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Secretariat for Multidimensional Security

**XLIV MEETING OF THE GROUP OF EXPERTS
FOR THE CONTROL OF MONEY LAUNDERING
September 25 – 26, 2017
Asunción, Paraguay**

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**FINAL REPORT
(DRAFT)**

I. BACKGROUND

The Group of Experts for the Control of Money Laundering (GELAVEX) was created in 1990 in accordance to the article 22 of the [Statute](#) of the Inter-American Drug Abuse Control Commission (CICAD) of American States (OAS) and it is, therefore, constituted as one of the advisory bodies of CICAD.

Nowadays, two Sub-Working Groups form GELAVEX: The Sub-Working Group on International Cooperation and Seizure and the Sub-Working Group on Financial Intelligence Units (FIU) and Criminal Investigation Organisms (OIC), whose activities are determined by strategic plans that define the guidelines and works plans that specify specific activities to be developed in accordance with the guidelines previously agreed.

The Strategic Planning Proposal for the period 2016-2017 ([CICAD/LAVEX/doc.19/14](#)), was approved at the fifty-sixth regular session of CICAD ([CICAD/doc.2162/14](#)) and, therefore, it serves as a model for the activities developed by the Group in the 2015-2017 triennium.

According to the approved Working Plan 2016-2017, the Sub-Working Group on International Cooperation and Forfeiture will work on the following line of action: a) Study on best practices in the coordination between administrative and judicial authorities with the specialized agencies for the administration of seized and forfeited assets; and b) Study on the need of administration of seized and forfeited assets training in OAS Member States. Likewise, according to the Work Plan approved by CICAD, the Sub-Working Group of Financial Intelligence Units and Law Enforcement Agencies will: a) develop a diagnostic study on expert evidence reports used by the countries in cases of money laundering; and b) develop a Study on new typologies in money laundering, specifically in the use of virtual currency.

II. MINUTES

Inaugural session

- i. The opening remarks were in charge of the **Chair of The Group of Experts** from the Organization of American States (OAS), **Dra. Wendy Lora, Director of the Unit for Financial Analysis from the National Committee against Money Laundering of The Dominican Republic, outgoing Chairman of the Group of Expert for the Control of Money Laundering**. In her speech, Dra. Lora pointed out that the region going through an important moment in which the countries have made significant progress in their legislation on cooperation and forfeiture issues. She also remarked that one of the main topics of the meeting are the proposals of the delegation for the planning of the triannual Strategic Plan with the purpose of combating the issues of the region.

- ii. On behalf of the **General Secretariat of the Organization of American States (GS/OAS), Ambassador Diego Paz Bustamante, Representative of the OAS in Paraguay**, greeted the delegations on behalf of the General Secretary of the OAS. During his speech, Ambassador Paz Bustamante expressed his solidarity to the countries of the hemisphere that have suffered the recent natural disasters. In addition, the Ambassador pointed out the importance of combating organized crime, because it provokes political instability and insecurity. He also pointed out that in order to reduce the financial motor of the criminal organizations, it is important that the countries of the hemisphere work together with integrated, balanced and multidisciplinary perspectives. In addition, he corroborated the successful initiatives of the present Strategic Plan. He also mentioned the new initiatives such as best practices for the coordination between the administrative and judicial authorities with the specialized entities for the administration of seized and forfeiture assets; analysis of the rights of victims and *bona fide* third parties; a Guide for Patrimonial Investigations, among others. He congratulated the representatives of the delegations for their efforts and experiences.
- iii. On behalf of Paraguay, the **Minister President of the Supreme Court of Justice of Paraguay, Luis María Benítez Riera**, offered the welcome words to the delegates and emphasized the commitment of the Judicial Power of Paraguay on the fight against organized crime. One of the main axes of the commitment is the transversal fight against money laundering and the financing of terrorism. He also highlighted the work of the Sub-Working Groups and the meetings to strengthen the national systems in the fight against these crimes. He pointed out the progress made in Paraguay regarding its legislation on money laundering and the strengthening of legal regulations. In addition, Mr. Benitez highlighted the commitment of Paraguay in its three government levels to fight organized crime. Finally, he noted the great importance of international cooperation for the implementation of international treaties and hence, the implementation of law in the operational field. Mr. Benitez concluded by expressing his gratitude to the OAS and the United States of America for the supporting the Sub-Working Groups.
- iv. On behalf of the **Delegation of the Republic of Paraguay, the incoming Chair of the Group, Minister Oscar A. Boidanich Ferreira, Executive Secretary of the Secretariat for the Prevention of Money Laundering or Assets (FIU-SEPRALAD)**, welcomed the delegates, the present authorities and the opening words to the plenary. Mr. Boidanich highlighted the recent efforts of Paraguay on approving important laws such as the “Administration of Forfeited Assets” and the support received from the Technical Secretariat with the BIDAL Project. He also pointed out the importance of the law that nullifies the possibility of issuing “Bearer Actions in Paraguay”, which attends the recommendations of the GAFILAT mutual evaluation, which will be followed up next year. Finally, he declared the official opening of the Meeting, which has three main questions address: national and international coordination, the strengthening of financial intelligence units and the administration of forfeited assets.

