

Uruguay

INCSR 2018 Volume II Money Laundering

OVERVIEW

Uruguay uses the U.S. dollar, often as a business currency; about 75 percent of deposits and 55 percent of credits are denominated in U.S. dollars. Laundered criminal proceeds are derived primarily from foreign activities related to drug trafficking. Local drug dealers participate in a range of other illicit activities, including violent crimes. Law enforcement officials and the judiciary assess that Colombian, Italian, Mexican, Paraguayan, and Russian criminal organizations operate locally. Officials are concerned about growing transnational organized crime originating from Brazil and Peru.

Uruguay continues to make progress combating money laundering by passing new legislation, enforcing laws, and strengthening relevant regulatory agencies. The result is an overall improvement in fiscal transparency and international cooperation. In 2017, Uruguay completed a new risk assessment and as of December 2017 it was finalizing its 2020 AML strategy. On November 1, Uruguay transitioned from the inquisitorial legal system to the accusatorial penal code system, a change the government believes will help advance AML/CFT investigations. Uruguay needs to increase transparency regarding non-financial entities, improve its AML system of analysis, provide for criminal liability for legal persons, and improve the management and disposition of seized assets and funds.

VULNERABILITIES AND EXPECTED TYPOLOGIES

Given the longstanding free mobility of capital and the high degree of dollarization of the economy, the formal financial sector (onshore and offshore) is likely involved in money laundering. Uruguay does not permit offshore trusts. There are 14 representatives of offshore financial entities and one offshore bank. Uruguay's offshore financial services cater primarily to Argentine clients.

In recent years there have been several high-profile money laundering cases, including one related to the International Federation of Football Association (FIFA) and several linked to alleged laundering of funds from Argentina, Brazil, Mexico, Peru, and Spain. Publicized money laundering cases relate to narcotics and/or involve real estate. Government officials state local corruption is not a factor in money laundering in Uruguay.

There are 11 FTZs in Uruguay. Some of the warehouse-style FTZs and Montevideo's free port are likely transit points for containers of counterfeit goods or raw materials bound for Brazil and Paraguay. In 2016, Uruguayan Customs gained authority to inspect FTZs and monitor their movements of goods in real time. Due to Uruguay's porous borders with Argentina and Brazil, bulk cash smuggling and TBML are likely to occur frequently.

KEY AML LAWS AND REGULATIONS

On December 20, 2017, the Parliament passed an integrated AML law. The new law consolidates all previous AML-related legislation into a single code and addresses several notable deficiencies. The law requires new entities, particularly certified public accountants, notaries, and non-profit organizations, such as political parties, churches, and soccer clubs, to report suspicious transactions. Along with other changes to local legislation, it also defines new money laundering predicate crimes, including tax evasion. The law also improves procedures to seize and administer assets, and the exchange of information with financial units abroad.

Earlier in 2017, parliament passed Law 19,484 on International Fiscal Transparency and AML/CFT. The law implements an automatic exchange of tax information with countries with which Uruguay has tax agreements, which does not include the United States. This law represents another major shift in Uruguayan policies by significantly relaxing Uruguay's previous longstanding protections that allowed bank secrecy. The law also discourages the use of tax havens by companies that operate locally.

Since 2012, Uruguay has intensified controls over bearer shares corporations. In 2017, Uruguay set up a registry of ultimate individual beneficiaries of corporations. Also in 2017, the Anti-Money Laundering Secretariat continued strengthening its controls over DNFBPs. Inspections surged from zero in 2015 to several hundred in 2017. The government took action in the form of warnings or fines in approximately 10 percent of inspections in 2017.

Other recent, significant developments include progress in developing an AML consolidated statistical system, perfecting and increasing the use of a risk matrix at the Central Bank's financial analysis unit, and development of AML online courses.

Uruguay has comprehensive CDD and STR requirements and enhanced due diligence procedures for PEPs.

Uruguay is a member of the GAFILAT, a FATF-style regional body. Its most recent MER can be found at: <http://gafilat.org/index.php/es/biblioteca-virtual/miembros/uruguay-1/evaluaciones-mutuas-16>.

AML DEFICIENCIES

Legal persons are not subject to criminal liability under Uruguayan law.

Banks continue to file the vast majority of the STRs. Uruguay should undertake efforts to increase reporting from DNFBPs.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS INCSR 2018

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From January to September 2017, the Information and Financial Analysis Unit, Uruguay's FIU, fined one securities intermediary and froze U.S. \$60 million in funds. The government prosecuted seven individuals and convicted four on money laundering charges from January 2016 through September 2017.

Uruguay needs to continue working with DNFBPs, amend its legislation to provide for criminal liability for legal persons, continue improving its statistical system of analysis, and improve the management and disposition of seized assets and funds.