



MUTUAL EVALUATION REPORT OF THE REPUBLIC OF PARAGUAY



September 2022



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EXECUTIVE SUMMARY

1. This report provides a summary of the anti-money laundering and combating the financing of terrorism (AML/CFT) measures in place in the Republic of Paraguay (hereinafter, Paraguay) at the date of the on-site visit that took place from August 23 to September 3, 2021. It analyses the level of compliance with the FATF 40 Recommendations, the level of effectiveness of the country's AML/CFT system and makes recommendations on how the system could be strengthened.

Key findings

- The findings and conclusions of the different National Risk Assessments (NRAs) and Sectoral Risk Assessments (SRAs) are reasonable to a certain degree and allow for an understanding of the country's risks in terms of money laundering (ML) and terrorist financing (TF). The above mentioned, has been reflected in Paraguay's Strategic Plan (PEEP) for their mitigation, prioritisation, and monitoring. Notwithstanding this, due to the difference between the methodologies used, in some cases there were no sufficient statistics or data to support the results obtained. Moreover, there are no sufficient insights into certain internal risks and particular activities and sectors. This situation was amended to some extent through the functioning of the Inter-agency Committee and its role as coordinator of policies and the updating of the PEEP.
- Regarding the understanding of the risks and the application of preventive measures by the different reporting entities, it is observed that the sectors with the greatest exposure and the most representative sectors have an acceptable knowledge of the ML/TF risks. However, this is not the case with sectors considered of lower materiality, or which have been recently regulated, such as lawyers and accountants, dealers in precious metals and jewels, and virtual assets service providers VASPs.
- Paraguay has supervisors for the financial, DNFBP and VASP sectors, who have conducted efforts for these sectors to take measures to mitigate ML/TF risks that reporting entities might face. In line with the above, supervision is applied with a Risk Based Approach (RBA) in the financial sector, but only recently has it been applied for DNFBPs and VASPs.
- Supervisors have the power to apply sanctions and remedial actions directed at the reporting entities. No sanctions have been applied to the DNFBPs. However, the remedial actions applied to real estate agencies and money remitters have had a positive impact in addressing non-compliance with AML/CFT obligations.
- Sectoral risk assessments have been developed for the entities that represent a higher risk for the country, such as money remitters and real estate agencies. In addition, the country has recently made changes in the regulations of real estate agencies and gambling, and has issued new regulations for motor vehicle importers, dealers in jewels and precious stones, and lawyers and accountants. Notwithstanding this, there are opportunities for improvement in supervision and monitoring in DNFBPs, in particular with respect to those recently designated as reporting entities and to the notaries sector, since there is not enough information regarding their supervision.

- Paraguay has criminalised ML to a large extent. The major challenge is the limited proportionality and dissuasiveness of the sanctions provided for ML as a stand-alone offence which do not exceed the 5 years of imprisonment. In this regard, the penalties for ML that have the greatest impact are only those in which the associated crimes are mainly drug trafficking, illicit enrichment, criminal association, and fraud.
- Paraguay has a robust regulatory framework in terms of confiscation, and it is applied to a large extent to the proceeds of ML and predicate offences (mainly drug trafficking). However, there is a limited control of the cross-border transportation of cash and securities, which, considering the geographical situation of the country, could increase the risk of ML.
- The country has criminalised TF in such a way that Paraguay can, from a regulatory point of view, prosecute this offence to a large extent despite some minor deficiencies. In accordance with the 2020 TF NRA, the TF risk in the country is classified as medium-high, based on both internal and external threats. Investigations on terrorism have been conducted in the country and even some convictions have been achieved. Likewise, there is usually a widespread awareness of TF among the competent authorities and reporting entities considered of higher materiality. To date, Paraguay has 2 judicial investigations on TF and 3 on terrorist association (TA) that shares the objective of providing assistance to carry out terrorist acts. In this sense, the country has 5 court cases for TA and TF.
- The Paraguayan legal framework allows for the application of targeted financial sanctions (TFS) related to TF and Proliferation Financing (PF), in accordance with the applicable United Nations Security Council Resolutions (UNSCRs) and their respective lists. Although, until now, it has not been possible to verify the functioning of the mechanism, since there have been no matches with the corresponding lists, the sectors considered of higher materiality and relevance in the country have the capacity of freezing without delay when required. In this regard, the country carried out a practical simulation exercise that resulted in the fact that, in a real scenario, TFS could be applied without delay. However, there are still some implementation challenges, since some DNFBPs and VASPs only check against international listings.
- Paraguay regulates No Profit Organization NPOs as reporting entities. In this regard, an SRA of the sector was carried out. However, the review of the NPOs based on the SRA is considered to be of limited scope; particularly considering the total universe of NPOs.
- The country has the Financial Intelligence Unit (FIU-SEPRELAD), which is responsible for receiving and analysing suspicious transaction reports (STRs) and other information to detect and prevent ML/TF. The Secretariat for the Prevention of Money Laundering (SEPRELAD) produces Financial Intelligence Reports that have served to initiate and guide cases brought to court, through the Attorney General's Office. Although the financial intelligence reports are the product of the analysis of the reports and a wide range of other sources of information and are disseminated to the Attorney General's Office to initiate their investigations, the number of ML investigations that derive from these reports is not consistent in magnitude with the level of risk to which Paraguay is exposed. In turn, there is no adequate use of financial intelligence in cases of TF, and it is estimated that a greater

degree of coordination is required among key authorities to promote a better use of the information they have, as is the case of the Secretary of Prevention and Investigation of Terrorism (SEPRINTE).

- In general, the legal system in place is appropriate to combat ML. However, in practice the number of ML investigations, legal proceedings and convictions is considered low according to the level of existing threats in the country. Likewise, most of the convictions handed down involve simple or not very complex money laundering schemes.
- ML investigations are limited, on the one hand, by the lack or very recent implementation of processes and guidelines to carry out parallel financial investigations and, on the other hand, by the lack of use of special investigation techniques caused by lack of knowledge of the competent authorities and existing legal limitations in the case of undercover operations and controlled deliveries.
- The country has conducted a SRA for legal persons and arrangements, and has implemented measures to prevent the improper use of legal persons and arrangements for ML/TF purposes, such as the issuance of laws and regulations which created the Administrative Registry of Legal Persons and Arrangements and the Administrative Registry of Beneficial Owners, as well as measures so that the information of said Registries is available to the competent authorities, and even to the reporting entities. However, there is still work to be done to increase the understanding of the risks related to legal persons and arrangements by certain reporting entities. On the other hand, due to the fact that these Registries have been functioning since not so long, their lack of maturity can represent problems in their operation in terms of the adequate protection of the information.
- Paraguay provides Mutual Legal Assistance (MLA) and extraditions in a constructive and timely manner based on multilateral and bilateral agreements, and in the absence of these it does so under the principle of reciprocity. Although the action of the competent authorities has been reinforced to provide broad international cooperation, the FIU and the Attorney General's Office seem to be the authorities with the most developed mechanisms and procedures for the exchange of information.
- The provision of international cooperation is in accordance with the risks identified by the country, and there is cooperation with border countries, mainly with Brazil and Argentina, being it greater in the case of Brazil. Likewise, information exchange is mostly related to the crime of drug trafficking, and to a lesser extent to the crime of ML and other predicate offences.

Risk and general situation

2. The geographical location and topography of Paraguay, the porous land borders with Argentina, Bolivia, and Brazil, as well as the country's extensive river system, including the Paraguay River, which runs through the middle of the country, from north to south, are factors that, together with the growing economy and investment, a large percentage of informal economy and some considerable threats and vulnerabilities, such as drug trafficking, organized crime, smuggling, corruption, weak cross-border controls, and the lack of implementation of policies to carry out parallel financial investigations, among others, turn Paraguay into a country of risk.



3. The proceeds of crime undermine both formal and informal economies. The predominant sectors in the formal financial activity, such as the banking sector, money remitters and exchange houses seem to be the most exposed to risk, although they are mature sectors in terms of their AML/CFT systems. On the other hand, with regard to DNFBPs, despite the fact that there are only two sectoral assessments (real estate sector and NPOs), it is considered that, due to the boom in real estate development, the possibility of using cash in large transactions and the percentage of informality in the economy, the real estate sector and the dealers in motor vehicles have a greater risk.

4. The risk of TF would seem to be relatively low from the point of view of the external threat, although potential cases have been detected. From the point of view of the internal threat, this phenomenon appears mainly in relation to terrorist activities related to organized crime that are funded by their own criminal activities, such as extortion, drug trafficking and smuggling.

General level of effectiveness and technical compliance

5. Paraguay's AML/CFT system has improved significantly since its last evaluation. There is a more robust legal and institutional framework to fight against ML/TF and the FPWMD. In terms of effectiveness, Paraguay reached a **moderate** level and major improvements are needed in all areas of the AML/CFT system, except for issues related to ML investigation, prosecution, and convictions, where fundamental improvements are needed.

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

6. Paraguay has made significant efforts to identify and understand its ML/TF risks. In 2012, through Executive Order 8413, the country declared, as national priority, the elaboration and development of a national strategic plan to combat ML/TF coordinated by the SEPRELAD and the Central Bank of Paraguay (BCP), with the support of the International Monetary Fund (IMF) and the Inter-American Development Bank (IDB). In 2013, Paraguay developed a diagnosis of threats and vulnerabilities of ML/TF that led to the approval of Paraguay's Strategic Plan (PEEP) for Combatting ML/TF/PF through Executive Order 11200, endorsed by the Minister of the Interior and containing a series of actions aimed at addressing high-risk aspects as a priority.

7. In compliance with Objective No. 3 of the aforementioned PEEP "Develop a National ML/TF/PF Risk Assessment, including analysis of ML/TF/PF threats and vulnerabilities of the system," Paraguay conducted two NRAs with the technical assistance of the IDB. These NRAs were approved by Executive Orders 2016 and 2018, respectively, and triggered the corresponding updates to the PEEP. Similarly, in 2019 the country carried out a TF NRA, whose report was adopted by Executive Order in 2020 and whose findings and recommendations were included in the PEEP.

8. One of the objectives of the PEEP establishes the need to improve domestic coordination between the competent authorities, for which Paraguay has made significant progress and efforts, such as the creation of the Inter-agency Committee for the strengthening of the AML/CFT system of the Republic of Paraguay and the development of systems to exchange statistical information between the SEPRELAD, the Attorney General's Office and the Judiciary. However, Paraguay needs to continue working on the update of its NRA

to cover the issues that were not addressed in the previous exercises, with the aim of accurately identifying the levels of ML risk, as well as the risks that derive from the transactions conducted by the different sectors. Likewise, it is necessary to strengthen inter-agency cooperation with other authorities and to implement them at the operational level with customs, migration, anti-corruption, and other relevant authorities.

9. The SEPRELAD and the supervisory authorities act in coordination with the reporting entities to promote the development of other ML/TF sectoral risk assessments. However, there is not yet a common understanding of ML/TF risks by all the competent authorities and some representatives of the DNFBP sector, which may be limiting the country's capacity to implement specific mitigation measures and/or policies.

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

10. In Paraguay, the FIU-SEPRELAD is an agency with functional and administrative autonomy that reports to the Office of the President of the Republic. It was established as the FIU by Law 1015/97 and is the central agency responsible for receiving and analysing the suspicious transaction reports submitted by the reporting entities. The FIU has a robust legal and institutional framework that allows it to receive reports, conduct operational and strategic analysis, make additional requests for information, and disseminate financial intelligence reports to the competent authorities.

11. The FIU-SEPRELAD produces financial intelligence reports that are the product of the analysis of the information it receives from reporting entities and of the value added provided by its access to a wide range of sources of information. The financial intelligence produced also contributes to the working groups established for the investigation of emblematic cases by the Attorney General's Office. Although this information is received and used by the Attorney General's Office, the number of ML investigations that derive from financial intelligence reports is not consistent in magnitude with the level of risk to which Paraguay is exposed, as well as the amount of information it receives from some reporting entities, and the information to which it has access. Cooperation and exchange of information between the FIU and competent authorities was demonstrated.

12. In Paraguay, the crime of ML is investigated to a certain degree; there being ML prosecutions and sentences passed in some of the cases. However, due to the low number of investigations, prosecutions and convictions, there are still several challenges that the competent authorities should address in order to have a sufficiently robust system to prosecute and combat ML that provides results that are closer to the country's risk and context.

13. Regarding confiscation, it was possible to observe that this legal concept is largely institutionalized in Paraguay. However, in certain cases, such as in the confiscation of falsely declared, undeclared or unrevealed currency and bearer instruments, no appropriate sanctions were applied. Regarding substitute asset confiscation, the application of sanctions could neither be verified. However, in practice, these challenges do not seem to be a limitation for the effective application of the provisions related to confiscation with respect to assets that have been laundered or that constitute profits derived from the commission of the ML/FT offence or other predicate offences.

14. Paraguay applies confiscation in its different forms (simple confiscation and special confiscation), mainly in cases of drug trafficking or related to it and criminal association, which is consistent with the materiality and impact that these crimes represent for the country. However, the adoption and implementation of confiscation measures could be promoted for other ML predicate offences, as well as for ML as a stand-alone crime; which is limited, in practice, if the application of confiscation in other crimes is taken into consideration. Paraguay has developed actions aimed at the confiscation of the proceeds of ML and predicate offences (mainly drug trafficking as noted above) within the framework of its different AML/CFT policies, plans and strategies related to the prosecution of property crimes. Seizures are consistent with the country's risk profile, although there are opportunities for improvement in ML cases other than those related to drug trafficking and smuggling.

15. At this point, it is worth highlighting the enactment of Law 6431/19, “establishing the special procedure for the application of confiscation, special confiscation, deprivation of benefits and profits, and non-conviction-based confiscation,” as well as the creation of the National Secretary for the Administration of Seized and Confiscated Assets (SENABICO), which, as its name refers, is the competent authority responsible for the administration of seized and confiscated assets.

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

16. Paraguay has a regulatory framework that allows it to investigate and prosecute TF and PF, and it has also criminalised terrorism and terrorist association. In 2019, Paraguay enacted Law 6419 which establishes as preventive measure the administrative nature of the freezing of financial assets of persons related to terrorism and the PWMD, as well as the procedures for dissemination, listing and de-listing of persons in the sanction lists prepared in accordance with the applicable UNSCRs.”

17. As discussed above, the country has a TF NRA dating from 2020, as well as its corresponding Action Plan; instruments that were developed with the assistance of the World Bank. However, the fact that this NRA has been recently issued is not enough to reach a conclusion yet as to its impact on the CFT system at the domestic level; however, progress could be observed in the fulfilment of 60% of the actions set, which reflects the country's commitment.

18. Paraguay recognised Al Qaeda, Isis, Hamas, and Hezbollah as terrorist organizations through Executive Order 2307/19 of 2019. According to the TF NRA, the main threats related to this crime come mainly from domestic criminal groups, such as the Paraguayan People's Army (EPP), the Armed Peasant Group (ACA), and the Army of Marshal López (EML), which in their capacity as Organised Armed Groups (GAOs) conduct activities mainly related to the raising, movement, use or storage of funds for terrorist purposes. Additionally, the SRA of NPOs carried out in 2019 indicated that criminal groups generate their own resources illegally by collecting cash as the proceeds of crimes such as kidnapping and extortion. This SRA rated as a medium-high threat the channelling of funds through the national and international remittance service, the transportation of cash, and the storage of funds and assets (for domestic and international groups), focusing on the geographic component of those activities conducted in the Tri-Border Area.

19. Between 2015 and the first half of 2021, the country initiated a total of 12 cases of terrorism and its associated crimes, 3 of which are cases of terrorist acts provided for in Law 4024/2010, Article 2, subsection 1), numerals 3 and 4; and 2 are cases of TF, in accordance with Article 3 of said law. Although at the date of this evaluation, there has been no conviction for TF—since the cases initiated by virtue of this crime finally concluded with a sentence being passed for another criminal offence related to TF, such as terrorist act, ML or organized crime—there has been progress to continue the fight against TF in the country, as reflected by the 40 preliminary investigations conducted in the period under analysis.

20. There are strategic authorities to prevent and fight against TF, such as the SEPRINTE and the coordinated effort of the National Intelligence System (SINAI), which in turn is made up of the National Intelligence Council (CNI), the Ministry of the Interior, the Ministry of National Defence and the Armed Forces, the Permanent Secretariat of the Council for National Defence, the National Anti-Drug Secretariat (SENAD) and the SEPRELAD. Within the framework of this coordinated effort, intelligence tasks are conducted on terrorism and its financing. However, based on the information obtained, the SEPRINTE and the SINAI do not seem to exchange relevant intelligence information or conduct adequate coordinated actions with each other, despite the strategic role that each of them plays.

21. On the other hand, Paraguay has a regulatory framework to apply TFS related to TF/PF that allows it to freeze assets without delay, although some challenges related to the implementation of the sanctions without delay are faced by some DNFBPs of lower materiality which find it difficult to constantly review the lists and, therefore, to report promptly.

22. Regarding the requests for asset freezing derived from matches with the relevant lists of the UNSCRs on TF/PF, it is estimated that they are implemented without delay. With regard to UNSCR 1373 under R.6, although the regulations are not exhaustive in relation to the exact time that the Paraguayan authorities may take to decide whether the request from a third country meets the criteria of UNSCR 1373, the country demonstrated that the intervention of the Foreign Ministry in this process would not imply a delay and that they could rapidly check whether the request meets the designation criteria, even in a matter of hours. Paraguay has not received notifications related to assets or funds of persons designated in accordance with UNSCRs 1267, 1988 or 1373. On the other hand, although Paraguay has a mechanism for said purposes, no process has been initiated to discuss the designation of persons who could meet the criteria listed in any of these resolutions, which, in principle, is not consistent with the risk profile determined by the TF NRA, which classifies TF as a medium-high risk.

23. In turn, the SEPRELAD carried out an SRA of NPOs in 2019. According to this SRA, the sector seems to have a general knowledge of its risks in terms of TF, but it has not a clear understanding of the scope of its specific obligations in terms of TF prevention. Finally, it is noted that the country could benefit from the participation of some key authorities, such as the Ministry of Communication and Information Technology (MITIC), in the fight against PF that, due to the nature of their functions, could provide key information and added to other local authorities, or even in terms of international cooperation, in relation to, for example, the identification of some dual-use materials that are being marketed in the country.

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

24. The AML Law and its amendments contain general preventive measures for the universe of Paraguayan reporting entities. In addition, Paraguay has specific regulations for each sector so that they can comply with their obligations and implement AML/CFT measures. Regarding financial sector, Paraguay made amendments to the resolutions regulating banks, financial institutions, and the insurance sector in 2019; and to those regulating exchange houses, Electronic Payment Service (EPS providers), cooperatives, brokerage firms, investment funds, and money remitters in 2020. Likewise, Paraguay has non-updated secondary regulations for credit institutions, bonded warehouses, pawnshops, money transport companies, and safe deposit box rental services.

25. In the case of DNFBPs, in 2020 amendments were made in the regulations for the real estate and gambling and casinos sectors, while new regulations were issued for motor vehicle importers and dealers in jewels and precious stones. In 2021, Paraguay issued the resolution for lawyers, other legal professionals and accountants, and VASPs. For notaries, Paraguay has a regulation which dates to 2013, but which does not establish all the preventive measures needed.

26. The level of understanding of the ML/TF risks varies among reporting entities. In the case of the financial sector, reporting entities have a better understanding of the risks, since this sector applies preventive measures more extensively, especially in terms of due diligence measures to verify customers, identify beneficial owners, and conduct a continuous monitoring.

27. Paraguay has made efforts to strengthen its AML/CFT system; however, there are differences between the reporting entities from the financial and the non-financial sector with regard to the level of implementation of their AML/CFT systems, and in the case of some DNFBPs, they have only recently implemented their AML/CFT system.

28. Regarding suspicious transaction reports, although there is a high understanding of their usefulness and the reporting entities have received feedback in this regard, the statistics indicate that they are basically concentrated in the banking and financial sector.

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

29. In Paraguay, the SEPRELAD is responsible for regulating the AML/CFT system for all the sectors, both financial and non-financial. Regarding supervision, Paraguay has AML/CFT supervisors from the different sectors of the national economy.

30. In particular, for AML/CFT purposes, the supervisors of the reporting entities from the financial sector are: the Superintendency of Banks (SIB), in charge of banks, financial institutions, EPS providers, exchange houses, bonded warehouses, and credit institutions; and the Superintendency of Insurance (SIS), in charge of insurance companies; both agencies report to the BCP. The National Securities Commission (CNV) supervises the securities market, and the National Institute of Cooperativism (INCOOP) does so in the case of cooperatives. In the case of trusts, they are supervised by the SIB and governed by the regulations



applicable to the reporting entities of this sector. The SEPRELAD supervises money remitters, pawnshops and safe deposit box rental services.

31. In the case of DNFBPs, the SEPRELAD is in charge of supervising the following reporting entities: real estate agencies; dealers in jewels, precious metals and stones; lawyers, accountants and other legal professionals. In addition to money transport companies; dealers in motor vehicles; VASPs; and NPOs. The National Commission of Games of Chance (CONAJZAR) is in charge of supervising the games of chance. The Supreme Court of Justice supervise the notaries, but it was not possible to confirm that they do so for AML/CFT purposes.

32. In general, it is possible to observe that the licensing and registration of reporting entities largely prevents criminals or their associates from entering the market.

33. Regarding the understanding of ML/TF risks, both financial and non-financial supervisors have a good understanding of them. Financial supervisors have risk-based supervision plans. Additionally, they developed risk matrices for the real estate sector, dealers in motor vehicles, money remitters, the securities market sector and NPOs. In addition, it is noted that the NRA carried out in 2018 does not specifically articulate the relationship that exists between the threats and the vulnerabilities detected to determine the specific risks of the country.

34. As previously mentioned, Paraguay recently updated (2019 and 2020) the regulations governing reporting entities to strengthen supervision and make it more based on the risk of each sector. Likewise, in 2021 resolutions regulating lawyers and accountants and VASPs were issued. In this regard, supervision needs to be improved in the case of some sectors, especially in those that have been more recently incorporated as reported entities.

35. It should be mentioned that, without prejudice to the new regulations, supervisors have made efforts to get closer to the reporting entities they supervise and to make them aware of their AML/CFT obligations. Supervisors, as well as reporting entities, have received training on the applicable regulations and the changes introduced to them. In addition, it is worth mentioning that there is a close coordination among supervisors, and that in 2019, Paraguay created the Board of Supervisors, which supports the development of basic tools for AML/CFT supervision, and the improvement of the actions conducted by reporting entities.

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

36. Paraguay conducted an NRA and its update on ML/TF matters in 2018. This update was aimed to enact a law providing for the creation of the Administrative Registry of Legal Persons and Arrangements, and the Administrative Registry of Beneficial Owners, as well as to amend Law 5895/17 “establishing transparency rules for joint stock companies.” These measures are in the process of being fully implemented with the respective enactments and constitute an important step forward in the matter that is expected to result in clear results at the end of the 2021 financial year by when all joint stock companies, which still have bearer shares, will have had to exchange them.

37. In 2020, the SEPRELAD, together with the Treasury Legal Service, conducted a ML/TF sectoral risk assessment on all types of legal persons (24 types) recognized by the country's legislation. This entailed the classification into groups by purpose (for-profit, non-profit, for-profit/non-profit, and public), and NPOs were left out, as they had already been analysed in their own sectoral exercise. Likewise, risks are classified into low and high, and they are divided into ML risks and predicate offences on the one hand, and TF on the other. The assessment revealed that the legal persons with the highest level of risk were the public entities, either for-profit or non-profit; single-owner limited liability companies (EIRL); public limited companies (S.A.); and limited liability companies (S.R.L.). Nevertheless, the understanding of the risks of the misuse of legal persons is not uniform. In this regard, some private sector stakeholders do not have a clear understanding of this risk, above all in relation to more complex corporate or legal arrangements and their relation with the risk inherent to their business activity.

38. Paraguay has also made considerable progress with regard to the legal and institutional framework for better identification of the beneficial owner (BO) of legal persons and arrangements and easy access to basic and BO information by the competent authorities. Paraguay has even advanced a little further and is in the process of granting access to said information also to the reporting entities of the country's AML/CFT system.

39. The enactment and entry into force of Law 6446/2019, which creates both the Administrative Registry of Legal Persons and Arrangements, and the Administrative Registry of Beneficial Owners, as well as of its Regulatory Law and Law 5895/17 as amended, have constituted a significant step forward by the country to prevent and deter the misuse of legal persons and arrangements. Due to the fact that said Registries have only recently been created, determining their level of effectiveness and whether improvements are needed in terms of security and protection of the information is still pending.

40. Paraguay is currently implementing the aforementioned legal and institutional framework and is raising awareness among both competent authorities and reporting entities about the usefulness of the Registries and their systems. Similarly, Paraguay has started developing policies and guidelines to monitor and ensure that the information contained in the Registries is adequate, accurate and up to date. Paraguay should consolidate the implementation of all the measures carried out and ensure their correct implementation by applying, when appropriate, effective, proportionate and dissuasive sanctions on persons that fail to comply with their obligations, among other things.

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

41. Paraguay has a legal framework that allows it to provide the most extensive cooperation in terms of ALM and extraditions to its foreign counterparts. Overall, this cooperation is considered to be constructive and timely. International cooperation can be conducted through the bilateral and multilateral conventions, treaties and agreements that were signed and, if none of these instruments exist, the country may conduct cooperation based on the principle of reciprocity.

42. The agencies responsible for processing the MLA and extradition are the Attorney General's Office—as the central authority, through the Directorate of International Affairs and External Legal



Assistance—, the Ministry of Justice and the Ministry of Foreign Affairs. Specifically, the Ministry of Justice acts as the central authority regarding the transfer of convicted persons and the Ministry of Foreign Affairs acts in cases of extradition, being a natural link with foreign jurisdictional authorities.

43. It should be noted that international cooperation involves the crimes identified as being the most frequently committed in the country. Notwithstanding this, in terms of ML there have not been many cases. It is possible to observe that cooperation is largely provided in cases of drug trafficking.

44. Likewise, there is greater cooperation with border countries, such as Argentina and Brazil, which is consistent with the level of risk identified with these countries.

45. Except for the Attorney General's Office and the SEPRELAD, the competent authorities do not have specific mechanisms for prioritizing and processing the requests received. The Paraguayan authorities make use of other forms of international cooperation for the exchange of information on ML/TF, such as informal cooperation with other countries.

46. Paraguay can exchange financial intelligence through the FIU-SEPRELAD and other type of information through law enforcement authorities (LEAs). However, in terms of supervision, it should be noted that, except for the SIB and the SIS, which are part of the BCP, cooperation with other LEAs is not extensive.