Second Session

- i. **Approval of the agenda and the review of topics.** The Group approved the agenda without modifications ([DDOT/LAVEX/doc.1/17](#)).
- ii. On behalf of the Technical Secretariat, Ana Álvarez, of the Anti-Money Laundering area of DDOT, presented the **Activities Report for the 2016-2017 period** ([DDOT/LAVEX/doc.4/17](#)).
- iii. Presentation: **Trend and Typologies detected in Cases of Money Laundering and Financing Terrorism in Paraguay**, General Directorate of Financial Analysis – FIU SPRELAD. General Director Raquel Cuevas made the presentation based on a typology that is in the final stage of the investigation called shell or screen companies, which tend to be registered as importers, with the purpose of having bank accounts enabled in order to operate transactions from suppliers abroad. Director Cuevas described the object case of financial analysis to which 10 screen companies were linked to, 22 imputed persons, and 3 people with house arrest. The activities carried out by the screen companies were money transactions abroad, importation of assets and payments to suppliers from abroad. Among the main people linked to the company is Juan Contable owner of Estudios Contable, Consultant Company; Maria de Contable (wife of the owner of the Consultant Company); Juana Contable (sister of the owner of Consultant Company). It was identified that the shareholders, directors and president of the screen companies are people of limited resources linked with Juan Contable. Cuevas explained that the money that was entering the bank accounts, as cash deposits of “Reais” (Brazilian currency) performed an arbitrage operation (Reais-dollars), to be transferred to other countries as supposed payment to suppliers of the clients of the screen companies for the reception of merchandise. As justification for the commercial movements of the screen companies, in the respective banks, sworn statements, tax balances and accounting documents with modified values compared to the actual movements of the company were drawn up. For the justification of the operations of transactions abroad, the company presented proforma invoices, which were prepared by the people in charge of Juan Contador, and his Consultant, in the national registers, there were no record of imports of merchandise abroad and in some cases, the value of the imported assets was lower than the amount sent abroad. ([DDOT/LAVEX/doc.19/17](#)).
- iv. Presentation: **The effective management of seized companies: Case Study. Delegation of the Attorney General of the Republic of El Salvador, Alexis Ayala** greeted those present and began the presentation by contextualizing the Case Study. He continued describing the money laundering case in which a large number of properties such as hotels, properties and gas stations were identified. Ayala mentioned that the administration of property is a subject of great importance, in conducting operations. One of the main characteristics of the seized

companies are the absence of bank accounts. In addition, 12 companies were involved in the operation, thus the importance on expanding the precautionary measures in the societies. The administration of the seized companies must be planned in a way that does not affect the regular operation of the same, with the purpose of not affecting the local economy. The precautionary measure that was taken in the present case was the judicial administration

David Omar Zepeda, Executive Director of CONAB, continued with the presentation of the case study. He pointed out that the exposed case of money laundering represented a new challenge due to its great magnitude, representing 20 to 30% of the industry market in El Salvador involved. That is why the importance of the proper administration for sources of employment, in addition to the maintenance of market prices. The Director of the CONAB, indicated that one of the priorities after the seizure of the company, was the recovery of the financial activity which represented a challenge because the accounts were frozen by the banks. Mr. Zepeda explained that it was necessary to start a negotiation with the banks to recover the financial activity, in addition to launching a media campaign in which it was established that the company was being administered by the State through CONAB, a press release was issued and meetings with suppliers and customers.

