of this and other laws that regulate members of the financial system and other supervised entities. Art. 4 c) of the LSRSF empowers the Superintendence to exercise the individual and consolidated supervision of the members of the financial system, as well as the supervision of the other entities regulated by this law.

CT300. Art. 7 of the LSRSF defines the entities subject to the supervision of the Superintendence.

CT301. According to article 2(a) of the Law establishing the Salvadoran Cooperative Development Institute (LCISFC), INSAFOCOOP is responsible for the enforcement of the General Law on Cooperative Associations (LGAC), and according to article 2(f) of the LCISFC, INSAFOCOOP is responsible for the inspection and supervision of cooperative associations, federations of cooperatives and the National Confederation of Cooperatives, as well as the imposition of sanctions against them. However, it has no powers to supervise compliance with AML/CFT requirements, including sanctioning powers.

CT302. With regard to the leasing or financial leasing sector, pursuant to art. 7 (i) of the LSRSF, the SSF must supervise companies that provide services complementary to the financial services of the members of the financial system, in particular those in which they participate as investors; in this regard, the country explains that this sector is covered to the extent that the company providing the service is part of a financial conglomerate. In addition, those that are not part of a financial conglomerate are also under the prudential supervision of the SOM.

CT303. Other financial institutions, such as cooperative societies, savings and credit associations, capital companies that grant loans and microcredits, pawnshops and credit institutions, and financial leasing companies that are not part of a financial conglomerate, are supervised by the SOM. (Art. 362 of the Law on Commercial Companies) It also exercises prudential supervision over issuers of single-draw credit cards (art. 3 second paragraph and art. 4 second paragraph of the Law on Credit Card systems). Although they do not have specific AML/CFT supervisory powers, they have included some AML/CFT components in their supervisory programmes.

CT304. With regard to STR supervision, art. 9 A of the LCLDA empowers the FIU to carry out inspections, analyses or audits of reporting entities on a random basis or where there are indications of irregularities, in order to verify proper compliance with the reporting obligation.

CT305. *Criterion 26.2* – Financial institutions subject to the Core Principles are subject to an authorisation process by the Superintendence, which is similar to a licensing process. Art. 4 (d) of the LSRSF states that the Superintendence has the power to authorise the public promotion, incorporation, operation and commencement of business, the modification of the articles of association and by-laws and the merger of members of the financial system, in accordance with the provisions of the special laws on the subject.

CT306. Art. 4 (e) of the LSRSF provides that the Superintendence must also authorise institutions or entities incorporated under foreign laws that intend to operate as banks or insurance companies to establish branches and, in the case of banks, to establish offices or to act as information centres for their customers, or to place funds in the country in loans or investments, without carrying out passive operations, and authorise the closure of the same. The BCR has issued Rules NPB1-04, which contains the regulations for the establishment and operation of new banks and finance companies in El Salvador.

CT307. Furthermore, art. 5 of the LSRSF provides that, with regard to the securities market, the Superintendence is competent to a) authorise, suspend or cancel the public offering of securities and the activity of persons or operations carried out on the stock market, in accordance with the provisions of the applicable regulations; and b) authorise, modify, suspend or cancel the entry in the Public Stock Market Register of publicly offered securities, issuers, brokerage houses, stockbrokers, stockbroker agents, stock exchanges, external auditors, risk classification companies, companies specialised in the deposit and custody of securities, securitisation companies, agents specialised in the valuation of securities, administrators of entities subject to registration. In addition, art. 12 and 24 of the Securities Market Law provide that the Superintendence will proceed with the registration of brokerage firms and stock exchanges.

CT308. Art. 5 of the Insurance Companies Law provides that the authorisation process must be carried out before the Superintendence. In addition, the BCR has issued Section III of the Instructions for the Establishment and Operation of New Insurance Companies in El Salvador (NPS1-01). Art. 78 of the LSRSF provides that the Superintendence shall organise and keep up to date the registers entrusted to it by law and those relating to certain categories of other financial institutions.

CT309. Furthermore, in accordance with art. 4 of Rules NRP-19, the Superintendence shall keep a public register in accordance with art. 78 of the LSRSF, in which the MTCs whose country of origin is El Salvador and the agents operating in the country are registered. Those entities that are already registered as part of the financial system and are authorised under special laws to carry out money remittance and receiving operations are exempted. Pursuant to art. 6 of the Law on Foreign Exchange Houses, the Central Bank may authorise the opening of foreign exchange houses at the request of interested parties.

CT310. In the case of cooperatives, art. 16 of the General Law on Cooperative Associations stipulates that once a cooperative has been established, it must apply for official recognition and be entered in the National Registry of Cooperatives of INSAFOCOOP.

CT311. In the specific case of FIs subject to the SOM pursuant to art. 362 of the Commercial Code, there is no registration or licensing requirement for these entities.

CT312. The Rules for the Provision of Correspondent Banking Services of the Superintendence of the Financial System NPB4-51, in art. 5 provides that banking policies must expressly state that the institution may not enter into correspondent banking agreements with shell banks or provide correspondent banking services to them. Furthermore, the Technical Rules for the Establishment of Branches of Foreign Banks (NRP-40), approved on 28 June 2023, have the purpose of regulating the requirements and procedures that banks incorporated under foreign laws must comply with in order for the SSF to authorize the establishment of branches in El Salvador. Therefore, from article 4 to article 7, the requirements and procedures that the entity interested in starting operations as a foreign bank in the Republic of El Salvador must comply with are established, including the submission of a report issued by the supervisory authority of the parent company, proof issued by the competent authority that the applicant entity is authorised to operate as a bank in the country of origin, etc.

CT313. In addition, articles 26 to 31 of the Banking Law establish the conditions under which a foreign bank may be established in El Salvador and require it to comply with the same conditions as a Salvadoran bank, in the sense of complying with all banking and financial legislation, the Law for the Prevention of Money and Asset Laundering, the FIU Instructions, among others, as appropriate. Therefore, branches and offices of foreign banks established in the country must comply with the "Technical Rules for the Management of the Risks of Money Laundering, Terrorist Financing and the Financing of the Proliferation of Weapons of Mass Destruction" (NRP-36).

CT314. *Criterion 26.3* – El Salvador has a legal framework to prevent criminals from owning or holding management positions in the banking, securities and insurance sectors. This is supported by the following provisions, which state that those who have been convicted of a criminal offence cannot obtain a licence: Art. 11 (b) and art. 33(g) and (h) of the Banking Law, art. 15(g) and (h) of the Law on Cooperative Banks and Savings and Credit Societies, art. 6 (2) and (3) and 12 of the Insurance Companies Law and art. 31(d) of the Securities Market Law. In addition, the country indicated that art. 3 (c) of the Law on Facilitating Financial Inclusion, which establishes requirements and impediments for directors, managers or shareholders of a provider company, and art. 12 (e) of the Law on Securitisation of Assets also stipulate that persons who have been convicted of a criminal offence may not obtain authorisation.

CT315. As regards exchange houses, in accordance with art. 7.b of the Law on Exchange Houses, interested parties must submit to the BCR a certificate from the Ministry of Justice stating that they have not been convicted of any criminal offence in the 5 years prior to submitting their application.

CT316. However, the Technical Rules on the Submission and Disclosure of Material Facts (NDMC-22-art. 4), the Technical Rules on the Procedure for the Collection of Information for the Register of Shareholders (NRP-37-art. 4) and the Technical Rules on Corporate Governance (NRP-17-art. 11) require financial institutions to report any material fact or provide any essential information that may have a positive or negative impact on the legal, reputational, economic, administrative or financial situation of the institutions, as well as to report changes in shareholders to the SSF and to guarantee the identity of the members of the Board of Directors.

CT317. In addition, according to SSF Procedure No. BCF-019, as part of the process of approving the establishment of foreign exchange houses, shareholders are required to have no criminal record. In the case of MTCs, there is procedure BCF-021 of the SSF for the approval of the registration of new non-bank money remitters, which requires a sworn statement from the shareholders, directors, managers of the company that their involvement in ML/TF-related activities in the country or abroad has not been judicially proven, and for banking MTCs, the last paragraph of art. 33 of the Banking Law or art. 15, fifth paragraph of the Law on Cooperative Banks.

CT318. However, there are no provisions on procedures to prevent perpetrators or their associates from owning, being BOs, controlling or holding a managerial position in entities regulated by INSAFOCOOP and the SOM.

CT319. *Criterion 26.4* –

(a) Art. 4 (c) of the LSRSF establishes that the SSF has the power to carry out individual and consolidated supervision of the members of the FS, as well as supervision of the other entities regulated by this law. Furthermore, art. 3 (i) of the LSRSF provides that the Superintendence may require supervised entities and institutions to be managed and controlled in accordance with international best practices in risk management and good corporate governance, in accordance with the technical standards issued. Furthermore, art. 4, (f) of the same law states that the powers of the Superintendence include the power to know the internal policies of the members of the financial system with regard to risk management, codes of conduct and other types of requirements imposed on them, in particular those referred to in paragraphs (c) and (d) of art. 35 of the same law, and to request explanations and additional information when it deems it appropriate, in accordance with international best practices.

Finally, it should be noted that art. 3 of the LSRSF states that the Superintendence is responsible for supervising the individual and consolidated activities of the members of the financial system and other persons, operations or entities established by law.

(b) Art. 7 of the LSRSF lists all financial institutions subject to regulation and supervision by the SSF. In particular, paragraphs (p) and (t), which relate to MVTS providers and money and currency exchange offices, are also subject to regulation and supervision under the LSRSF. However, in the case of FIs under the SOM and INSAFOCOOP, there are no AML/CFT supervisory powers.

CT320. *Criterion 26.5* –

(a) The SSF has a risk-based supervision manual which allows to determine the type of supervision to be carried out using ML/TF risk as an indicator. There are 5 risk levels, which include credit, market, liquidity, operational, technology and ML/TF risk ratings, as well as capital and revenue ratings. Based on key issues identified in the annual net risk review, ML risk monitoring is prioritised. In the case of other financial institutions, there are no provisions to ensure compliance with this sub-criterion.

(b) The SSF Supervision Manual states that the frequency and intensity of supervision must take into account those entities that present special conditions, such as a high number of complaints, negative trend indicators, ML/TF reports that are linked to them. In the case of other financial institutions, there are no provisions to ensure compliance with this sub-criterion.

(c) The SSF Supervisory Manual states that off-site supervision must take into account a quantitative and qualitative analysis of the institution's general, financial and market information. This supervision is carried out on the basis of information provided by the entities on the regulatory framework, financial analysis, previous supervisory reports and other relevant monitoring. In the case of other financial institutions, there are no provisions to ensure compliance with this sub-criterion.

CT321. *Criterion 26.6* – Art. 19 (d) of the LSRSF provides that the Superintendence must be aware of the internal policies of the members of the financial system in terms of risk management, codes of conduct and other types of requirements imposed on them. In addition, art. 31 of the LSRSF provides that the Superintendence and the Deputy Superintendents shall define and develop the principles and characteristics of the supervisory process, its objectives and phases. It also states that the principles and criteria according to which supervision is carried out shall be defined and that the Superintendence and the Deputy Superintendents shall take into account factors of a quantitative and qualitative nature in order to assess the suitability, adequacy and effectiveness of the management and control exercised by the supervised parties, the management of conflicts of interest, the disclosure of relevant information and the existence of controls to prevent the improper use of privileged or reserved information. They will also continue to monitor financial markets to identify practices or behaviour that could undermine their efficiency and transparency, and take appropriate action. Supervisory principles and policies are detailed in the SSF RBA Supervisory Manual. In the case of other financial institutions, there are no provisions to ensure compliance with this criterion.

Weighting and Conclusion

CT322. El Salvador has designated the SSF for the supervision of AML/CFT measures. In particular, FIs such as those regulated by INSAFOCOOP and the SOM do not have an AML/CFT regulator, so there are no AML/CFT supervision measures in place for these entities in accordance with R.26.**Recommendation 26 is rated Largely Compliant**.

Recommendation 27 - Powers of supervisors

CT323. In its previous MER, El Salvador was rated PC for compliance with former R. 29. The report identified a number of deficiencies, including that remittance companies and non-bank financial institutions outside the supervision of the SSF and SV (leasing companies, credit card companies, general deposits warehouses, etc.) were not subject to on-site inspections and documentation to verify AML/CFT compliance. In addition, there was no specific sanctions regime for AML/CFT breaches for remittance companies and non-bank financial institutions, which were under the supervision of the SSF and the SV.

CT324. *Criterion 27.1* – According to the country, articles 3(a), (c), (d), (e), (f), (i) and (k), 4(b), (c), (f), (g), (i), (j), (m) and (p) and art. 31 of the LSRSF, establish the authority of the Superintendence to supervise and monitor the ML/TF obligations of financial institutions.

CT325. According to article 2(a) of the Law establishing the Salvadoran Cooperative Development Institute (LCISFC), INSAFOCOOP is responsible for the enforcement of the General Law on Cooperative Associations (LGAC), and according to article 2(f) of the LCISFC, INSAFOCOOP is responsible for the inspection and supervision of cooperative associations, federations of cooperatives and the National Confederation of Cooperatives, as well as the imposition of sanctions against them. However, it has no powers to supervise compliance with AML/CFT requirements, including sanctioning powers.