47. Although Paraguay can provide cooperation regarding BO information, the recent creation of the Administrative Registry of Legal Persons and Arrangements and the Administrative Registry of Beneficial Owners could have an impact on the capacity to provide updated or accurate information.

Priority actions

- When updating the NRA, Paraguay should make progress in the specific identification and assessment of the ML/TF risks existing in the country, thus making it possible to determine more clearly and precisely the different levels of risk and how the proceeds of crime of the different existing threats are undermining the AML/CFT system, as well as which sectors are most likely to be abused for ML/TF.
- Paraguay should continue working on the development of SRAs of other relevant sectors, such as cooperatives, exchange houses, games of chance, lawyers, accountants and notaries, in order to be able to inform the different reporting entities about the degree of inherent risk and the national vulnerabilities and threats that could be using said sectors for ML/TF purposes. Likewise, Paraguay should create the necessary conditions to strengthen outreach and feedback mechanisms with the sectors to improve knowledge of their AML/CFT obligations.
- Operational guidelines should be issued, and reporting entities should receive training on the internal processes to follow in order to implement the new Executive Order 5920/21, which regulates the asset freezing law.

- Paraguay should update the regulations on notaries after conducting an exhaustive risk analysis of the sector, so that, if there is any exception to the application of Recommendations 22 and 23, this can be justified on the grounds of the identification of the proven low or zero risk. Similarly, Paraguay needs to update the regulations on credit institutions, bonded warehouses, safe deposit box rental services, money transport and custody companies, and pawnshops that clearly establish their obligations.
- Paraguay should allocate more resources to the FIU-SEPRELAD in order to strengthen the operational capacity and the security measures of the systems and facilities to increase the number of spontaneous financial intelligence reports disseminated to the Attorney General's Office and of strategic analysis products in order to be able to face the challenges related to its powers based on the identified threats.
- Paraguay should give priority to the implementation of Instruction No. 01 for the proactive development of parallel financial investigations and provide training to their agents and the competent authorities on how to use said Instruction effectively in a way that reflects the increase in the number of investigations initiated for ML and the identification of criminal proceeds.
- Paraguay should give priority application and implementation to the laws of 2019, especially Law 6431 of 2019, to permit the use of judicial investigation techniques to facilitate the seizure of the proceeds of crime and carry out the necessary reforms to be able to use undercover operations and controlled deliveries in ML investigations in a more accessible way.
- Paraguay should provide the Attorney General's Office with sufficient resources to initiate investigations for ML as a stand-alone offence and more complex ML cases, and improve operational coordination and cooperation among the competent authorities so that said investigations are strategically prioritized based on the country's risk and can be submitted to the judicial authority with strong elements consistent with the threats and the risk profile of Paraguay.
- Paraguay should provide more resources to the authorities in charge of the Administrative Registry of Legal Persons and Arrangements and the Administrative Registry of Beneficial Owners to ensure the proper functioning of information systems and the security of the information, as well as to implement and strengthen the review and monitoring process as set forth in DGPEJBF Resolution 10/2021, in order to ensure that the information in the Registries is adequate, accurate and up-to-date. Similarly, the application of effective, proportionate and dissuasive sanctions should be strengthened for persons that fail to comply with their obligations of record-keeping and submission of basic and BO information updates.
- Paraguay should implement plans or processes for monitoring compliance with the AML/CFT obligations by notaries, lawyers, accountants and VASPs, so that they have a better understanding of the AML/CFT regulations and apply preventive measures in accordance with the risks identified.

- Paraguay should strengthen the monitoring of reporting entities by supervisors that helps reporting entities better understand their AML/CFT obligations, particularly considering the recent implementation of a risk-based supervision.
- Paraguay should implement in all the competent authorities the mechanisms and protocols for prioritizing and responding to requests of international cooperation in order to improve response times.
- Strengthen the sanctions for the commission of the autonomous ML offense so that the offense can be sanctioned in an effective, proportionate and dissuasive manner without the need to have any prior offense that strengthens the sanction. Likewise, in line with the threats and risks identified by the country, the number of investigations prosecuted for complex ML schemes should be higher.
- Increase the controls of cross-border transportation of money and securities that will allow strengthening their capacity to confiscate the proceeds of ML. In addition, international cooperation with foreign counterparts should be enhanced in order to increase the use of tools for asset identification and recovery. In turn, the FIU-SEPRELAD should be actively included in the processes related to asset identification and tracking, due to the intelligence information it can provide.
- Paraguay should increase the number of inter-agency agreements or protocols on specific CFT issues to provide greater scope of application to the recently issued general regulations. Likewise, the information gathered from investigations and sentences on terrorism can be better used to develop TF typologies and red flag indicators which may eventually be useful for CFT stakeholders and reporting entities to detect suspicious transactions. Given the nature of its functions, coordination between SEPRINTE and the competent authorities, should be increased. The assessment team considers that the CNI could contribute more on the efforts of information sharing and cooperation among agencies on CFT issues.
- Paraguay should strengthen SEPRELAD's outreach to NPOs with the aim of working together to apply targeted and proportionate measures, as well as to guide the supervision processes for the sector, especially for those located in the Tri-Border Area, due to the high risk implied by this geographic area.



Technical compliance and effectiveness 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	Moderate	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 PF financial sanctions	
Low	Moderate	Moderate	Moderate	Moderate	

Technical compliance ratings

AML/CFT policies and coordination

R. 1	R. 2
LC	C

Money laundering and confiscation

R. 3	R. 4
PC	C

Terrorist financing and financing of proliferation

R. 5	R. 6	R. 7	R. 8
LC	LC	LC	LC

Preventive measures

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

Transparency and beneficial ownership of legal persons and arrangements

R.24	R.25
LC	C



Powers and responsibilities of the competent authorities, and other institutional measures

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

International cooperation

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



MUTUAL EVALUATION REPORT

Preface

48. This report summarises the AML/CFT measures in place as of 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/CFT system and recommends how the system could be strengthened.

49. This evaluation was based on the 2012 FATF Recommendations and was prepared using the 2013 Methodology. The evaluation was based on information provided by the country, and information obtained by the assessment team during the on-site visit to the country from August 23 to September 3, 2021, which was conducted in a hybrid manner (four assessors attended in person and were supported by the in-presence participation of the Executive Secretariat, moreover, three assessors attended virtually).

50. The evaluation was conducted by an assessment team consisting of: Juan Sebastián Sabogal (Foreign Affairs Advisor to the Financial Information and Analysis Unit of Colombia, legal expert), Eugenio Rodríguez Zumbado (Lawyer of the General Legal Affairs Directorate of the General Superintendency of Financial Entities of Costa Rica, legal expert), Idania Torre Toledo (Head of the Superintendency of the Central Bank of Cuba, financial expert), José Dolores Reyes García (Head of the Legal Affairs Directorate of the Financial Analysis Unit of Nicaragua, legal expert), Lillian Báez Ureña (Head of the Department of DNFBP Supervision of the General Directorate of Internal Taxes of the Dominican Republic, financial expert), Jacqueline Rudas (Advisor to the U.S. Department of the Treasury, operational expert), and John Grajales (technical specialist of the Organization of American States, operational expert), with the support of Gustavo Vega Ruvalcaba (Deputy Executive Secretary), Alejandra Pérez Reséndiz (technical expert) and Juan Manuel Portilla González (technical expert) from the GAFILAT Secretariat. The report was reviewed by the FATF Secretariat, Fernanda García-Yrigoyen Maurtua (Supervisor of the Department of Prevention, Liaison and Cooperation of the FIU of the Superintendence of Banking, Insurance and Private Pension Administrator of Peru), and Carlos Acosta (Legal Advisor to the International Monetary Fund).

51. Paraguay was previously subject to a mutual evaluation developed by the International Monetary Fund, which was discussed and approved as Mutual Evaluation Report by the GAFILAT 18th Plenary of Representatives in 2008, carried out in accordance with the 2004 FATF Methodology. The December 2008 evaluation has been published and is available at https://www.gafilat.org/index.php/es/biblioteca-virtual/miembros/paraguay/evaluaciones-mutuas-13/217-paraguay-3era-ronda_-2008, and its follow-up reports are available at <https://www.gafilat.org/index.php/es/biblioteca-virtual/miembros/paraguay/informes-de-seguimiento-13>.

52. The mutual evaluation concluded that the country was rated compliant in 2 Recommendations; largely compliant in 2; partially compliant in 14; non-compliant in 30, and 1



Recommendation was classified as not applicable. Paraguay was not rated compliant or largely compliant in any of the 16 Core and Key Recommendations.

53. Based on the aforementioned MER, GAFILAT placed Paraguay on an enhanced follow-up process, which was removed from it in April 2018 after having presented measures to correct the deficiencies identified in the Core and Key Recommendations.

CHAPTER 1. ML/FT RISKS AND CONTEXT

54. The Republic of Paraguay (hereinafter, Paraguay), whose capital city is Asunción, has an area of 406,752 km², borders the Argentine Republic, the Federative Republic of Brazil and the Plurinational State of Bolivia, and is politically divided into 17 departments. The country has a population of 7,152,703 inhabitants.¹

55. Paraguay is a presidential republic, with a unitary, indivisible and decentralized government, and is divided into three powers: Executive, Legislative and Judicial.

56. The President of the Republic exercise the Executive Power, together with the Vice-President and his cabinet, consisting of Ministers and Secretaries. Both the President and the Vice-President are elected for a period of five years and cannot be re-elected.

57. The Legislative Power is in charge of the National Congress, which is bicameral: Senators and Deputies. The Senate consists of 45 members, and the House of Deputies is made up of 80 members. Both senators and deputies are elected by vote of the electorate, serve for a 5-year period, and can be re-elected.

58. The Judicial Power is made up of the Supreme Court of Justice—which has nine members organized in courtrooms—and the courts and judges distributed by material and territorial jurisdiction. The appointment of the members of the Supreme Court of Justice is made by the Senate, with the constitutional agreement of the Executive Power. Justices are appointed for a five-year term or may remain in office until they reach the age limit set by the Supreme Court.

59. Pursuant to Article IV Consultation (IMF Report), in 2018 the country's GDP growth was 3.7%, mainly driven by a strong growth in foreign investment and domestic consumption. In turn, for 2019, the BCP estimated the GDP growth at 0.2%. In this regard, in 2019, the GDP was USD 38.64 billion, while the GDP per capita was USD 5,404. Considering the impact of the COVID 19 pandemic, according to BCP data, Paraguay's GDP decreased by 1%. Meanwhile, in 2020 the GDP was USD 35.60 billion and the GDP per capita was USD 4,909, whereas for 2021 the GDP is estimated to close at USD 38.28 billion and USD 5,207, respectively.

¹ General Directorate of Statistics, Surveys and Censuses. Paraguay- 2019 projections of national population, urban and rural areas, by sex and age, available at: https://www.dgeec.gov.py/Publicaciones/Biblioteca/proyeccion%20nacional/Paraguay_Triptico_2019.pdf



ML/TF risks and scoping of higher risk issues

Overview of ML/TF risks

60. The analysis carried out by the assessment team was based on the information provided by the country, including the two National Risk Assessments (NRAs), information from external sources and international organizations, as well as information obtained during the on-site visit. In this context, the following paragraphs list the most important risks identified, considering the impact they may have on Paraguay's AML/CFT system.

61. In 2016, Paraguay conducted its ML/TF NRA in compliance with Objective 3 of Paraguay's Strategic Plan for Combating Money Laundering, the Financing of Terrorism and of the Proliferation of Weapons of Mass Destruction (PEEP) and had the technical support of the Inter-American Development Bank (IDB). This NRA was updated in 2018, and its findings were incorporated as new objectives in the PEEP, in order to mitigate the risks identified. In addition, on November 6, 2020, Paraguay issued Executive Order 4312, whereby the final report of the National Risk Assessment on Terrorist Financing (TF-NRA) was published. This self-assessment exercise was conducted with the technical assistance of the World Bank and included clear findings and weightings of the risks identified, which were incorporated into the PEEP. Additionally, Paraguay prepared sectoral risk assessments (SRAs) for the real estate sector, money remitters, VASPs, as well as NPOs and legal persons and arrangements.

62. As a result of the 2016 NRA and its 2018 update, the main threats detected and reflected in the PEEP were:

- Drug trafficking
- Smuggling and piracy
- Cross-border transportation of cash
- Human trafficking; and
- Corruption

63. Regarding vulnerabilities, Paraguay identified the following as major vulnerabilities: lack of a state intelligence system; absence of a criminal statistics system and victimization surveys; corruption in some key agencies of the Paraguayan AML/CFT system, weak strategic, tactical and technical cooperation between Paraguay and its neighbouring countries, and lack of a system that prioritizes the approach to the deficiencies of the system in order to improve effectiveness and allocate resources to serious ML/TF cases.

64. Based on the findings of its TF NRA, Paraguay identifies the following the following main risks: smuggling and piracy, kidnapping and extortion as a means to raise funds for TF; money remitters; cross-border transportation of cash, and domestic criminal groups and international terrorist groups.

Risk assessment and scoping of country's higher risk issues

65. In compliance with Objective No. 3 of the aforementioned PEEP "Develop a National ML/TF/PF Risk Assessment including the analysis of ML/TF/PF threats and vulnerabilities of the system," Paraguay conducted two NRAs, which were approved by Executive Orders of 2016 and 2018, respectively, and triggered the corresponding updates to the PEEP. Similarly, in 2019 the country carried out the TF NRA, whose report was adopted by Executive Order of 2020 and whose findings and recommendations were included into the PEEP.

66. The methodologies applied in the aforementioned NRAs are their own, mixed, substantially empirical and practical, involving institutional, legal and operational components. In the first two, concepts from the FATF Guidelines on the National Risk Assessment of February 2013 were taken as reference, and the qualitative and quantitative analysis of the information collected was consistent with the application of expert criteria based on experience, perception and speculation of the relevant stakeholders from the public and private sectors that participated in both processes. In the specific development of the TF NRA, Paraguay applied its own methodology involving the use of a comprehensive qualitative and quantitative approach to the information collected and the application of expert criteria, taking as a basis the World Bank's TF NRA model. Based on this, the assessment team does not identify homogeneity in the methodologies applied, which could have an impact on the identification and assessment of the magnitude of the ML/TF risks themselves and, therefore, the country's capacity to define and coordinate specific actions to mitigate them could be reduced. The foregoing has been addressed to a certain extent by the action of the Inter-agency Committee in different meetings held to update mitigation policies.

67. In addition, the NRAs of 2016 and 2018 were conducted based on information gathered in accordance with the objectives and actions provided for in the PEEP; information provided by state agencies linked to the AML/CFT system; information exchanges; surveys to authorities and reporting entities; and other relevant public information taken from national and international sources. Similarly, the findings of Paraguay's MER within the framework of the FATF Third Round of Mutual Evaluations, and the results of the MER of border countries were taken into account.

68. For the 2018 NRA, a comprehensive self-assessment of the Paraguayan AML/CFT system was preliminarily conducted through various seminars/workshops on topics such as the FATF Recommendations, the new assessment methodology, and the risk-based approach, among others. Likewise, the technical compliance and effectiveness questionnaires provided for in the Methodology were applied; interviews and on-site visits were conducted with all the authorities and representatives of the reporting entities, complementary documentary and statistical information was collected; and workshops were held to discuss and exchange ideas on the preliminary conclusions of the NRA with all the participants, including representatives of the competent and other relevant authorities, as well as representatives of different Associations and reporting entities of the AML/CFT system.



69. Considering Paraguay's NRAs, as well as other relevant information about the country, during the on-site visit and in this Mutual Evaluation Report (MER), the following higher risk issues were examined in greater detail:

70. *Legal, regulatory and institutional changes in the AML/CFT system:* Due to the recent nature of much of the AML/CFT regulatory framework, focus was placed on measuring the impact on the effectiveness with which the State and its institutions have managed to implement the regulatory changes to mitigate the main risks.

71. Regarding the reporting entities, the assessment team focused on the sectors that represent a higher risk based on their exposure, materiality and context in the country, and in some cases the lack of or deficiencies in their regulation. Based on the above, the assessment team focused on verifying the way in which banks, financial cooperatives, credit institutions, exchange houses, money remitters, real estate agencies, games of chance, notaries, lawyers, accountants and other legal professionals, as well as NPOs, understand their inherent ML/TF risks, the effectiveness of their monitoring process, and whether they are supervised for compliance with their AML/CFT obligations, as well as in the application of targeted financial sanctions (TFS) related to TF and PF.

72. In view of the recent entry into force and implementation of relevant laws, such as Law 5895/17 (establishing transparency rules in the regime of joint stock companies) and Law 6446/19 (creating the Administrative Registries of Legal Persons and Arrangements and of Beneficial Owners), and the recent development of the ML/TF SRA of legal persons, the assessment team focused on verifying how well the country prevents legal persons from being misused and whether the competent authorities have access to adequate, accurate, and timely BO information, as well as on verifying the mitigating impact that the aforementioned laws can have in strengthening the AML/CFT system.

73. In addition, the assessment team focused on verifying the measures related to international cooperation taken by LEAs, the Attorney General's Office, the FIU, judicial authorities, and relevant authorities, in order to mitigate the main ML/TF risks identified, as well as to ensure compliance with the obligations related to PF. In particular, special attention was paid to free trade zones and the Tri-Border Area by virtue of the ML/TF/PF risks that these geographic areas pose to the country. It is important to consider the impact that the Tri-Border Area has on the type of crimes committed and its proceeds that are susceptible to be laundered, are mainly drug trafficking, trade-based money laundering, human trafficking, and cross-border transportation of cash.

Materiality

74. Paraguay has four supervisory bodies for the financial sector: 1) The Superintendency of Banks (SIB) supervises banks, financial institutions, exchange houses and credit institutions², electronic payment service (EPS) providers and bonded warehouses, 2) the National Institute of Cooperativism (INCOOP) supervises cooperatives, 3) the Superintendency of Insurance (SIS) is in charge of supervising insurance companies, and 4) the National Securities Commission (CNV), which is responsible for supervising brokerage firms and investment funds. Paraguay has a

² Prior to the creation of the SIB, credit institutions were supervised by the SEPRELAD (February 1, 2019 – December 31, 2019).



relatively large financial sector. Banks represent 84% of the total assets of financial institutions (FIs).

75. Regarding the designated non-financial businesses and professions (DNFBPs), notaries are supervised by the Supreme Court of Justice. The National Commission of Games of Chance (CONAJZAR) supervises casinos, and the SEPRELAD is responsible for supervising real estate agents, dealers in precious metals and stones, lawyers and accountants, and non-profit organizations (NPOs). Likewise, due to the fact that safe deposit box rental services, pawnshops, money remitters, and money transport companies do not have a natural supervisor, the SEPRELAD is empowered to supervise them.

76. Although the number of reporting entities is greater in the DNFBP sector, the financial sector is the one that generates the greater impact in terms of ML/TF prevention.

77. Regarding VASPs, this sector has only recently been regulated and is supervised by the SEPRELAD. At the time of the on-site visit, only 5 VASPs were operating and registered as reporting entities. Due to the fact that the VASP sector is relatively new, and its regulation is very recent, there is little information in this regard. However, Paraguay conducted an SRA on virtual assets (VA) and VASPs in 2020. Said SRA highlights the risk posed by this sector due to the use of cash implied by the de-risking that VASPs have received from the financial system when it is not easy to have access to accounts. In this regard, at the time of the SRA, only 4 STRs related to the VASP sector had been received, and they were classified as low risk since they involved relatively low amounts of money.

78. According to data from the World Bank, Paraguay is considered an upper-middle income country. In addition, in 2020, Paraguay's exports of goods and services accounted for 33.56% of its GDP and imports did so by 29.3%.³ Additionally, Paraguay has free trade zones with business activity at a regional and global level. According to the data provided by the BCP, in 2020 the two free trade zones of Paraguay called "Global Free Trade Zone" and "Trans Trade Free Zone" represented a value of 1,080,607 (in thousands USD FOB) on imports and 11,235 (in thousands USD FOB) on exports. They also had a GDP share of 1.58% (imports) and 0.03% (exports) in the Global Free Trade Zone, and 1.42% (imports) and 0.01% (exports) in the Trans Trade Free Zone.

79. Regarding legal arrangements (trusts), the banks and financial institutions authorized by the BCP can act as trustees. The trust companies whose creation is authorized shall be categorized as auxiliary credit institutions, and shall be subject to the supervision and oversight of the SIB. So far there has been no trust company operating or authorized to do so.

80. At present, there are 100,812 legal entities, of which 41,171 are joint stock companies; 38,970 public limited companies; 13,511 limited liability companies; and 303 foreign company's branches or agencies. On the other hand, there are 2,648 legal arrangements, of which 6 are mutual funds and the rest are trusts.

³ World Bank. Development indicators. Paraguay. <https://databank.bancomundial.org/reports.aspx?source=2&country=PRY>



81. The NRA identified that the risks associated with legal persons and arrangements represented difficulties for the identification of beneficial owners, their business activity and other factors. By virtue of the foregoing, Paraguay issued Law 5895/17, which modifies provisions of Paraguay's Civil Code and introduces changes to the legal regime of the shares of public limited companies, involving the conversion of bearer shares into registered shares. In line with this, Law 6399/19, which modifies Articles 3 and 4 of Law 5895/2017, established the deadline⁴ for these shares to become registered shares. After such deadline, those companies that did not implement the share exchange mechanism as provided by law will have lost the validity of the instrument. Similarly, pursuant to Law 6446/2019, both the Administrative Registry of Legal Persons and Arrangements and the Administrative Registry of Beneficial Owners were created⁵.

Structural elements

82. Paraguay has assumed a political commitment at the highest level to combat ML/TF, which is reflected in its AML/CFT policy. Specifically, it is worth highlighting the creation and implementation of Paraguay's Strategic Plan for Combating Money Laundering, the Financing of Terrorism and of the Proliferation of Weapons of Mass Destruction (PEEP), which was drafted based on the findings of the 2016 NRA, its 2018 update and, later on, on the findings of the TF NRA.

83. Likewise, through Executive Order, the Paraguay's AML/CFT General Coordination and the AML/CFT Inter-agency Committee were established, appointing the Minister-Secretary General and Chief of the Cabinet of the Presidency of Paraguay as General Coordinator of the AML/CFT system, who he will be assisted by SEPRELAD's Minister-Executive Secretary. Thus, this agency is established as a long-term strategic instrument for coordination, with the aim of comprehensively strengthening the AML/CFT system and its components.

Background and other contextual factors

84. Taking into account the information provided by the NRAs, as well as additional relevant information provided by Paraguay, it is possible to observe that public institutions are currently going through a series of changes that involve adapting their legal frameworks to international standards. In addition, there is a perception of distrust towards public institutions, mainly due to the high levels of corruption, which, as previously mentioned, represent a threat and vulnerability in the AML/CFT system.

85. According to a study conducted by Transparency International, in 2019 and 2020 Paraguay was rated with a score of 28 points in the Corruption Perception Index, which represents a very high perception by the Paraguayan population. Based on this index, the country ranks 137th out of 179.

⁴ The deadline established for such share exchange was December 10, 2019, plus 6 subsequent months for the total exchange before they lose validity.

⁵ The Registries will be in charge of the General Directorate of Legal Persons and Arrangements and Beneficial Owners within the Ministry of Finance as the enforcement authority.

86. Likewise, the World Economic Forum Competitiveness Index ranks Paraguay 97th out of 141 assessed countries, indicating that Paraguay was rated with low scores in the area of reliability of police services (2.7 out of 7.0) and in the area of judicial independence (1.7 out of 7.0)⁶.

87. On the other hand, Paraguay has a high degree of informal economy (40%) and according to the results of the NRA, the country's level of financial inclusion is low. In this regard, there is a prevalence of a cash-intensive business activity, which implies that a significant amount of money, funds and assets can circulate informally.

88. Based on the above and the strategies implemented by Paraguay, through Executive Order 1971/14, the National Strategy for Financial Inclusion (ENIF) was approved for the period 2014-2018. Its goal is to become a useful tool to reduce poverty and promote social development; to promote further extension of the scope of financial services in a competitive and secure market; and to promote financial inclusion, maintaining the balance between the stability of the financial sector and the integrity, education and protection of consumers.

89. The BCP, with the participation of public and private institutions, has been accompanying the activities conducted on the basis of this strategy.

Overview of the AML/CFT strategy

90. In 2013, Paraguay developed a diagnosis of AML/CFT threats and vulnerabilities that led to the approval of the PEEP through Executive Order 11200 endorsed by the Minister of the Interior. The PEEP contains a series of actions to address higher risk issues as a priority.

91. Several updates were made to the 29 objectives of the aforementioned PEEP, those 29 objectives were established after the first 2 NRAs, the other 10 objectives were included after the last TF NRA. These objectives include different actions to strengthen the system, among which the following stand out: i) adopt measures to ensure transparency and knowledge of the BO; ii) establish procedures to identify, designate and propose designations pursuant to the relevant UNSCRs; iii) implement the AML/CFT Inter-agency Coordination; iv) establish a coordinated system of statistics on ML and its predicate offences; v) adjust policies to overcome the vulnerabilities of the AML/CFT system produced by the informal economy; vi) streamline the abilities of the competent authorities, as well as of the different Public Registries; vii) apply the RBA and conduct sectoral risk assessments; viii) increase the number and powers of courts and prosecutor's offices specialized in ML/TF and provide them with specialized units, among others.

Overview of the legal and institutional framework

92. The main authorities that make up Paraguay's AML/CFT system are grouped in Paraguay's AML/CFT Inter-agency Committee, created by Executive Order 7949/2017. This Committee is under the coordination of the Minister-Secretary General and Chief of the Civil Cabinet of the Presidency of the Republic with the support of SEPRELAD's Minister-Executive Secretary to

⁶ http://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2019.pdf



provide a framework for the guidelines at the highest level in the formulation of state policies in terms of AML/CFT, and consists of the following authorities:

- Supreme Court of Justice
- Attorney General's Office
- Central Bank of Paraguay, Superintendency of Banks
- Superintendency of Insurance - National Anti-Drug Secretariat
- National Anticorruption Secretariat
- Ministry of Foreign Affairs
- Ministry of Finance
 - State Undersecretariat for Taxation
 - Treasury Legal Service
- National Commission of Games of Chance
- National Securities Commission
- National Intelligence Secretariat
- National Secretariat of Seized and Forfeited Assets
- Office of the Prosecutor General of the Republic
- National Customs Directorate
- Ministry of National Defence
- National Institute of Cooperativism
- Ministry of Industry and Trade
- National Directorate of Intellectual Property
- Comptroller General of the Republic
- Ministry of the Interior
- Secretariat for the Prevention and Investigation of Terrorism
 - Directorate against Economic and Financial Crimes of the National Police,
 - AML/CFT Specialized Department
- General Directorate of Migration
- Ministry of Justice

Overview of the financial sector, DNFBPs and VASPs

93. At present, Paraguay has a total of 1,212 reporting entities in the financial sector. Banks represent 84% of the total assets of financial institutions (FIs) and are distributed as follows: 3 foreign branches; 4 with foreign majority shareholding; 9 with national or local majority shareholding; and 1 Paraguayan State bank; which renders a total of 17. In addition, there are 5 electronic payment service providers; 33 operating insurance companies; 750 cooperatives; 8 financial institutions; 26 exchange houses; 3 bonded warehouses; 16 brokerage firms; 5 investment funds; 13 money remitters; 9 safe deposit box rental services; 295 credit institutions; 27 pawnshops; and 5 VASPs.⁷

94. As regards designated non-financial businesses and professions (DNFBPs), there are a total of 9,562 DNFBPs registered in Paraguay. At present the registered DNFBPs are as follows: 1,201

⁷ 4 of Bitcoin mining and forks, and 1 exchange of VA for FIAT currency or other AV

notaries; 38 companies exploiting games of chance (casinos and other related businesses), of which 5 are physical casinos, 15 online casinos and the rest are divided into types of games of chance in general (bingo, racecourse, pools, telebingo, betting, table games and electronic machines, online bingo, virtual terminals and Texas Holdem Poker). Likewise, there are 1,658 real estate agencies or agents; 162 dealers in jewellery, precious metals and stones. Lawyers and accountants are going through a registration process. Moreover, Paraguay included other sectors as reporting entities, namely: 1,642 motor vehicle importers; 10 money transport companies; 3 antiquities and numismatics; and 4,848 NPOs.