Comments of the delegations:

United States: The delegation thanked the attendees and congratulated the presentation, expressing that the case is very interesting and that it is the way in which the cases must be presented.

The presenters: explained that the Prosecution is an independent entity except in terms of its budget, which is assigned by the Legislative Power. The speakers also expressed that the documents and the studies generated within the GELAVEX have been used to intervene in companies of the exposed case. The administrative entity had to maintain the company in the same or better conditions in which it was received. An auction will also be held with assistance of experts.

United States: consulted whether El Salvador has a fund for the destination of the forfeited assets, to which the presenters responded that the Law foresees the destination of the forfeited funds, and part of these funds are destined to the administration of seized assets.

United States: explained that in its country there is a fund from the Department of Justice and Treasury. One of the reasons is because of the recognition of the agencies in their contribution to the fund for the number of cases in which they have managed to seize assets. The fund helps to problematic issues of the agencies. In addition, the fund allows planning and monitoring of the operations of abandoned accounts.

Dennis Cheng, Director of the BIDAL project: congratulated the representatives of El Salvador, reminding that the Project worked with an interinstitutional team in order to create the

CONAB in El Salvador. The topic of sources of work, trying to reactivate the economy and avoiding the loss of jobs is a very complex issue.

- v. Presentation: **Project of open sources of information as Tools for the Development of Money Laundering and Terrorism Financing Investigations.** Delegation of Bolivia and Peru. The presentation began with the background for the development of the project. The principal objective of the project is the development of a tool that provides to the member countries online access to relevant public information, about citizen, national companies and non-resident or foreign companies that work in different web pages available to occasional visitors or subscribers. For this reason, GELAVEX Virtual Campus was created, which seeks to put into operation the present project through a virtual field with links from the open sources provided by the participating countries, within the necessary security parameters. In addition, the Virtual Campus has a forum where it is possible to share and consult among the users. Subsequently, the representative of the delegation of Peru continued with the presentation of the project and mentioned that the countries that have already shared the requested links and making an invitation to the countries that have not shared them to do so as soon as possible. The representative of Peru pointed out the importance of the information sharing for the streamlining of the investigations. She also remarked the characteristics of the useful links that should be shared on the website. Finally the presentation ended with a consultation to the group for the inclusion of external countries from the project to the platform. (DDOT / LAVEX / doc.20 / 17).

The group agreed that any country that is not part of the OAS should be welcome, and will recommend to the CICAD that other countries that are not member states should be allow participating in the project.

Sub-Working Group on Forfeiture and International Cooperation. Coordinated by the Delegation of Costa Rica.

- vi. Presentation **Study on best practices for the coordination between administrative and judicial authorities with the specialized agencies for the administration of seized and forfeited assets.** Dennis Cheng, Director of the Delegation of Costa Rica and Project BIDAL; Xiomara Cordero, Coordinator of the Sub-Working Group. ([DTOC/LAVEX/doc.7/17](#)) and ([DTOC/LAVEX/doc.8/17](#))

Comments by the Delegations:

The group agreed to endorse this Study and submit its approval to CICAD.

- vii. Presentation: **Study on the needs for training on the topic of administration of seized and forfeited assets of the OAS Member States.** Delegation of Costa Rica and Project BIDAL. ([DTOC/LAVEX/doc.9/17](#)) and ([DTOC/LAVEX/doc.10/17](#)).

Comments by the Delegations:

The group agreed to endorse this Study and submit its approval to CICAD.

viii. **Proposal for technological platform for virtual training.** Delegation of Bolivia.