CT326. With regard to the leasing or financial leasing sector, pursuant to art. 7 (i) of the LSRSF, the SSF must supervise companies that provide services complementary to the financial services of the members of the financial system, in particular those in which they participate as investors.

CT327. In addition, the SOM does not have AML/CFT supervisory powers over the entities it regulates (cooperatives, savings and credit associations, capital companies that grant credit and microcredit, pawnshops and money lenders, financial leasing not regulated by the SSF and issuers of single-draw credit cards).

CT328. *Criterion 27.2* – Art. 3(a), (c), (d), (f), (i) and (k) and art. 4(b), (c), (f), (g), (i), (j), (m) and (p), art. 7 and art. 19 (z) of the LSRSF establish the power to inspect financial institutions, although it should be noted that the explicit power is contained in art. 19 (z) of the LSRSF. In addition, the country noted that art. 2(b)* and art. 5(a) of the LCISFC also provide for inspection powers.

CT329. In addition, the SOM and INSAFOCOOP do not have AML/CFT supervisory powers over the entities they regulate (cooperatives, savings and credit associations, capital companies that grant credit and microcredit, pawnshops and money lenders, financial leasing not regulated by the SSF and issuers of single-draw credit cards and cooperative associations, respectively).

CT330. *Criterion 27.3* – The SSF contains provisions on obtaining information relating to the operational business of financial institutions (articles 3(a) and (i), 4(f), 19(z), 31, 32, 35(d), 7 of the LSRSF, 4 paragraph (5), 5 paragraph (2)(h) and paragraph (3), paragraph 23(9) of the FIU Instructions) and financial institutions are obliged to have communication procedures with the competent authorities (9 and 14(5) of the Rules NRP-36).

CT331. Art. 4 (c) and (g) of the LSRSF establishes the power to carry out individual and consolidated supervision of the members of the financial system and to require supervised entities to apply preventive and corrective measures, as provided for in the LSRSF or in the specific laws that govern them.

CT332. In addition, the SOM and INSAFOCOOP do not have AML/CFT supervisory powers over the entities they regulate (cooperatives, savings and credit associations, capital companies that grant credit and microcredit, pawnshops and pawnbrokers, financial leasing not regulated by the SSF and issuers of single-draw credit cards and cooperative associations, respectively).

CT333. *Criterion 27.4* – Art. 3 (3), art. 4 (i), art. 19 (g), art. 43 of the LSRSF, art. 44 (a) and (b) and art. 50 of the LSRSF provide that the Superintendence has the power to impose sanctions for non-compliance with AML/CFT requirements of up to 2% of the assets in the case of legal persons or up to 500 minimum urban salaries of the commercial sector in the case of natural persons.

CT334. In addition, INSAFOCOOP can impose sanctions on cooperatives ranging from one hundred to one thousand Colones, temporary suspension, cancellation of the authorisation to operate, provisional audit (articles 91 and 92 of the LGAC). However, in line with R.35, the sanctions applicable for non-compliance with AML/CFT requirements are not specified.

CT335. Similarly, with regard to financial institutions regulated by the SOM, there are no sanctioning powers in relation to the supervision of compliance with AML/CFT requirements.

Weighting and Conclusion

CT336. The SSF is empowered to supervise and ensure compliance with AML/CFT requirements by FIs under its supervision. However, with regard to INSAFOCOOP and the SOM, they do not have the powers and competences to monitor compliance with AML/CFT requirements, including the powers to sanction the entities under their supervision. **Recommendation 27 is rated Largely Compliant.**

Recommendation 28 - Regulation and supervision of DNFBPs

CT337. In its previous MER, El Salvador was rated NC for compliance with former R. 24. The report noted that there was no AML/CFT legislation applicable to DNFBPs and that there were authorities with powers to regulate and supervise DNFBPs.

CT338. *Criterion 28.1* –

(a) Art. 4(4) of the Municipal Code and Legislative Decree No 27 of 2002 give municipalities the power to authorise the operation of casinos.

(b) The country reported that it does not have legislation providing that the necessary legal and regulatory measures should be taken to prevent offenders and their associates from owning or being the beneficial owner of a significant or controlling interest in a casino, or from holding a managerial position or being an operator of a casino.

(c) The country reported that it has no legislation requiring casinos to be monitored for compliance with AML/CFT requirements.

CT339. Criterion 28.2 – The country indicated that art. 26 of the LREC deals with the designation of a competent authority or SRB responsible for monitoring and ensuring compliance with AML/CFT requirements with respect to accountants. However, there are concerns as to whether the requirement is specifically covered by this provision, as the Board does not appear to have specific powers to monitor and enforce compliance with AML/CFT requirements.

CT340. It also pointed out that art. 182 paragraph 12 and art. 115 of the CR and art. 2 of the 529bis Convention deal with the designation of a competent authority or SRB responsible for monitoring and ensuring compliance with AML/CFT requirements with respect to lawyers and notaries. However, there are concerns as to whether the requirement is specifically covered by this provision, as the CSJ does not appear to have specific powers to monitor and control compliance with AML/CFT requirements.

CT341. For the remaining DNFBPs, the country has operationally designated the SOM as the designated competent authority responsible for monitoring and ensuring compliance with AML/CFT requirements. However, it does not yet have specific AML/CFT supervisory powers.

CT342. *Criterion 28.3* – It should be noted that the country has no legislation to ensure that other categories of DNFBPs are subject to systems for monitoring compliance with AML/CFT requirements.

CT343. *Criterion 28.4* –

(a) The country indicated that art. 36 of the LREC addresses the requirement that the SRB should have appropriate powers to perform its functions, including the monitoring of compliance, with respect to accountants. However, there are concerns as to whether the requirement is specifically covered by such a provision, as the Board does not appear to have adequate powers to carry out its functions, including monitoring AML/CFT compliance.

It also pointed out that art. 182(12) and (115) of the CR and art. 2 of the 529 Bis Agreement address the requirement that the SRB must have appropriate powers to perform its functions, including the

monitoring of compliance, in relation to lawyers and notaries. However, there are concerns as to whether the requirement is specifically covered by this provision, given that the CSJ and the Directorate for the Prevention of Money Laundering, Terrorist Financing and Corruption do not appear to have adequate powers to carry out their functions, including the monitoring of AML/CFT compliance.

(b) Articles 36 and art. 3 of the LREC do not provide for measures to prevent perpetrators and their associates from obtaining professional accreditation as accountants or from holding or being the beneficial owner of a significant or controlling/controlling interest or from holding a managerial position.

Art. 140 and art. 141 of the LOJ do not contain the necessary measures to prevent perpetrators and their associates from being admitted to the profession of lawyer, or from holding or being the beneficial owner of a significant or controlling interest, or from holding a managerial position.

With regard to notaries, art. 4 and art. 6 of the Notaries Law provide for the necessary measures to prevent criminals from becoming notaries.

(c) There is no legislation in place to impose sanctions for non-compliance with AML/CFT requirements in accordance with Recommendation 35.

CT344. *Criterion 28.5* –

(a) There is no legislation determining the frequency and intensity of AML/CFT supervision of DNFBPs based on their understanding of ML/TF risks, taking into account the characteristics of DNFBPs, in particular their diversity and number.

(b) There is no legal requirement that supervision of DNFBPs should be conducted in a risk-sensitive manner, taking into account the ML/TF risk profile and the degree of discretion granted to them under the RBA, when assessing the adequacy of DNFBPs' internal AML/CFT controls, policies and procedures.

Weighting and Conclusion

CT345. The country has not provided legal powers to regulate and supervise DNFBPs for AML/CFT purposes. **Recommendation 28 is rated Non-Compliant.**

Recommendation 29 - Financial intelligence units

CT346. In the Third Round MER, El Salvador was rated PC for compliance with former Recommendation 26. Among the deficiencies that led to this rating were the simultaneous transmission of STRs to the FIU and the SSF, which compromised the confidentiality of the reports and created parallel functions to those of the FIU. Similarly, the FIU was not perceived as a separate entity from the Attorney General's Office, with prosecutors assigned to the FIU frequently being transferred to other duties and the Attorney General's Office having the power to dictate the tasks of the FIU. Other deficiencies included the lack of adequate access to databases of public entities and private individuals; the lack of operational separation between analysis and criminal investigation (where the judicial stage was prioritised, reflecting the lack of technical autonomy of the FIU to produce financial intelligence); the lack of development of public information on statistics and typologies; the suspension of membership of the Egmont Group; and the lack of a permanent training programme for officials.

CT347. *Criterion 29.1* – Art. 3 of the LCLDA establishes the Financial Intelligence Unit as an office attached to the FGR as the primary office for the fight against money laundering; in addition, art. 70, paragraph 1 of the Organic Law of the FGR states that the FIU is a primary office with functional and technical autonomy

to receive, process, analyse and disseminate information for the prevention and detection of money laundering, terrorist financing and proliferation financing to the competent authorities within the framework of the law.

CT348. The LCLDA, in art. 9-A (4) provides that reporting entities shall report suspicious transactions to the FIU if there are reasonable grounds to believe that the money or assets are related to, or may be used for, terrorist acts or terrorist organisations. Similarly, LECAT in art. 37 states that financial institutions must report to the FGR, through the FIU, suspicious transactions involving services, transactions, property used or intended to be used for terrorist acts, terrorist organisations, financing of terrorism and other offences. The Salvadoran legal framework is considered to meet the requirements.

CT349. *Criterion 29.2* –

(a) Art. 71, (1) of the Organic Law of the FGR states that the FIU is the sole national centre for receiving, analysing and disseminating information from reporting entities in accordance with the LCLDA. In addition, art. 9-A of the LCLDA provides for the obligation of reporting entities to send reports to the FIU within the time limits specified in the analysis of R.20. Similarly, Chapter VIII of the FIU Instructions sets out the criteria for compliance with the STR, either for a completed transaction or an attempted transaction.

(b) Pursuant to art. 9 of the LCLDA, reporting entities are required to report to the FIU any cash transaction or transaction exceeding USD 10,000 or its equivalent in any foreign currency, whether single or multiple, on a single day or within a month, regardless of whether it is considered suspicious or not. In addition, any financial transaction in excess of USD 25,000 conducted by any other electronic means must also be reported. In the specific case of insurance companies, companies are required to report to the FIU any payments made for compensation of risks insured by them in excess of the above amounts. Other transactions to be reported by financial institutions to the FIU on a monthly basis are set out in art. 51 and art. 52 of the FIU Instructions and include individual and multiple transactions as well as complementary reports in the following transactions: international electronic fund transfers equal to or greater than one thousand dollars (1,000) or its equivalent in foreign currency; domestic electronic fund transfers generated by electronic devices or applications equal to or greater than one thousand dollars (1,000) or its equivalent in foreign currency; and family remittances equal to or greater than two hundred (200) dollars or its equivalent in foreign currency.

CT350. *Criterion 29.3* –

(a) In addition to the transaction reports and supporting documents to be received by the FIU, art. 53 of the FIU Instructions states that reporting entities, as well as any natural or legal person or public entity designated by the FIU, shall inform the FIU of any operation or transaction necessary for the performance of its functions.

(b) According to art. 16 of the LCLDA, state agencies and institutions, with particular emphasis on the Ministry of Finance, the Central Reserve Bank, the Real Estate and Mortgages Registry, and public regulatory bodies, are required to provide access to their databases and to cooperate in the investigation of ML-related offences and activities at the request of the FIU. Likewise, art. 7 of the LCLDA Regulations provides that the supervisory and control bodies of the institutions, as well as any State body or institution that is in any way related to the activities referred to in the Law, are

required to provide cooperation and technical assistance to the FIU. In principle, the FIU appears to have legal powers to access a wide range of information.

CT351. *Criterion 29.4* –

(a) Art. 72 (4) of the Organic Law of the FGR provides for the FIU's function to carry out operational analysis and its dissemination through intelligence reports to be sent to the General Attorney of the Republic for the exercise of its powers.

(b) Paragraph (5) of the aforementioned law indicates that another function of the FIU is to conduct strategic analysis of the information received in order to identify patterns and trends, and to provide information to support decision-making and the formulation of public policy on AML/CFT/CPF.

CT352. *Criterion 29.5* – Art. 70 of the LOFGR states that the FIU shall receive, process, analyse and disseminate to the competent authority information for the prevention and detection of ML/TF/PF. Likewise, as provided for in the functions of the FIU in art. 72 (4) of the same Law, one of its main functions is to disseminate intelligence reports to the Office of the General Attorney of the Republic for the exercise of its functions. With regard to the secure dissemination of financial intelligence reports, the information processing section of the document "Additional considerations on information security" provides for the implementation of technological applications to develop the processes of dissemination of financial intelligence reports, using technological mechanisms to transmit information in encrypted form and with restricted access. However, the scope and framework of application of this document is not entirely clear and concerns remain about the means and secure transmission of financial intelligence reports in accordance with the applicable regulations.