95. Although the number of reporting entities is greater in the DNFBP sector, the financial sector is the one that generates the greater impact in terms of ML/TF prevention. According to national accounts estimates, financial intermediation activity would represent 6.12% of the GDP by the end of 2020. As of November 2019, private sector deposits in the banking system registered a year-on-year growth of 18.9%⁸.

96. The activities and businesses that have been identified as operating in Paraguay as VASPs are of two types: i) VA exchanges (includes VA transfer, custody and storage), and ii) miners. Likewise, it was found that both types of VASPs provide wallet administration and/or custody services and other support activities associated mainly with mining. Paraguay recognizes the difficulty in identifying those VASPs that are currently operating.

Overview of preventive measures

97. Paraguay enacted Law 1015/97 “preventing and punishing the unlawful acts intended to legitimise money or assets,” as amended by Law 3783/09, and later by Law 6497/2020 (AML Law). This Law establishes the structural elements of the preventive measures of the AML/CFT system applicable to all the reporting entities listed in its article 13. In compliance with this Law, and given the powers of the SEPRELAD, different resolutions were issued specifying the different obligations for each of the reporting entities of the AML/CFT system. The SEPRELAD resolutions below were addressed to the different reporting entities:

Financial sector

- SEPRELAD Resolution 70/19 (Banks and financial institutions)
- SEPRELAD Resolution 71/19 (Insurance companies)
- SEPRELAD Resolution 77/19 (EPS providers)
- SEPRELAD Resolution 156/2020 (Cooperatives)
- SEPRELAD Resolution 172/2020 (Securities market and investment funds)
- SEPRELAD Resolution 176/2020 (Money remitters)
- SEPRELAD Resolution 248/2020 (Exchange houses)
- SEPRELAD Resolution 349/13 (Credit institutions, bonded warehouses)
- SEPRELAD Resolution 265/07 and 267/07 (Pawnshops)
- SEPRELAD Resolution 208/14 (Money transport and custody companies)
- SEPRELAD Resolution 220/14 (Safe deposit box rental services)

⁸ Statistical Bulletin issued by the Central Bank of Paraguay.

98. Likewise, the resolutions regulating credit institutions and bonded warehouses need to be updated in line with the rest of the resolutions issued.

Non-financial sector

- SEPRELAD Resolution 299/21 (Lawyers and accountants)
- SEPRELAD Resolution 325/13 (Notaries)
- SEPRELAD Resolution 258/2020 (Casinos)
- SEPRELAD Resolution 196/2020 (Dealers in motor vehicles)
- SEPRELAD Resolution 201/2020 (Real estate)
- SEPRELAD Resolution 222/2020 (Dealers in jewellery or precious metals)
- SEPRELAD Resolution 70/19 (Trust service providers)

VASPs

- SEPRELAD Resolution 314/21 (Virtual asset service providers)

99. In the case of the resolutions related to the notaries sector, they need to be updated to cover different aspects, especially those related to an RBA.

Overview of legal persons and arrangements

100. Article 91 of Law 1183/85 (Civil Code) establishes the different types and forms of legal persons provided for by the Paraguayan law. In this sense, the legal persons recognized by Paraguay are: (i) the State; (ii) Municipalities; (iii) the Catholic Church; (iv) self-sufficient, autonomous and mixed economy entities and other public law entities, which, in accordance with the respective legislation, are capable of acquiring property and binding themselves; (v) universities; (vi) non-profit organisations; (vii) registered associations with restricted capacity; (viii) foundations; (ix) public limited companies and cooperatives; and (x) other companies regulated in Book Two of this Code (simple and collective partnerships, limited partnerships, joint stock companies, limited liability companies, and companies incorporated abroad). It should be noted that Law 6480/2020 created the legal concept of simplified joint stock companies.

101. In 2020, the SEPRELAD, together with the Treasury Legal Service, conducted a ML/TF sectoral risk assessment on all types of legal persons (24 types) recognized by the country's legislation. This exercise entailed the classification into groups depending on their purpose (for-profit, non-profit, for-profit/non-profit, and public), and NPOs were left out, since they had already been analysed in their own sectoral exercise. Likewise, risks are classified into low and high, and they are divided into ML risks and predicate offences on the one hand, and TF on the other. The results of this SRA revealed that the legal persons with the highest level of risk were public entities, either for-profit or non-profit entities; single-owner limited liability companies (EIRL); public limited companies (S.A.); and limited liability companies (S.R.L.).

102. Based on the figures available and which are reflected in this report, the country does not identify itself nor does it have the characteristics of a regional or international centre for the creation or administration of legal persons and arrangements. Likewise, the number of foreign legal persons

and arrangements or those with foreign capital is very low compared to the total number of legal persons and arrangements created in Paraguay.

103. Paraguay provides for a system of public registries made up of: i) Public Registry of Legal Persons and Associations; and ii) Public Registry of Commerce; both administered by the General Directorate of Public Registries of the Supreme Court of Justice; iii) Administrative Registry of Legal Persons and Arrangements; and iv) Administrative Registry of Beneficial Owners; administered by the General Directorate of Legal Persons and Arrangements and Beneficial Owners with the Ministry of Finance.

Overview of supervisory arrangements

104. Paraguay has four supervisory bodies for the financial sector: 1) the Superintendency of Banks (SIB), 2) the National Institute of Cooperativism (INCOOP), 3) the Superintendency of Insurance (SIS), and 4) the National Securities Commission (CNV). Likewise, in the case of financial institutions without a natural supervisor, the SEPRELAD is empowered to conduct supervision (money remitters, pawnshops, money transport companies, as well as safe deposit box rental services).

105. In the case of DNFBPs: 1) The SEPRELAD is in charge of supervising the sectors that do not have a natural supervisor. Namely, real estate agents, dealers in precious metals and stones, lawyers and accountants, motor vehicle importers and NPOs. It also supervises VASPs. 2) the Supreme Court of Justice is in charge of supervising notaries, and the SEPRELAD acts as regulator; and, finally, the 3) National Commission of Games of Chance (CONAJZAR) in charge of supervising casinos and games of chance.

Overview of international cooperation

106. Considering the transnational nature of the main threats identified by the NRA, together with the geographical location and the specific vulnerabilities identified in the borders, international cooperation is a relevant tool to mitigate the main ML/TF risks identified. International cooperation also contributes to the capacities of LEAs and other relevant authorities.

107. Paraguay provides a wide range of mutual legal assistance (MLA) and extradition. The central authorities responsible for addressing requests for information are the Attorney General's Office, through its Directorate for International Affairs and External Legal Assistance, the Ministry of Justice, and the Ministry of Foreign Affairs. The General Prosecutor's Office analyses the requests received for their subsequent processing and allocation according to the type of information. In both cases, Paraguay acts in accordance with the provisions of international instruments (bilateral or multilateral).

108. The FIU and other competent authorities may provide international cooperation in accordance with their powers and may use other forms to exchange information, such as informal cooperation. Notwithstanding the above, LEAs have the opportunity to make improvements in relation to prioritization processes. Similarly, there is an opportunity to strengthen international

cooperation in terms of supervision, between the supervisor authorities that are not under the umbrella of the BCP.

CHAPTER 2. NATIONAL AML/CFT POLICIES AND COORDINATION

Key findings and recommended actions

Key findings

- In recent years, Paraguay, in line with its PEEP, has approved an important package of legal and institutional reforms with the aim of mitigating the ML/TF threats, vulnerabilities and risks identified in the different NRAs carried out, which have contributed to the knowledge and understanding of such threats, vulnerabilities and risks by the authorities and reporting entities.
- The results of the NRAs are considered reasonable up to a point. In this sense, although the existence of phenomena, such as informality and corruption, is recognized, their impact on the AML/CFT system is not clearly identified; there are no economic studies of offences as the source of criminal proceeds; and no specific conclusions were reached regarding the financial or economic sectors or activities that represent higher ML/TF risk. This can affect the country's capacity to execute specific actions to mitigate them, and for this reason, the various updates of the PEEP and the debates held by the authorities in this regard have gained great importance.
- Paraguay's AML/CFT system is structured around a very recently issued and updated regulatory and institutional framework, which, to a certain extent, limits the capacity of the assessment team to comprehensively assess the effectiveness and the capacity of the country to implement and comply with specific AML/CFT mitigation policies and/or measures defined by Paraguay.
- Progress has been made in relation to coordination among the different competent authorities and in the country's degree of commitment to face and, to some extent, mitigate the risks it faces in terms of ML/TF.

Recommended actions

- Improve the identification and assessment of ML/TF risks, incorporating the manner and the means by which the different existing threats generate criminal proceeds and are undermining the AML/CFT system, as well as the sectors and activities in the current context of the country posing higher ML/TF risks, in order to help establish measures to mitigate said risks.
- Continue and complete the execution of actions within the framework of the PEEP against ML/TF and adjust it as the SRAs are being completed and/or the NRA is being updated.
- Continue developing SRAs and consolidating the AML/CFT information and statistics system of other relevant sectors in order to determine the degree of the country's inherent risk, vulnerabilities and threats that could be used for ML/TF.
- Continue raising awareness among the different reporting entities in relation to ML/TF threats, vulnerabilities and risks, paying greater attention to those reporting entities that have

been recently regulated, such as EPS providers, VASPs, lawyers and accountants; and others, such as notaries. In the case of regulations aimed at notaries, the exceptions established therein, as well as the thresholds for their application, should be reviewed.

The relevant Immediate Outcome considered and assessed in this chapter is the IO 1. The relevant recommendations for the assessment of effectiveness in this section are R.1, 2, 33, and 34, and elements of R. 15.

Immediate Outcome 1 (risk, policy and coordination)

Country's understanding of its ML/TF risks

109. Paraguay has made significant efforts to identify and understand its ML/TF risks. In 2012, through Executive Order 8413, the country declared the elaboration and development of a national AML/CFT strategic plan coordinated by the SEPRELAD and the BCP a national priority, with the support of the Inter-American Development Bank (IDB). In 2013, Paraguay carried out an assessment of threats and vulnerabilities in this area that led to the approval of Paraguay's Strategic Plan (PEEP) for Combating ML/TF/PF through Executive Order 11200 endorsed by the Minister of the Interior. This Executive Decree, approved in 2013, included a series of actions aimed at addressing higher risk areas as a priority.

110. Paraguay developed two ML/TF NRAs with the technical assistance of the IDB, approved by Executive Orders of 2016 and 2018, respectively, and which promoted relevant updates in the PEEP. Similarly, in 2019 the country carried out a TF NRA, the result of which was adopted by Executive Order of 2020 and the findings and recommendations of which were included in the PEEP.

111. The assessment team could verify that both the 2016 NRA and its 2018 update conclude with a list of the main ML and TF threats and vulnerabilities. In the 2016 and 2018 NRAs, the impact of the country's levels of informality and corruption on the AML/CFT system is not clearly identified, nor are specific conclusions reached with respect to the financial or economic sectors or activities that represent higher ML/TF risks, which may affect the country's capacity to execute specific actions to mitigate them. In this sense, the different SRAs, developed as of 2019, as stated by Paraguay, correspond to the higher risk sectors of the country and have allowed for a better understanding of the ML/TF threats and vulnerabilities present in those sectors and the measures to be taken.

112. The TF NRA shows the analysis conducted by reporting entities which includes information on their characteristics, level of development, vulnerabilities and opportunities for supervisors to improve their skills, and concludes with an assessment of the TF risk, covering aspects such as collection, movement, storage, and use of assets and funds for that purpose.

113. Due to the above, although the NRAs helped authorities and reporting entities to know and understand the main ML/TF threats and vulnerabilities in the country, these findings would seem reasonable to a certain extent. Only the TF NRA provides more specific information on different sectors to authorities and, specifically, to supervisors so that they can process such information and use it as input in their risk matrices aimed at carrying out a risk-based supervision. Paraguay has

made progress in the development of SRAs; however, it needs to continue working on the economic studies of offences as the source of criminal proceeds and the risk of the sectors that, according to strategic studies carried out after the NRAs, cases and typologies, could be more vulnerable to ML/TF.

114. The methodologies applied to the aforementioned NRAs are mixed, substantially empirical and practical, and involve institutional, legal and operational components. The three NRAs counted with the participation of the relevant authorities and the private sector, and were disseminated through various seminars - workshops. In this sense, the process and development of the different NRAs contributes as a fundamental factor to the country's understanding of ML/TF threats and vulnerabilities.

115. During the development of the NRAs process, there were difficulties on the identification of the methods used for ML and important challenges, such as insufficient statistics and limitations in terms of coordination between competent authorities that were the result of regulatory and technical reasons that were recognized by Paraguay. The NRAs identify the main threats and vulnerabilities, estimating their way of operating, their interaction and their consequences, as appropriate, to prioritize mitigation efforts and proceed to incorporate them into the different objectives or measures provided for in the PEEP for their strategic approach. This is shown in the following table.

Table 1. Threats identified in NRA

Threats	Level of risk
Drug trafficking	High
Smuggling and piracy	High
Corruption	High
Arms trafficking	Medium
Cross-border transportation of cash	Not identified
Tax evasion, use of confidential or privileged information, and market manipulation	Medium
Terrorist financing	Medium High
Human trafficking	Medium High
Terrorist acts	Medium
Illegal wildlife trade	Medium

116. When analysing the magnitude of the threats identified, Paraguay took into account their variation and incidence in relation to different geographic risk areas such as the border areas of

Ciudad del Este, Pedro Juan Caballero, Salto del Guairá, and Encarnación. However, there is no economic analysis of offences, and in particular of smuggling, corruption, arms trafficking and human trafficking as the sources of criminal proceeds; nor of the link of the level of risk assigned to those offences by sector, activity, product, service or delivery channel. These last aspects have been incorporated in the SRAs that were conducted from 2019 until the onsite visit.

117. Regarding vulnerabilities, the 2018 NRA identified: insufficient inter-agency coordination at the public and public/private levels; existence of sources of corruption that facilitate the commission of criminal activities and hinder their investigation; absence of a risk-based approach for AML/CFT prevention and supervision of reporting entities; lack of effectiveness of the measures to identify the beneficial owners of legal persons; non-inclusion of tax offences as ML predicate offences; absence of an adequate information system given the scarce availability of statistics, strategic studies conducted in a coordinated and systematic manner; regulatory deficiencies in relation to TF; need to have a greater number of courts and prosecutor’s offices specialized in ML and other forms of organized crime; and insufficient human and material resources available to competent agencies to combat these crimes.

118. In the vulnerabilities exposed by Paraguay, there is no assessment of the impact or effect of corruption and other vulnerabilities on the AML/CFT system; elements that in a context of high rate of informality in the economy, and given the country's characteristic of concentrating the prevention and detection mechanisms on the authorities and formal agencies, could lead to an effectiveness lag in mitigating the identified ML/TF threats and vulnerabilities.

119. However, in preparing the PEEP, the authorities involved were able to cover important aspects of the above. In this regard, many of the vulnerabilities reported in the NRAs have already been addressed and even for those that had not been promptly identified, as is the case of corruption as a vulnerability of the system, specific actions have been included in the PEEP. This denotes that the understanding of the risks is not limited to those derived from the threats and vulnerabilities identified in the NRAs, but rather Paraguay seeks to have a comprehensive, dynamic and adaptable understanding through the different meetings held by the AML/CFT Inter-agency Committee.

120. According to its NRA, Paraguay considers that there have been no instances of terrorist acts attributed to regional organized armed groups; therefore, the threat of terrorist acts from international groups is considered low. Likewise, the updated TF NRA recognizes as a vulnerability, the existence of some deficiencies in regulations related to compliance with the UNSCRs on terrorism and TF, as well as with those related to the financing of PWMD.

Table 2. TF risks

	TF RISKS	RATING
1	Risk related to the collection of funds and other assets for TF by:	
	NPOs	Medium Low
	Contribution/National criminal groups	Medium Low
	Contribution/International terrorist groups	Medium

	TF RISKS	RATING
	Drug trafficking	Medium
	Kidnapping and extortion/National criminal groups	Medium High
	Kidnapping and extortion/International terrorist groups	Medium Low
	Smuggling and violation of IPRs/National criminal groups	Medium Low
	Smuggling and violation of IPRs/International terrorist groups	Medium High
	Risk related to the transportation of funds and other assets for TF by	
2	Bank transfer/National criminal groups	Medium Low
	Bank transfers/International terrorist groups	Medium
	Remittances	Medium High
	Foreign trade/National criminal groups	Medium Low
	Foreign trade/International terrorist groups	Medium
	Cash couriers	Medium High
	Risk related to the storage of funds and other assets for TF by	
3	National criminal groups	Medium High
	International terrorist groups	Medium High
	Risk related to the use of funds and other assets for TF by	
4	Maintenance and subsistence/National criminal groups	Medium High
	Maintenance and subsistence/International terrorist groups	Medium Low
	Domestic threats of terrorist acts	Medium High
	International threats of terrorist acts	Medium Low

121. In the last two years, the country developed numerous measures, through training and dissemination of the different results of the aforementioned NRAs with the objective of communicating and making the different authorities and reporting entities aware of the ML/TF threats, vulnerabilities and risks to which Paraguay is exposed, as well as the recent update made to the applicable AML/CFT regulatory and institutional system.

122. Likewise, as part of Paraguay's efforts to obtain a more comprehensive understanding of the risks, ML/TF sectoral risk assessments (SRAs) were conducted with the objective of identifying in greater depth the ML/TF risks that affect specific sectors, such as: real estate, money remitters, VASPs, NPOs, and legal persons and arrangements. In this regard, although these exercises and the sectors they cover are important, the country should be able to conduct other similar exercises to get to know the risks inherent to other sectors, either financial and non-financial, such as notaries, lawyers and accountants, EPS providers, and also exchange houses, which, despite the fact that supervisors have carried out risk analysis following a risk-based supervision, it is still necessary to know the risks inherent to the sector in the context of the country and of its different regions.

123. On the other hand, the supervisors of the financial system have prepared risk analysis of the banking and financial sector, exchange houses and insurance companies; the analysis of the cooperatives sector is underway. Based on the deficiencies mentioned above with respect to the 2016 NRA and its 2018 update, Paraguay should continue conducting other SRAs, with a broad

and nationwide ML/TF risk-based approach covering the most exposed sectors according to its strategic studies; the studies carried out by the supervisory authorities can also be taken into account as input.

124. Regarding the understanding of the ML/TF threats and vulnerabilities and TF risks, during the on-site visit it was possible to verify that the different Paraguayan authorities are not detached from the context of the NRA. Although there are differences among the various authorities in the degree of understanding of the risks, in general, their understanding is in accordance with the degree of involvement and the powers in relation to the matter. On the other hand, all authorities refer to the same threats and vulnerabilities identified by de NRAs.

125. Banks, financial companies, insurance companies, cooperatives, money remitters, and brokerage firms show greater strength in the identification and understanding of TF risks, as well as in the implementation of a risk-based approach when conducting due diligence; while DNFBPs show less understanding of the TF risks posed by the products and services they offer and the transactions they conduct, due to the fact that many of the regulations of this sector have been issued very recently. Within each group of reporting entities, those reporting entities which are larger and carry out a greater volume of transactions have a higher level of understanding and implementation of the AML/CFT measures than the rest.

National policies to address identified ML/TF risks

126. Paraguay established, as a state policy, the creation of a high-level body, which is responsible for providing guidelines for AML/CFT policy-making. To this end, an Executive order created the Inter-agency Committee for the strengthening of the AML/CFT system of the Republic of Paraguay, which is the body in charge of assessing compliance with the actions provided for in the PEEP and of adopting corrective measures where necessary. In this regard, together with the SEPRELAD, this Committee has an active role in the execution of the actions and deadlines set forth in the PEEP, from which the actions prioritized by the country emanate to address the main threats and vulnerabilities identified in the NRAs. Said Committee has coordinated more than twenty meetings, held face-to-face and in a mixed manner (virtually and face-to-face), and the assessment team could verify the degree of commitment of the country to address the risks through the actions conducted over the last four years.

127. The adjustments made to the PEEP to fight against ML, TF, and PWMD following the 2018 ML/TF NRA and the 2019 TF NRA were approved by Executive Decrees 9302/2018, 507/2018, and 4312/2020. These updates contain activities aimed at meeting the 29 + 10 objectives set in the PEEP and addressing five key aspects: i) criminal-legal, ii) structural or cross-cutting, iii) prevention, iv) detection – investigation – criminal justice, and v) international cooperation.

128. Based on the information provided, the assessment team recognizes that at the end of the on-site visit, the level of progress with which Paraguay has self-assessed the fulfilment of the objectives is that shown in Table 3, which highlights that, in the case of the objectives set out in the 2018 NRA, 70 % of them are mostly and fully met and that 10% of them have not yet been addressed. Likewise, 79 % of the committed actions under the 2018 NRA were fulfilled; whereas

in the case of the actions set out in the 2020 TF NRA, 60 % of them are fulfilled. However, a low level of compliance was detected in some actions related to the “structural or cross-cutting” and “detection-investigation-criminal justice” aspects.

Table 3. Level of compliance with PEEP objectives

Aspects	Objectives					Committed actions	Completed actions	%
	Total	C	LC	PC	NC			
ML/TF NRA 2018								
Legal	5	1	4	-	-	10	8	80%
Structural or transversal actions	10	6	1	3	-	24	17	71%
Prevention	8	7	1	-	-	17	16	94%
Detection-investigation - criminal justice	5	4	-	-	1	13	9	69%
International Cooperation	1	1	-	-	-	3	3	100%
Total	29	19	6	3	1	67	53	79%
% Objectives		66%	21%	10%	3%			
TF NRA 2020								
Prevention	6	2	3	1	-	15	10	67%
Detection-investigation - criminal justice	1	-	1	-	-	3	2	67%
Structural or transversal actions	2	-	-	1	1	5	1	20%
International Cooperation	1	1	-	-	-	2	2	100%
Total	10	3	4	2	1	25	15	60%
% Objectives		30%	40%	20%	10%			

129. According to the information exchanged during the meetings held with the authorities of the General Coordination, the Executive Coordination, and the Inter-agency Committee, the assessment team could verify that efforts are being made to comply with the PEEP. Among the actions conducted, the following stand out: i) approval of laws and regulations (registration of beneficial owners; inclusion of tax and other offences as ML predicate offences; criminalization of TF and PF regulatory framework to implement TFS and regulations for reporting entities); ii) conducting SRAs; iii) institutional strengthening and strengthening of the powers of the SEPRELAD and other competent authorities; iv) development and implementation of better supervisory systems and tools; v) strengthening of the powers of investigation and prosecution authorities, such as the creation of specialized ML/TF prosecutor’s offices and specialized courts for ML/TF cases; and vi) application of confiscation policies, among others.

130. Besides completing the actions established in the PEEP, Paraguay has addressed the issues related to transparency of legal persons and arrangements (identification and registration of



beneficial owners) and financial inclusion (which organises the payments of products and services for the unbanked population).

131. Thus, the assessment team considers that, in general, the policies and actions prioritized by the country address the main threats, vulnerabilities, and risks identified in the NRAs based on their understanding by the authorities; and that there is significant progress in terms of strengthening of the AML/CFT system. The above mentioned is associated with legal amendments, training in the field of prevention and detection, supervision and strategic analysis. It should be noted that the assessment of this issue has been carried out in accordance with recently issued or updated regulations, which could limit the assessment of the effectiveness and capacity of the country in the implementation and compliance with specific mitigation actions and/or policies.

Exemptions, enhanced and simplified measures

132. By virtue of Article 28 of the AML Law, the SEPRELAD is empowered to issue the regulatory framework that governs AML/CFT matters and the administrative regulations that should be observed by the reporting entities. In view of the above, various resolutions were issued which expressly urges reporting entities to consider the results of the NRAs when performing their risk analysis, and to use such results, among other factors, to determine the application of simplified or enhanced measures depending on the risk scenarios.

133. The application by reporting entities of the criteria set out to conduct simplified and enhanced due diligence as explained above is verified at the time of inspections.

134. As discussed above, in the 2018 NRA Paraguay did not reach specific conclusions regarding the financial or economic sectors or activities posing higher ML/TF risk, and therefore the provisions for the application of enhanced measures are adjusted to the preventive measures provided for in the FATF Standards, for instances, higher-risk countries, politically exposed persons, unregistered legal persons, trusts, NPOs, among others.

135. From the documentation provided by Paraguay, it seems that the circumstances provided for in the regulations of reporting entities for the application of simplified due diligence are based on a system of established and specific thresholds for each reporting entity that has been maintained as a practice since before the NRAs were conducted, regardless of the fact that they have not covered the analysis of the risk represented by the different AML/CFT stakeholders. Therefore, the assessment team was unable to verify that the application of simplified due diligence in certain established thresholds or products is supported by documents containing risk analysis of the activities, products, and services that present a lower ML/TF risk, thus limiting the assessment of their consistency with the ML/TF threats and vulnerabilities and the TF risks identified in the NRAs.

136. The foregoing can be more clearly appreciated in the case of the threshold provided for by SEPRELAD Resolution 325/2013. This resolution sets the application by notaries of AML/CFT measures in case of transactions that reach or exceed the amount of USD 50,000 or its equivalent in another currency, and that are related, for example, to: the purchase and selling of movable and

immovable property; and the performance of notarial acts on the deposit of money, securities or other assets. The assessment team considered that the above was not sufficiently supported by documentation. For this reason, there is the need to conduct an SRA of the sector of notaries which should take into account all the relevant variables in the role of this sectors in the AML/CFT system, in order to review the exception provided for in the regulations in the current context of the country.