The distinguished delegation of Bolivia presented to the Group a technological platform for the conduction of virtual training, which it makes available to GELAVEX and its Technical Secretariat (DDOT).

Comments by the Delegations:

The delegations welcomed the offer of this platform for virtual training, and committed to the Technical Secretariat to take all the necessary steps to take advantage of this resource in the different training programs on the subject and within the framework of GELAVEX.

Sub-Working Group on Financial Intelligence Units and Law Enforcement Agencies. Delegation of Chile

ix. Presentation: **Diagnostic study on expert reports utilized by countries in cases of money laundering. Delegation of Chile.** Camila Guerrero, Coordinator of the Sub-Working Group FIU/LEA ([DTOC/LAVEX/doc.11/17](#)) and ([DTOC/LAVEX/doc.12/17](#)).

Comments by the Delegations:

The group agreed to endorse this Study and submit its approval to CICAD.

x. **Signing of the Memorandum of Understanding between the FAU of Dominican Republic and SEPRELAD FIU of Paraguay.** ([DTOC/LAVEX/doc.13/17](#)).

The distinguished delegations of Paraguay and the Dominican Republic took advantage of this GELAVEX meeting to celebrate the signing of a Memorandum of Understanding on cooperation for the financial information sharing related to money laundering and terrorism financing.

Third Session

i. Panel: **Increasing the effectiveness of the asset recovery in the region: the establishment of the**

Asset Recovery Interagency Network of the Caribbean (ARIN-CARIB). Regional Security System (RSS) of the Caribbean ([DLOC/LAVEX/doc.14/17](#)) and ([DLOC/LAVEX/doc.16/17](#)) and **the international cooperation between Asset Recovery Interagency Network of GAFILAT (RRAG) countries.** RRAG Secretariat ([DLOC/LAVEX/doc.15/17](#)). The distinguished Delegation representing RSS explained that its mission is the constructions of skills and competences in the financial intelligence units and in the recovery of assets with a focus on organized crime. He also mentioned that one of the components of the program is the strengthening of the law, financial investigation and the development of investigation, mostly. Likewise, efforts have been increased for the coordination with international partners and the development of professionals in financial investigations. Subsequently, Simone Graham took the presentation explaining the creation of the ARIN-CARIB Network, which emerged as a recommendation of the GELAVEX / OAS due to the Caribbean being the only region of the world without a network of this type. Graham mentioned that the mission of this network is to improve the international cooperation between law enforcement and judicial agencies, in order to provide a more effective method to deprive criminals of illicit profits. She explained the objectives of the network among which is the establishment of a network of contact, the focus on the identification of the proceeds of crime, the promotion of good practices, among others. She also mentioned the criteria of the membership; nowadays there are 27 members and 7 observer members.

Comments by the Delegations:

The delegations expressed their approval for the creations of this new Asset Recovery Network in the Caribbean Region, suggesting to CICAD the acceptance of the ARIN-Carib request as an observer member within the framework of the GELAVEX sessions.

- ii. Presentation: **The use of virtual currency as a new typology of money laundering: “Liberty Reserve” case study.** Delegation of Costa Rica. Román Chavarría, Head of the Financial Intelligence Unit of Costa Rica, presented the case of “Liberty Reserve” with the purpose of having a general idea of the way in which an asset seizure is processed in terms of virtual currencies. He pointed out that in 2009 a financial alert arises where the company in subject to investigation is classified as a financial institution, but in 2010, it is detected that the amount of money that had been mobilized do not match the incomes of the company. Other types of incongruities began to exist, such as their composition in which the shareholders were also employees of the company. A relevant aspect was that the company served as a payment platform, which is not illegal by itself, but when the Liberty Reserve company offered a service, it did not worry about the veracity of the information of the clients. During the transactions, false information was presented, because of the used by the criminal organizations. The presentation emphasized the importance of communication for the seizure of property between financial intelligence units and the specialized offices in the administration of seized and forfeited assets.

Comments by the Delegations

De delegations welcomed the presentation on the Liberty Reserve case, emphasizing the need of going much deeper into the Study of case related to the use of virtual currencies, suggesting that GELAVEX continue working on this line of action in its strategic plan.