CT353. *Criterion 29.6* –

(a) The confidentiality of financial intelligence is regulated in art. 76 of the LOFGR, which states that all information received, processed, kept and issued by the FIU in ML/TF/PF matters is confidential and therefore its dissemination or partial or total reproduction by any means is prohibited. It is also provided that information received from foreign partners may not be disseminated without the express consent of the provider and in accordance with the relevant agreements and memoranda of understanding. The FIU has a Manual for the management and security of FIU information, issued in August 2021, which applies to all FIU staff and persons who have access to FIU premises and information originating from the FIU. The document sets out its scope, the conditions for the exchange of information, the permitted uses of information, confidentiality measures and the protection of privacy. It also provides instructions for the handling, storage, protection and access to confidential information and security measures for computer equipment that are deemed appropriate.

(b) The country reported that the FIU has a manual for the management and security of FIU information and a login and security manual. These documents have been reviewed and while they provide clear guidance on the management of information and systems to maintain the security and integrity of the FIU's information, resources and facilities, their scope is unclear in relation to the levels of authorisation required by staff.

(c) Instructions and guidelines for maintaining the security and integrity of the premises and resources of the FIU, including computer systems and technological equipment, are set out in the FIU Information Management and Security Manual and the FIU Premises and Security Manual, which are considered adequate for the purposes.

CT354. *Criterion 29.7* –

(a) According to art. 70 of the LOFGR, the FIU is a primary office with functional and technical autonomy to receive, process, analyse and disseminate information related to AML/CFT/CPF. From a legal perspective, this criterion is in principle covered.

(b) Art. 72 of the Organic Law of the FGR states that the FIU may sign agreements or memoranda of understanding necessary for the exchange of information with the FIUs of other States, as well as with other institutions.

(c) According to art. 70 of the LOFGR, the FIU is located within the FGR. However, the functions of the FIU are specifically differentiated and delimited in art.72 of the aforementioned law. The requirement of the criterion is met.

(d) Art. 70 (2) of the LOFGR provides that the resources necessary for the operation of the FIU shall be included in the budget of the FGR. The functions listed in art. 72 includes the signing of agreements or memoranda of understanding necessary for the exchange of information with foreign counterparts. However, there are currently no provisions for budgetary autonomy or protection from influence or interference.

CT355. *Criterion 29.8* – El Salvador's Financial Investigation Unit became a member of the Egmont Group in 2001.

Weighting and Conclusion

CT356. The FIU performs the functions of receiving reports, operational and strategic analysis and dissemination of financial intelligence reports required by FIU standards. There are some minor deficiencies with regard to specific provisions concerning the confidentiality of established channels, the handling of information and the autonomous management of the budget. **Recommendation 29 is rated Largely Compliant.**

Recommendation 30 - Powers of law enforcement and investigative authorities

CT357. In its previous MER, El Salvador was rated C for compliance with former R. 27.

CT358. *Criterion 30.1* – Art. 193 of the Constitution of the Republic provides that the General Attorney of the Republic, in collaboration with the PNC, shall direct the investigation of criminal offences. Furthermore, art. 5 of the CCP provides for the FGR to direct the investigation of the crime and to promote the prosecution, which it will exercise exclusively in cases of crimes of public criminal action. In addition, pursuant to art. 75 of the CCP, the General Attorney is exclusively responsible for the direction, coordination and legal control of the criminal investigation activities carried out by the police and other institutions cooperating with the investigative functions.

CT359. *Criterion 30.2* – Arts. 2 and 18 of the LOFGR provide that the FGR is competent and empowered to direct the investigation of crimes and to promote and exercise public prosecution. Meanwhile, art. 15 of the same law stipulates that the PNC must obey the orders and instructions of the FGR when investigating criminal acts. For its part, article 75 of the CCP provides that the General Attorney is responsible for the direction, coordination and legal control of the criminal investigation activities carried out by the police and by other institutions that cooperate with the investigative functions, while art. 77 provides that the

prosecutors have the power to request information and to require the cooperation of public officials and all authorities, who are required to cooperate and to provide the information requested without delay.

CT360. Likewise, art. 271 (1) of the CCP provides that the PNC, on its own initiative, upon complaint, upon notification or upon order of the General Attorney, shall investigate public offences, while art. 272 provides that the PNC shall carry out its investigative functions under the supervision of the prosecutors and shall execute their orders and those of the courts.

CT361. Although the framework established by the LOFGR and the CCP does not explicitly refer to the powers to conduct parallel financial investigations, by providing for broad investigative powers for all types of crimes under the direction of the FGR, it is understood that both the FGR and the PNC are empowered to do so.

CT362. *Criterion 30.3* – The country reported that art. 278 of the Criminal Procedure Code makes specific reference to the possibility of ordering the seizure or collection and preservation of objects or documents related to the commission of an offence and which may serve as evidence. However, there are concerns as to whether the term 'objects' [*objetos, in Spanish*] properly covers property that is or could be confiscated or is suspected of being the proceeds of crime. This is on the understanding that property means assets of every kind, whether corporeal or incorporeal, movable or immovable, tangible or intangible, and legal documents or instruments evidencing title to, or interest in such assets.

CT363. Notwithstanding this, articles 77 CCP and 17 LCLDA empower the FGR to take measures to identify, trace and freeze assets and the country also has the LED, which in art. 27 (a), regulates the preliminary or investigative stage, entrusting the General Attorney with the task of identifying, tracing and locating the property on which the action could fall because it is in a situation of assets forfeiture.

CT364. *Criterion 30.4* – Art. 173 of the Tax Code establishes powers of oversight, inspection, investigation and control to ensure effective compliance with tax obligations and, in accordance with the regulations, in the event of a criminal offence, the proceedings are referred to the FGR. With regard to the Superintendence of the Financial System, the LSRSF provides in art. 4 (j), that the Superintendence shall inform the FGR of any fact allegedly constituting a crime of which it becomes aware in the exercise of its functions. For its part, art. 19 (3) of the LCLDA provides for the obligation to declare the entry or exit of cross-border cash, while art. 21 of the same law defines the responsibility of the DGA to notify the FGR of the operations carried out, together with the values withheld. Given that the FGR is the law enforcement agency with exclusive powers to investigate and prosecute crimes, this criterion is considered to be met.

CT365. *Criterion 30.5* – As discussed in Criterion 30.1, the FGR is competent and empowered to investigate all types of crimes, including ML. For its part, art. 20 of the Criminal Procedure Code provides for guidelines for corruption cases, which determine the intervention of different prosecution units depending on the case. Within this framework, the Special Public Prosecutor's Office for Corruption Offences will be responsible for this type of offence, provided that it is committed at the highest hierarchical levels of State bodies or institutions, or when its relevance justifies the intervention of the General Attorney. The rest of the corruption cases will fall under the jurisdiction of the Criminal Division of the Directorate of State Interests. Cases of offences against the administration of justice, public administration and public trust fall under the jurisdiction of the Administration of Justice Unit.

CT366. With regard to the transfer of cases between specialised units within the FGR, art. 21 (1) of the Criminal Procedure Policy provides that the Directorates for the Defence of the Interests of Society, the State, the Specialised Prosecution Units and the FIU may request files from each other in order to determine

by mutual agreement to whom the case belongs, taking into account which unit has more and better evidence that implies a positive probability of a successful prosecution, without prejudice to the formation of working teams. With regard to the ML offence, art. 21(8) of the same Regulation provides that in ML cases the file shall be forwarded to the head of the FIU. Accordingly, ML cases should be referred to the FIU. This is without prejudice to the possibility of setting up joint teams.

Weighting and Conclusion

CT367. Most of the requirements of the Recommendation are met, with the exception of criterion 30.3, where a minor deficiency remains. **Recommendation 30 is rated Largely Compliant.**

Recommendation 31 - Powers of law enforcement and investigative authorities

CT368. In its previous MER, El Salvador was rated C for compliance with former R. 28.

CT369. *Criterion 31.1 –*

(a) In particular, art. 77 of the CCP stipulates that the prosecutors have the power to request information, to request the cooperation of public officials and any authority, who are obliged to cooperate and to provide the requested information without delay, where appropriate. In addition, art. 17 of the LCLDA establishes that the General Attorney of the Republic may request information from any state, autonomous or private entity or natural person for the investigation of the offence of money laundering, and they are obliged to provide the requested information.

(b) Art. 191 of the CCP states that if there are reasonable grounds to believe that in a public or private place there are objects related to the commission of the offence under investigation, or that arrests can be made there, the Attorney General or the police must request the judge to issue a search warrant for that place, who must decide within a maximum of two hours. In addition, art. 195 defines the cases in which the police may carry out a search without a warrant.

(**c)** Art. 77(2) of the CCP states that the Attorney General may summon witnesses and victims, take any measures deemed relevant to the investigation and order any precautionary measures within his/her competence.

(d) Art. 283 of the CCP states that the Attorney General shall order the seizure or collection and preservation of objects or documents related to the commission of a criminal offence and those that may serve as evidence in the course of the investigation. Moreover, art. 201 of the CCP provides for the possibility for the Attorney General to request judicial authorisation for the adoption of measures to ensure the collection, preservation or storage of information, without prejudice to the seizure of electronic information.

CT370. *Criterion 31.2 –*

(a) Art. 282 of the CCP states that if the Attorney General has reasonable grounds to believe that a person is involved in the commission of a serious crime or may provide useful information for the investigation, he/she may use special investigative techniques, such as undercover agents, controlled deliveries or controlled purchases, to verify the existence of and involvement in crimes.

(b) Art. 33 of the Criminal Procedure Policy stipulates that auxiliary agents may propose to headquarters the use of special investigative techniques, including the interception of various types of telecommunications, after verifying the requirements provided for in the Constitution of the Republic and in the Special Law on the Interception of Telecommunications.

(c) Art. 201 of the CCP provides for the possibility for the Attorney General to request judicial authorisation to adopt measures to ensure the collection, preservation or storage of information, without prejudice to the seizure of electronic information.
(d) Art. 282 of the CCP states that if the Attorney General has reasonable grounds to believe that a person is involved in the commission of a serious crime or may provide useful information for the investigation, he/she may use special investigative techniques, such as undercover agents, controlled deliveries or controlled purchases, to verify the existence of and involvement in crimes.

CT371. *Criterion 31.3* –
(a) Art. 277 of the CCP stipulates that banking secrecy and tax secrecy do not apply to the investigation of the offence. The information received will be used exclusively for evidentiary purposes in the relevant proceedings and may only be requested by the Attorney General of the Republic or the competent judge. In addition, art. 17 of the LCLDA provides that the Attorney General of the Republic may request information from any state, autonomous or private entity or natural person for the investigation of the offence of money laundering, and they are obliged to provide the requested information. Similarly, art. 24 of the LCLDA provides that banking secrecy and tax secrecy do not apply to the investigation of ML offences.
(b) Art. 22 and art. 26-B (1) of the LCLDA do not seem to ensure that the competent authorities have a procedure to identify assets without prior notice to the owner. However, by accessing various information sources and databases, authorities are generally able to identify property without having to notify the owner.

CT372. *Criterion 31.4* – The country stated that art. 3 of the LCLDA and art. 70 of the LOFGR address this criterion. However, there are concerns as to whether the requirement that competent authorities investigating ML, related predicate offences and TF should be able to request all relevant information held by the FIU is specifically covered by these provisions. However, the FIU is empowered to provide financial intelligence information at the request of, and to respond to requests from, law enforcement authorities.

Weighting and Conclusion

CT373. Most of the requirements of the Recommendation are met, except for two minor issues arising from criteria 31.3 and 31.4. **Recommendation 31 is rated Largely Compliant.**

Recommendation 32 - Cash Couriers

CT374. In the Third Round MER, El Salvador was rated PC for compliance with the Special Recommendation IX. Deficiencies identified which justified the rating included: there was no system for reporting outgoing cross-border transportation of money or bearer negotiable instruments; no adequate system for passenger screening; no analysis of travellers' forms; no adequate training and feedback from the FIU to the customs authorities; and no sanctions for non-compliance with the reporting obligation beyond a conviction of the offender for ML.

CT375. *Criterion 32.1* – The legal framework of El Salvador in art. 19 (3) of the LCLDA requires all persons entering or leaving the country, by any means of transport, to declare whether they are carrying banknotes, drafts, own- or third-party cheques, bearer negotiable instruments in national or foreign currency, or securities for an amount equal to or greater than USD 10,000 or its equivalent in another currency; if they are not, this circumstance may be expressed by means of a sworn declaration. Verification of the accuracy

of the information provided is one of the tasks of the DGA, as provided for in art. 20 of the aforementioned regulation. With regard to mail, article 84(3) of the Salvadoran Postal Regulations prohibits the sending of "letters containing banknotes, gold or silver coins, whether minted or in the form of jewellery, precious stones or other valuable objects". However, with regard to cargo transport, while the authorities consider that the Regulation covers legal persons, as it speaks of "persons" in general and covers both natural and legal persons, it is not clear that cargo transport is bound by the Regulation.