Objectives and activities of competent authorities

137. In Paraguay, the AML/CFT Inter-agency Committee for the fight against ML/TF, hereinafter (Committee), is responsible for the development, implementation and effective follow-up of the actions to be fulfilled within the framework of the application of the international standards on the matter approved by the FATF.⁹ It is possible to observe agreement within the Committee on the main ML/TF threats and vulnerabilities and risks that affect Paraguay and the actions carried out to strengthen the regulatory framework and institutional structure, as well as to implement the requirements established by the FATF standards.

138. Regarding TF, during the on-site visit, it was possible to observe that some of the authorities still do not make a distinction between the concept of TF and that of terrorism. This could limit the effectiveness of activities aimed at mitigating the risks inherent to TF, especially in relation to the investigation and prosecution of said crime that occurs with the mere financing and does not require the commission of a specific terrorist act, neither in the country nor abroad.

139. In the field of supervision, through Executive Order 1548/19 Paraguay established a Board of Supervisors at the national level as an intergovernmental technical body aimed at strengthening the implementation of AML/CFT policies by reporting entities. This Board seeks to coordinate and unify ML/TF risk mitigation policies, for which they hold regular meetings to establish guidelines and strategies. This Board is chaired by the SEPRELAD, in its capacity as agency governing AML/CFT policies and is made up of the natural supervisors of reporting entities.¹⁰

140. Based on the interviews held with the different supervisors, the assessment team considers that the aforementioned Council has turned out to be a propitious field to sign bilateral cooperation agreements between them and analyse financial inclusion measures and their effect as a countermeasure to minimize informality in certain sectors; a forum for active technical participation in the application of risk-based supervision and in the establishment of thresholds and elements for conducting simplified and enhanced CDD, among other issues.

⁹ Created by Executive Order 7949/2017, this Committee is made up by: The Minister of Foreign Affairs; Minister of Treasury; the Vice-Minister of the State Undersecretariat of Taxation; the President of the National Commission for Games of Chance; the Attorney of the Treasury Legal Service; the Minister of National Defence; the Minister of Industry and Trade; the National Director of the National Directorate of Intellectual Property; the President of the Central Bank of Paraguay; the Minister-Executive Secretary of the National Anti-Drug Secretariat; the Minister-Executive Secretary of the National Anticorruption Secretariat; the Minister-Executive Secretary of the Secretariat for the Prevention of Money Laundering; the President of the National Securities Commission; the President of the National Institute of Cooperativism; and the National Director of the National Customs Directorate.

¹⁰ The Superintendency of Banks; the Superintendency of Insurance; the National Securities Commission, which supervises the securities market (brokerage firms and stock exchanges); the National Commission of Games of Chance, which supervises the companies that exploit the different types of games chance and gambling; the National Institute of Cooperativism, which supervises cooperatives; the Supreme Court of Justice, which supervises notaries; and the Secretariat for the Prevention of Money Laundering (SEPRELAD) which supervises, in terms of AML/CFT, the sectors that do not have a natural supervisor.



141. The SEPRELAD and the SIB have demonstrated a better level of understanding of ML/TF risks in Paraguay, leading the activities related to the coordination and information exchange for the development of the NRAs and SRAs, as well as the dissemination of the results of those assessments and of the training conducted.

142. Regarding ML/TF detection, investigation and prosecution, the assessment team obtained evidence of the actions conducted by the competent authorities responsible for addressing ML/TF risks. However, it is evident that in this process the resources and efforts are mainly oriented to the risks that derive from the threat of drug trafficking, for which more attention should be paid to certain important threats in the Paraguayan context, such as the ML risks derived from smuggling and corruption. In this regard, there is a lack of efforts for the strategic allocation of resources to key authorities, such as the FIU-SEPRELAD.

143. Due to the above, the assessment team welcomes the efforts made by Paraguay to address the vulnerabilities of the AML/CFT system, with opportunity for improvement, specifically with regard to the threat of corruption and smuggling, the development of sectoral risk assessments, and the consolidation of AML/CFT statistics and information systems, so that the efforts of the competent authorities and self-regulatory bodies are further complemented for the implementation of policies and activities aimed at mitigating the country's ML/TF risks and its deficiencies. On this particular issue, it should be noted that Paraguay has a "coordinated system of statistics," which contains statistics data on intelligence reports, assets involved in legal cases, and data on legal proceedings, which is considered useful for updating the understanding of the threats present in Paraguay.

National coordination and cooperation

144. Paraguay has made progress in the coordination of AML/CFT issues based on the establishment of a regulatory framework, much of which has been recently implemented. In this respect, there are mechanisms available for the authorities to exchange information, cooperate, and coordinate the development and implementation of policies and activities to fight ML/TF. Among these mechanisms, it is worth highlighting the General Coordination for the Strengthening of the AML/CFT System, together with the AML/CFT Inter-agency Committee as coordinator of the national policies on the matter, the Board of Supervisors, and the different Inter-agency Cooperation Agreements in place.

145. At the time of the on-site visit, Paraguay provided information with over 50 cooperation instruments signed between the different authorities, such as Memoranda of Understanding, Framework Agreements and Inter-agency Cooperation Agreements, Protocols for the dissemination of information; etc.

146. In addition, it was possible to observe that the Secretary General and Chief of Staff, which reports to the Office of the President of the Republic and the Minister-Executive Secretary of the SEPRELAD as Executive Coordinator of the Committee specifically monitor the execution of the goals and deadlines established in the Strategic Plan. Progress is observed in relation to the degree of commitment by the country to face and to some extent mitigate the risks faced. However, it was

possible to observe that, although there are several cooperation instruments, a certain degree of cooperation is carried out informally due to the lack of implementation of tools, manuals and protocols aimed at the most operational areas for specific cases of information exchange between different competent authorities on issues related to investigations and field operations.

Private sector's awareness of risks

147. The results of the different NRAs, in which representatives from most of the reporting entities participated, have been disseminated to the private sector by the SEPRELAD through various mechanisms such as the issuance of Executive Orders and their publications on the web; as part of the content of training sessions and meetings carried out in person and virtually; and in the meetings and working groups conducted with the relevant supervisors.

148. Likewise, the SEPRELAD has also developed sectoral risk assessments for certain sectors in order to have a reasonable understanding of the ML/TF risks they face and apply risk-based supervision. As indicated above, Paraguay should continue working on the SRAs of other relevant sectors in order to inform the different reporting entities about the degree of inherent risk, national threats and vulnerabilities that could be exploited for ML purposes.

149. Based on the results of the NRAs carried out between 2019 and 2021, the SEPRELAD adjusted and updated the rules of procedure and other AML/CFT regulations. This task was conducted with the involvement of reporting entities and has had a positive impact, because it allowed them to learn about their obligations and about the main ML/TF risks identified. Likewise, it has also served to raise their awareness of red flag indicators and relevant typologies to detect suspicious ML/TF transactions, in order to adopt measures to mitigate potential risks.

150. However, as explained before, the level of understanding of the risks and knowledge of their AML/CFT obligations, as well as the implementation of preventive measures, by the total universe of reporting entities in Paraguay, is not homogeneous nationwide and, on occasions, it is possible to observe that the understanding of reporting entities is limited to geographical factors, associated with areas that have high crime rates with respect to the identified threats and border areas.

151. It is worth noting that accountants, lawyers, and virtual asset service providers have been recently included as reporting entities of the AML/CFT system, and a regulatory framework has been established for dealers in precious stones and jewellery. In this sense, Paraguay should continue to raise awareness among the different reporting entities in relation to the country's risks and the risks that the different financial and economic sectors operating in the country could represent. This awareness should focus mainly on recently regulated reporting entities, such as EPS providers, VASPs, lawyers and accountants; and others, such as the sector of notaries.

152. In general, the country is considered to have largely taken actions to make reporting entities aware of ML/TF risks.



Conclusions on Immediate Outcome 1

153. The NRAs carried out have contributed to the knowledge and understanding by the authorities and reporting entities of the main ML/TF threats and vulnerabilities and risks in the country. These findings seem reasonable to a certain degree. Despite the above, the impact that the levels of informality and corruption in the country have on the AML/CFT system is not clearly identified, nor were specific conclusions reached regarding the financial or economic sectors or activities that represent higher ML/TF risk, which may affect the country's capacity to execute specific actions to mitigate them.

154. However, in preparing the PEEP, the authorities involved were able to cover important aspects of the above. In this regard, many of the threats and vulnerabilities reported in the NRAs have already been addressed or somehow dealt with, and even for those that had not been promptly identified, as is the case of corruption as a vulnerability of the system, specific actions have been included in the PEEP. This shows that the understanding of the risks is not limited to those derived from the threats and vulnerabilities identified in the NRAs, but rather that Paraguay seeks to have a comprehensive, dynamic and adaptable understanding through the different meetings held by the AML/CFT Inter-agency Committee.

155. The country should be required to continue working on the economic analysis of crimes that generate criminal proceeds, such as smuggling and corruption, and on the risk analysis of the sectors that, according to strategic studies carried out after the NRAs, cases and typologies, could be more vulnerable for ML/TF, developing the relevant SRAs and consolidating the AML/CFT statistics and information system of other relevant sectors in order to determine the degree of inherent risk, national threats and vulnerabilities that could be exploited for ML/TF purposes. These sectors include notaries and others which have been recently regulated or incorporated as reporting entities, such as EPS providers, VASPs, lawyers and accountants.

156. Paraguay has taken important actions to assess its risks and apply an RBA. However, there are still some issues to be addressed that limit the knowledge of the risks and therefore prevent the authorities and reporting entities from applying a consistent RBA. Based on the foregoing, it is concluded that **the Republic of Paraguay presents 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

- The FIU-SEPRELAD has a structure that allows it to collect and analyse the information sent by the reporting entities, and based on it, produce operational and strategic reports that are disseminated spontaneously and used by the authorities in investigations of ML and its predicate offences. The FIU-SEPRELAD accesses databases of public and private entities

which allows the validation of information received and add value to the reports disseminated to the competent authorities.

- The financial intelligence information disseminated upon request and spontaneously by the FIU-SEPRELAD was used by the authorities in the investigation of ML and its predicate offences. However, these reports have led to a low number of ML investigations and convictions and of confiscations of the proceeds of ML.
- The FIU-SEPRELAD receives a significant volume of objective and subjective reports from reporting entities. Despite this, the percentage of information used to produce intelligence reports is low, as is the quality of the information received.
- The assessed country made important updates to its regulatory framework in the period 2019-2021. Until the time of the on-site visit, some of these regulations had not been fully implemented at the operational level, so the assessment team was unable to verify their effectiveness and impact on the AML/CFT system.
- The FIU-SEPRELAD has devoted great efforts to update the channels to receive information from reporting entities and train them on how to use these tools. Despite these efforts, there is still a low number of reports submitted by some reporting entities, such as brokerage firms, money remitters, and some of the DNFBPs, thus reducing the capacity to produce intelligence reports related to sectors vulnerable to ML/TF.
- The FIU-SEPRELAD has a solid and fluid relationship with the entities that receive the financial intelligence produced, in particular, with the Attorney General's Office, which is widely supported by the exchange of information between both agencies. However, the lack of a system for monitoring the dissemination of information does not make it possible to monitor information flows and obtain statistics on the number of investigations initiated, convictions achieved, and assets confiscated based on the information contained in the financial intelligence reports.
- The financial intelligence reports disseminated by the FIU-SEPRELAD are not consistent with the threats identified in the different national risk assessments carried out by the country, particularly with regard to threats of smuggling, tax evasion, and corruption.
- The FIU-SEPRELAD has developed its capacity to collect and analyse financial intelligence information in response to the requests from criminal investigation and prosecution agencies. The statistics show a low number of this type of requests indicating a low use of this resource.

Immediate Outcome 7

- Paraguay has a legal system in place to combat ML. Nevertheless, in general, the number of investigations where ML is considered as a separate offence has been low.
- Criminal investigations for ML or its predicate offences have been, to a great extent, ex-officio initiated by the Attorney General's Office and, to a lesser extent, by initiative of or a complaint filed by the FIU-SEPRELAD or other law enforcement authorities (LEA).
- Within the period 2015 to July 2021, 27 ML convictions were achieved, and this shows a low level of effectiveness in the last stage of the criminal proceeding.
- Investigations have been carried out for ML predicate offences; however, the number of ML investigations for crimes identified as a major threat in the Paraguayan NRA does not seem to reflect said risk.

- No actions have been implemented to comply with the recent guideline to initiate parallel financial investigations in the event of acts linked to ML predicate offences.
- While it is possible to observe that the authorities may use a reasonable range of ML investigative techniques in the framework of investigations, undercover operations could only be conducted where they are related to drug trafficking and, in the case of controlled deliveries, they could only be carried out when linked to organised, complex, multiple and/or transnational crimes. This limits the capacity of competent authorities to investigate ML cases, which may have an impact on the level of effectiveness to achieve ML convictions.

Immediate Outcome 8

- Paraguay demonstrates awareness of the importance of confiscating criminal proceeds, and it is possible to observe an institutional culture for confiscating the proceeds or crime in general. Despite this, the volume of confiscated assets is still estimated to be low if the different ML risks and threats analysed in Immediate Outcome 1 are taken into account.
- Confiscation in Paraguay is pursued as a state objective as of the enactment of the special procedure for confiscation, special confiscation, deprivation of benefits and profits, and non-conviction-based confiscation,” as well as the creation by Law of the SENABICO and the amendment of the Criminal Code, which readjusts the scope of the legal concept of substitute asset confiscation. Likewise, it is possible to observe the willingness of the authorities to apply confiscation measures.
- It is worth recognizing the results of confiscations in drug trafficking cases, since, according to the NRA, this crime is a major threat. Nonetheless, prosecution and confiscation measures should be encouraged for other ML predicate offences that are also relevant in the Paraguayan context, as well as for ML as a stand-alone offence. Additionally, it was possible to observe only one case of substitute asset confiscation, and the number of confiscations in false or non-declared cross-border transactions of currency/bearer negotiable instruments is considered to be low in relation to the ML risks analysed within the framework of Immediate Outcome 1.
- The limited exploitation of joint investigations with some bordering countries in terms of ML prosecution and related asset forfeiture was identified as an area of opportunity. In particular, and in accordance with the 2015 NRA, there are still challenges to carry out strategic, persistent, and dynamic actions against criminal groups. Limited information was obtained on the joint tasks that are being conducted, for example, with Bolivia on a series of specific cases, unlike the cases that, pursuant to Immediate Outcome 2, are more common, for example, with Brazil.
- On the other hand, it is considered that the Attorney General’s Office could have a greater participation in the issue. Despite the recent creation of a Criminal Unit responsible for coordinating actions, including undermining the logistics of criminal organizations, and making asset recovery effective, it is possible to observe that the actions taken by this Unit are still at an early stage.
- It is not possible to verify that the generalized approach adopted by the country to detect, seize, and confiscate monetary instruments includes, for example, intelligence processes conducted by the FIU-SEPRELAD. In this regard, said authority could develop protocols,

manuals and best practice guidelines on the matter, and extend its cooperation and coordination on the subject.

Recommended actions

Immediate Outcome 6

- Implement a mechanism to provide operational and statistical monitoring that makes it possible to establish the size of the efforts made and the added value given by the FIU-SEPRELAD to ML/TF investigations, and collects feedback information from the entities of the system on the quality and impact of the information provided in LA investigations. This information could be the basis for designing and publishing a periodic statistical report that includes different aspects of the information received, processed, and analysed by the FIU-SEPRELAD, in accordance with the defined products, within the framework of FIU-SEPRELAD's financial intelligence (both strategic and operational) and supervisory functions.
- Strengthen the mechanisms for monitoring the information disseminated to the Attorney General's Office so that it is possible to obtain accurate and up-to-date information on the investigation initiated, the convictions achieved, and the assets confiscated as a result of the financial reports disseminated by the FIU-SEPRELAD.
- Strengthen physical and information security measures, in particular with regard to access control to the facilities and information analysis areas; the implementation of differentiated network segments for mission and administrative areas; user authentication systems; and to analysts' internet access protocols.
- Continue with the actions aimed at consolidating the platform for receiving systematic and suspicious reports so that all reporting entities use the same system.
- Increase the resources allocated to the FIU-SEPRELAD for issues related to the improvement of offices and systems, as well as to the hiring of personnel for operational and strategic analysis which results in more and better disseminated reports.
- Strengthen the feedback mechanisms that are under implementation, focusing them on the improvement of the quality of STRs and the increase in the number of STRs submitted by DNFBPs.
- Implement protocols for reporting incidents and accountability by third parties in cases of leakages of information or of the intelligence information disseminated by the FIU-SEPRELAD in accordance with the best practice guidelines on the use and protection of FIU information.

Immediate Outcome 7

- Continue with the implementation of Instruction No. 01 for the proactive development of parallel financial investigations as a priority.
- Give priority application and implementation to the laws of 2019, especially Law 6431 of 2019, to allow the use of judicial investigation techniques to facilitate the seizure of the proceeds of crime and carry out the necessary reforms to be able to use undercover operations and controlled deliveries in ML investigations in a more accessible way.

- Strengthen inter-agency cooperation between the Attorney General’s Office and LEAs to ensure that the investigations conducted by LEAs turn into investigations and convictions that are more in line with the threats and risk profile of ML in Paraguay.
- Paraguay must make changes to the legal framework to increase the number of investigations and convictions for ML, including autonomous ML, and adjust penalties to ensure their proportionality and dissuasiveness.
- Investigate more cases of money laundering as a stand-alone crime, since the list of convictions presented by the country mostly refer to money laundering in conjunction with a predicate offence.

Immediate Outcome 8

- Increase and streamline controls to detect and confiscate currency and bearer negotiable instruments, in accordance with those border crossings that have been identified as high-risk by the country.
- Develop actions aimed at enhancing cooperation between the competent authorities, mainly at the international level, with their foreign counterparts in terms of asset forfeiture and recovery. In this regard, it is suggested that the use of other tools that could be useful, such as GAFILAT RRAG, should be explored in order to enhance the identification of assets and seek their recovery, protecting confidentiality of the information at all times.
- Continue with information exchange efforts and coordinated actions with foreign counterparts, for example, through the signing of MOUs or any other instrument that allows a greater and better flow of actions in cases where the assets to be confiscated are located outside the Paraguayan territory.
- Actively include the FIU-SEPRELAD in processes related to the identification and tracking of assets, particularly those involving ML. The information that this authority can provide is considered to streamline confiscation actions.

The relevant Immediate Outcomes considered and assessed in this chapter are IO 6-8. The relevant recommendations for the assessment of effectiveness in 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

157. The FIU-SEPRELAD, an agency with functional and administrative autonomy reporting to the Office of the President of the Republic, was established as the FIU of the Republic of Paraguay through Law 1015/97, and is the central agency designated for the reception and analysis of objective and subjective transaction reports (STR) submitted by the reporting entities.

158. For the performance of its functions, the FIU-SEPRELAD has issued sectoral regulations to receive different systematic reports on transactions, wire transfers, cross-border transportation of foreign currency, and other reports that are submitted when an established threshold is exceeded (objective reports). In compliance with this regulatory framework, reporting entities should submit the following reports: The mechanisms for receiving information on cross-border physical

transportation of cash have been in place since 2010. Since 2013, the FIU-SEPRELAD has received objective reports as of the moment the obligation to report was imposed on notaries, followed by the importers of and dealers in motor vehicles, safe box deposit rental services, and securities transport companies. In 2019, objective information was formally received from the financial sector providing data of cash deposits/withdrawals, exchanges, arbitration, early cancellation of credits, and national and international transfers in relation to the thresholds in regulatory resolutions. Money remitters were the last type of entity to enter the objective reporting system. This type of reports constitutes a fundamental input for the elaboration of the intelligence products issued by the FIU.

159. The FIU-SEPRELAD currently uses two tools to collect information from STRs and objective reports, to which reporting entities have access to through the FIU-SEPRELAD website. The ROS WEB system permits access to the system SIRTECH, which is in the process of being replaced, and through which even non-financial sector reporting entities submit information. For the maintenance of this database, the IT Department has set up a support line from Argentina. The second tool is the Transaction Reporting System (SIRO), developed in-house by the FIU-SEPRELAD. This system is operative in the Suspicious Transaction module for banks and exchange houses, and in the operational reports (subjective) module for notaries, money remitters, and motor vehicle importers. The FIU-SEPRELAD seeks to migrate all data collection processes to this system.

160. FIU-SEPRELAD's intention is to complete the migration of all data collection processes to SIRO by December 2022. Since 2020, four training sessions have been held with banking reporting entities (41), importers of and dealers in motor vehicles (600 participants), as well as with notaries (1000 participants), in relation to the functioning of said tool. Thus, the banking financial sector currently reports information on the SIRO platform (STR, OR and NEGATIVE STR), and is still in the process of implementation for notaries (OR and Negative STR), motor vehicle importers (OR), money remitters (STR and Negative STR).

161. The information received and generated by the FIU-SEPRELAD is stored in a Data Warehouse on which the database engine is installed, allowing available information to be analysed through previously parameterized queries and data visualization tools. The information fields that are part of the STR format allow analysts to generate reports and statistics on the number of STRs or associated amount by geographic area, type of entity, and type of related financial product, among others. Although the functions of the database administrator (DBA) are defined internally, the FIU-SEPRELAD currently does not have a responsible analyst who is fully dedicated to the administration and maintenance of the database. These functions are currently shared by the Head of IT Systems and the General Director of Technology, and the management of the data structure is carried out in coordination with the Directorate of Strategic Intelligence.

162. The FIU-SEPRELAD has obtained access to information sources through the execution of cooperation agreements with public and private entities that allow it access the information contained in their databases, pursuant to the powers granted by Law 1015/97. Thus, analysts are able to access information that allows them to validate the information contained in STRs, and add value to the operational analysis conducted.

Table 4. Access to information

Type of access	Type of information accessed
Direct (data available in SAS)	<ul style="list-style-type: none"> • Certificate of criminal records (CSJ) • Certificate of proof of ownership (DGRP) • Database of the SOFIA system from the National Customs Directorate • Financial network - Account balances and transfers • Crossings into and out of the country – Directorate of Migration
Remote access with username and password (without strong authentication)	<ul style="list-style-type: none"> • Proof of birth certificate (Civil Registry) • Certificate of proof of insured status (IPS) • Proof of the insured person’s salary (IPS) • Employer registration certificate (IPS) • Proof of academic level (MEC) • Public servant certificate (SFP) • Tax Management System of the State Undersecretariat of Taxation • Beneficial owners • SIGOR SENACSA • Single window for exports (VUE)
Open source	<ul style="list-style-type: none"> • Salaries. Law 5198/2014. On transparency – SFP. • Salaries. Law 5198/2014. On transparency - Ministry of Treasury. • Public procurement • Cadastral data • Data telephone lines • RUC Paraguay • Comptroller General of the Republic
Internal databases (transaction reports)	<ul style="list-style-type: none"> • Transportation of currency • Transaction reports filed by notaries • Transaction reports filed by natural and legal persons engaged in importing, buying and selling of motor vehicles • Transaction reports filed by safe deposit box rental services
Information sharing based on cooperation agreements	<ul style="list-style-type: none"> • Secretariat for the Prevention and Investigation of Terrorism (SEPRINTE) • National Anti-Drug Secretariat • National Institute of Cooperativism • National Securities Commission • National Commission of Games of Chance

163. The Ministry of Information and Communication Technologies (MITIC) facilitates secure access via web services to 13 sources of information with entities that have previously signed access agreements to their consultation databases. This information is added to the Datawarehouse and the analysts, through the SAS Visual Investigator tool, access Civil Registry information, criminal records, identification, public officials, and labour information. Additionally, analysts have access to other sources of information using different protocols, access mechanisms, and security systems that, due to their diversity, represent some challenges in terms of data security and integrity, particularly in relation to Internet access from analysts’ work stations. Since March 2020, no physical reports have been disseminated, and in February 2021 the Protocol for the dissemination of reports was approved, which included the best practices adopted for the submission of reports through secure means.

164. In the same sense, the FIU has the legal power to require from any FI, DNFBP and collaborating public agency any information that allows it to perform its functions. Between 2017 and June 2021, the FIU made 66,617 requests for complementary transactional information; the annual average between 2017 and 2020 being of 12,953 requests. Seventy-eight percent of these requests were made to financial institutions; 21 %, to DNFBPs; and less than 1 %, to public agencies. According to the information provided, the requests are sent to obtain from the reporting entities elements that support the profiles of their clients, as well as their transactions during the period under analysis; information that, in the opinion of the assessment team, should be incorporated into the STR from the beginning. The data provided show that after the implementation of information recording systems, this type of information request has been reduced to cases in which more data or explanations are required in relation to the transactions of conducted by the reporting entities in the situations reported.

Table 5. FIU information requests (2017-June 2021)

Recipients	2017	2018	2019	2020	2021	Total
FIs	17,300	19,593	11,347	3,572	446	52,258
DNFBPs	4	8,404	1,726	4,122	14	14,270
Public agencies		10	47	24	8	89
Total	17,304	28,007	13,120	7,718	468	66,617

165. The information gathered is analysed based on the Manual for the Treatment of Information Received (STRs) and Operational Analysis, which was recently approved (September 2021) and which establishes the rules, procedures, and mechanisms associated with the management of operational intelligence. The Manual establishes the general rules for the analysis of the STRs received, which includes the establishment of early alerts and the definition of the scoring model, the mechanism for assigning STRs to analysts, the methodology for operational analysis, and the methodology for rating the quality of STRs.

166. Although the Manual describes the information analysis processes, it does not explain in detail the procedures related to the management of requests, the consultation of external databases, or the generation of financial intelligence reports. On the other hand, part of the methodology for the generation of early alerts is based on the coincidence of words or expressions in the description of the STRs, which could generate inconsistencies given the low quality of the reports received. Regarding the management of alerts, the only criterion provided for by the methodology is the automatic rating validated with the quarterly random review of the results to confirm its level of effectiveness.

167. As for strategical analysis, SEPRELAD Resolution 379 of 2015 approved the Operations, Job Description and Procedures Manual of the Department of Strategic Analysis. This resolution establishes the Department of Strategic Analysis under the General Directorate of Financial Analysis, with the same hierarchy as the Departments of Registration and Assessment and of Data Analysis and Processing. According to this instrument, the mission of this Department is to develop knowledge related to ML, TF and other predicate offences, in order to generate products that provide knowledge and a better understanding of the different typologies, trends, patterns of

behaviour and new practices related to ML/TF and its predicate offences. Likewise, this Department is responsible for the detection and assessment of the risks derived from the threats and vulnerabilities detected.