Sub-Working Group on Financial Intelligence Units and Law Enforcement Agencies. Delegation of Chile

- iii. Presentation: **Study on new typologies of money laundering, especially in the use of virtual currency.** Camila Guerrero Coordinator of the Sub-working Group FIU/LEA ([DTCO/LAVEX/doc.11/17](#)) and ([DTCO/LAVEX/doc.18/17](#)).

Comments by the Delegations:

The group agreed to endorse this Study and submit its approval to CICAD.

- iv. Panel: **Recent trends in correspondent banking relations.** Francisca Fernando, Consultant of the Legal Department of the International Monetary Fund (IFM) ([DTCO/LAVEX/doc.5/17](#)).

Comments by the Delegations:

The delegations thanked the presentation of the IFM highlighting the importance of assisting the OAS members in the improvement of correspondent relations between local and foreign banks, especially in those states with direct impact on their financial systems, emphasizing the effective implementation of the international regulations and standards and in the consolidation of the AML /CTF supervision.

Fourth Session

Discussion and proposals

After the comments from the delegations, the Plenary recommended that the lines of action that would conform the Strategic Plan Proposal 2018 – 2020 would be the following:

Sub-working Group at the Financial Intelligence Unit and Criminal Investigation Organization:

Resume and deepen the analysis in:

- 1) AML / CFT risk analysis;
- 2) Expert examination (experts);

- 3) New AML / CFT typologies;
- 4) Elaboration of recommendations that allow countries to unify criteria regarding information shared between FIUs and UCIs;
- 5) Conduct a cross-training needs study of the three entities (GELAVEX, CFATF, GAFILAT), coordinating the development of joint technical assistance activities and the development of mutual evaluations in the region.

Sub-working Group on International Cooperation and Seizure

- 1) Substitutive or special contracting processes for the efficient management of seized assets;
- 2) Self-sustaining in the administration of seized assets;
- 3) Liquidation or sale of seized assets. Valuation for its proper destination;
- 4) Challenges faced by OAS member states in asset recovery. Diagnosis that includes forfeiture laws and victims;
- 5) Update of the Best Practices Document on Management of Seized and Forfeited Assets of Latin America and the Caribbean - BIDADAL PROJECT;
- 6) Confiscation of equivalent and mixed assets;

After defining such lines of action, the Plenary of GELAVEX recommended its approval by CICAD on the Sixty-Second Regular Session, which will be held from December 13 to 15 in Washington DC, in order to be used as a guideline for the activities to be developed by the Group in the 2018-2020 triennium.

The Group decided that the delegations of Costa Rica and Chile would coordinate the sub-working groups along with the delegations of Paraguay and Bolivia.

Based on the Strategic Plan 2018 – 2020, the **Working Plan 2017-2018** of the Sub-Working Groups of the GELAVEX, were also defined as follows:

The Sub-Working Group in International Cooperation and Forfeiture will dedicate its efforts to a) A study on liquidation or sale of seized assets: valuation for its due destination; and b) identification of challenges that the OAS member states face in terms of asset recovery: a diagnosis that will include forfeiture laws and victims.

The Sub-Working Group on Financial Intelligence Units and Law Enforcement Agencies will dedicate its efforts to a) A study on new AML / CTF typologies, including the use of virtual currencies; and b) A study on expert evidence (experts) in AML / CTF cases.

Conclusion and Recommendations of the Group of Experts

- i. Approve the Activities Report for the period 2016-2017 of the Department against Transnational Organized Crime (DTOC) ([DTOC/LAVEX/doc.4/17](#)).