CT376. *Criterion 32.2* – According to art. 19 of the LCLDA, the declaration must be made by persons who carry money, bearer negotiable instruments or securities in excess of the fixed amount of ten thousand United States dollars (10,000) or its equivalent in another foreign currency, using the form provided for such purposes, as referred to in art. 8-A of the aforementioned law. In this sense, the requirement is met by implementing the option of a declaration system for passengers above the threshold, which is even lower than that set by the standard.

CT377. *Criterion 32.3* – El Salvador has introduced a system of written declarations for persons carrying cash, bearer negotiable instruments or securities with a value equal to or exceeding the threshold of USD 10,000 or any foreign currency. Therefore, the requirement for a disclosure system does not apply.

CT378. *Criterion 32.4* – Art. 20 of the LCLDA provides for the verification of the veracity of the declarations made by the DGA. Based on the information provided, the DGA may request information to verify the origin and destination of the funds or request additional information or documentation regarding the reason for the transfer.

CT379. *Criterion 32.5* – If the verification of the accuracy of the declaration referred to in art. 20 of the LCLDA, misrepresentations, omissions or inaccuracies in the amount are found, this will lead to the withholding of the values and the notification of the PNC and the FGR.

CT380. Based on art. 8-A of the LCLDA, a prosecution will be initiated for money and asset laundering, which carries a penalty of three to five years' imprisonment. If the case is closed, dismissed or the offender is acquitted, a fine of five per cent of the amount will be imposed in the case of negligence. In the event of a conviction for the offence or if the legal origin of the cash, bearer negotiable instruments or securities is not proven, the judge shall order that they be paid into the Special Fund for Money Subject to Precautionary Measures or Forfeiture.

CT381. In view of the above, it is considered that there are dissuasive sanctions which are proportionate to whether the omission is intentional or involuntary.

CT382. *Criterion 32.6* – Art. 19 (3) of the LCLDA provides for an obligation to report cash inflows or outflows of USD 10,000 or more. The form covers both entry and exit. The forms shall be forwarded to the FIU if there is sufficient evidence to believe that the declarations are untrue, or at the request of the FIU, in accordance with art. 21 of the LCLDA Regulations.

CT383. *Criterion 32.7* – Art. 26 of the Organic Law of the DGA provides for the power to coordinate functions. It provides that the authorities responsible for migration, quarantine control, health, the police and

all public and private bodies responsible for controlling the entry or exit of persons, goods and means of transport shall exercise their functions in coordination with the customs authority and shall cooperate in the application of the laws and regulations. It also states that the DGA may carry out audit actions with duly empowered public sector institutions, such as the PNC and the FGR, to which the FIU is attached, and other entities to carry out tasks such as coordination of functions.

CT384. This indicates that the General Customs Directorate is empowered and able to coordinate with the relevant authorities, including Migration, the PNC and the FGR.

CT385. *Criterion 32.8* –

(a) Pursuant to art. 20(1) and 21 of the LCLDA, it may withhold cash and other instruments or securities if, despite a full and accurate declaration of the amounts, there is a suspicion that the funds may be linked to illicit or terrorist activities.

(b) If the verification of the accuracy of the declaration referred to in art. 20 of the LCLDA and conducted by the DGA, misrepresentation, omissions or inaccuracies in the amount are found, this will lead to the withholding of the values and the notification of the PNC and the FGR. Similarly, art. 22 of the LCLDA provides that the FGR shall verify the accuracy of the information contained in the forms and, in the event of any misrepresentation, omission or inaccuracy, shall order the withholding of the values declared in the forms and shall take the measures appropriate to the seriousness of the case. Furthermore, if the lawful origin of the funds and securities withheld is not reliably established within thirty days of such action, they shall be confiscated.

CT386. *Criterion 32.9* –

(a) Based on the provisions of art. 18 of the LCLDA, the FGR creates and maintains a database on the crime of money laundering and, if possible, shares it with other international institutions. On the basis of art. 78, joint investigation teams can be set up with foreign and international institutions if the criminal activity, in this case money laundering, is committed in whole or in part outside the territory. Under these provisions, it is understood that international cooperation could be triggered by a declaration exceeding the threshold.

(b) In the event of an omitted, false or inaccurate declaration, a money laundering procedure will be initiated and the competent authorities, mainly the FGR, will be able to initiate a criminal investigation and will have the power to set up joint investigation teams with foreign and international institutions, as provided for in art. 18 of the LCLDA.

(c) In accordance with the provisions of art. 21 of the LCLDA, the mechanisms described in art. 18 of the LCLDA in case of suspicion of an offence.

CT387. *Criterion 32.10* – The information contained in the declarations is subject to the same guarantees of protection and confidentiality that apply to the information received, processed, stored and issued by the FIU pursuant to art. 76 (1) of the Organic Law of the FGR. There is no evidence that the provisions relating to declarations in any way restrict the free movement of persons and capital or that they may restrict payments.

CT388. *Criterion 32.11* – As indicated in the analysis of criterion 32.5, persons who make misrepresentations, omissions or inaccuracies will have the money confiscated and be subject to prosecution for money and asset laundering under art. 8-A of the LCLDA, which may result in a sentence of three to five

years' imprisonment, in addition to the fact that, if the lawful origin of the money, instruments or securities cannot be proved, they will be confiscated, the latter on the basis of art. 20 (4) of the aforementioned law.

Weighting and Conclusion

CT389. El Salvador has introduced a system of declaration of money entering and leaving the country below the threshold, with penalties for misrepresentation, omission or inaccuracy in the declarations made. The vast majority of the requirements have been met. However, a minor deficiency in the scope of the system is noted, as the system covers cash courier by individuals and mail, but its applicability to cargo transport is unclear. **Recommendation 32 is rated Largely Compliant.**

Recommendation 33 - Statistics

CT390. In the Third Round MER, El Salvador was rated NC for the former Recommendation 32. The deficiencies identified that resulted in the rating include the lack of information mechanisms in place to provide reporting entities with regular reports on crime statistics, typologies and trends, and the lack of performance measurement systems by the authorities to analyse the effectiveness of the AML/CFT system.

CT391. The Criminal Procedure Policy, in particular art. 59 on strengthening the management, analysis and access to information, states that the provision or collection, management, analysis, use and storage of case information at the institutional level is an essential tool for the definition and implementation of strategies to combat crime.

CT392. In this way, the information is loaded into the Automated Management System for the Prosecution Process (SIGAP), in which all information relating to investigations carried out by auxiliary agents is entered, and for which a manual of rules of use has been issued, which includes provisions on issues such as the deadline for entering information in order to keep it up to date (72 hours per working day, in accordance with paragraph 1(f) of Section V "Working Rules"), thus ensuring that the system has the most up-to-date and timely information possible. Similarly, the work processes outlined in the manual ensure that the information uploaded to SIGAP contains all the requirements, additional data and supplementary information, as well as the validation mechanisms to ensure optimal case management.

CT393. With regard to statistics relating to mutual legal assistance or other requests for international cooperation, the Directorate of International Affairs of the Attorney General's Office is responsible for processing them, for which internal controls and statistics are in place. Notwithstanding the above, the existence of the statistics is referred to in particular below.

CT394. *Criterion 33.1* –

(a) The Operational Analysis Unit of the FIU compiles statistics on suspicious transaction reports by type of reporting entity, as well as information on other reports required by law, such as daily and monthly cumulative cash transaction reports. It also has statistics on the reports produced and disseminated, which it has broken down into spontaneous disclosures, intelligence reports, reports on request and cooperation financial analysis reports. On the basis of the above, it can be concluded that the statistics are kept in accordance with the requirements of the sub-criterion.

(b) The FGR has statistics on the initiation of investigations into ML, special ML cases and money and asset laundering, as well as figures on prosecuted cases broken down by the same categories. For its part, the CSJ has statistics on convictions in the three categories mentioned above, as provided by the country. In addition, statistics on acquittals and authorisations for the use of special investigative techniques are produced. However, disaggregated information by predicate offence appears to be lacking. In addition, the NRAs point to the difficulty of obtaining information. This is because information is not systematically collected by all the relevant authorities.

(c) CONAB has statistical information on the amounts seized and confiscated by type of property, broken down into the categories of cash, real estate, vehicles and other property. In addition, specific information is available on the amounts of assets confiscated as well as on the auctioning of properties under the law. However, there is no information on frozen assets.

(d) El Salvador has statistics on mutual legal assistance requests received and made, which can be disaggregated by country, predicate offence and status (granted, refused, pending or partial); statistics on extradition can also be disaggregated by country and by outcome (granted, refused or pending). Statistics on other forms of international co-operation include figures on co-operation agreements (Memoranda of Understanding); information sent through the GAFILAT Asset Recovery Network (RRAG), the latter broken down by country and other analytical criteria, as well as response time figures; and statistics on inter-FIU requests processed through the Egmont Group's secure network.

Weighting and Conclusion

CT395. El Salvador has mechanisms, regulations and even computer systems that allow it to provide relevant statistics to the AML/CFT system, including information exchange, investigations, cases, etc. However, there is a perception that statistics on frozen or confiscated assets are not compiled. **Recommendation 33 is rated Largely Compliant.**

Recommendation 34 - Guidance and feedback

CT396. In the Third Round MER, El Salvador was rated NC for the former Recommendation 25. The deficiencies that resulted in this rating were that the FIU and other competent authorities did not have a feedback process in place with the reporting entities.

CT397. *Criterion 34.1* – Pursuant to art. 23-A of the LCLDA, the SSF, in coordination with the FGR and other agencies related to financial activities, shall conduct annual awareness campaigns to prevent ML. In addition, art. 72 of the LOFGR provides for the functions of the FIU to make suggestions and issue instructions to assist reporting entities in the detection of user and customer behaviour. The AT was able to verify that this task of feedback to REs is carried out by means of notifications issued on the FIU's portal for reporting entities.

Weighting and Conclusion

CT398. All requirements are met. **Recommendation 34 is rated Compliant.**

Recommendation 35 - Sanctions

CT399. In its previous MER, El Salvador was rated PC for compliance with former R. 17. The report identified a number of deficiencies, such as the fact that remitters and non-bank financial institutions that are not subject to the supervision of the SSF and the SV do not have a comprehensive sanctions regime in place that is commensurate with the seriousness of AML/CFT offences. In addition, it was noted that in the case of remitters and non-bank financial institutions not supervised by the SSF and SV, there was no possibility of non-monetary sanctions or closure of the offending entities and sanctions against their officials for specific AML/CFT violations.

CT400. *Criterion 35.1* – The country stated that art. 5, art. 7(a) and (b), (c), (d) and (e), art. 8 A and art. 26-B of the LCLDA, art. 28, art. 29, art. 30 and art. 41 of the LECAT address the range of criminal sanctions. The country also stated that art. 15 of the LCLDA, art. 38, art. 114, art. 115, art. 118 and art. 119 of the CC determine the possible civil actions. In addition, the country stated that art. 38, art. 43, art. 44, art. 45, art. 46, art. 47 and art. 48 of the LSRSF address the range of administrative sanctions. The latter allows the Superintendence to impose the following sanctions on supervised entities: written warning, fine, disqualification, suspension, cancellation of the relevant register or revocation of the authorisation granted to them. However, the regulations are unclear as to which sanctions apply to breaches of the AML/CFT requirements detailed in Recommendations 6 and 8 to 23, as these sanctions appear to apply to breaches of prudential rules and not AML/CFT rules.

CT401. It is also unclear what kind of sanctions should be applied directly or indirectly for non-compliance. This makes it difficult to analyse the proportionality and dissuasiveness required by the criterion. In the case of Bitcoin providers, it is unclear what sanctions apply for each breach of AML/CFT requirements. This is essential for analysing whether they are proportionate and dissuasive. It is not verified that sanctions are set for digital asset service providers, certifiers and issuers of public offerings.

CT402. *Criterion 35.2* – The country indicated that art. 38, art. 43, art. 44, art. 45, art. 46, 47 and 48 of the LSRSF provide that sanctions should apply not only to financial institutions but also to their directors and senior managers. The country also stated that art. 15 of the LCLDA, art. 38, art. 114, art. 115 and art. 118 of the PC determine the possible civil actions. However, the above provisions do not appear to address sanctions applicable to directors and senior managers of DNFBPs.

Weighting and Conclusion

CT403. El Salvador's legal framework contains provisions relating to the sanctioning framework for non-compliance and misconduct, which includes criminal, administrative and civil sanctions, as well as asset forfeiture measures, as described in Recommendation 4. Notwithstanding the above, moderate deficiencies are perceived regarding the applicability of sanctions to non-financial REs (DNFBPs), their senior executives or managers, and Bitcoin and other digital asset service providers. **Recommendation 35 is rated Partially Compliant.**

Recommendation 36 - International instruments

CT404. In the Third Round MER, El Salvador was rated C for compliance with both former Recommendation 35 and Special Recommendation I.

CT405. *Criterion 36.1* – El Salvador is part of the 4 Conventions. The Vienna Convention was ratified by Legislative Decree 655 of 1993. The Palermo Convention was ratified by Legislative Decree 164 of 2003. The Mérida Convention was ratified by Legislative Decree 325 of 2004. The TF Convention was ratified by Legislative Decree 1158 of 2003.