168. The tool used for strategic analysis is Visual Analytics, which is part of the set of tools provided by the SAS. Alerts and cases are managed through several resources, such as the STR management platform (developed by the same company that developed the ROS WEB system, and which will be replaced by the SIRO system) and software for the analysis of links to get a graphic visualization of the networks in each case. Chapter IX of the Manual for the Treatment of Information Received (STR) and Operational Analysis refers to the strategic analysis. Despite this, this Chapter only mentions six (6) products to be offered annually (annual analysis of STRs, review of typologies, intelligence notes, monitoring of descriptive or predictive models, and monitoring of early alerts).

169. As an additional analytical tool, a system to make customised queries from the database engine to the information stored in the Datawarehouse is currently being tested. Once operative, this tool will centralize the tools for collecting the necessary information for the financial intelligence analysis.

170. According to the information provided to the assessment team, the General Directorate of Financial and Strategic Analysis elaborates the following products:

Product	Characteristics	Results and authority that receives them
Intelligence reports (II)	They are based on a request for information or a request for cooperation. They are aimed to support the requesting entity in its investigation on ML and/or its predicate offences, as long as it falls within FIU-SEPRELAD's functions. They include data from sources to which FIU-SEPRELAD has access (own and external databases).	Attorney General's Office, Comptroller General's Office, SENAD, SENAC, National Police, SEPRINTE, SNI.
Financial intelligence reports (IIF)	Analysis initiated based on the alerts that constitute indications of ML or its predicate offences received in STRs, or in the strategic analysis of STRS. They include a result of the possible criminal manoeuvre conducted, which is determined on the basis of the analysis and processing of information obtained from the sources of information and the complementary transaction information requested from the different entities related to the case. They are raised to the category of "autonomous". They are submitted to the competent authorities, through the highest authorities, by means of the secure platform	Attorney General's Office, SENAD, SET, as well as other competent authorities assisting in the criminal prosecution.

	for the submission of reports, for the purposes that correspond by law.	
Intelligence notes	They are aimed to provide competent authorities with statistical data on STR and OR; volumes, amounts, instruments, geographic areas, business activities, projection and trends on specific sectors and reporting entities. They also include the quality metrics that are measured in STRs. Due to their content, they are mainly intended for supervisors, without prejudice to the fact that, due to their usefulness for decision-making, they could be addressed to other types of competent authorities.	Feedback to sectors and supervisors. Discovery of trends. Operational analysis orientation (*). Issued every six months.
Modelling reports	Products for the exclusive use of SEPRELAD's General Directorate of Financial and Strategic Analysis.	The results of the models are used by VI SAS and turn into early alerts and STR risk alerts (high). Early alerts and STR rated as high are analysed to decide whether to initiate a case or not.
Filing reports	Reports and visuals with data updated on a daily basis from which alerts are generated to indicate any difficulty that reporting entities might have when submitting their reports in compliance with their obligation to file STRs, negative STRs and OR.	Feedback to sectors and supervisors. Used by the Directorate for decision-making purposes. Responses to requests for statistics made by national agencies as well as by international organizations.
Statistics Reports	Publication of the statistics on STRs by amount and volume, as well as the share by sector.	Public awareness of the impact of the work conducted by the FIU in the AML/CFT system. Issued every six months.

171. Regarding the elaboration of the products described above, the assessment team found that the Manual for the Treatment of Information Received (STR) and Operational Analysis does not include detailed information on the team responsible for elaborating them, periodicity, format, dissemination mechanism, monitoring mechanism (quality of information, feedback), or derived products. As this document is the mechanism through which the information analysis and dissemination processes are formalized, it is important to make a detailed description of each of them and, in particular, those related to strategic analysis.

172. According to the FIU-SEPRELAD's definition, financial intelligence reports are the spontaneously disseminated products including the result of the operational analysis and containing

the greatest value added to the STRs. Within this framework, the FIU submits to the Attorney General’s Office the financial intelligence reports which result exclusively from the analysis of the STRs received. These reports have been classified internally as “autonomous,” regardless of whether in the course of the analysis any request has been received from the prosecutor’s office. Where the persons subject to analysis are already under investigation, these “autonomous” reports are disseminated directly by the FIU to the designated agents. It should be noted that this type of analysis is not described in the Manual for the Treatment of Information Received (STR) and Operational Analysis.

Table 6. Autonomous reports sent by the FIU and number of investigations initiated by the Attorney General’s Office (2017-2021/I)

	2017	2018	2019	2020	2021/I	TOTAL
Autonomous financial intelligence reports	35	19	11	9	3	77
Investigations initiated by the Attorney General’s Office	8	9	4	1	1	23
%	23 %	47 %	36 %	11 %	33 %	30 %

173. In the period under analysis, the FIU disseminated 77 autonomous reports on which, according to the Attorney General’s Office, 23 investigations were initiated by the Attorney General’s Office, implying that 70% of the reports sent did not trigger the initiation of an investigation. According to the FIU-SEPRELAD, the other reports seem to have been integrated into ongoing cases at the time they were disseminated or were the subject of requests by the Attorney General’s Office during the FIU analysis. In this regard, the assessment team found that the system that they currently have in place does not permit to assess the effectiveness of the reports disseminated to the Attorney General’s Office, and that there are no internal statistics on the financial intelligence reports that triggered the initiation of a case, those that led to the achievement of a conviction, or the financial analysis that informed the identification of forfeited assets. Based on the coordinated system of statistics, the procedural status of the disseminated reports is shown in Table 7.

Table 7. Procedural status of autonomous financial intelligence reports sent by the FIU (2017-2021/I)

Procedural status	2017	2018	2019	2020	2021	Total
Charges	3	4	4	2	2	15
Cases closed for lack of elements.					1	1
<u>Conviction*</u>	1	6	1	1		9
Dismissal						
Extradition						
Investigation	20	7	5	5	2	39

Provisional dismissal		1				1
Prosecutorial discretion			1			1
Suspension of sentence with probation	1					1
<u>No link reported by the Attorney General's Office**</u>	10	1		1	1	13
Total	35	19	11	9	6	80

*It refers to the reports that resulted in convictions, including cases initiated and completed within the period under analysis.

** The FIU infers that the report is not currently involved in any case.

174. The table above shows that 11 % of the autonomous reports led to convictions, 49 % are still involved in ongoing investigations, and 16% are not currently involved in any case. According to the information provided by the country, during the period under analysis, 247 disseminations of information, which are related to 274 cases, were submitted to the Attorney General's Office. This is so because there are disseminations that address more than one identified punishable act. These disseminations include the "autonomous" reports mentioned above, as well as responses to requests for information on ongoing cases. The relationship of these financial intelligence reports with the predicate offences is shown in Table 8.

Table 8. Classification of predicate offences and ML identified in financial intelligence reports proactively disseminated (2017-2021/I)

* Values for 2021 are totalled up to June. Source: FIU-SEPRELAD.

Alleged offence	2017	2018	2019	2020	2021*	Total
Money laundering offence	23	26	11	7	7	74
Tax evasion	18	18	5	3	1	45
Drug trafficking	10	4	15	2	6	37
Influence peddling	2	5	8	16	3	34
Production or use of false documents	4	7	1	4	1	17
Criminal association	1	8	4	2	2	17
Smuggling	3	0	9	3	0	15
Illicit enrichment	0	9	2	2	0	13
Breach of confidence	1	7	0	2	1	11
Usury	1	0	1	2	1	5
Fraud	2	1	1	0	0	4
Human trafficking	0	0	1	0	0	1
Serious coercion/Extortion	0	0	0	0	1	1
Total	65	85	58	43	23	274

175. According to the information provided by the country, the registration and follow-up of the disseminations is done through an Excel spreadsheet that does not allow for the maintenance of statistics on the agencies or prosecutor's offices to which they were delivered, or a record of feedback and follow-up of the information disseminated. For this reason, there is no certainty about the number of investigations that have been based on this information or their current procedural status.

176. The second type of information that is disseminated by the FIU-SEPRELAD is the information related to the requests for information made by the agencies in charge of the investigation of ML and its predicate offences, which, as explained above, are the intelligence reports. In the same period under analysis (2017 to 2021/I), the FIU-SEPRELAD disseminated 576 intelligence reports. As mentioned above, intelligence reports correspond to the gathering and analysis of the information available in both internal and external databases to which FIU-SEPRELAD has access. Apart from the degree of complexity of each of the products mentioned, the comparison of the number of "autonomous" reports, financial intelligence reports and intelligence reports, suggests that a good deal of FIU's analytical capacity is dedicated to responding to the requests made by the authorities and, to a lesser extent, to the analysis of information from STRs and the elaboration of "autonomous" reports.

Table 9. Distribution of the intelligence reports disseminated by the FIU-SEPRELAD at the request of a competent authority; distributed by alleged offence in the period under analysis

Alleged offence	2017	2018	2019	2020	2021	Total
Money laundering offence	25	56	26	13	17	137
Drug trafficking	10	21	12	13	4	60
Illicit enrichment	15	16	23	36	11	101
Influence peddling	5	14	5	6	8	38
Criminal association	1	11	11	5	4	32
Fraud	4	10	13	9	6	42
Production or use of false documents	10	6	3	2	5	26
Breach of confidence	4	5	18	37	6	70
Smuggling	2	4	7	1	1	15
Appropriation	0	4	1	1	5	11
Arms trafficking	0	3	4	0	1	8
Human trafficking	0	2	0	1	2	5
Tax evasion	3	1	6	4	0	14
Usury	1	1	3	1	0	6
Serious coercion/Extortion	1	1	0	2	0	4
Crimes against intellectual property	1	1	0	0	0	2
Mediated production of public documents with false content	0	0	0	0	1	1
Illegal waste processing	0	0	0	0	1	1
Bribery	0	0	0	0	1	1
Bribery of public officials	0	0	0	0	2	2
Total	82	156	132	131	75	576

177. This table shows that more information is disseminated in relation to ML, drug trafficking and illicit enrichment, accounting for 52%. In contrast, a low number of intelligence reports (II) are related to the threats widely analysed in the NRAs, such as smuggling, tax evasion or intellectual property. According to the FIU-SEPRELAD analysts interviewed, intelligence reports are developed in approximately two weeks. In this regard, it is advisable for Paraguay to use the new tools that are at the implementation stage to automate the consultation processes and generate intelligence reports, in order to enhance its capacity to analyse information, focusing on the

production of "autonomous" reports and financial intelligence reports (IFF). The statistics presented for the period 2018-2021 do not show a growing trend in the number of disseminated reports.

178. The third product disseminated by the FIU-SEPRELAD are intelligence notes, which, according to their definition, include information on patterns and trends, and are addressed to supervisors. According to the information provided to the assessment team, this type of product began to be disseminated in 2020. In that year, 19 notes were disseminated to 8 recipients. For the first half of 2021, 9 notes have been disseminated to 6 entities (see Table 10). During the on-site visit, supervisors highlighted the usefulness of the notes, even though they stated that they could include more information. Likewise, they were not sure if the product was going to be disseminated quarterly, semi-annually or annually. Apart from that and given that the FIU-SEPRELAD has introduced this product recently, the assessment team did not obtain sufficient information on how recipients use the notes or their impact on the activities performed.

Table.10 Intelligence notes by recipient entity in 2020 and 2021.
Source: 2020 and 2021 Annual Reports /I

Recipients of intelligence notes	2020	2021
BCP Superintendency of Banks	10	4
Supreme Court of Justice	2	1
FIU-SEPRELAD DGSR	1	0
National Directorate of Public Procurement	1	0
National Institute of Cooperativism (INCOOP)	2	1
BCP Superintendency of Insurance		1
National Securities Commission	1	1
National Commission of Games of Chance	1	1
National Anti-Corruption Secretariat	1	
Total	19	9

179. The current legal framework allows the FIU-SEPRELAD to disseminate its analysis of intelligence information to a wide range of entities both at the national and international levels. The total number of intelligence reports disseminated by the FIU-SEPRELAD between 2017 and the first half of 2021 amounts to 387 intelligence reports and 260 financial intelligence reports.

Table 11. Number of reports shared by the FIU-SEPRELAD with domestic recipients (spontaneous dissemination) from 2017 to 2021/I

	Year											
	2017		2018		2019		2020		2021		Total	
Recipient/ Type of report	II	IFF	II	IFF	II	IFF	II	IFF	II	IFF	II	IFF



MUTUAL EVALUATION REPORT OF PARAGUAY

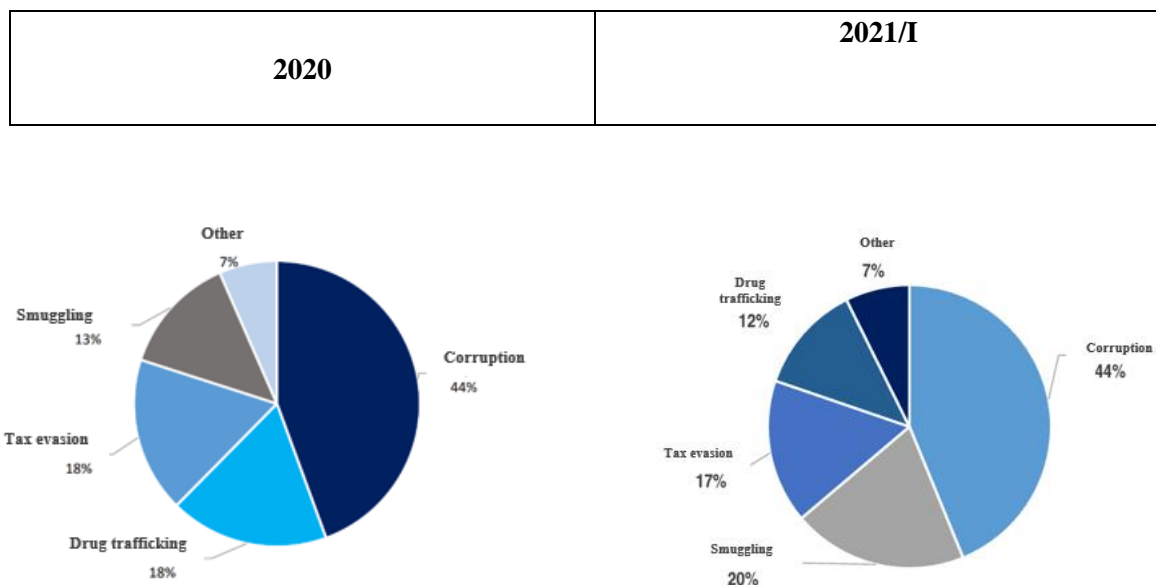
EGMONT	0	36	22	2	6	2	7	1	1	0	36	41
Attorney General's Office	43	40	32	86	69	27	44	18	13	10	201	181
Asset Recovery Network (RRAG)	0	7	7	1	7	0	10	1	1	0	25	9
Comptroller General of the Republic	7	0	12	0	20	5	29	0	10	0	78	5
Ministry of Finance - State Undersecretariat of Taxation	1	0	0	0	2	0	1	2	0	0	4	2
USA Embassy	0	0	1	0	0	0	0	0	0	0	1	0
National Institute of Cooperativism	0	0	1	0	0	0	0	0	0	0	1	0
SEPRINTE	0	0	1	1	3	0	0	0	0	0	4	1
BCP	0	0	0	2	0	1	2	0	0	0	2	3
National Congress	0	0	0	1	1	0	0	0	0	0	1	1
Supreme Court of Justice	0	0	0	2	2	0	0	0	0	0	2	2
National Police	0	0	0	1	1	0	0	0	1	0	2	1
National Anti-Drug Secretariat	0	0	0	8	12	1	3	1	2	0	17	10
National Intelligence Secretariat	0	0	0	1	3	0	0	0	0	0	3	1
Migration	0	0	0	0	2	0	0	0	0	0	2	0
Customs	0	0	0	0	3	0	0	0	0	0	3	0
Ministry of Finance - Treasury Legal Service	0	0	0	0	1	0	0	0	0	0	1	0
Presidency of the Republic	0	0	0	0	1	0	0	0	0	0	1	0
National Anti-Corruption Secretariat	0	0	0	0	2	0	1	3	0	0	3	3
Total	51	83	76	105	135	36	97	26	28	10	387	260
*II: intelligence report												
*IIF: financial intelligence report												

180. These figures show an average of 86 intelligence reports and 58 financial intelligence reports disseminated per year. During the same period, 61 intelligence reports were disseminated to foreign recipients (16%) and 326 to national recipients (84%). In turn, 50 financial intelligence reports were disseminated to foreign recipients (19%) and 210 to national recipients (81%). This distribution shows a tendency to allocate more resources for the preparation of intelligence reports than financial intelligence reports. The low number of reports disseminated to the National Police, the National Anti-Drug Secretariat and the SEPRINTE is equally striking.

181. Regarding exchanges at the national level (spontaneous dissemination), the Attorney General's Office is the primary recipient of the intelligence products carried out by the FIU-SEPRELAD, with a total of 201 intelligence reports (52%) and 181 financial intelligence reports (70%) disseminated in the period under analysis. The reports produced by the FIU are directly submitted to the Attorney General's Office and the recipient is defined based on their background. Thus, "autonomous" reports are directly sent to the General Prosecutor's Office for their later distribution among the specialized prosecutor's offices. In the case of the disseminations related to ongoing cases or information requests, they are directly sent to the areas requesting such information, pursuant to the corresponding established protocols.

182. Regarding other entities that receive information, pursuant to Law 6497/2019 of December 2019, FIU-SEPRELAD's power to send information to other competent authorities was extended. At present, though, some of these authorities receive these reports only occasionally, and the low number of reports sent to some authorities engaged in combating the main threats described in the NRA is striking. Although the power to prosecute falls entirely within the scope of the Attorney General's Office, the primary recipient of intelligence reports, financial intelligence reports and "autonomous" reports. this information differs from the statistics disclosed in the report published on the FIU-SEPRELAD website for 2020 and the first half of 2021. According to this report, based on the analysis of the potential ML predicate offences identified in the STRs, 44% of the reports are related to corruption both in 2020 and 2021; 20% and 18%, respectively, are related to drug trafficking; 17% and 18%, respectively, to tax evasion; and 20% and 13%, respectively, to smuggling.

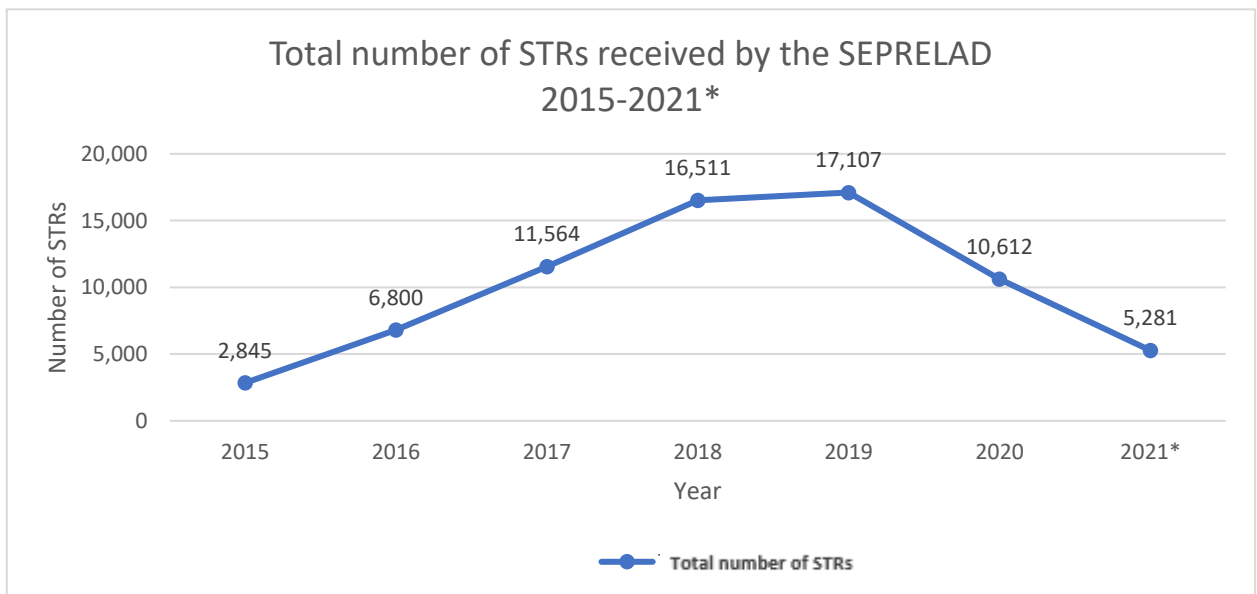
Graph 1. Potential predicate offences identified in the STRs received by the SEPRELAD in 2020 and 2021/I. Source: FIU-SEPRELAD Annual Report 2020-2021/I



STRs received and requested by competent authorities

183. As a centralized agency designated to receive STRs, the FIU-SEPRELAD has been receiving reports whose number and amounts involved therein have increased consistently in recent years, reflecting an amount that is in line with the size and the characteristics of the system. In this regard, it should be noted that, between 2015 and 2019, the number of reports increased by six (6) times, going from 2,840 to 17,107; and by 2020 such number went down to 10,612 reports, falling by 38%. Regarding the amounts involved in the reports, they increased in the same proportion, going from PYG 6.1 trillion to a peak of PYG 36 trillion in 2017, falling by PYG 25 trillion in 2019 (Graph 2).

Graph 2. Number of STRs received by the FIU-SEPRELAD between 2015 and June 2021



184. Regarding the distribution of STRs by sector, based on the statistics provided, 90% of the reports correspond to banks, 4% to exchange houses, 2% to notaries, and the remaining 4% to the other 15 reporting entities. According to FIU-SEPRELAD analysts, the considerable 39% reduction observed in the number of reports from 2019 to 2020 responds to the training given to reporting entities and the effects caused by the COVID-19 pandemic. Regarding the amounts involved in the reports, 96% and 90% of the aggregate amount for 2018 and 2019, respectively, correspond to banks. In the case of exchange houses, their STR statistics for 2017-2020 had an inverse growth in terms of the number of STRs, which increased by 2021 after regulatory updates were issued. Notwithstanding the above, there is a low number of STRs filed by some reporting entities, especially from the DNFBP sector, since some of them have only filed one report during the last 5 years or have not submitted their first STR yet. This can be explained, to a certain extent, by the recent regulatory changes that set out more detailed criteria for classifying suspicious transactions, which did not exist in previous regulations.

Table 12. Annual number of STRs received by the FIU-SEPRELAD from 2017 to 2021/I

Reporting entity	Year					Total
	2017	2018	2019	2020	2021	
Financial institutions						
Banks	10,243	15,282	15,814	9,866	5,433	56,638
Exchange houses	448	518	368	167	1,039	2,540
Financial institutions	519	193	108	55	101	976
Cooperatives	147	96	174	65	72	554
Insurance companies	42	77	67	90	77	353
EPS providers	40	44	57	37	58	236
Brokerage firms	40	13	5	10	7	75
Mutual fund administrators				1		1
Money remitters	6	11	4	25	17	63
DNFBPs						
Notaries	56	210	471	253	264	1254
Real estate agencies	2	6	10	14	18	50
Casinos		2	2	6	11	21
Other reporting entities						0
Supervisory entities				3	5	8
Motor vehicles	10	69	18	48	14	159
Money transport companies			1		2	3
Natural persons						0
Legal persons						0
NPOs	1					1
Total	11,554	16,521	17,099	10,640	7,118	62,932

185. This trend shows that reports are concentrated mainly in banking entities as compared to the reporting level of other financial institutions and some DNFBPs. The Directorate of Strategic Analysis should study this behaviour and the changes in the number of reports and the amounts involved therein in order to identify, besides the behaviour patterns associated with ML/TF, the causes of these trends and possible alternatives for their management. The low number of reports sent by reporting entities such as money remitters (63 reports), mutual fund administrators (1 report), and brokerage firms (75 reports) during the period under analysis is equally striking. In this same sense, the data shows a low level of reporting by NPOs, money transport companies and casinos.

186. Prior to the analysis, the STRs stored in the database are classified according to objective values in accordance with the methodology established by the FIU-SEPRELAD in its Manual for the Treatment of Information Received (STRs) and Operational Analysis, which determines the priority of analysis of each report. The number of cases analysed per year is mostly related to the STRs rated as high by the scoring algorithm defined in the Manual.

Table 13. STRs analysed in relation to the total number of STRs received between 2015 and 2021. Source: FIU-SEPRELAD

Year	2017	2018	2019	2020	2021	Total
Total of cases	191	194	171	123	38	717
Total of STRs received	11,559	16,522	16,847	10,612	7,118	62,658

187. The total number of STRs received, as well as the number of reports considered in the cases that were finally submitted to the Attorney General's Office, shows that the FIU-SEPRELAD requires resources and capacities to manage information, and that said information is of quality. Most of the reports rated as high-risk, accounting for around 1% of the information received each year, is indicative of the capacity of its IT system to add information from other STRs to the analysis conducted, on the basis of objective and subjective information. Thus, since June 2020, the FIU-SEPRELAD has implemented a risk model to assess risks more accurately by considering a greater number of variables, and increase the number of STRs involved in the cases sent to the Attorney General's Office. The third version of said model is now in place, registering 15% of priority alerts for 2021 (08-2021), equivalent to 1,086 alerts. The calculation on how many of the 717 cases analysed served as a basis to prepare intelligence reports, financial intelligent reports and "autonomous" reports is needed. The lack of this data may respond to the recent implementation of the model, which, in turn, does not permit to comprehensively assess its impact on the selection of the STRs to be analysed and the number of financial intelligence reports that are disseminated.

188. In 2019, STRs rated as high-risk accounted for 0.55% of the total STRs received. This percentage fell to 0.41% in 2020. The implementation of the new methodology for information analysis and the new model for a quality report described in the Manual for the Treatment of Information Received (STRs) and Operational Analysis issued in September 2021 aim to enhance the quality of the information and add information from other STRs. The analysis of low quality STRs may be a factor making analysts require additional information to the reporting entities. This practice has been in decline given the updates implemented in data collection systems, which makes it necessary to continue with the efforts to strengthen the FIU's operational capacities.

Table 14. Percentage of STRs used in FIU-SEPRELAD's financial intelligence reports

	2018	2019	2020	2021
Total of STRs	16,522	16,847	10,612	7,118
STRs rated as high-risk	153	93	43	8
Total percentage	0.93%	0.55%	0.41%	0.19%
Number of STRs analysed	523	604	778	187
Total percentage	3.17%	3.59%	7.33%	4.40%

189. The low quality of STRs sent by some reporting entities has a direct impact on the quantity and quality of the intelligence reports disseminated by the SEPRELAD. If we consider that, for the period 2018-2020, over 90% of the reports were sent by banks and exchange houses, we note that it is extremely important to continue with the efforts to implement the methodology for measuring and monitoring the quality of the information reported by the reporting entities included in the

"Manual for the Treatment of Information Received (STRs) and Operational Analysis," issued in September 2021. In addition, it is also important to continue with the mechanism to use the information obtained from such analysis through specific feedback, addressed to all types of reporting entities according to their nature and participation. In this regard, some FIUs in the region have published guidelines for reporting entities to report the information included in the descriptive fields based on the quality standard set by the FIU in its methodology.