- ii. Thank the Presentation: “Trends and typologies detected in Money Laundering and Financing of Terrorism cases in Paraguay”, exposed by the Delegation of Paraguay ([DTC/LAVEX/doc.19/17](#)).
- iii. Thank the Presentation: “The effective administration of seized companies” exposed by the Delegation of El Salvador.
- iv. Thank the progress report on the project “Open Sources of Information as Tools for the Development of Money Laundering and Terrorism Financing Investigations”, exposed by the delegations of Peru and Bolivia, and recommend that the participation of this Project in other countries or jurisdictions that are not member States of the OAS ([DTC/LAVEX/doc.20/17](#)).
- v. Approve the Report on the “Study on best practices for the coordination between administrative and judicial authorities with the specialized agencies for the administration of seized and forfeited assets”, presented by the Delegation of Costa Rica and Project BIDAL ([DTC/LAVEX/doc.7/17](#)) and ([DTC/LAVEX/doc.8/17](#)).
- vi. Approve the Report on the “Study on the needs of training on the topic of administration of seized and forfeited assets of the OAS Member States”, presented by the Delegation of Costa Rica and Project BIDAL ([DTC/LAVEX/doc.9/17](#)) and ([DTC/LAVEX/doc.10/17](#)).
- vii. Thank the proposal presented by the Delegation of Bolivia regarding the development of a new technological platform for virtual training.
- viii. Approve the Report on the “Diagnostic study on expert reports utilized by countries in cases of money laundering”, Presented by the Delegation of Chile ([DTC/LAVEX/doc.11/17](#)) and ([DTC/LAVEX/doc.12/17](#)).
- ix. Celebrate the signing of the Memorandum of Understanding between the FAU of Dominican Republic and SEPRELAD FIU of Paraguay on the cooperation for the exchange of financial information related to money laundering and terrorism financing. ([DDOT/LAVEX/doc.13/17](#)).
- x. Thank the presentations that composed the panel named: “Increasing the effectiveness of the asset recovery in the region: the establishment of the Asset Recovery Interagency Network of the Caribbean (ARIN-CARIB) and the international cooperation between Asset Recovery Interagency Network of GAFILAT (RRAG) countries”, exposed by the representatives of RSS and

GAFILAT Secretariat. ([DTC/LAVEX/doc.14/17](#)), ([DTC/LAVEX/doc.16/17](#)) and ([DTC/LAVEX/doc.15/17](#)).

- xi. Thank the presentation: “The use of virtual currency as a new typology of money laundering: “Liberty Reserve” case study”, exposed by the Delegation of Costa Rica.
- xii. Approve the “Study on new typologies of money laundering, especially in the use of virtual currency” presented by the Delegation of Chile ([DTC/LAVEX/doc.11/17](#)) and ([DTC/LAVEX/doc.18/17](#)).
- xiii. Thank the presentation of IMF named “The IMF's efforts in maintaining correspondent relationships” ([DTC/LAVEX/doc.5/17](#)).
- xiv. Recommend CICAD to accept as Observer Organization of the GELAVEX the Asset Recovery Inter-Agency Network of the Caribbean (ARIN-Carib) ([DTC/LAVEX/doc.21/17](#)).
- xv. Present the proposal of the Strategic Plan of the GELAVEX for 2018-2020, and request its approval to the CICAD in the next ordinary session period ([DDOT/LAVEX/doc.22/17](#)).
- xvi. Present the Work Plan 2017-2018 of GELAVEX Sub-Working Group and request its approval in the next ordinary session period of CICAD.

Other Matters

Next Meeting

As indicated, the Delegation of Paraguay began to exercise the Chair of the Group and the Delegation of Bolivia is now exercising the Vice-Chair, as approved in the 60th ordinary session of CICAD, celebrated in November 2016, in The Bahamas. ([CICAD/doc.2279/16](#)).

The Delegation of Colombia submitted its candidacy to exercise the Vice-Chair for the period of 2018-2019 (in which the Delegation of Bolivia will exercise the Chair). The GELAVEX supported unanimously such candidacy and recommended its approval by CICAD in its next ordinary period of sessions.

The Group preliminarily agreed that the next meeting of the Sub-Working Groups of the GELAVEX will take place in May 2018, in Washington DC and that the Technical Secretariat will confirm such Information timely.

The Group also presented its appreciation to the Presidency, exercised by the Delegation of Paraguay for the Organization of the Meeting and the excellent conduction of the Plenary.