CT406. *Criterion 36.2* – In addition to their ratification by the aforementioned Decrees, the aforementioned instruments have been incorporated into the relevant legal systems of the Salvadoran legal framework, as follows:

- The Vienna Convention has been implemented through the Law on the Regulation of Drug-Related Activities, the Special Law on Assets Forfeiture and Administration of Assets of Illicit Origin or Destination, and the Central American Convention for the Prevention and Repression of Money and Asset Laundering Crimes in cases of drug trafficking and related offences.
- The Palermo Convention has been implemented through the Law against Organised Crime and Crimes of Complex Perpetration; the Protocol against the Smuggling of Migrants by Land, Sea and Air (ratified by Legislative Decree No. 237, published in the Official Gazette No. 240, vol. 361 of 23 December 2003); the Special Law against Trafficking in Persons of El Salvador; the Special Law on Assets Forfeiture and Administration of Assets of Illicit Origin or Destination and the Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children (ratified by Legislative Decree No. 238, published in Official Gazette No. 240, Vol. 361 of 23 December 2003).
- The Mérida Convention has been implemented through the Law on Access to Public Information and the Special Law on Assets Forfeiture and Administration of Assets of Illicit Origin or Destination. On the other hand, the Criminal Code has criminalised the following acts: embezzlement, negligent embezzlement, extortion, illicit negotiations, proper bribery, improper bribery, illicit enrichment, concealment, prevarication, unfaithful patronage, facilitation of evasion, negligent facilitation of evasion, arbitrary acts, dereliction of duty, active bribery and influence peddling.
- Finally, the Convention for the Suppression of the Financing of Terrorism has been implemented through the Special Law against Terrorist Acts, as well as the Central American Convention for the Prevention and Repression of Money and Asset Laundering Crimes related to drug trafficking and related crimes.

CT407. Notwithstanding the above, the minor deficiencies identified in R. 3 and 4, in addition to the moderate deficiencies identified in Recommendations 5 and 12, hinder the full implementation of these Conventions.

Weighting and Conclusion

CT408. El Salvador has ratified relevant International Conventions on the fight against ML/TF. However, the minor deficiencies identified in R. 3 and 4, in addition to the moderate deficiencies identified in R. 5 and 12, hinder the full implementation of these Conventions**. Recommendation 36 is rated Largely Compliant.**

Recommendation 37 – Mutual legal assistance

CT409. In its previous MER, El Salvador was rated LC for compliance with former R. 36. The report noted that there was no clear internal body of regulations to develop mutual legal assistance, although this had not hindered cooperation in practice. With regard to SR. V, El Salvador was classified as PC. It was noted that there was little or no actual implementation of the existing measures for international cooperation on TF and that the deficiencies in relation to former R.36 and 39 affected compliance with SR.V in relation to extradition and other forms of cooperation (little implementation of measures for international cooperation; lack of laws and procedures clearly regulating extradition; lack of statistics on practical implementation).

CT410. *Criterion 37.1* – Legislative Decree No. 929 of 3 January 2024 amends the Code of Criminal Procedure to include the principles of international cooperation in this area. Art. 16-B states that international cooperation is governed by four principles: a) dual criminality or normative identity; b) reciprocity; c) speciality or limitation; and d) extradition or prosecution when extradition cannot be granted. It then develops a whole chapter on mutual legal assistance, in which art. 502-II provides for a mechanism to facilitate assistance by the Salvadoran State in investigations, trials and proceedings in criminal matters.

CT411. El Salvador has also signed MLA treaties with Argentina, Colombia, Costa Rica, Guatemala, Honduras, Mexico, Nicaragua, Peru, Spain and Uruguay, providing an appropriate legal basis for international cooperation with these countries. In addition, the LED provides for and regulates in detail the MLA in relation to asset forfeiture.

CT412. *Criterion 37.2* – Art. 502-JJ of the Code of Criminal Procedure, as amended by Legislative Decree No. 929 of 3 January 2024, states that the central and competent authority for mutual legal assistance is the General Attorney of the Republic or the person delegated by him/her. In addition, there are no clear procedures for prioritising and processing incoming requests in a timely manner, nor a case management system to monitor the progress of requests. Notwithstanding the above, the assessor team had access to Memorandum 322-bis-DFAI-2022 of 24 June 2022, which sets out some criteria for active and passive mutual legal assistance in criminal matters.

CT413. *Criterion 37.3* – The reform of the Code of Criminal Procedure of 3 January 2024, by Legislative Decree No. 929, establishes the conditions under which mutual legal assistance may be granted. Among the conditions established, art. 502-MM provides that documents processed through a central authority or diplomatic channel are exempt from the apostille, unless expressly provided otherwise; other conditions such as translation into Spanish and English (art. 502-ÑÑ) and the requirements to be met by the assistance (art. 502-QQ) are also specified.

CT414. The conditions set out in the Code of Criminal Procedure for refusing mutual legal assistance are set out in art. 502-RR, with the following assumptions: 1) the request may be used to try a person who has already been convicted or acquitted on the same charges; 2) the request seeks to discriminate in any way against a person or group of persons on the basis of sex, race, social status, nationality, religion or ideology; 3) the request concerns or relates to a political offence; 4) the request comes from an exceptional or ad hoc court; or 5) the request affects public order, sovereignty or fundamental public interests. The grounds for refusal are considered to be reasonable and not unduly restrictive.

CT415. In addition, the agreements signed with the 10 countries mentioned above do not contain any inappropriate or unreasonable prohibitions or conditions on the provision of MLA. However, in the absence

of a specific legal framework governing MLA at a general level, it is not possible to assess the scope of this criterion beyond those cases where MLA agreements exist.

CT416. *Criterion 37.4* –

(a) The legislation or treaties signed by the country do not provide for the refusal of MLA requests in cases involving tax crimes, as long as they comply with the principles of dual criminality or reciprocity and do not fall under one of the grounds for refusal provided for in art. 502-RR of the Code of Criminal Procedure, added by Legislative Decree No. 929 of 3 January 2024.

(b) As mentioned in the analysis of the previous sub-criterion, there is no evidence that the reformed Code of Criminal Procedure or the treaties signed by the country provide for the refusal of MLA requests in cases involving secrecy or confidentiality requirements of FIs or DNFBPs.

CT417. *Criterion 37.5* – The Code of Criminal Procedure, as amended by Legislative Decree No. 929 of 3 January 2024, provides in art. 502-KK that the information or evidence provided is confidential, in accordance with the conditions established by the laws and regulations in force, and may only be used for the case requested, without the possibility of disclosing or using information or evidence for reasons or interests other than those required; in addition, the bilateral or multilateral treaties signed by the country contain a confidentiality clause. However, in the absence of a general legal framework on MLA, it is unclear which MLA requests from countries not party to the treaties are protected by confidentiality rules.

CT418. *Criterion 37.6* – According to the provisions of art. 16-B of the Code of Criminal Procedure, reformed by Legislative Decree No. 929, one of the principles of international cooperation is precisely the non-necessity of normative identity or the dual criminality principle. Notwithstanding the above, it is not entirely clear whether this principle also applies to requests for mutual legal assistance that do not involve extradition, given that the Articles refer specifically and exhaustively to actions relating to extraditable persons or persons subject to extradition.

CT419. *Criterion 37.7* – As indicated in the analysis of criterion 37.6, one of the principles of international cooperation is that the act or conduct is regulated in the legal system of the requested State, regardless of the name of the offence or the fact that some of its elements are not identical. However, as the list of extraditable persons is exhaustive, it is not entirely clear whether the provision can be applied in cases where extradition is not sought or cannot be carried out.

CT420. *Criterion 37.8* –

(a) The reform of the Code of Criminal Procedure by Legislative Decree No. 929 of 3 January 2024 adds an art. 502-PP, which provides that assistance includes, inter alia, the attachment and seizure of property, the freezing of assets and assistance in proceedings relating to seizure; the carrying out of inspections or seizures; the examination of objects and places; the preservation and collection of evidence or electronic evidence; and any other acts that may arise and for which the States agree to provide assistance.

(b) As indicated in the analysis of the previous sub-criterion, the actions that may be carried out within the framework of the assistance, on the basis of the reform of the Code of Criminal Procedure introduced by art. 502-PP, may include inspections, seizures, examination of objects and places, attachment and seizure of property, collection of evidence or electronic evidence.

Weighting and Conclusion

CT421. El Salvador has an adequate legal basis to provide a wide range of MLA on ML/TF and related predicate offences in a timely, constructive and effective manner; however, there are opportunities to improve the procedures for prioritising and timely processing of requests received, as well as some deficiencies regarding the dual criminality principle for MLA. **Recommendation 37 is rated Largely Compliant.**

Recommendation 38 – Mutual legal assistance: freezing and confiscation

CT422. In its third round MER, El Salvador was rated LC on former Recommendation 38. The deficiencies identified that substantiated the rating included having too few case studies to understand the effectiveness of the system and regulatory procedures with insufficient detail.

CT423. *Criterion 38.1* – The Code of Criminal Procedure was amended by Legislative Decree No. 292 of 3 January 2024, which entered into force on 17 January 2024. This reform provides for the provision of international cooperation, which includes acts of attachment and seizure of property, freezing of assets and assistance in seizure proceedings, in accordance with the provisions of art. 502-PP (4).

CT424. El Salvador has also signed MLA treaties with Argentina, Colombia, Costa Rica, Guatemala, Honduras, Mexico, Nicaragua, Peru, Spain and Uruguay, giving it a legal basis to cooperate internationally with these countries in the identification, freezing, seizure or confiscation of assets. It also states that, in the absence of an international treaty, it is governed by the principle of reciprocity. Moreover, art. 182 (3 and 4) of the Constitution of the Republic stipulates that the CSJ has the power to order the execution of requests or letters rogatory issued for the purpose of conducting proceedings outside the State and to order the execution of those coming from other countries.

CT425. In this context, the following is a specific analysis of the assumptions required by the criterion, always bearing in mind that cooperation could be provided initially with the 10 countries with which there are treaties in this area.

(a) As discussed in criterion 4.1(a), El Salvador has legislation that provides for the confiscation of laundered assets. Accordingly, it may be able to provide cooperation on this point.
(b) As discussed in criterion 4.1.b), El Salvador has legislation on the confiscation of the proceeds of crime. Accordingly, it may be able to provide cooperation on this point.
(c) As discussed in criterion 4.1(c), El Salvador has legislation that provides for the confiscation of proceeds of crime. Accordingly, it may be able to provide cooperation on this point.
(d) As discussed in criteria 4.1(b) and 4.1(c), El Salvador has legislation that provides for the confiscation of instrumentalities intended for use in the commission of ML, predicate offences and TF. Accordingly, it may be able to provide cooperation on this point.
(e) As discussed in Criterion 4.1(d), the CC does not appear to provide for the confiscation of property of equivalent value. As a result, concerns remain about the country's ability to cooperate in this area.

CT426. *Criterion 38.2* – El Salvador has the Special Law on Assets Forfeiture and Administration of Assets of Illicit Origin or Destination, which in its Chapter XII (arts. 54 to 59) provides for the possibility of international cooperation with respect to assets forfeiture, including the elements of non-conviction-based confiscation. Art. 6 (e) of this law provides various conditions for the action to proceed, which are comprehensive of the circumstances required by the criterion.

CT427. In addition, the reform of the Code of Criminal Procedure by Legislative Decree No. 929 of 3 January 2024 provides in art. 502-PP, provides that assistance may be given in connection with the attachment and seizure of property, the freezing of assets and procedures related to seizure, as well as other procedures that may arise and that States agree to provide assistance.

CT428. *Criterion 38.3* –

(a) As noted in the analysis of Criterion 38.1, El Salvador has legislation on mutual legal assistance with respect to acts of attachment and seizure of property, freezing of assets, and assistance in proceedings related to seizure, in accordance with the provisions of paragraph 4 of Article 502-PP of the CCP, as amended by Legislative Decree No. 299, as well as treaties signed with 10 countries, which include provisions related to preventive measures and confiscation of property.

(b) With regard to the provision of mechanisms for the management and disposal of property, art. 500 of the Code of Criminal Procedure stipulates that, when the court orders the confiscation of property, it shall designate the appropriate destination for the property, based on its nature, in accordance with the rules governing the matter. El Salvador also has legislation on asset forfeiture, which establishes a system for the management and disposal of property subject to such measures. In this regard, the LED provides for the existence of the National Council of Property Administration (CONAB), which is responsible for the administration, preservation and disposition of forfeited assets. However, beyond the specific case provided for in art. 500 CCP and the provisions of the LED—which seems to apply only to assets subject to asset forfeiture—the ordinary criminal framework does not appear to provide for a system for the management and disposal of property frozen, seized or confiscated in criminal proceedings. Consequently, this aspect of the criterion is not met.

CT429. *Criterion 38.4* – The LED provides in art. 54 for the power of the State to share with other countries the property or resources affected by the assets forfeiture measure. However, there is no evidence that property can be shared outside the assets forfeiture process.