Table 15. Distribution of STRs received by objective assessment

	2017	2018	2019	2020
High objective assessment	93	153	93	43
Medium objective assessment	552	2,719	4,720	2,835
Low objective assessment	8,802	12,386	12,240	7,734
In percentages:				
	2017	2018	2019	2020
% of high objective assessment	1.0%	1.0%	0.5%	0.4%
% of medium objective assessment	5.8%	17.8%	27.7%	26.7%
% of low objective assessment	93.2%	81.2%	71.8%	72.9%

190. One of the measures implemented by the FIU-SEPRELAD to improve the quality of information is Resolution 232/17, which approves “the Quality Assessment Matrix for Suspicious Transaction Reports (STR), with its instructions for use and feedback to reporting entities.” This Resolution seeks to measure the quality of the reports received. According to this instrument, the quality level of STRs is determined based on weighting factors included in their wording, such as coherence, clarity, completeness and relevance; origin and destination of funds; typologies; and due diligence. The standard classifies the reports as insufficient, regular, good, very good and excellent. This methodology is updated in the "Manual for the Treatment of Information Received (STR) and Operational Analysis," issued in September 2021. However, on the date of the on-site visit, the manual had not been implemented by neither updating Resolution 232/17 nor replacing it with a new resolution. According to the information provided to the assessment team, since 2020 the FIU has held feedback meetings and added information quality analysis to the intelligence notes disseminated.

191. The result of the application of this methodology to the STRs of the banking sector submitted in 2017 and part of 2018 shows that 85.8% of the reports were rated as insufficient and regular, 14% as good and very good, and 0.3% as excellent (equivalent to 27 STRs out of a sample of 10,240). Additionally, the FIU-SEPRELAD has performed an analysis on the quality of subjective information (description of the suspicious transaction), again in the banking sector, noting that the reporting entities do not describe the suspicious transactions sufficiently. The implementation of the quality assessment and control system for STRs through the SIRO is expected to monitor in detail the changes in the quality of the information, as well as to obtain key information from the feedback mechanisms, so that the reporting entities submit quality information.

192. This has motivated the adoption of measures, such as training and feedback, to enhance the quality of the reports. In December 2019, the FIU-SEPRELAD, jointly with the Colombian Financial Information and Analysis Unit, carried out a “role play” workshop with 350 reporting entities from different sectors, aimed at providing tools to improve the quality of STRs. In addition, the DGAFE established that since September 2019 monthly meetings should be held with the reporting entities to share strategic data in order to significantly improve the quality of reports.

193. Although the FIU-SEPRELAD has started measuring the quality of its reports in 2018, the statistics on objective assessment ratings have not changed significantly. On the contrary, reports rated as high decreased in 2019 and 2020. The recent implementation of the methodology for measuring the quality of the information and the progress made in its automation through computer systems make it impossible to assess its impact. The methodology developed and the system that is under implementation promote a more fluid communication with the reporting entities in order to provide them with feedback and monitor their management. This effort is expected to be reflected in the quality of the information shortly.

194. According to the assessed country, although the updating of the information systems and the feedback provided to some reporting entities took place very recently, improvements could be observed in the quality of the STRs filed in the 2021/I period. Despite this effort, the recent implementation of the measure makes it not impossible to determine its impact on the analysis of STRs and their use for the preparation of financial intelligence reports.

195. Similarly, the FIU-SEPRELAD is in communication with FIUs from other countries and international authorities that request information. Information requests are governed by the “Protocol for receiving and processing requests for cooperation through Egmont, GAFILAT Asset Recovery Network, memorandums of understanding, and other means of international cooperation,” issued in 2020. This protocol includes “other forms of international cooperation.” Between 2017 and 2021/I, the FIU-SEPRELAD sent 269 information requests in order to add value to STRs and their intelligence products, as well as to support the operational needs of the Attorney General's Office.

Table 16. Information requests to other FIUs managed by the FIU-SEPRELAD between 2017 and 2021/I

Year	2017	2018	2019	2020	2021	Total
Requests sent by the FIU - SEPRELAD	71	90	74	14	20	269

196. Regarding CFT and within the framework of the preparation of the TF NRA, the FIU-SEPRELAD undertook an exercise to identify STRs received that could be related to terrorism and TF in the period from 2017 to the first half of 2021. In this regard, 360 STRs potentially related to TF or terrorism were initially identified. Then, the FIU-SEPRELAD reviewed and analysed the 360 STRs yielded by the system based on keywords or the generic mention of the "AML/CFT Law" and those STRs where there were partial matches with the name or surname of the reported person, although there was no transaction related to potential TF. Then the number went down to 160 STRs, of which only 16 of them were considered as "high" alerts, i.e., actually involving a transaction and not simply a link resulting from news articles or partial keyword matches.



197. The FIU-SEPRELAD reported to the Attorney General's Office the cases that could be related to international TF. The two cases referred and submitted to the Attorney General's Office were among the STRs identified as potential TF. Both investigations are still ongoing.

Operational needs supported by FIU analysis and dissemination

198. During the period under analysis, the FIU-SEPRELAD, through the General Directorate of Financial Analysis, has been increasingly working in joint task groups with competent authorities in the investigation of ML/TF predicate offences. The FIU-SEPRELAD contributes to the investigative work carried out by collecting and processing information. This allows the FIU-SEPRELAD to engage in emblematic investigations that, as shown in Table 17, besides providing experience and knowledge to the analysts participating in them, have resulted in convictions and, in some cases, confiscated funds.

Table 17. Cases presented by the FIU-SEPRELAD which resulted in persons being sentenced to imprisonment

Year	Number of convictions	Number of persons convicted	Number of persons involved	Confiscated funds - USD
2017	7	10	13	0
2018	3	4	4	7,248.66
2019	3	5	5	0
2020	6	8	15	471,597.83
2021	5	5	15	4,749,119.73
Total	24	32	52	5,227,966.22

199. The FIU-SEPRELAD has participated in working groups created to investigate other offences classified as threats in the NRAs. Table 18 shows the investigations conducted by the Attorney General's Office, jointly with the FIU, between 2017 and 2021, after reviewing the information submitted. No specification has been provided as to whether the information is related to “autonomous” reports, financial intelligence reports, intelligence reports, foreign information requests or all of the above.

Table 18. Joint investigations between the Attorney General's Office and the FIU-SEPRELAD

Attorney General's Office Division	2017	2018	2019	2020	2021	Total
UDEA*	38	15	10	2	0	65
Drug trafficking	5	49	38	12	7	111
ML-TF	15	11	10	8	8	52
Cybercrime	4	3	5	2	0	14
Smuggling	0	1	5	2	0	8
Human trafficking	0	0	1	2	0	3
Corruption	0	20	8	10	2	40



SHP - Intellectual property	3	3	0	1	0	7
SHP - Usury	1	1	2	3	1	8
SHP - Scam	3	2	13	6	2	26
SHP - Estate, breach of trust and illicit enrichment SHP	0	4	6	44	9	63
SHP - Production of false documents	7	0	2	1	0	10
SHP - Appropriation and others	0	3	2	1	0	6
Tax evasion	0	0	2	1	0	3
Immediate production of public documents and others	0	1	1	0	0	2
SHP - Environmental offences	0	0	1	0	0	1
Organised crime and arms trafficking	0	0	1	4	1	6
Terrorism	0	3	0	0	0	3
Total	76	116	107	99	30	428

200. These results show a significant increase in the period under analysis regarding the number of cases and predicate offences, with an annual average of 95 cases for the period.

201. The above figures and intelligence report samples provided to the assessment team show participation in the identification of natural and legal persons; criminal records, employment and corporate history, BO and customs information, and others. However, it is necessary to improve statistical monitoring tools to better reflect how the FIU-SEPTELAD contributed to the investigative effort. In this regard, the assessment team draws the attention to the low number of investigations with FIU's participation on some outstanding predicate offences, such as smuggling, intellectual property and tax evasion. Notwithstanding the foregoing, the country has some representative cases as described below.

Case "Sports Clubs"

This case was initiated by the State Undersecretariat of Taxation in 2020 in relation to tax evasion and alleged money laundering. The FIU-SEPTELAD analysed 5 (five) suspicious transaction reports submitted by reporting entities from the financial and foreign exchange sectors, notaries, public registries, motor vehicle registries, motor vehicle importers, as well as tax and complementary transactional information from the financial and banking sectors. This analysis resulted in the identification of money transactions in the financial system conducted by companies engaged in sports activities involving the injection of money whose origin could not be justified, and of a foundation (NPO) that would work in parallel with the sports company. This NPO made money transfers abroad which were accounted for by regular activities of the sports company, undertaken by the foundation by means of an agreement. In addition, parallel economic and financial activities were performed by the foundation for alleged tax evasion purposes. Consequently, it was possible to identify funds for over USD 90 million. There is an ongoing investigation on this case.

Press reference: <https://www.abc.com.py/deportes/futbol/2020/09/04/se-puede-presumir-lavado-de-dinero-tres-clubes-estan-vinculados-a-la-acquisition-of-false-invoices/>

Cooperation and exchange of information/financial intelligence

202. The FIU-SEPRELAD has established channels for the cooperation and exchange of financial intelligence information with other competent authorities. The FIU has received information requests from domestic and foreign entities. To comply with the foregoing, the General Directorate of Strategic and Financial Analysis is responsible for responding to information requests required by the Attorney General’s Office and other government agencies. This information is confidential and provided for intelligence purposes.

203. In the period from 2016 to 2021, the FIU-SEPRELAD received 1,207 information requests from local and foreign entities. Regarding local requests, 841 were received during the same period of time.

Table 19. Number and origin of information requests received by the FIU-SEPRELAD from local entities between 2017 and 2021/I

Requesting entities	2017	2018	2019	2020	2021	Total
Attorney General’s Office	200	119	121	106	59	605
Comptroller	11	14	25	32	14	96
National Police	5	0	7	2	0	14
National Congress	2	2	1	4	0	9
State Undersecretariat of Taxation	1	1	2	2	0	6
Supreme Court of Justice	1	4	6	7	9	27
Presidency of the Republic	0	1	1	0	0	2
SEPRINTE	0	1	0	0	0	1
Total	220	142	163	153	82	760

204. During the period under analysis, 80% of the information requests were sent by the Attorney General’s Office, becoming the main user of the information disseminated by the FIU, 13% were sent by the Comptroller, and the remaining 7% is distributed among the other six (6) requesting entities.

205. All the information requests were aimed at collecting intelligence information on financial products in Paraguay and are associated with the tasks of collecting and analysing performed by the FIU-SEPRELAD. As a result, information on instruments obtained from the online consultations available to analysts was shared. In 2020, the FIU-SEPRELAD began collecting objective reports through SIRO, a toll which makes it possible to add specific information to the requests regarding cash transactions and other transactions considered of risk, such as the early cancellation of credits, transfers, and swap and exchange transactions. This information is vital for requesting entities, considering that cash accounted for 35% of the total of instruments reported in suspicious transactions.

Table 20. Information disseminated to the reporting entities' natural supervisors by type of instrument between 2017 and 2021/I

Type of instrument	Year						
	2017	2018	2019	2020		2021	
				Objective report	STR	Objective report	STR
Cash	3,824	5,446	3,652	4,360	275,379	96	111,552
National transfer received	1,127	2,764	2,354	3,125	354,763	67	140,748
Personal cheque	992	2,655	2,290	2,967	72,446	81	30,292
Transfer between accounts	548	1,593	1,432	1,856	74,811	89	26,188
Arbitration	602	533	276	58	6,377	5	3,551
Purchase of foreign currency	461	398	319	14	7,844	5	2,699
International transfer made	556	655	255	260	88,137	675	34,612
National transfer made	194	243	171	330	136,227	5	50,678
Total	8,304	14,287	10,749	12,970	1,015,984	1,023	400,320

206. This information is also included in intelligence notes, which are shared with the reporting entities' supervisors as a tool to understand the transactional risk and to apply mitigation measures to each instrument that represents that risk. Additionally, this information contributes to the operational analysis of cases.

207. Despite the progress achieved in this area, the FIU-SEPRELAD has deficiencies in generating detailed data statistics, such as the response time of the requests, the amount associated with the information shared, the quality of the information or the feedback provided by the recipients in the coordination meetings. This could be an important element to include in FIU-SEPRELAD's reports of operating results. Regarding the information of the objective reports, up to date, the FIU-SEPRELAD has not developed specific products for strategic analysis yet –beyond the information included in intelligence reports and in response to requests, that show the use or the effectiveness of the information.

208. In 2020 and the first semester of 2021, 17 information requests were received from different authorities. The FIU-SEPRELAD held meetings with joint task force teams, which showed cooperation and management with representatives of other intelligence or jurisdictional agencies in order to motivate joint operations.

209. Once an information request is sent to other FIUs, the FIU-SEPRELAD follows up on the responses and provides feedback to the requested or requesting FIU. If there is no response from the counterparts, weekly reminders are sent until the response is obtained. If there are feedback questionnaires attached to the information shared, these are completed and sent to the requesting entity. However, the country assessed did not provide statistical information regarding the time of response or consolidated feedback from counterparts.

210. Regarding passive cooperation requests, the FIU-SEPRELAD received 165 requests during the period under analysis: 83 (50%) of the requests are related to requests received and 82 (50%) are related to responses to requests answered.

Table 21. Passive cooperation requests to FIU-SEPRELAD between 2017 and 2021/I

Year	2017	2018	2019	2020	2021	Total
Requests received by the FIU-SEPRELAD	33	17	16	12	5	83
Requests answered by the FIU-SEPRELAD	33	17	14	8	10	82
Total	66	34	30	20	15	165

211. Information requests from other FIUs are processed by the FIU-SEPRELAD as a matter of priority. In this regard, when the FIU-SEPRELAD, in the exercise of its powers, identifies cases that may be of interest to authorities from other jurisdictions, it shares the information in order to promote effective international cooperation. In the last 5 years, the FIU-SEPRELAD sent 27 spontaneous reports through the Egmont Secure Web.

212. The FIU-SEPRELAD implemented a system to encrypt the identity of the reporting entities as a safeguard and protection policy. In addition, the FIU-SEPRELAD has recently implemented a secure information exchange system through its platform for information collection that works by assigning users who should register using an institutional email address. The competent authority can access the intelligence report after completing an authentication process consisting of two independent steps. Once the document has been downloaded, a record of the date, time, user and IP address from which the download was made is saved. In addition, the platform can only be accessed through a public IP address and a registered domain.

213. Regarding the security of the information, the SEPRELAD issued Resolution 224/18, which establishes the "procedure to codify the names and surnames of FIU-SEPRELAD's reporting entities and financial analysts in the intelligence reports sent by the FIU-SEPRELAD to the Attorney General's Office and other government agencies." This procedure is a mechanism to protect and safeguard the information disseminated. Intelligence information is disseminated to the entities that are authorized (with the right to know) by law. From March 2020, the reports are sent through an electronic platform that is in force and which was established in February 2020 by the protocol for receiving and processing requests from the Attorney General's Office, government agencies and other stakeholders of the AML/CFT system.

214. Regarding the information used by recipients, the country emphasized that both the intelligence reports and the financial intelligence reports are confidential and, thus, cannot be included in the tax investigation book or legal file. The Attorney General's Office must obtain the information through legally established means and include it included in the reports. In this regard, the assessment team is concerned about the leakage of financial intelligence reports disseminated by the FIU, since full pages from financial intelligence reports have already been published on internet portals and some communication media have stated that they had access to them and transcribed some sections thereof. It is recommended that the FIU strengthens and implements



mechanisms used to monitor the unauthorized disclosure of information disseminated, following the guidelines and best practices issued by agencies on the matter.

Case Operation “Llamada”

In 2019, the FIU-SEPRELAD, jointly with the National Customs Directorate and agents from the SENAD, played a crucial role in the analysis of suspicious transactions and in international cooperation through the Egmont Secure Network.

This operation focused on companies located abroad that received funds from Paraguay. The case related to money laundering and smuggling refers to companies located in Ciudad del Este.

The FIU-SEPRELAD analysed 35 (thirty-five) suspicious transaction reports sent by the reporting entities from the financial and foreign exchange sectors, notaries, public registries, motor vehicle registries, motor vehicle importers, tax systems, queries to the SOFIA national system of customs declarations and information provided by the National Customs Directorate of Paraguay of the Trade Transparency Unit (TTU) system, as well as complementary transactional information from the financial sector. It was possible to identify a scheme of front companies that imported electronic items from the United States, smuggling through false documentation submitted to financial institutions to obtain loans and transfer money abroad for trade purposes. As a result, it was possible to identify funds for over USD 670,000,000. The investigation of this case is ongoing.

Press reference: <https://www.ultimahora.com/operativo-llamada-desmantelan-esquema-contrabando-y-evasion-millonarios-n2833557.html>

Conclusions of Immediate Outcome 6

215. The FIU-SEPRELAD prepares the financial intelligence reports as a result from the analysis of the information received from the reporting entities and adds value by having access to a wide range of sources of information enables the FIU-SEPRELAD. The financial intelligence produced also contributes to the working groups created for the investigation of emblematic cases by the Attorney General’s Office. Although the Attorney General’s Office receives and uses this information, the number of investigations and/or prosecutions does not seem to be proportionate to the information received.

216. The information disseminated is not consistent with the analysis of potential predicate offences identified by the FIU in the STRs, which mainly identifies corruption, evasion, smuggling and drug trafficking.

217. Notwithstanding, the measures that the FIU-SEPRELAD has adopted to protect the confidentiality of the financial intelligence reports, there have been cases of unauthorized dissemination of financial intelligence reports, which shows gaps in the coordination with recipient entities and weakens the confidence of the entities of the AML/CFT system.

218. As at the date of the on-site visit, there are not sufficient elements to comprehensively assess the effectiveness and impact of the rules and regulations recently issued (2019, 2020 and 2021) on



the system described. **Paraguay presents a moderate level of effectiveness for Immediate Outcome 6.**

Immediate Outcome 7 (ML investigation and prosecution)

219. In general, Paraguay has a legal system in place to combat ML. ML offences are largely criminalised in accordance with the Vienna and Palermo Conventions. For investigation purposes, the Attorney General's Office is a requesting entity. Thus, it requests public and private entities information in order to prove or rule out the eventual factual hypotheses that support the potential charges in a case or the proposal of an alternative solution to trial. According to the Paraguayan Code of Criminal Procedure, the Attorney General's Office is empowered to ex-officio initiate criminal investigations based on an objective criterion.

ML identification and investigation

220. The system that combats ML is integrated by tax, police, and judicial authorities. The Attorney General's Office is the constitutional and legal empowered to initiate public criminal actions and is in charge of criminal prosecution. The National Police is a subsidiary body with investigative powers and its different departments cooperate in the investigations, such as the Specialized Department against ML and TF and the Department against Organised Crime. In 2020, specialized courts in financial and organised crime were created in the Judiciary.

221. Based on their competencies, the SENAD, the SENAC, the State Undersecretariat of Taxation, the DNA, and the Comptroller General of the Republic (CGR) can participate in investigations as auxiliary criminal bodies and conduct financial and asset investigations under the direction of the Attorney General's Office.

222. Within the framework of institutional strengthening to combat ML and predicate offences, besides creating specialized units in the matter in high-risk areas, the General Prosecutor's Office issued a resolution to appoint 14 new specialized prosecutors to conduct ML investigations in the headquarters and regional offices located in Asunción, Alto Paraná, Canindeyú, Itapúa, Concepción and Chaco. These areas are identified as high-risk areas due to the increased crime rate in the threats identified as having a greater weighting. Prosecutors are supported by the Strategic Information Analysis Department, consisting of financial analysts specialized in the matter, as well as by the training provided by the Training Department of the Attorney General's Office (CEMP).

223. In Paraguay, the majority of ML investigations are ex-officio initiated by the prosecutor, followed by investigations initiated by complaints filed by private individuals and the reports submitted by the FIU. Additionally, operational AML/CFT agencies, such as the SENAD, the SET, the National Police, etc., prepare reports. The following table shows the statistics on the source of the investigations.

Table 22. Number of ML investigations by source

NUMBER OF ML INVESTIGATIONS								
Source/ Authority	2015	2016	2017	2018	2019	2020	2021	Total
Complaint (private individuals)	9	9	11	8	10	3	3	53
Ex-officio initiated (prosecutors and assistant prosecutors)	5	9	19	14	13	10	8	78
FIU- SEPRELAD	2	8	8	9	4	1	1	33
Other institutions	1	0	3	2	3	1	0	10
Total	17	26	41	33	30	15	12	174

224. The preceding table shows that most criminal investigations are ex-officio initiated, the Attorney General's Office playing a leading role in criminal prosecution. However, the low number of total investigations initiated as compared to the number of investigations initiated for predicate offences identified as a high ML threat, and the low number of investigations initiated by other LEAs are striking, as shown below in Table 23 on ML investigations linked to a predicate offence.

225. Regarding predicate offences, the Table 23 shows the large difference between the number of ML investigations initiated for drug trafficking during the period 2015-2021 and those initiated in that same period for other predicate offences, many of which do not appear in the list because they did not trigger any ML investigation. Based on the information provided by Paraguay, offences that pose a major ML threat to the country, such as smuggling, fraud, arms trafficking and human trafficking, are not being investigated for ML.

226. The above mentioned may be due to the lack of coordination between the units and the authorities that prosecute predicate offences other than drug trafficking, and, on the other hand, the lack of clear rules for the initiation of parallel financial investigations, which could prioritize the need to initiate investigations for ML derived from other offences. The later deficiency was addressed in 2021, by issuing the Instruction No. 01, which establishes the bases for initiating and conducting parallel financial investigations. According to the figures provided by the country, the Attorney General's Office seems to be monitoring compliance with this Instruction. This is reflected in an increased number of parallel financial investigations initiated.

Table 23. ML investigations linked to a predicate offence

Predicate offence	2015	2016	2017	2018	2019	2020	2021	TOTAL
To be determined	5	12	12	15	9	10	1	64
Illicit enrichment	2	1	4	4	4	0	1	16
Breach of trust	1	1	3	0	2	0	1	8
Criminal association	1	0	0	2	0	0	0	3
Fraud through computer systems	0	0	0	0	2	0	0	2
Fraud	2	2	2	0	2	0	1	9
Smuggling and criminal association	0	0	2	0	0	0	0	2
Usury	0	0	0	0	3	1	4	8
Bribery	0	1	0	0	0	0	0	1
Smuggling	1	0	1	0	1	0	0	3
Human trafficking	0	0	0	2	0	0	0	2
Arms trafficking	0	0	1	0	1	1	0	3
Drug trafficking	1	7	6	6	2	3	2	27
ML with the predicate offence of drug trafficking (Article 44 of Law 1340)	192	246	209	234	198	347	319	1,745
TOTAL	205	270	240	263	224	362	329	1,893

227. Based on the information provided above and in the on-site visit, it was not possible to determine, apart from the cases related to drug trafficking, the order of priority to initiate ML investigations over other types of investigations, whether complex cases are prioritized over simple cases or whether domestic predicate offences are prioritized over foreign ones.

228. Out of the 1,893 investigations initiated for ML during the period under analysis, 1745 cases were related to drug trafficking (Article 44 of Law 1340). Additionally, 2,279 cases for ML offences (Article 44 of Law 1340) and 63 cases for general ML offences¹¹ were filed.

Table 24. Cases filed to the judge for general ML and ML related to drug trafficking

	2015	2016	2017	2018	2019	2020	2021	TOTAL
Article 196 of Law 1169/97								
Total of cases filed	5	6	12	15	8	10	7	63
Total of persons charged	9	23	45	37	38	91	16	259
Article 44 of Law 1340/88								
Total of cases filed	297	336	329	352	299	347	319	2,279

¹¹ See table "MAIN LEGAL PROCEEDINGS IDENTIFIED IN THE NATIONAL ML/TF RISK ASSESSMENT"

Total of persons charged	384	441	478	534	422	463	480	3,202
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229. According to the following table, from 2015 to 2021, there were 446 convictions for the crime provided in art. 44 of the Law 1340 and 28 convictions for (ML art. 196 Criminal Code), whereby 644 persons were convicted.

Table 25. ML and special ML convictions

	Number of convictions	Number of persons convicted
Money laundering (Article 196 of the Criminal Code)	28	45
Special ML related to drug trafficking (Article 44 of Law 1340)	446	599

230. The following table breaks down the number of ML convictions per year since 2016, showing a raise from 2016 to 2017 and from 2019 to 2020, but reflecting a decrease in 2018 and 2019.

Table 26. Number of convictions by year - Article 196

2016	2017	2018	2019	2020	2021	TOTAL
3	6	3	3	7	5	27

231. In addition, sentences were handed down approving extradition requests from other countries, such as the emblematic case of money laundering linked to a case of corruption in Conmebol.

Case CONMEBOL

Nicolas Leoz Almirón was accused in the United States on May 20, 2015, of the alleged criminal association, committing organised crime, electronic fraud and money laundering in his capacity as president of Conmebol (South American Football Confederation) and member of the Executive Committee of FIFA (International Federation of Football Associations).

Nicolás Leoz Almirón was accused of using his executive position in Conmebol and FIFA to request, accept and receive bribes in exchange for granting television and commercial rights contracts for football tournaments organised between 1986 and 2011, including official tournaments scheduled up to 2016, such as Copa América and Copa Libertadores de América. Paraguay granted the extradition request.

232. The country only provided information on the 28 criminal cases for money laundering which had resulted in 45 persons being convicted. As indicated by the country, these convictions were triggered by FIU-SEPTELAD's financial intelligence reports.

233. Although it is possible to observe improvements in the measures adopted to strengthen ML criminal prosecution and the investigative efforts of LEA in the last years, there is still room for improvement. In particular, the proactive development of parallel financial investigations is a relevant challenge that should be set as a priority.

234. Paraguay has conducted ML preliminary investigations and prosecutions. However, although some progress had already been made in this regard, regulations were required to ensure compliance. The very recent introduction of Instruction No. 01, aimed to guide the Attorney General's Office in the initiation and implementation of parallel financial investigations, may be the cause for the number of ML prosecutions and convictions being still low. Thus, efforts and effective coordination should be strengthened to comply with a policy that prioritizes the investigation of criminal funds and assets, and their flow, including the proceeds of crimes that are a high threat to the country.

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

235. According to Paraguay’s NRA, the main threats are drug trafficking, corruption, smuggling, trademark infringement, cross-border transportation of cash and tax evasion. Based on this, regarding the threats of smuggling and piracy, there are, only six (6) cases for money laundering, whose predicate offence is smuggling.