Weighting and Conclusion

CT430. El Salvador has a legal framework that provides for international cooperation, including the identification, freezing, seizure and confiscation of assets, products and instruments used or intended to be used for ML/TF or predicate offences; however, there are limitations to international cooperation in the absence of international treaties. Similarly, Salvadoran law does not provide for the possibility of sharing property outside the assets forfeiture process. **Recommendation 38 is rated Partially Compliant.**

Recommendation 39 – Extradition

CT431. In its previous MER, El Salvador was rated PC for compliance with former R.39. The report noted that there were no clear, detailed and adequate domestic laws regulating
extradition and its procedures; that article 28 of the Constitution could be interpreted as limiting extradition for crimes of international concern; and that it was not possible to verify with concrete statistics the implementation of active extraditions at the request of other countries.

CT432. *Criterion 39.1* –

(a) Extradition is generally provided for in art. 28 and 182 of the CR. According to art. 28 (3) of the CR, extradition shall take place if the offence has been committed within the territorial jurisdiction of the requesting state, and may in no case be requested for political offences. art. 182 of the CR, in turn, gives the CSJ the power to grant extradition. In addition, the Code of Criminal Procedure was amended by Legislative Decree No. 929 of 3 January 2024, which entered into force on 17 January 2024, adding articles specifically related to international cooperation in two areas: mutual legal assistance and extradition, in which one of the limitations on extradition does not include ML/TF offences. With regard to TF, art. 47 of the LECAT provides for the application of the provisions of international treaties, multilateral, regional, subregional and bilateral conventions and agreements to which the Republic of El Salvador is a party, the principles of international law, as well as national legislation governing the matter.

(b) The provisions of the new Chapter III "Passive extradition", which includes articles 502-Ñ to 502-Z, govern the procedure to be followed upon receipt of a request for investigation, including the requirements to be met by the extradition request, the initial procedure, admissibility, processing by the competent justice of the peace, simplified extradition and surrender of the extradited person. However, there is no discernible case management system or prioritisation of extradition requests in the current legislation.

(c) According to art. 28 of the CR, extradition is carried out if the crime was committed within the territorial jurisdiction of the requesting state, except in the case of crimes of international significance, and cannot be requested in any case for political crimes, even if they result in common crimes. No unduly or unreasonably restrictive conditions appear to be imposed by this provision. In addition, the reform of the CCP, which was implemented on 3 January 2024 by Legislative Decree No. 929, provides for grounds for refusal of extradition, with the addition of art. 502-G, which provides as follows: 1) The offence giving rise to the extradition is a political offence; 2) the offence giving rise to the extradition is an offence provided for only in Salvadoran military law; 3) the offence giving rise to the extradition is being tried by an exceptional court; 4) the offence giving rise to the extradition is statute-barred under Salvadoran law; 5) there are indications, evidence or known facts that the person sought would be in danger of being subjected to torture or other cruel, inhuman or degrading treatment or punishment; and; 6) the requesting State does not reciprocate by surrendering its nationals (in which case the prosecution would take place in El Salvador). These grounds for refusal do not appear to be unreasonable or unduly restrictive.

CT433. *Criterion 39.2* –

(a) According to art. 28 of the CR, extradition of Salvadorans can only take place if the relevant treaty expressly provides for it. For their part, the extradition treaties ratified by El Salvador generally provide that States Parties may refuse to extradite their nationals. Similarly, under the provisions of art. 502-G of the Code of Criminal Procedure, as amended by Legislative Decree No. 929, extradition is not possible if the requesting State does not provide for reciprocity in the surrender of its nationals.

(b) According to the extradition treaties signed by El Salvador, in cases where the extradition of a person is not appropriate because he or she is a national, the country must submit the case to its competent

authorities for appropriate prosecution. In these cases, art. 502-I of the Code of Criminal Procedure, as amended by Legislative Decree No. 929, provides that if the requested person is of Salvadoran nationality and there are circumstances that do not permit extradition, the judicial body may conduct the national trial with the express consent of the requesting State. To this end, the State in question shall renounce its jurisdiction and, within a period of three months from the notification of the relevant decision, shall provide the background information and procedures enabling it to try the case in accordance with due process of law.

CT434. *Criterion 39.3* – According to the provisions of art. 16-B (a) of the Code of Criminal Procedure, as amended by Legislative Decree No. 929, the principle of dual criminality or normative identity means that the act or conduct for which the extraditable person is sought is regulated in the legal system of the requested State, regardless of the name of the offence or of the fact that some of its elements are not identical in the descriptions of the two legislations.

CT435. *Criterion 39.4* – The reform of the Code of Criminal Procedure by Legislative Decree No. 929 of 3 January 2024 added art. 502-X, which states that the requested person may express his or her will to be surrendered to the requesting State, which shall be notified to the CSJ by the competent justice of the peace. In addition, four of the bilateral extradition treaties signed by the country provide for the possibility of a simplified extradition procedure in cases where the person concerned consents. However, the existence of a simplified extradition mechanism could not be established.

Weighting and Conclusion

CT436. El Salvador has legislation that allows it to execute extradition requests for ML/TF, which are regulated in the CR and CCP; however, the existence of a chaos management system and the prioritisation of extradition requests is not observed. **Recommendation 39 is rated Largely Compliant.**

Recommendation 40 – Other forms of international cooperation

CT437. In the Third Round MER, El Salvador was rated LC for the former Recommendation 40. The deficiencies that led to this rating include the lack of memoranda of understanding or mechanisms to speed up cooperation between the Superintendencies, Customs and the DGE with their foreign counterparts. At the time of this assessment, El Salvador was also suspended from the Egmont Group.

CT438. *Criterion 40.1* – In accordance with the provisions of art. 49 of the Special Law against Terrorist Acts, and in accordance with the Framework Treaty for Democratic Security in Central America or any other international treaty ratified by El Salvador, all State institutions must provide information on the actions or movements of terrorist persons or networks, on forged or falsified documents, on procedures used to combat acts of terrorism, their financing and related activities. The exchange of information shall be subject to the exception where it is considered that the exchange of information would undermine the performance of the investigative function and its effectiveness.

CT439. Likewise, art. 78 of the Code of Criminal Procedure provides for the FGR to set up joint investigation teams with foreign or international institutions, under its authorisation and supervision, when criminal acts are committed, in whole or in part, outside the national territory or when persons linked to international

organisations are accused. The FGR may also participate in international and inter-institutional commissions that cooperate in international investigations.

CT440. *Criterion 40.2* –

(a) Art. 18 of the Organic Law of the FGR provides for the institution to conclude institutional cooperation agreements for the investigation of criminal offences, in particular those of a transnational nature. Likewise, art. 72 empowers the FIU to enter into agreements or memoranda of understanding necessary for the exchange of information with other counterpart institutions. With regard to the supervision of the financial system, art. 4 of the Law on the Supervision and Regulation of the Financial System states that it has the power to cooperate, coordinate and exchange information with other supervisory bodies performing similar functions in other jurisdictions in order to facilitate the performance of the functions entrusted to it, and may enter into cooperation and information exchange agreements with such bodies.

The National Civil Police is responsible for the protection and security of high-ranking personalities, in accordance with the law, and for cooperation with foreign police forces, as provided for in art. 4 (14) of its Organic Law. However, this cooperation framework appears to be very narrow and limited to cooperation with other similar institutions.

The Organic Law of the DGA states in art. 22 states that the Customs Service has the power to request and provide assistance to national, regional and international authorities in the investigation of administrative and tax customs offences, within the framework of the cooperation agreements signed and the relevant instruments.

(b) With the exception of the PNC, all authorities appear to be empowered to enter into cooperation and collaboration agreements and arrangements with other similar authorities in order to provide the most efficient means of cooperation.

(c) Competent authorities generally have clear channels and mechanisms in place to allow requests for cooperation to be executed outside the formal channels.

(d) It is not clear whether there are clear procedures for prioritising and timely processing requests made through channels other than mutual legal assistance and cooperation through letters rogatory.

(e) The LCLDA states in art. 22, that all information obtained in the course of the investigation of an ML offence shall be confidential, unless it is required by law for the investigation of another offence. In addition, the Organic Law of the FGR, art. 76 states that all information received, processed, stored and issued by the FIU is confidential; likewise, information received from the FIUs of other States may not be disseminated without the express consent of those units, in accordance with the respective agreements and memoranda. As far as the Superintendence of the Financial System is concerned, it may exchange information provided that it is used exclusively by foreign supervisory authorities with similar powers and that they undertake to treat the exchanged information confidentially in accordance with art. 33 (1) and 34 (3) of the LSRSF.

CT441. *Criterion 40.3* – As noted in the provisions discussed in criterion 40.2, competent authorities will be able to negotiate agreements and arrangements for coordination, cooperation and exchange of information with their counterparts, although no such power is envisaged for the PNC.

CT442. *Criterion 40.4* – In the legal systems where the possibility of cooperation between authorities is mentioned, there are no explicit provisions on the feedback that can be given to foreign counterparts.

However, there is no formal prohibition or obstacle to this and the relevant authorities are able to provide such feedback.

CT443. *Criterion 40.5* –

(a) No provision is made for the possibility of not refusing a request for information if it relates to tax matters.

(b) No provisions are identified to restrict the provision of information to counterparts on the basis of confidentiality; however, it is noted that existing confidentiality and secrecy provisions could limit the use of information to very specific situations that could create obstacles to international cooperation.

(c) There are no provisions indicating that cooperation and exchange of information may not be provided in cases of ongoing investigations, as long as it does not impede the investigation or proceedings, in which case restrictions are provided for under art. 49 of the Special Law against Terrorist Acts.

(d) The LCLDA, in the provision relevant to art. 18, provides that information obtained by the competent authorities in the investigation and detection of ML may be shared and, where possible, exchanged with other national and international authorities. In this respect, there are no provisions regarding restrictions on authorities, e.g., the FIU, to cooperate with analogous units of a different nature (e.g., administrative) or attached to bodies other than a national prosecutor's office.

CT444. *Criterion 40.6* – According to the provisions of art. 22 of the LCLDA, all information obtained during the investigation of an ML offence is confidential. In particular, the Organic Law of the FGR, in art. 76, stipulates that information received from FIUs of other States may not be disseminated without the express consent of such units and in accordance with the respective agreements and memoranda of understanding, and that whoever does so shall be subject to civil, administrative or criminal liability. To this end, the FIU shall develop protocols for the dissemination and exchange of confidential information.

CT445. Art. 33 of the Law on the Supervision and Regulation of the Financial System provides that information collected by the Superintendence may be communicated to foreign supervisory authorities exercising similar powers, to be used exclusively by such authorities in the exercise of their powers, provided that they undertake to keep the information communicated confidential and secret and that they have signed agreements.

CT446. *Criterion 40.7* – As mentioned in the analysis of the previous criterion, art. 33 of the Law on the Supervision and Regulation of the Financial System provides that information collected by the Superintendence may be communicated to foreign supervisory authorities exercising similar powers, to be used exclusively by such authorities in the exercise of their powers, provided that they undertake to keep the information communicated confidential and secret and that they have signed agreements. In this sense, the requirement is met.

CT447. *Criterion 40.8* – There are no explicit provisions on the possibility of carrying out searches, enquiries or preliminary investigations at the request of an authority, without prejudice to the existing and explicit possibility of cooperation in the context of an investigation in criminal proceedings.

CT448. *Criterion 40.9* – According to art. 72 of the Organic Law of the FGR, the FIU may conclude agreements or memoranda of understanding with other foreign FIUs.

CT449. *Criterion 40.10* – The FIU of El Salvador reported that it provided feedback on requests for information when requested. This is based on the criteria of usefulness and timeliness of information use.

CT450. *Criterion 40.11* –

(a) As mentioned in the analysis of criterion 40.9, art. 72 of the Organic Law of the FGR provides for the possibility of concluding agreements or memoranda of understanding necessary for the exchange of information with other FIUs.

(b) The analysis of sub-criterion 40.11a is also applicable to sub-criterion 40.11b.

CT451. *Criterion 40.12* – The Superintendence of the Financial System shall be empowered to cooperate, coordinate and exchange information with other supervisory bodies of other jurisdictions in order to facilitate the performance of the functions entrusted to it, in accordance with the applicable laws and regulations, for which purpose it may enter into cooperation and information exchange agreements with such bodies, in accordance with the conditions set forth in art. 4 of the Law on the Supervision and Regulation of the Financial System. Similarly, the law itself provides for cooperation, coordination and exchange of information with other bodies with similar functions in other jurisdictions, as the functions of the Superintendence in art. 19, in terms almost identical to those set out in art. 4.

CT452. Art. 34 of the aforementioned Law empowers the Superintendence to act on behalf of foreign counterpart supervisory authorities, at their request, in the exercise of their functions and when they are subject to rules of cooperation at least comparable to those established by Salvadoran laws, and to sign the necessary cooperation documents for such purposes. Likewise, the Superintendence will request the necessary cooperation from these institutions for the fulfilment of its duties.