236. The cases filed (2015-2021) in relation to the offences identified as high-risk in the NRA totalled 39 for illicit enrichment, 76 for bribery (corruption) and 1,581 for drug trafficking. However, it should be taken into account that only 23 cases were initiated for ML related to these threats, which shows that the low level of effectiveness of parallel financial investigation methods to detect potential cases of ML transactions and gather elements that can prove such transactions:

Table 27. Main legal proceedings identified in the ML/TF NRA - Period 2015-2021/I

Offences identified in the NRA	Number of cases filed	Number of cases filed for ML
Bribery (corruption)	76	1
Smuggling	391	5
Illicit enrichment (corruption)	39	11
Tax evasion	41	0
Trademark infringement	370	0
Breach of public duty (corruption)	16	0
Bribery	74	0
Influence peddling (corruption)	17	0
Drug trafficking	1,581	5
Arms trafficking	101	1
Human trafficking	146	0

TOTAL	2,880	23
Other types of crimes not identified as predicate offences, but linked to ML in the name of the case file		40
International cooperation - ML-related rogatory letters		
Number of cases filed for ML		63

237. Although the procedural times do not make it possible to see the direct link between the cases initiated for predicate offences and those initiated for ML, this table does show that the number of ML investigations in general is low as compared to the number of investigations for offences identified as major threats in Paraguay’s NRA. In this regard, no progress has been made to face the country’s risks in relation to smuggling, corruption, human trafficking, arms trafficking and crimes against intellectual property. This reflects the need for a better strategic prioritisation of the resources available to initiate ML and financial parallel investigations.

Types of ML cases pursued

238. Regarding the ML offence set in Article 196, the country presented figures of the persons investigated in each of the 28 ML convictions. These figures show that, during the last six years, 22 persons were convicted for disguise and 13 for concealment. The highest number of convicted persons was registered in the year 2020, with a total of 16 persons convicted. No figures were presented for transportation, custody, administration, transfer and deposit of money. This is shown in the following table:

Table 28. Persons convicted by types of ML cases

Types of ML cases	2015	2016	2017	2018	2019	2020	2021	TOTAL
Convert*		1						1
Conceal*		1	1	2	1	5	3	13
Disguise*		2	6	2	3	6	3	22
Thwart*						1		1
Jeopardize*			1	1		1	1	4
Get*						2		2
Store*	1				1		1	3
Use*	1					1		2

239. Based on the above, it is possible to conclude that there is still a need for strategies to identify the different types of ML, according to the description of the criminal offence in the Paraguayan criminal law, and to direct the efforts in that regard, particularly considering the risk identified by the country in its NRA.

240. During the period under analysis, 45 persons were convicted within the framework of the 28 convictions achieved for ML: 13 persons were convicted for ML as a stand-alone offence, 15

for third-party ML, and 17 for self-laundering. The analysis of the convictions achieved reveal that most of the cases do not involve complex ML schemes.

Table 29. ML sentences

Types of ML cases	2015	2016	2017	2018	2019	2020	2021	TOTAL
Number of ML cases filed (number of convictions achieved)	1	3	6	3	3	7	5	28
Number of persons convicted	3	5	9	4	5	13	6	45
Breakdown by persons convicted								
ML as a stand-alone offence	0	1	0	0	2	9	1	13
Third party ML	0	3	8	2	1	0	1	15
Self-laundering	3	1	1	2	2	4	4	17
TOTAL	3	5	9	4	5	13	6	45

241. Regarding ML investigations during the last six years, the country submitted information on the predicate offences committed abroad. The following table shows that 10 investigations were initiated, 10 cases were filed and only 2 convictions were achieved.

Table 30. Investigations/prosecutions/convictions for predicate offences committed abroad

Predicate offences committed abroad	2015	2016	2017	2018	2019	2020	2021	TOTAL
Investigations	1	3	2	4	-	-	-	10
Prosecutions	1	3	2	4	-	-	-	10
Convictions	1	0	0	1	-	-	-	2

242. Although this seems to reflect a good flow of international cooperation, the number of convictions for predicate offences committed abroad is low. However, the work of the Prosecutor's Office for the Fight against Drug Trafficking, during the last few years, should be highlighted, since during the last years has conducted investigations on ML related to predicate offences committed abroad, which has resulted in the arrest of influential persons involved in the commission of those types of crimes.



Effectiveness, proportionality and dissuasiveness of sanctions

243. The information made available to the assessment team is not clear enough to sustain that criminal sanctions for ML are applied in a dissuasive and proportionate manner. As results from the analysis of Recommendation 3, ML is punishable with a fine or penalty of up to five years of imprisonment, which may be increased by up to ten (10) years when the perpetrator commits the offence for commercial purposes or acted as a member of a group created for the systematic commission of ML.

244. In convictions for ML as a stand-alone offence, the length of the penalty has increased to 3 years on average, and therefore it cannot be considered dissuasive or proportionate.

245. If the convictions of ML as a stand-alone offence are considered together with the convictions for ML committed simultaneously to its predicate offences, such penalty rises to 15 years of imprisonment on average. From this point of view, except for self-laundering, when there are convictions for ML committed simultaneously to other offences, the penalties increase considerably.

Alternative measures

246. In Paraguay, an alternative measure is to apply Article 44 of Law 1340/88, specifically for “those who benefit from the proceeds of crime described in that criminal offence”, which refers to the typical behaviour of using or being in possession of the proceeds of drug trafficking, without this implying that the elements of the ML criminal offence are met.

247. The information provided by the country shows that in the cases where Article 44 of Law 1340/88 is applicable, **the penalty of imprisonment is on average of 9.5 years per person convicted.**

248. In addition, Paraguayan criminal law provides a mechanism to reduce court congestion, prioritize the principle of procedural economy, and simplify criminal proceedings. This mechanism is called **summary proceeding**, whereby a penalty or a sanction may be imposed without being it necessary to conduct the ordinary oral trial. This results in the streamlining of the procedural stages in order to make the whole process simpler in cases of misdemeanours and minor infractions that do not exceed a penalty of five years' imprisonment under the denomination of the offence, so that the administration of criminal justice complies with its judicial function in the shortest time possible, and the judge passes a sentence which applies the penalty requested by the Attorney General's Office. Summary proceedings were applied in cases of intentional ML offences and in plea bargaining cases according to Article 196.9.

Conclusions of Immediate Outcome 7

249. Paraguay has shown that the Attorney General's Office and its LEAs are highly committed to the effective prosecution of ML and its predicate offences. However, the number and nature of the investigations do not seem to be consistent with the threats identified in the country's

national risk assessment. In addition, the number of sentences for ML is considered to be low given the country's level of risk, threats and vulnerabilities. Likewise, mechanisms to conduct parallel financial investigations have not been implemented to ensure that the investigations on predicate offences lead to eventual ML investigations. Finally, the cooperation and coordination between the LEAs do not seem to be effective or to provide enough information to initiate and support the criminal ML investigations conducted by the Attorney General's Office. Based on the above, **Paraguay presents a low level of effectiveness for Immediate Outcome 7.**

Immediate Outcome 8 (Confiscation)

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

250. Paraguay has an adequate legal and institutional framework to support criminal proceedings to seize and confiscate¹² assets and the proceeds of crime. In this regard, confiscation is regulated through two main concepts: a) the (simple) confiscation of the proceeds and all the instruments or instrumentalities used to perform or prepare an intentional unlawful act, only when these are dangerous for the community or there exists the risk of them being used to perform other unlawful acts, and b) the deprivation of benefits or special confiscation to forfeit the benefits, usufruct or any other benefit obtained by the perpetrator, participant or whoever has been involved in an unlawful act. It should be noted that in Paraguay, by virtue of its criminalisation, the legal concept of confiscation is not subject to the conviction of the perpetrator, and therefore there can be confiscation even when such conviction is not achieved.

251. The country has set the prosecution and confiscation of the assets derived from criminal activities as a priority of its criminal policy, as well as proceeds, profits and property of equivalent value. This has been clearly established in the priorities set forth in the PEEP, where Objective 22 states the need to “strengthen the Government’s power to administer the assets seized, forfeited or frozen.” Therefore, legal reforms were conducted, namely the creation of the SENABICO (Law 5876/17) in 2018; amendments to the Criminal Code on the adjustment of the scope of the legal concept of substitute asset confiscation (Law 6452/19); and enactment of Law 6431/19, which creates a special procedure for the application of confiscation, special confiscation, the deprivation of benefits and profits, and non-conviction-based confiscation. For this Immediate Outcome, the statistics include those existing since the creation of the SENABICO (which started operating in March 2018), as well as data related to proceedings where assets were seized and made available to the SENABICO, which, in some cases, dated back to some years before its creation.

252. In addition, the assessment team could verify that the confiscation of the proceeds of crime, proceeds, instrumentalities and property of equivalent value is pursued as a Government’s objective, which can be appreciated by: i) a solid legal and institutional framework (in accordance with the analysis of R.4); ii) being set as a priority in the PEEP; iii) the results of confiscations in specific cases; and iv) SENABICO’s administration of the seized assets, with a view to their eventual confiscation.

¹² Please see the Spanish version of the MER regarding the legal terminology for “seizure” and “confiscation” only applicable in the Spanish language.

253. According to the data provided by Paraguay, the amount of USD 12,597,621 has been effectively confiscated in the period under analysis, as indicated below:

Table 31. Assets confiscated in 2015-2021/I* (in USD)¹³

SENABICO	Attorney General's Office (prior to SENABICO)	Total
5,758,202	6,839,419	12,597,621
* The data for 2021 are those at the end of the on-site visit.		

254. The table above shows the confiscated amounts, which should be higher considering the whole period under analysis and the country's risk and context. However, the policies adopted by Paraguay are considered to have improved confiscation capacities in order to increase the number of assets seized and eventually confiscated. In particular, the work conducted by the SENABICO as the central authority responsible for the administration of these assets and proceeds, and the joint work of this agency and other LEA should be highlighted.

255. Regarding SENABICO's relevant role, the following table provides a detail of the destinations of the property and assets confiscated in the period 2018-2021:

Table 32. Destination of confiscated property and assets

	Judiciary	SENAD	Attorney General's Office	FIU-SEPRELAD	National Police	Addiction centre	SENABICO	Special funds	Projects	TOTAL
PYG	58,592,292	209,030,121	150,437,829	150,437,829	150,437,829	150,437,829	150,437,829	777,528,192	1,504,378,293	3,008,756,585
Equivalent in USD	8,309	29,641	21,333	21,333	21,333	21,333	21,333	110,256	213,326	468,197
Assets	1	-		1	-	-	-	-	-	2
These amounts are deposited in the Public Treasury's account of the Ministry of Finance, to be budgeted for their subsequent allocation to the beneficiary institutions. In accordance with Article 51 of Law 5876/17, "On the administration of seized and forfeited assets," they may be only used for institutional strengthening purposes.										

256. This demonstrates that the creation of this authority for the administration, settlement and destination of the confiscated property and assets is a relevant state policy adopted by Paraguay, which is in line with the purposes pursued by the different authorities that intervene in the fight against the main offences in the country, including ML.

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

257. Based on the analysis conducted in the previous section, Paraguay applies confiscations as part of its strategy to dismantle criminal organisations and combat the major threats identified in the NRA, mainly drug trafficking. Although it is understandable that the majority of cases are related to drug trafficking, authorities should increase effectiveness in terms of confiscation of the

¹³ It is worth mentioning that to the total figure shown in this table, it must also be considered that, at the date of the on-site visit, there were a series of assets whose confiscation had been declared in Judiciary rulings and were pending adjudication to the SENABICO for its administration ("goods in transit"), amounting to USD. 7,307,394. Said number is not part of the statistics valued in this table since SENABICO only reported the statistics of goods and assets under its effective administration.

proceeds of crime of other predicate offences for ML by, for example, increasing the number of or by participating more actively in parallel financial investigations to trace the proceeds of ML.

258. For the period under analysis, the country has submitted the following information on precautionary measures and confiscations:

Table 33. Precautionary measure of money seized and confiscated - Period 2015-2021/I

	2018	2019	2020	2021	Total
PYG confiscated	709,569,500	45,283,500	15,570,000	26,352,350	795,775,350
in USD	123,791	7,256	2,300	3,888	137,235
PYG seized	1,078,563,896	1,616,150,100	389,514,949	662,432,770	3,746,661,715
in USD	188,165	258,957	57,535	97,733	602,390
USD seized	1,731,094	387,818	22,228	39,656	2,180,796
Total	2,043,050	654,031	82,063	141,277	2,920,421

**This table includes the results of the amounts for the period 2015-2017, which have been administered by the SENABICO since it was created in 2018.*

259. The information contained in the table above reveals that, although the country has taken actions to strengthen its regulatory and institutional frameworks in order to align them to its PEEP, the amounts that could be confiscated or on which any precautionary measure was applied are considered to be limited, considering the threats identified in IO 1. It is important to note the great asymmetry existing between the amounts disclosed as seizures and those corresponding to an effective confiscation.

Table 34. Amount of seized and confiscated property and assets administered by the SENABICO

SEIZED								
Seizures	2018		2019		2020		2021	
	Amount	in USD	Amount	in USD	Amount	in USD	Amount	in USD
PGY	N/A	157,755	N/A	77,816	N/A	143,395	N/A	292,745
USD	N/A	1,731,754	N/A	2,109,124	N/A	2,120,290	N/A	2,168,135
Motor vehicles	102	2,072,205	83	1,234,668	127	3,226,062	92	1,486,197
Movable property	-	-	-	-	127	41,857	293	578,936
Immovable property	106	104,217,077	9	55,851,312	12	2,261,514	27	3,487,042
Livestock	14,639	6,970,952	542	258,095	700	333,333	276	131,429
Companies	4	4,314,286	-	-	8	100,345,714	1	708,714
Total		119,464,029		59,531,015		108,472,165		8,853,198

CONFISCATED								
Confiscations	2018		2019		2020		2021	
	Amount	in USD	Amount	in USD	Amount	in USD	Amount	in USD
PGY	N/A	101,373	N/A	6,469	N/A	8,034	N/A	495,336



Motor vehicles	15	312,457	11	36,571	15	98,408	60	472,027
Movable property	-	-	-	-	-	-	-	-
Immovable property	2	147,892	-	-	-	-	9	4,089,633
Total		561,722		43,040		106,442		5,056,996

* The reference "N/A" (not applicable) in the "Amount" column has been used in cases in which the assets involved were money, since it cannot be counted individually (by quantity of banknotes). They are sums of money held in bank accounts and administered by the SENABICO.

260. On the one hand, the table above shows progress in terms of seizures related to cash (local and foreign currency), motor vehicles, movable and immovable property, livestock, and companies accounting for USD 110 million in a couple of years. On the other hand, the figures shown in terms of confiscation are lower; being 2021 the year in which the best results were obtained, with the forfeiture of different assets for a total average equivalent to USD 5 million. This shows that the number of confiscations continues to be low. In general, the amounts confiscated are not related to the country's ML risk level or context. This could also be attributed to the development of ongoing criminal proceedings and the fact that there were operational limitations due to the COVID 19 pandemic, which certainly represented an operational challenge to conduct confiscations on a more regular and effective manner. There seems to be considerable room for improvement to conduct effective confiscation of property and assets in accordance with the country's context and risk level identified.

261. In addition, the Paraguayan General Prosecutor's Office requests, where necessary, real precautionary measures in order to secure the assets that are subject to a criminal proceeding. This is shown in the cases presented below.

CASE DARIO MESSER CASE

DARIO MESSER was accused in the Federal Criminal Jurisdiction of Rio de Janeiro of leading a sophisticated ML and tax evasion network that enabled the former governor of Rio de Janeiro, Sergio Cabral, to hide and disguise the illicit origin of more than USD 100,000,000,000 obtained from bribes paid by entrepreneurs from different sectors who were awarded public contracts for works, goods and services. During the investigation, evidence was collected indicating that DARIO MESSER invested in Paraguay to launder the illegal amounts of money he received as a result of the large transactional ML and tax evasion scheme he led, through the companies he established in Paraguay. These companies operated in the financial system with their own ML typologies, acquired movable and immovable property and carried out commercial activities. To date, two persons were convicted for ML and their corporate shares have been confiscated.

Assets seized

Urban and rural real estate property	
PYG	721,578,225,770
USD	104,179,163.79

Motor vehicles	
PYG	437,814,620
USD	63,210



- Assets in securities (bonds): USD 5,864,234.52
- Number of animals and value in USD: 13,566 heads with an approximate value of USD 8,000,000.

262. This case is related to a financial intelligence report provided by the FIU-SEPRELAD with the intervention of various authorities, such as the SENABICO, the Attorney General's Office and the Judiciary. Additionally, it is important to highlight the international cooperation between the representatives of the Brazilian Attorney General's Office and the Paraguayan Attorney General's Office.

263. Some success case studies on ML related to drug trafficking are described below, which show the different stages involved in assets confiscation and the impact of the measures imposed.

**“JARVIS CHIMENES PAVÃO ET AL., MONEY LAUNDERING”
Case No. 10.399/2005**

In 2004, Jarvis Chimenes Pavão, the leader of a criminal organisation engaged in drug trafficking and associated crimes, carried out activities aimed at disguising the origin of the money and assets obtained from such criminal offences. In this context, he acquired, under the formal ownership of his commercial partner, Fernando Jorge Bitencourt da Silva, the country estate “4 Filhos.” Precisely jointly with Fernando Jorge Bitencourt da Silva, Chimenes Pavão established the company “J.F. PAVÃO S.R.L. IMPORT EXPORT,” allocating for himself 70% of the company’s share capital, with bank deposits in the accounts of said company, declared income and capital contributions. There are PYG 2,279,077,130 which are alleged to be the proceeds of drug trafficking and, therefore, there are no supporting document to account for their origin. An important party to this criminal organisation was Carlos Antonio Caballero, with whom, on December 27, 2009, Jarvis Chimenes Pavão was in the country estate “4 Filhos,” the main geographical basis for the drug-trafficking organisation and cocaine possession site. In that place, where the convicted Hugo Orlando Escobar Ayala, Rafael Carlos Masqueda and Alexander Carvalho were also playing their role in the criminal manoeuvre, the accused had a large quantity of heavy-calibre weapons and ammunition ready to be used as a means to resist the government intervention aimed at dismantling the active criminal network in which Jarvis Chimenes Pavão and Carlos Antonio Caballero participated.

PROCEDURAL STATUS: Sentence No. 122 of May 2, 2014. Jarvis Chimenes Pavão was convicted to 8 (eight) years of imprisonment. Carlos Antonio Caballero, alias “Capilo,” was convicted to 7 (seven) years of imprisonment. Special confiscation was ordered in relation to country estate No. 3728, Record No. 6063 of the District of Pedro Juan Caballero; country estate No. 4988, Record No. 3746 of the District of Concepción; country estate No. 3005, Record No. 3694 of the District of Horqueta; as well as in relation to cash, jewellery, firearms, motor vehicles, among others. Through criminal confiscation, real estate property valued at, approximately, PYG 11,190,000,000, equivalent to USD 1,622,000.00; motor vehicles valued at USD 10,200.00; and cash for an amount equivalent to USD 20,587.59 were seized and confiscated.

In accordance with the applicable legal framework, the special confiscation of these assets was ordered as a remedial action. It should be noted that this case was triggered by an intelligence report provided by the SENAD, with the participation of the Special Forces. Likewise, there was cooperation between Paraguay and the Federative Republic of Brazil - Rogatory Letters/Brazil.



CABEZA BRANCA CASE

On July 1, 2017, Luiz Carlos da Rocha was arrested in Brazil for acts related to drug trafficking, which triggered the initiation of an investigation in Paraguay.

The Attorney General's Office requested the collaboration of the SENAD and the Brazilian Federal Police, which cooperated at different stages of the investigation. During the first stage, they provided spontaneous information on the proceedings being held in Brazil, which was essential to identify Luiz Carlos da Rocha and more than 100 real estate properties in the Republic of Paraguay, mainly livestock establishments, several front organisations and a considerable number of motor vehicles.

At the second stage, international cooperation was requested through the legal instrument provided by the Vienna Convention, and, considering the magnitude of the investigation, the Federal Police even sent its own officials to collaborate in the classification of the documents seized. The information was shared with them to collaborate in the proceedings being held in the Federative Republic of Brazil. As a consequence, 26 persons were charged in Paraguay, of whom 12 are awaiting the preliminary hearing. Regarding the rest of the persons, there are international arrest warrants issued against them.

Since the investigation is at the stage of preliminary hearing, no assets have been confiscated yet. However, some assets (8 country estates, 1401 heads of cattle) have been seized, and other assets (84 real estate properties and 57 motor vehicles) have been identified as assets being subject to confiscation. The economic value of the livestock establishments (28,405 hectares) destined to the SENABICO amounts to **USD 56,731,623.52**.

CASE: JULIO CESAR DUARTE SERVIAN ET AL. (STATUS)

Case No. 8535/2019, within the framework of the investigation against Julio César Duarte Servián, Robson Lourival Alcaraz Ajala, Isaura Sánchez Freitas and Noelia Giménez for laundering the proceeds of the international trafficking in dangerous drugs, criminal association, and, pursuant to Article 44 of Law 1340/88, for somehow participating or obtaining an economic benefit in relation to a criminal scheme conducted in border cities by Pedro Juan Caballero and Ponta Pora, leaders of the GARCÍA MORÍNIGO CLAN.

The members of the GARCÍA MORÍNIGO CLAN were arrested and placed at the disposal of the Brazilian authorities after the arrest order issued against them by such authorities.

Real precautionary measures were applied, including the general prohibition against the selling and encumbrance of assets, and orders to seize and deposit the amounts seized in a special account, as well as the amounts deposited in banks or financial institutions or amounts held by third parties, which remained under the administration of the SENABICO. Likewise, precautionary measures involving orders not to innovate were issued with regard to 17 real estate properties located in different parts of the country.

It should be added that the assets mentioned above are currently subject to precautionary measures, and confiscation will be requested where appropriate.

Special confiscation was requested, and by September 2021, 12 real estate properties; 62 motor vehicles; and cash for USD 92,500.00 have been seized. Likewise, by the same date, 17 real estate properties on which there was an order not to innovate have been confiscated, since, as mentioned above, a special confiscation order had been requested at the prosecution stage.

This case was the result of the inter-agency cooperation between the SENAD and the Federal Police of Brazil, also with the participation of the Attorney General's Office and the SENABICO.

264. During the period under analysis, regarding self-laundering cases, 10 sentences ordered the confiscation of property and other assets for around USD 9 million.

Table 35. Self-laundering cases, convicted persons and confiscated property and assets

Year	Cases	ML	ML confiscation	Value in USD
2015	Tomas Rojas Cañete et al. on drug trafficking	1	16: motorcycles, trucks and cars; 07: real estate properties; PYG 3,250,000 (USD 470); USD 15,964; EUR 220; BRL 100	545,782.47
2016	Ezequiel De Souza et al. on drug trafficking	1	07: motorcycles, trucks and cars.	1,331,055.76
	Nery Pinazo Ricardi on ML	1	05: aircraft Real estate property - Country estate of 899 hectares	
2018	ATTORNEY GENERAL'S OFFICE AGAINST FELIPE RAMON DUARTE ET AL. S.H.P. AGAINST THE RESTITUTION OF PROPERTY (MONEY LAUNDERING) ET AL.	1	7 cars and 4 motorcycles	89,591.29

	Mario Villalba on alleged crime against Law 1340/08, as amended, ML and criminal association	1	02 vessels	7,248.66
2020	Hugo Enrique Fanego Duarte and others on Law 1881/2002, amending Law 1340/88.	1	05: motorcycles, trucks and cars.	28,994.63
	Victor Britez Aranda and others on ML	1	02 real estate properties; USD 112,383 and PYG 2.038.33 (USD 300)	412,603.20
	Dario Messer et al. on money laundering and others	1	Company shares	30,000.00
2021	"JUSTO PASTOR CARDENAS NUNES ET AL. ON ILLEGAL ENRICHMENT, LAW 2523/2004 AND OTHERS"	1	01 real estate property (reference value: USD 120,000) PYG 850,000,000, USD 180,700	306,347.00
2021	Case 257/2018: "OSCAR GONZALEZ DAHER AND OSCAR GONZALEZ CHAVES ON ILLICIT ENRICHMENT AND OTHERS"	1	PYG 29,237,656,115; PYG 5,903,362.49	5,167,796.80
TOTAL		10		9,206,722.35

265. Based on the foregoing, it is evident that Paraguay has been applying measures to seize assets with a view to effective confiscation as part of its strategy to dismantle criminal organisations and combat the main threats identified in the NRA.

266. It should be noted that joint investigations have been performed with other countries, such as Brazil and Argentina, regarding the confiscation of assets and other proceeds of predicate offences committed abroad. This have resulted in the detention of persons involved in different offences, as well as the seizure of movable and immovable property, which, in some cases, were even confiscated. However, to date, no property or other assets have been repatriated or distributed since, at the time of the on-site visit, the agreements between the SENABICO and the relevant foreign authorities were still under discussion.

267. In addition, other efforts have been made to counter smuggling from an administrative point of view, reaching important results, which in monetary terms amounted to USD 157,145,824.

Table 36. Seizures and non-conviction-based confiscations related to smuggling

	2016	2017	2018	2019	2020	Total
Merchandise (in kg)	2,091,876	1,359,381	1,645,118	2,607,912	2,260,237	9,964,524
Means of transport seized	181	81	69	220	240	793
Number of confiscations at Customs	256	330	509	700	372	2,167

268. Lastly, the information analysed reveals that, although the measures adopted by the country are in line with the government policy to seize and confiscate the assets and instrumentalities of the crime, the amounts and assets reported should increase considerably to be consistent with the country's risk and context.

269. On the other hand, as part of the strategy to economically dismantle organised crime, the seizures related to cases of drug trafficking stand out.

Table 37. Drug seizures between 2011 and Sep 2021

NAME	MEASUREMENT UNIT	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021 09/03/21
MARIHUANA	kg	316,01 2.23	175,6 62.17	461,8 93.42	575,9 60.18	362,0 11.66	276,37 9.987	1,074,1 81.65	1,020,1 22.53	390,69 2.368	470,58 5.083	338,50 8.323
MARIHUANA	ha	755	780	1,803	1,966	1,995	1,298. 55	1,462	1,388	1,629. 500	925	2,059
BASE PASTE (CRACK)	kg	3.084	2.965	15.67	29,85 5	1.27	11.657	6.268	2.989	6.593	12.086	3.705
COCA PASTE (CRACK)	dose	10,280	9,883	52,23 3	99,51 7	4,233	38,857	20,893	9,963	21,977	40,287	12,350
COCAINE	kg	1,350.6 0	3,117. 09	3,303. 46	1,647. 540	2,230, 33	1,613. 831	1,312.5 6	770.64 9	4,316. 287	2,360. 977	2,786. 880

270. Apart from the drugs seized, Paraguay has also implemented measures to seize other types of property and assets that are closely related to this offence and others related to organised crime.