CT453. *Criterion 40.13* – As noted in the analysis of criterion 40.12, the Superintendence of the Financial System is empowered by the Law on the Supervision and Regulation of the Financial System to act on behalf of foreign counterparties when necessary. Considering that art. 32 provides that the Superintendence may request from the supervised entities access to data, reports or documents relating to their activities, it is considered that this information may be shared and exchanged with foreign supervisory authorities, subject to the conditions established by law.

CT454. *Criterion 40.14* – There are no specific examples of actions or types of information that may be provided or exchanged by the Superintendence of the Financial System of El Salvador; although the wording of article 19(x) provides for coordination and exchange of information with other supervisory authorities for the purpose of facilitating the individual and consolidated supervisory activities of financial system participants.

CT455. *Criterion 40.15* – As noted in the analysis of criterion 40.12, the Superintendence of the Financial System is empowered by the Law on the Supervision and Regulation of the Financial System to act on behalf of foreign counterparties when necessary.

CT456. *Criterion 40.16* – Pursuant to art. 33 of the Law on the Supervision and Regulation of the Financial System, the information collected by the Superintendence, which includes information provided by foreign counterparties, is confidential and may be disclosed only to the Central Reserve Bank, the Financial System Appeals Committee, the Deposit Guarantee Institute, the Court of Auditors of the Republic, the Attorney General's Office, the judicial authorities, the Supreme Court and other institutions when expressly authorised by law.

CT457. While there is no provision for a request for authorisation by the foreign supervisor providing the information to be shared with the national authorities, the cited article refers to reciprocal information exchange agreements where such provisions are expected to be found.

CT458. *Criterion 40.17* – Art. 18 of the Organic Law of the FGR provides for the creation and maintenance by the FGR, in collaboration with the national bodies referred to in art. 16, in which it will collect national and international information and which will be fed with the information obtained by the institutions in the investigation and detection of ML; this information may be exchanged, if possible, with other national and international institutions.

CT459. *Criterion 40.18* – Article 78 of the Code of Criminal Procedure states that, in the case of crimes of an international nature, the FGR may take part in international and inter-institutional commissions aimed at collaborating in investigations. Among the actions that the Attorney General's Office can carry out are the execution of search and seizure warrants, as well as actions without a warrant, as provided for in articles 192-195 of the Code of Criminal Procedure. In addition, the PNC is part of Interpol and can carry out such actions.

CT460. *Criterion 40.19* – Art. 78 of the Code of Criminal Procedure empowers the FGR to participate in international and inter-institutional commissions aimed at collaborating in the investigation of crimes of an international nature.

CT461. *Criterion 40.20* – Art. 18 of the Organic Law of the FGR provides for the creation and maintenance by the FGR, in collaboration with the national bodies referred to in art. 16, in which it will collect national and international information and which will be fed with the information obtained by the institutions in the investigation and detection of ML; this information may be exchanged, if possible, with other national and international institutions.

CT462. By having information from different authorities, it could be seen as an indirect information exchange mechanism.

Weighting and Conclusion

CT463. El Salvador has a legal framework that allows for national and international cooperation in various areas, including provisions applicable to regulators, supervisors of the financial system, DNFBPs or law enforcement authorities that do not contain restrictive provisions on the provision of information to counterparties. However, minor deficiencies are noted for some criteria, although these are considered to be of a minor nature given the scope of the system. **Recommendation 40 is rated Largely Compliant.**

Summary of Technical Compliance - Key Deficiencies

Compliance with FATF Recommendations		
Recommendation	**Rating**	**Factor(s) Underlying the Rating**
1. *Assessing risks and applying a risk-based approach*	LC	• With regard to the TF risk analysis, the NRA identifies a medium-high risk with a downward trend, and although it covers aspects related to domestic and international terrorism, it does not go into sufficient depth. • The NRA also analysed the Bitcoin ecosystem, although there is no in-depth assessment of the sector and other digital assets were not included. • The NPO sector was assessed and found to have an inherently low level of risk and mitigating measures in place, with the exception of religious NPOs, which are more vulnerable due to the almost non-existent regulatory framework to which they are subject. Nevertheless, the sector did not participate in the NRA.
2. *National cooperation and coordination*	C	•
3. *Money laundering offence*	LC	• El Salvador has criminalised the offence of ML largely in line with the Vienna and Palermo Conventions, although there is a minor deficiency in the criminalisation of the acquisition, possession and use. • El Salvador does not have a criminal liability regime for legal persons involved in the commission of ML. • Criminal law does not provide for conspiracy or association to commit ML.
4. *Confiscation and provisional measures*	LC	• The CC does not provide for the confiscation of property of an equivalent value. • There are doubts as to whether the FGR would have the authority, within its jurisdiction, to appraise the assets that may be subject to confiscation. • The ordinary criminal framework does not seem to provide for a system for the management and disposal of property frozen, seized or confiscated in criminal proceedings.
5. *Terrorist financing offence*	LC	• The criterion is partially met, since it requires that the mere financing of terrorist persons or entities be punishable, even if there is no link to a specific terrorist act. • There are concerns about whether the offence covers the conduct of providing or receiving terrorist training. • The offence of TF does not require the completion of the terrorist act. However, the funds must be related to the purpose of committing a terrorist act.
6. *Targeted financial sanctions related to terrorism & TF*	LC	• While there are general provisions, the Attorney General's specific procedures for identifying the recipients of a designation under UNSCR 1373 are not clear. • While there are general provisions, not all the elements of C.3.c) are covered. • The LECAT includes a provision to proceed with designations requests made by other States. However, this provision does not cover all the elements of Crit. 3.c). • It is not clear what procedure is followed for the analysis of requests to accept or reject the appeal for review of appointments before the FGR.
7. *Targeted financial sanctions related to proliferation*	PC	• It is not clear whether the mechanism for applying the TFS provided for the TF is also applicable to the PF, given the taxativity of the term “lists of terrorist organisations” in art. 37 of the LECAT.

Compliance with FATF Recommendations		
Recommendation	**Rating**	**Factor(s) Underlying the Rating**
		• There is no evidence of guidelines or guidance for SOs to understand and comply with the application of the SFPs by PF. • There is no indication that compliance and implementation of PFS by PF, regardless of the risk model adopted and other requirements contained therein, is within the scope of supervisory actions; in addition, no provisions relevant to DNFBPs are included, at least in an exhaustive manner.
8. *Non-profit organisations*	PC	• It is not possible to conclude that the nature of the threats posed by terrorist organisations to vulnerable NPOs has been identified. • No review of the adequacy of laws and regulations relating to the subset of NPOs that can be misused to support TF is noted. • There are no plans to reassess the sector. • There is no information that the authorities encourage NPOs to use formal financial channels. • It is not possible to establish that NPOs are monitored in relation to the application of risk-based measures. • Provisions that allow sanctions for non-compliance with requirements for NPOs are not permitted. • There are no provisions or references to the sharing of information with authorities other than the FGR for the purposes of an investigation involving a NPO. • There is no evidence of adequate contact points or procedures for responding to international requests for information.
9. *Financial institution secrecy laws*	LC	• There are concerns as to whether the provisions allow for the exchange of information between FIs when required by R.13, R.16 or R.17.
10. *Customer due diligence*	LC	• There is no indication of whether transactions are reviewed throughout the customer relationship to determine whether they are consistent with the institution's knowledge of the customer, business activity, risk profile and source of funds. The country has no requirements for FIs to consider the beneficiary of a life insurance policy as a significant risk factor in determining whether to apply enhanced CDD measures. Nor does it provide that if the FI determines that the beneficiary that is a legal person or arrangement poses a higher risk, it should be required to take enhanced measures, which should include reasonable measures to identify and verify the identity of the beneficiary's BO at the time of payment.
11. *Record keeping*	C	•
12. *Politically exposed persons*	LC	• There are concerns as to whether the measures set out in criterion 12.1(d) are taken in cases where there are higher risk business relationships with such a person.
13. *Correspondent banking*	LC	• In the case of payable-through accounts, there are concerns about the ability to provide key CDD information to the correspondent bank on request. • There are no provisions for financial institutions to ensure that the financial institutions represented do not allow their accounts to be used by shell banks.
14. *Money or value transfer services*	C	•
15. *New technologies*	PC	• The NRA's analysis does not conclude on the level of ML/TF risk. • There is also no ML/TF risk identification and assessment in relation to digital asset service providers regulated under the Digital Asset Issuance Law.

Compliance with FATF Recommendations		
Recommendation	**Rating**	**Factor(s) Underlying the Rating**
		• As the NRA is new, the country has not had the opportunity to understand the risks and apply a RBA to ensure that measures to prevent or mitigate ML/TF are proportionate to the risks identified. • There is no evidence of regulatory measures to identify natural or legal persons providing BSPs without the necessary authorisation or registration, nor does there appear to be an appropriate sanction. • While the legal framework provides for supervisory powers for DASPs, it does not clearly provide for risk-based supervision or monitoring. • There is no guidance or information available to assist Digital Asset Service Providers, Certifiers, Issuers and Acquirers in implementing national AML/CFT measures and, in particular, in detecting and reporting suspicious transactions. • It is unclear what sanctions apply for each breach of AML/CFT requirements. • The requirement for beneficiary VASPs to obtain, maintain and make available to competent authorities, upon request, the necessary originator information on transfers of virtual assets is not addressed. • There is no indication that, in the event of a transfer of virtual assets, the Digital Asset Service Providers and the originating Bitcoin providers will immediately and securely transmit the above information to the beneficiary VASP or financial institution (if any). • There is no indication that the country specifies that the same obligations apply to FIs when sending or receiving transfers of virtual assets on behalf of a customer. • In the area of international cooperation, there are concerns about whether VASPs can quickly, constructively and effectively ensure the widest possible international cooperation in this area. • There are no provisions addressing the application of sanctions to directors and senior managers of the DASPs. • There are no provisions for VASPs regarding compliance with the aspects associated with R. 16 • Deficiencies raised in the analysis of R. 6 and 7 impact compliance with criterion 15.10. • Deficiencies raised in the analysis of R. 37 to 40 impact compliance with criterion 15.11.
16. Wire transfers	PC	• There is no requirement for the originating FI to provide the information to the receiving FI or the relevant competent authorities within 3 working days for the case under criterion 16.6. • There are no specific requirements that FI intermediaries should take reasonable steps to identify cross-border wire transfers that may lack the required information on the originator or the required information on the beneficiary. • There is no evidence that intermediary FI are required to have risk-based policies and procedures in place to determine: (a) when to execute, reject, or suspend a wire transfer lacking required originator or required beneficiary information; and (b) the appropriate follow-up action. • There is no evidence that it has been determined that beneficiary FIs should take reasonable steps to identify cross-border transfers that lack the required information on the originator or the required information on the beneficiary, through measures such as monitoring. • There are concerns on whether the beneficiary FI must request and verify the identity of the beneficiary. • There is no evidence that beneficiary FI are required to have risk-based policies and procedures in place to determine: (a) when to execute,

Compliance with FATF Recommendations		
Recommendation	**Rating**	**Factor(s) Underlying the Rating**
		reject, or suspend a wire transfer lacking required originator or required beneficiary information; and (b) the appropriate follow-up action. • There are concerns in relation to the requirement that all relevant requirements of Recommendation 16 should be complied with in the countries in which they operate, directly or through their agents. • It is not clear that, when a RE controls both the originator and the beneficiary parts to a wire transfer, it should take into account all the information, both on the originator and on the beneficiary, in order to decide whether a STR should be submitted. • It is not clear whether, in the case where the RE controls both the originator and the beneficiary of a wire transfer, it should file a STR in the country affected by the suspicious transfer and provide the relevant information on the transaction to the relevant FIU. • There is no evidence of guidelines for REs in general or in the specific context of wire transfers processing.
17. Reliance on third parties	NA	•
18. Internal Controls and Foreign Branches and Subsidiaries	LC	• There are concerns as to whether the obligation to share information required for CDD purposes is specifically covered by these provisions, given that art. 66 of the FIU Instruction provides that financial conglomerates may not share information subject to banking secrecy or information subject to confidentiality under art. 26-B LCLDA.
19. Higher-risk countries	C	•
20. Reporting of suspicious transaction	C	•
21. Tipping-off and confidentiality	LC	• There are concerns that this provision may hinder the exchange of information envisaged in Recommendation 18.
22. DNFBPs: Customer due diligence	LC	• The deficiencies identified in R.10 with regard to the CDD process also apply to DNFBPs.
23. DNFBPs: Other measures	LC	• Impact of the minor deficiencies identified in R. 18 and 21.
24. Transparency and beneficial ownership of legal persons	PC	• No information was identified as having been provided by the country in relation to obtaining beneficial ownership information. • The NRA does not appear to have assessed the TF risks of the other types of LPs and does not sufficiently address the vulnerabilities and potential for abuse inherent in all types of LPs. • There is no legislation requiring companies or commercial registries to obtain and keep up to date information on the BO of companies. • There is no evidence that companies are required to take reasonable steps to obtain and keep up to date information on companies' BOs. • There are no provisions to ensure that the company itself is provided with information on its BO. • There is no indication that the information on the BO needs to be accurate and up to date. • There is no evidence that domestic DNFBPs are required to be authorised by the company and accountable to the competent authorities, to provide all available basic and beneficial ownership information and to cooperate more with the authorities. • There is no indication that the country could take other comparable measures. • The country does not appear to require nominee shareholders and directors to hold a licence to have their nominee status recorded in company registers and to maintain information identifying their respective nominators, or to make such information available to the competent authorities upon request.

Compliance with FATF Recommendations		
Recommendation	**Rating**	**Factor(s) Underlying the Rating**
		• There is no evidence that there are sanctions applicable to natural persons who fail to comply with the requirements of R. 24. • There are concerns as to whether sanctions are proportionate and dissuasive. • There are concerns about the ability of foreign competent authorities to access basic information held in business registers. • There are concerns as to whether the investigative powers of competent authorities under their domestic laws can be used to obtain beneficial ownership information on behalf of foreign counterparties. • The country does not appear to have the authority to monitor the quality of assistance received from other countries in response to requests for basic and beneficial ownership information or for assistance in locating BOs resident abroad.
25. *Transparency and Beneficial Owner of other Legal Arrangements*	LC	• Although the competent authorities have broad powers to obtain information, the rules do not explicitly state that information can be obtained about the BO and the control of the trust, including: (a) the beneficial ownership; (b) the residence of the trustee; and (c) any assets held or managed by the financial institution or DNFBP, in relation to any trustees with which they have a business relationship, or for which they undertake an occasional transaction. • There is no provision for facilitating access by foreign competent authorities to basic information held by company registers. • The possibility of sharing internally available information on trusts and other legal arrangements is not identified. • There is no indication that the investigative powers of the competent authorities, in accordance with their domestic laws, may be used to obtain information on the BO on behalf of foreign counterparties.
26. *Regulation and Supervision of Financial Institutions*	LC	• INSAFOCOOP and the SOM have no powers to monitor compliance with AML/CFT requirements, including sanctioning powers. • In the specific case of FIs subject to the SOM pursuant to art. 362 of the Commercial Code, there is no registration or licensing requirement for these entities. • The regulatory framework does not appear to cover associates, or those who are the beneficial owner of a shareholding or who control or hold a management position, not necessarily at the time of incorporation but later in the transaction. • There are concerns on the procedures to prevent perpetrators or their associates from owning, being BOs, controlling or holding a managerial position in entities regulated by INSAFOCOOP and the SOM. • There is no indication that the regulations provide that the frequency and intensity of internal and external AML/CFT supervision of financial institutions or groups should be based on the AML/CFT risk as identified by the supervisor's assessment of the risk profile of the institution or group, primarily to supervisors other than the FSS. • There is no evidence that the legislation requires the frequency and intensity of internal and external AML/CFT supervision of financial institutions or groups to take into account the risks identified by the country, primarily in relation to supervisors other than the SSF. • There are concerns about whether the characteristics of FIs or groups, in particular the diversity and number of FIs and the degree of discretion granted to them under the RBA, are taken into account in determining the frequency and intensity of internal and external supervision, particularly with regard to supervisors other than the SSF.

Compliance with FATF Recommendations		
Recommendation	**Rating**	**Factor(s) Underlying the Rating**
27. *Powers of supervisors*	LC	• INSAFOCOOP and the SOM have no powers to monitor compliance with AML/CFT requirements, including sanctioning powers.
28. *Regulation and supervision of DNFBPs*	NC	• There is no legislation providing that the necessary legal and regulatory measures should be taken to prevent offenders and their associates from owning or being the beneficial owner of a significant or controlling interest in a casino, or from holding a managerial position or being an operator of a casino. • There is no legislation requiring casinos to be monitored for compliance with AML/CFT requirements. • The CSJ does not appear to have specific powers to monitor and control compliance with AML/CFT requirements. • With the exception of accountants, lawyers and notaries, the country did not report who, if anyone, is the designated competent authority responsible for monitoring and ensuring compliance with AML/CFT requirements. • There are concerns as to whether the requirement is specifically covered by such a provision, as the CVPCPA does not appear to have adequate powers to carry out its functions, including monitoring AML/CFT compliance. • The country has no legislation to ensure that other categories of DNFBPs are subject to systems for monitoring compliance with AML/CFT requirements. • There are concerns about whether the CVPCPA has adequate powers to carry out its functions, including monitoring AML/CFT compliance in relation to auditors. • There is no evidence of implementation of measures necessary to prevent perpetrators and their associates from obtaining professional accreditation as accountants or from holding or being the beneficial owner of a significant or controlling/controlling interest or from holding a managerial position. • The country has no legislation in place to impose sanctions for non-compliance with AML/CFT requirements in accordance with Recommendation 35. • There is no legislation determining the frequency and intensity of AML/CFT supervision of DNFBPs based on their understanding of ML/TF risks, taking into account the characteristics of DNFBPs, in particular their diversity and number. • There is no legal requirement that supervision of DNFBPs should be conducted in a risk-sensitive manner, taking into account the ML/TF risk profile and the degree of discretion granted to them under the RBA, when assessing the adequacy of DNFBPs' internal AML/CFT controls, policies and procedures.
29. *Financial Intelligence Units*	LC	• It is not entirely clear what the scope and framework is for the use of secure means and the transmission of financial intelligence reports. • Policies on clearance levels for FIU staff are unclear.
30. *Responsibilities of Law Enforcement and Investigative Authorities*	LC	• Art. 278 of the Code of Procedure makes specific reference to the possibility of ordering the seizure or collection and preservation of objects or documents related to the commission of an offence and which may serve as evidence. However, there are concerns as to whether the term 'objects' [*objetos, in Spanish*] properly covers property that is or could be confiscated or is suspected of being the proceeds of crime.
31. *Powers of law enforcement and investigative authorities*	LC	• There is no evidence to ensure that competent authorities have a process in place to identify assets without prior notification to the owner. • There are concerns as to whether the requirement that competent authorities conducting investigations into ML, related predicate

Compliance with FATF Recommendations		
Recommendation	**Rating**	**Factor(s) Underlying the Rating**
		offences and TF should be able to request all relevant information held by the FIU has been addressed.
32. Cash couriers	LC	• The legal framework is unclear with regard to the movement of cash by means of cargo transport.
33. Statistics	LC	• No statistics on frozen assets or statistics disaggregated by ML predicate offence are reported to have been produced.
34. Guidance and feedback	C	•
35. Sanctions	PC	• There are concerns as to which sanctions apply to breaches of the AML/CFT requirements detailed in Recommendations 6 and 8 to 23, as these sanctions appear to apply to breaches of prudential rules and not AML/CFT rules. • It is unclear what kind of sanctions should be applied directly or indirectly for non-compliance. This makes it difficult to analyse the proportionality and dissuasiveness required by the criterion. • In the case of Bitcoin providers, it is unclear what sanctions apply for each breach of AML/CFT requirements. This is essential for analysing whether they are proportionate and dissuasive. • It is not verified that sanctions are set for digital asset service providers, certifiers and issuers of public offerings. • The above provisions do not appear to address sanctions applicable to directors and senior managers of DNFBPs.
36. International instruments	LC	• The Conventions have not been fully implemented, as mentioned in the analysis of Recommendations 3, 4, 5 and 12.
37. Mutual legal assistance	LC	• There are no clear procedures for prioritising and processing incoming requests in a timely manner, nor a case management system to monitor the progress of requests. • According to the provisions of art. 16-B of the Code of Criminal Procedure, reformed by Legislative Decree No. 929, one of the principles of international cooperation is precisely the non-necessity of normative identity or the dual criminality principle. Notwithstanding the above, it is not entirely clear whether this principle also applies to requests for mutual legal assistance that do not involve extradition, given that the Articles refer specifically and exhaustively to actions relating to extraditable persons or persons subject to extradition.
38. Mutual legal assistance: freezing and confiscation	PC	• Concerns remain about the possibility of cooperation in the confiscation of property of equivalent value. • There is no evidence of a framework for the management and disposal of property frozen, seized or confiscated in criminal proceedings. • There is no evidence that property can be shared outside the assets forfeiture process.
39. Extradition	LC	• This cooperation framework of the PNC appears to be very narrow and limited to cooperation with other similar institutions. • Competent authorities will be able to negotiate agreements and arrangements for coordination, cooperation and exchange of information with their counterparts, although no such power is envisaged for the PNC. • It is not clear whether there are clear procedures for prioritising and timely processing requests made through channels other than mutual legal assistance and cooperation through letters rogatory. • There are no explicit provisions on the possibility of carrying out searches, enquiries or preliminary investigations at the request of an authority, without prejudice to the existing and explicit possibility of cooperation in the context of an investigation in criminal proceedings.

Compliance with FATF Recommendations		
Recommendation	**Rating**	**Factor(s) Underlying the Rating**
40. Other forms of international cooperation	LC	• The National Civil Police has the power to protect and provide security for high-level personalities in accordance with the relevant law and to cooperate with foreign police forces, as indicated in Art. 4, numeral 14 of its Organic Law. However, this cooperation framework appears to be very narrow and limited for the purposes of collaboration with other similar institutions. • It is not clear that there are clear processes for prioritisation and timely execution of requests made through channels other than mutual legal assistance and cooperation through letters rogatory. • Relevant authorities will be able to negotiate agreements and arrangements to coordinate, collaborate and exchange information with their counterparts, although no such power is perceived for the National Civil Police. • There are no explicit provisions relating to the possibility of carrying out searches, enquiries or preliminary investigations at the request of an authority; this is without prejudice to the existing and express possibility that cooperation may be provided in the framework of an investigation in criminal proceedings.

Table of Acronyms and abbreviations used in the MER

Acronym	*Meaning*
Art.	Article
AMERIPOL	Police Community of America.
DNFBPs	Designated Non-Financial Businesses and Professions
BO	Beneficial Ownership
CONAB	National Council of Property Administration
CSJ	Supreme Court of Justice
CDD	Customer Due Diligence
DGA	National Customs Directorate
DGII	General Internal Revenue Office
RBA	Risk-Based Approach
SRA	Sectoral Risk Assessment
FGR	General Attorney's Office of the Republic
TF	Terrorist financing
FATF	Financial Action Task Force
para.	Paragraph
MER	Mutual Evaluation Report
FIR	Financial Intelligence Report
FIs	Financial Institutions
IAIS	International Association of Insurance Supervisors
INTERPOL	International Criminal Police Organization
INSAFOCOOP	Salvadoran Cooperative Development Institute
IOSCO	International Organization of Securities Commissions
ML	Money laundering
LCLDA	Law for the Prevention of Money Laundering
LECAT	Special Law against Terrorist Acts
LED	Special Law on Assets Forfeiture and Administration of Assets of Illicit Origin or Destination
MoU	Memorandum of Understanding
UN	United Nations
No.	Number
OAS	Organisation of American States
UN	United Nations

IMO	International Maritime Organisation
WCO	World Customs Organization
OECD	Organisation for Economic Co-operation and Development
NPO	Non-profit associations and foundations
PEP	Politically Exposed Person
LP	Legal Person
AML/CFT	Anti-Money Laundering and Counter-Terrorist Financing
PNC	National Civil Police
GDP	Gross Domestic Product
PWMD	Proliferation of Weapons of Mass Destruction
VASP	Virtual Assets Service Providers
STR	Suspicious Transaction Report
UNSCR	United Nations Security Council Resolution
MVTS	Money or Value Transfer Services
RI	Reporting entities
RBS	Risk-based supervision
FIU	Financial Investigation Unit
LOFGR	Organic Law of the General Attorney's Office of the Republic
FIU Instructions	Instructions of the Financial Information Unit for the Prevention of Money and Asset Laundering
LREC	Accountancy Practice Law
CR	Constitution of the Republic
SRB	Self-Regulatory Body
LOJ	Organic Law of the Judiciary
MTC	Money Transfer Companies
LSRSF	Law on the Supervision and Regulation of the Financial System
LMV	Securities Market Law
Superintendence	Superintendence of the Financial System
CCP	Code of Criminal Procedure
MP	Public Ministry
LCCODC	Law against Organised Crime and Crimes of Complex Perpetration
NRP-19	Technical rules for the registration, obligations and operation of entities carrying out money remittance or collection operations through subagents or subagent administrators.
NRP-18	Technical rules for the provision of external audit services
SOM	Superintendence of Commercial Obligations

LCISFC	Law on the Creation of the Salvadoran Cooperative Development Institute
NRP-36	Technical Rules for the Management of the Risks of Money Laundering, Terrorist Financing and Financing of the Proliferation of Weapons of Mass Destruction.
LFAC	General Law on Cooperative Associations
NRP-22	Technical Rules for the Integrated Risk Management of Electronic Money Providers
NRP-29	Technical Rules to facilitate the participation of financial institutions in the Bitcoin ecosystem
BCR	Central Reserve Bank
MRE	Ministry of Foreign Affairs
JIT	Joint Investigation Teams
MTC	Money Transfer Companies
NASF-11	Technical Rules for Financial Correspondent Transactions and Services