Table 38. Seizures of other related property or assets

NAME or TYPE	MEASUREMENT UNIT	PERIOD		
		2019	2020	2021 partial (Jan-May)
CONTROLLED SUBSTANCES				
TOTAL IN KILOS	Kg	57,047	2,540	0
TOTAL IN LITERS	L	54,900	12,5222	0

271. However, as mentioned above, the progress made in terms of confiscation in ML cases, related to other crimes, should also be reflected, for example, the "special ML related to the predicate offence of drug trafficking," with over 600 persons convicted of this offence. This involves not only disposing of a single object but also of a significant amount of property and assets every time a Sentencing Court issues a confiscation order, as shown below:

Table 39. Number of confiscations over the total number of convictions linked to different ML offences

NUMBER OF SENTENCES for "ML and drug dealers" ARTICLE 44 OF LAW 1340/88 (narcotics) and ARTICLE 196 OF LAW 1160/97 (CRIMINAL CODE, offence of ML)	446	TOTAL PERCENTAGE OF SENTENCES INCLUDING CONFISCATION OVER TOTAL OF SENTENCES
Number of sentences including confiscation	323	72%
Equivalent amount in USD (approx.)	5,768.20	

272. The SENABICO reported that it is currently administering assets (real estate properties and motor vehicles) related to cases of drug trafficking which have been declared abandoned.

Table 40. Property declared abandoned

Property declared abandoned					
TYPE OF PROPERTY	YEAR	NUMBER	AMOUNT IN PYG	AMOUNT IN USD	PROSECUTOR'S UNIT
Urban real estate property	2018	1	PYG 1,020,000,000	USD 150,000	DRUG TRAFFICKING
Motor vehicle	2018	1	PYG 77,728,000	USD 11,104	DRUG TRAFFICKING
TOTAL			PYG 1,097,728,000	USD 161,104	

Table 41. Main types of assets usually seized from 2015 to Sept. 2021

Real estate properties	1
Motor vehicles	143
Weapons and accessories	80
Technology (computers, cell phones, cameras, etc.)	92
Movable property (includes jewellery, used and personal goods, among others)	96

273. Regarding the confiscation of the proceeds of predicate offences located abroad, Paraguay reported that it has conducted joint investigations with other countries, such as Brazil and Argentina, which led to the detention of persons linked to different offences, as well as the seizure of movable and immovable property, among others, and that in some cases confiscation orders have been issued. In addition, it was demonstrated that it is possible to recover assets for their repatriation and distribution. In this regard, Law 6772/21, “Framework Agreement for the disposition of assets confiscated from transnational organised crime in Mercosur (“MERCOSUR Agreement”),” which has been recently enacted, aims to establish cooperation and negotiation mechanisms between Mercosur member states, enabling the disposal of the assets confiscated in cases of offences linked to transnational organised crime. Likewise, local and foreign authorities have also signed agreements in that regard.

274. Regarding predicate offences committed abroad, it is possible to observe that most cases are directly linked to smuggling, corruption, fraud and drug trafficking. This is in line with some of the main risks identified. Notwithstanding the foregoing, although the NRA indicates that there exists the risk that proceeds of tax evasion come into the country (especially from Brazil and Argentina), there have been no ML convictions in relation to tax crimes, either domestic or international. However, it should be noted that, in November 2019, tax crime was included as a predicate offence in the criminal system. In this regard, Paraguay is expected to achieve ML convictions in relation to these offences and confiscate assets or funds accordingly. The country indicates that the maximum duration of the whole process is of 4 years and that in a shorter period of time it is not possible to measure the impact of the prosecution of said offence in terms of effectiveness. In this sense, it was possible to obtain information only on the actions implemented by the State Undersecretariat of Taxation in relation to operations involving other offences, such as fake invoices, corruption, smuggling, among others, but not on ML. Thus, it is possible to observe that the number of confiscations achieved, and the country’s risk profile are consistent to a certain extent.



275. As at the date of the on-site visit, Paraguay has only one case related to or sentenced with confiscation for an equivalent amount, even when this figure is also contemplated as one of the country’s objectives regarding confiscation policies. Therefore, the number of confiscations is expected to be higher in the future, as applicable.

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

276. As analysed in Recommendation 32, Paraguay has a system to declare cross-border physical transportation of currency and bearer negotiable instruments when leaving or entering the country.

277. The table below shows the amounts of money confiscated and seized that were not declared at the border:

Table 42. Money confiscated-seized at the border and not declared 2015-2021 /I

Year	Nationality	Border post	Investigative agency	Amount in USD	Other currency	Amount in PYG
2015	0	-----		0	0	0
	0	-----		0	0	0
Total 2015:				0	0	0
2016	0	-----		0	0	0
	0	-----		0	0	0
Total 2016:				0	0	0
2017	Colombian	Silvio Pettirossi International Airport	Silvio Pettirossi Airport Customs Administration. Administrative proceedings submitted to the Attorney General's Office	15,393 (cash)	COP 66,000 (cash)	0
	Bolivian	Silvio Pettirossi International Airport	Silvio Pettirossi Airport Customs Administration. Administrative proceedings submitted to the Attorney General's Office	8,000,000 (BNIs)	0	0
Total 2017:				8,015,393	66,000	0
2018	0.	-----		0	0	0
	0.	-----		0	0	0
Total 2018:				0	0	0



MUTUAL EVALUATION REPORT OF PARAGUAY

2019	Brazilian	Salto del Guairá	PAKSA Customs Administration. Administrative proceedings submitted to the Attorney General's Office	0	Total nominal amount not determined up to date. 525 bundles or bags containing bills of 100 and 50 (VES)	0
	Argentinian	Puerto Falcon	Puerto Falcón Customs Administration. Administrative proceedings submitted to the Attorney General's Office	16,000 (cash)	0	0
	Paraguayan	Silvio Pettirossi International Airport	Silvio Pettirossi Airport Customs Administration. Administrative proceedings submitted to the Attorney General's Office	333,000 (cash)	0	0
Total 2019:				349,000	0	0
2020	Paraguayan	Silvio Pettirossi International Airport	Silvio Pettirossi Airport Customs Administration. Administrative proceedings submitted to the Attorney General's Office	370,000 (cash)	0	6,455,000 (cash)
	Paraguayan	Puente de la Amistad – Ciudad del Este	Puente de la Amistad – Ciudad del Este Customs Administration. Administrative proceedings submitted to the Attorney General's Office	0	0	222,300,000 (BNIs)



MUTUAL EVALUATION REPORT OF PARAGUAY

	Brazilian	Puente de la Amistad – Ciudad del Este	Puente de la Amistad – Ciudad del Este Customs Administration. Administrative proceedings submitted to the Attorney General's Office	966,000 (BNIs)	0	0
	Paraguayan	Puente de la Amistad – Ciudad del Este	Puente de la Amistad – Ciudad del Este Customs Administration. Administrative proceedings submitted to the Attorney General's Office	0	0	380,000,000 (BNIs)
	Brazilian	Puente de la Amistad – Ciudad del Este	Puente de la Amistad – Ciudad del Este Customs Administration. Administrative proceedings submitted to the Attorney General's Office	0	BRL 340,000 (cash)	0
Total 2020:				1,336,000	340,000	608,755,000
2.021	0	-----		0	0	0
	0	-----		0	0	0
Total 2021:				0	0	0
GENERAL TOTAL				USD 9,700,393	COP 66,000 BRL 340,000	PYG 608,755,000

278. Although seizures have been made at the border in some years, in particular, it is possible to observe that, recently, the average number of seizures/confiscations at the border, is not in line with the country's context and the risks deriving from the country's geographical situation and threats involved. In this regard, efforts in this regard should be strengthened since they are still insufficient.

279. In turn, sanctions are imposed in accordance with the customs infraction system (Law 2422/04, Customs Code) and Resolution 256/10 and its annexes. The legal concept of "smuggling" is established in Article 336 of the Customs Code, as amended by Law 6417/19, which sets forth

the measure of “confiscation” for the loss of possession on the assumption that a certain good or property of any kind and also to ensure convictions (the customs authority has administrative jurisdictional powers). This is supplemented by Articles 313 *et seq.* and 339 *et seq.* of the same law, where the implementation of “confiscation” implies the loss of possession and ownership of the proceeds of smuggling, which may result in a customs sanction, a fine or imprisonment of up to five years.

280. Through the National Customs Directorate of Paraguay, Paraguay issued Resolution 05 on 09-20-2016, (PO_RES_05), titled “Operative procedure for the detection of clandestine transport of money or BNI over USD 10,000, or its equivalent amount, in other currencies, or false declaration, and validation of electronic declaration of transportation of money values or BNI”. This Resolution establishes that, at the time a customs officer detects the clandestine transportation of money values or BNI over USD 10,000, or equivalent amount in other currencies, or the false declaration that hides the transportation of a higher an amount than that declared before Customs, the officer withholds the money or BNI and requests the police authority to arrest the person, informs the Prosecutor's Office on duty and places the person arrested at its disposal.

281. The Customs Administrator receives the record and amount seized, and registers said amount in the Sofia system, in the module connected to the FIU-SEPRELAD, in order for the FIU-SEPRELAD to take action. The person must complete an electronic declaration form for the transportation of money values or BNI. The following table shows that, for example, in the period from 2015 to 2019, cases related to money values and BNIs have been detected in the amounts of USD 9,700,393.00), PYG 755,959,930, BRL 340,000 and COP 66,000, in accordance with the legal provisions mentioned above. This reflects positive results in terms of control and sanctions.

Table 43. Cross-border physical transportation of currency and negotiable instruments - Period 2015 - 2020

CUSTOMS INFRINGEMENT (NON-COMPLIANCE)					
Year	No. of cases	Object	Total interannual amount	Alleged offence	Judgment
2015	0	No findings	No findings	No findings	No findings
2016	0	No findings	No findings	No findings	No findings
2017	2	Bearer negotiable instruments and legal tender cash	USD 8,015,393 and COP 66,000	Smuggling	Smuggling
2018	0	No findings	No findings	No findings	No findings
2019	3	Legal tender cash	USD 719,000 and 6,455,000	Smuggling	Ongoing
2.020	4	Bearer negotiable instruments and legal tender cash	USD. 966,000 PYG 749,504,930 and BRL 340,000	Smuggling	Ongoing



282. Finally, regarding courier and cargo, the National Customs Directorate issued DNA Resolution 477/2021, which sets forth the procedures to strengthen the treatment of legal tender cash or BNIs in express remittance and cargo regimes, whose system is mainly based on Article 1 of Law 2422104 “Customs Code,” and that a destination, customs declaration and compliance with formalities should be indicated for any good.

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

283. According to the information presented above, Paraguay applies seizures with a view to obtain confiscations as part of its strategy to dismantle criminal organisations. However, the assessment team considers that the consistency of Paraguay's results regarding the amounts of money confiscated should continue to improve in order to be consistent with the level of ML risk and the policies implemented by the country.

284. In the NRA approved in 2018, Paraguay identified drug trafficking, piracy, smuggling, and corruption as its main threats. Regarding the risks, it is possible to observe that most of the seizures and confiscations of assets were related to drug trafficking, followed by smuggling. Therefore, considering the offences that constitute the main criminal threats to the country, confiscations made by the country are deemed to be consistent with the national policies and priorities to combat the crime. However, it is important to increase seizures or confiscations linked to these risks and other risks from the major sectors, including the risk of ML, mainly when pursued as self-laundering.

285. The assessment team had access to a sample of 96 court judgements reported by the country during the period from 2015 to September 2021. In said sample, the same number of confiscations were declared, linked to the different threats identified by Paraguay in the NRA.

286. In turn, in 2013, the Office of the Prosecutor General of the Republic created a Specialized Criminal Unit, as part of the General Directorate of Legal Affairs. This Unit seeks to coordinate actions in order to contribute to the national Government's will to strengthen institutions, combat corruption and impunity through policies aimed at confronting and weakening the logistics of criminal organisations and recover assets effectively. Currently, the specialized unit has a manager and five delegate attorneys. According to the actions adopted, assets in the amount of USD 9,890,699 related to ML and its predicate offences have been recovered.

287. It should be noted that, for example, only in 2019, real estate property resulting from corruption and ML offences, in the approximate amount of PYG 46,968,000,000, more than USD 7,338,570, were registered under the Paraguayan State. The foregoing shows that the national policy not only pursues imposing sanctions on the offender, such as imprisonment, but also focuses on depriving criminals of their proceeds from crimes, sending a clear message of criminal policy.

Conclusions of Immediate Outcome 8

288. Paraguay has developed actions aimed at confiscating property and assets of ML and predicate offences (mainly drug trafficking) within the framework of its different AML/CFT policies, plans and strategies related to the prosecution of property offences. The number of assets confiscated in relation to ML does not seem consistent with the country's risk profile. From 2015



to 2021, assets for around USD 9 million have been confiscated. It was possible to prove that there were different cases in which the proceeds of crime have been confiscated, mainly for high-impact offences. This is consistent with the NRA, for example, in relation to drug trafficking and organised crime. It is also important to highlight that important the seizures in the cases of smuggling and drug trafficking offence, which contributes to the policy of dismantling the economic pillars of organised crime. In addition, some cases of confiscation involving transnational investigations were identified. However, it is estimated that these investigations could be further enhanced based on the country's geographical context and its international cooperation efforts. The approach adopted to detect, seize and confiscate physical currency, including the FIU-SEPRELAD's intelligence processes, shows that cross-border traffic of money and securities is controlled limitedly which, considering the country's geographic location, increases ML risk. Finally, regarding the administration of assets resulting from confiscation, it can be noted that, since its creation, the SENABICO has contributed with Paraguay to manage confiscated property and assets more efficiently. **Paraguay presents a moderate level of effectiveness for Immediate Outcome 8.**

CHAPTER 4. TERRORIST FINANCING AND FINANCING OF PROLIFERATION

Key findings and recommended actions

Key findings

Immediate Outcome 9

- In accordance with its NRA, in Paraguay, there is high and medium TF risk level due to internal and external threats.
- The country has recently introduced regulatory updates that are still being operatively implemented by the entities of the AML/CFT system. Thus, analysing their effectiveness is challenging.
- Although judicial authorities have handed down several sentences for the offence of terrorism, no parallel investigations have been initiated for TF in the cases mentioned (beyond the socio-environmental studies routinely conducted by the Attorney General's Office in their investigations).
- In Paraguay, there are (2) TF prosecutions (pursuant to Articles 2 and 3 of Law 4024/10), triggered by financial intelligence reports or ex-officio initiated by criminal prosecution or investigative agencies. No assets have been seized in relation to this offence.
- Up to date, Paraguay has no TF convictions, in accordance with Article 3 of Law 4024/10, as amended by Law 6408/2019. However, between 2015 and 2021, the country initiated 40 preliminary investigations. In this regard, 12 cases were prosecuted for terrorism and terrorist association (TA), which largely match the level of risk posed by terrorist threats, especially those of GAOs in Paraguay.
- The country has created and strengthened entities to trace TF from internal and external threats. However, there is no evidence of a fluid exchange of intelligence information between all the intelligence, financial intelligence and investigative agencies.

Immediate Outcome 10

- Paraguay has a regulatory framework to apply TFS related to TF, enabling the freezing of assets. DNFBPs have certain technical deficiencies and challenges in the prompt implementation, since the sector faces difficulties in the permanent revision of the lists and, thus, its immediate report.
- Through the FIU-SEPRELAD, the country disseminates UNSC lists and updates to reporting entities—which are available on its website—and distributes such lists through other channels to the sectors with a higher level of materiality. Most reporting entities are considered to be familiar with this publishing mechanism and use it appropriately, but not always consistently.
- Financial reporting entities have automated systems to detect matches in the UNSC lists and subsequent reporting. In general, the level of knowledge is lower in the DNFBP sectors, particularly located in geographic areas away from the capital city and whose economic and human resources limit detection capacity. However, most DNFBPs represent a lower level of materiality.
- Asset freezing requests, derived from matches in the relevant lists of UNSCRs 1267 and 1988 (and based on simulation exercises), can be implemented without delay, such as UNSCR 1373, including the speed requirement to determine if a request from a third country meets the designation criteria in accordance with the related committee.
- The FIU-SEPRELAD carried out an SRA on NPOs in 2019, which identifies the subgroups with major TF exposure. In general, the sector is not clear about the scope of specific knowledge regarding risks and obligations in terms of TF (beyond cross-checking against UNSC lists).
- The country has not been notified regarding assets or funds from persons designated in accordance with UNSCRs 1267, 1988 or 1373. In turn, although it has a mechanism for this purpose, Paraguay has not requested designation in accordance with UNSCRs 1267, 1988 or 1373. This does not match the risk profile, since the TF NRA classifies TF as medium-high risk.

Immediate Outcome 11

- Paraguay has a regulatory framework to apply TFS related to PF, enabling the freezing of assets. DNFBPs have certain technical deficiencies and challenges in the prompt implementation, since the sector faces difficulties in the permanent revision of the lists and, thus, its immediate report.
- Through the FIU-SEPRELAD, the country disseminates the UNSC lists and updates, which can be consulted by the reporting entities on its website.
- Financial reporting entities seem to have a correct understanding of the obligations related to implementing TFS related to PF. However, DNFBPs have room for improvement.
- Financial institutions and DNFBPs vary widely regarding knowledge and procedures to comply with their proliferation-related TFS obligations. DNFBPs, such as casinos, and small financial institutions, mainly exchange houses, still face challenges in this regard.

Recommended actions

Immediate Outcome 9

- Develop, at an operational level, the recently approved regulations to establish mechanisms for cooperation and information exchange between the agencies of the AML/CFT system. It is recommended, for example, to increase the number of specific protocols or inter-agency agreements regarding specific CFT issues to provide greater scope to the recently applied general regulations.
- Strengthen the level of coordination between the SEPRINTE and the remaining public authorities, based on the information that this authority has on CFT matters due to the nature of their functions.
- Continue providing feedback to reporting entities regarding TF to increase the number of TF STRs and their quality.
- The FIU-SEPRELAD should systematically increase the strategic analysis of subjective and objective reports to identify trends or patterns related to TF and, thus, strengthen potential cases under the Attorney General's Office's responsibility. For example, it is necessary to cooperate with the Attorney General's Office and other intelligence agencies to collect information on investigations and convictions for terrorism in order to identify how it was financed and, based on such information, prepare a document of TF typologies and red flag indicators.
- Provide public agencies with training on combating TF from an investigative perspective and provide the private sector with training on prevention and detection.
- Strengthen the methodological manuals in order to address asset investigations, based on the provisions of General Instruction number 1 (2021), issued by the Attorney General's Office, as a tool to support parallel financial investigations on TF.

Immediate Outcome 10

- Give operational instructions on internal processes to be followed in order to implement the new Regulatory Law 5920/21, which establishes procedures, mechanisms and parameters for designations under UNSCR 1267 and 1373. Carry out an analysis of the reporting entities that do not verify UNSC lists until they perform a transaction. Assess what resources are available to automate the list revisions as much as possible, or optimize the existing revision processes.
- Provide additional guides and feedback to all the reporting entities, especially DNFBPs, so that they understand their CFT obligations and verify UNSC lists properly.
- Strengthen the coordination between the FIU-SEPRELAD and NPOs to join efforts in order to apply focused and proportionate measures. Guide inspection processes for the NPOs identified as having a higher TF.
- Provide further training for NPOs, particularly those with higher TF risk, in order to create greater awareness of the TF problem and its impact, especially in the Tri-Border Area.
- Increase coordination among LEAs on TF issues, particularly regarding the Tri-Border Area.
- Paraguay must make greater efforts to monitor Hezbollah activity in the Tri-Border Area, for example, by leveraging the cross-border authority's asset freezing powers.
- Paraguay should make greater efforts to confiscate assets related to TF, rather than other terrorism offences.

- Authorities should adopt measures, including the provision of training, to raise awareness of TFS related to TF among competent authorities controlling the border.

Immediate Outcome 11

- Give operational instructions on internal processes to be followed in order to implement Regulatory Law 5920/21, which establishes procedures, mechanisms and parameters for designations under UNSCR 1267 and 1373.
- Carry out an analysis of the reporting entities that do not verify UNSC lists until they perform a transaction. Assess what resources are available to automate the list revisions as much as possible, or optimize the existing revision processes.
- Provide reporting entities, especially DNFBPs, with additional guides and training to encourage permanent consultation of the UNSC lists. Strengthen the work with non-financial reporting entities, so that they understand the importance of their role in the prevention of PF, in addition to the work already carried out in relation to ML and TF offences.
- Ensure that all reporting entities are subject to permanent monitoring and that sanctions be imposed when failing to comply with their obligations to implement UNSCRs on PF.
- Increase coordination among LEAs on PF issues, particularly regarding the Tri-Border Area.
- Authorities should adopt measures, including the provision of training, to raise awareness of the TFS related to PF among the competent authorities controlling the border.
- Authorities should provide financial institutions and DNFBPs with information to enhance awareness of their obligations in implementing TFS, providing guidance on sanction regimes against Iran and the Democratic People's Republic of Korea.

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

Immediate Outcome 9 (TF investigation and prosecution)

289. According to the analysis of Recommendation 5, the Paraguayan CFT system is based on Law 4024/10 and Law 6408/2019. Law 4024/10 is applicable for TF acts that had occurred until September 2019 and Article 3, amended by Law 6408/2019, is applied for the acts occurring after that date. Amendments to Article 3 included the criminalization of propaganda financing, dissemination or incitement of terrorist acts or acts related to the proliferation of weapons of mass destruction. In addition, imprisonment was extended up to 20 years for cases involving funds, assets, property and securities deriving from the commission of other offences.

290. Since 2010, Article 3 of Law 4024 has criminalized TF in the country. Up to date, the amending law (Law 6408 in 2019) does not include convictions for this offence or TF offences. In turn, 4 convictions for terrorist organisations were achieved pursuant to Article 2 of Law 4024/10, considering that the persons convicted provided some type of support to national terrorist groups or organisations. However, this offence does not contemplate, for example, the intention or knowledge typical of TF. In this regard, should this element have been included in these cases, the court would have been able to classify them as TF in accordance with Article 3 of Law 4024/10 since it would have the specific classification for such illegal conduct.



291. In addition, on August 9, 2019, Paraguay issued Executive Order 2307/19, which recognizes Al Qaeda and Isis as global terrorists and the armed militias of Hamas and Hezbollah as international terrorist organisations. On November 6, 2020, the country issued Executive Order 4312, whereby the final report of the TF NRA and the corresponding Action Plan are presented, which were developed with the World Bank's technical assistance and public and private institutions engaged in strengthening the Paraguayan AML/CFT system.

292. Although these regulatory instruments are in line with International Standards and account for Paraguay's high political commitment to combat TF, the recent date of issuance or update of such instruments does not allow us to conclude about its impact on the CFT system at a local level. Within the framework of Law 6408/2019, no convictions for TF have been achieved.

293. The reduced number of investigations and accusations related to TF, together with the lack of convictions for this offence, contrasts with the "medium-high" risk level identified in the NRA. In addition, it reflects the limitations Paraguay faces in processing the different types of TF activities effectively, as fundamentally required.

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

294. In accordance with the analysis of Immediate Outcome 1, Paraguay went through three NRA processes regarding ML/TF in 2016, 2018 and 2020 (the latter being only focused on TF). In accordance with the 2020 TF NRA, and based on the threats and vulnerabilities identified, the domestic TF risk level was rated as "medium-high." This level of risk was obtained considering the presence of GAOs whose members have judicial processes where there are 7 convicted for terrorist acts and terrorist association under art. 2, subsections 3 and 4 of Law 4024/10.

295. In turn, the TF NRA, communicated by executive order 4312 on November 06, 2020, conducted a threat analysis addressing the crime organisations and TF threats. The analysis revealed the presence of local criminal groups in the national territory that have committed terrorist acts (Organised Armed Groups, self-styled "Paraguayan People's Army" (EPP), "Armed Peasant Group" (ACA) and "Mariscal López's Army" (EML). There was evidence that these organised armed groups have been prosecuted and convicted (specific threats) during the period under analysis (2015-2019). This matches the TF NRA methodological approach of the, aimed at identifying the relevant risks associated with funds collection, movement, use or storage for terrorist purposes.

296. The TF NRA shows the latency of these organised armed groups' criminal activity- In terms of analysis, this positions the terrorism threat at a medium level, considering that these groups are monitored by the Joint Task Force (FTC), created by executive order 103/2013. This Force is made up of members of the Armed Forces, the National Police and agents of the National Anti-Drug Secretariat (SENAD) that implement mitigating actions at a social, cultural and operational-tactical level.

297. Regarding the presence of international terrorist groups, the TF NRA identified that it is possible that supporters of Islamic extremist groups (particularly, Hezbollah) may be conducting



activities in the country. This is based on factors such as the number of Lebanese citizens who live and perform commercial activities in the Tri-Border Area, as well as information handled by the intelligence environment. The document indicates that, until the moment of assessment, agencies responsible for intelligence do not have information about armed groups intended to attack Paraguay. On August 24, 2021, Paraguayan and USA authorities, in a joint operation in the Tri-Border Area, captured a Brazilian citizen of Lebanese origin who allegedly leads an international organisation involved in ML and TF in the region related to Hezbollah.

298. For the purposes of developing the TF NRA, the FIU-SEPTELAD analysed STRs, national and international wire transfers and remittances carried out during 2015-2019. No fund transfers for TF purposes were identified. The assessment team noted that it was the first time a study of this type was performed. After the issuance of the SEPTELAD Resolution 32/2021, the country plans to update this study every two years to identify potential cases of TF and, thus, help develop a prompt investigation, if applicable. It is not possible to measure the impact of the recent resolution and study on the system.

299. This assessment found that criminal organisations unlawfully generate their own resources, by collecting cash obtained from crimes, such as kidnapping and extortion (for example, the Attorney General's Office and the Judiciary attributed more than ten (10) kidnappings to the EPP, ACA and EML), and rated the national and international remittance services, the transportation of cash, and the storage of fund and asset (for domestic and international groups) as a **medium-high** threat, emphasizing the geographical component related to the Tri-Border Area.

300. The TF NRA action plan includes persons, deadlines and activities. Based on the foregoing, the country prepared the Strategic Plan of the Paraguayan State (PEEP), which, for the year 2018, included 67 actions, 53 of which have been already completed (progress of 79%). For the TF NRA (2020), the country developed a PEEP exclusively based on its conclusions, which has 15 actions completed, out of the 25 considered, (progress of 70% in addressing the objectives). However, there are still some relevant items pending compliance in the action plans. For example, making the necessary legal amendments to expressly contemplate the power of the competent authorities to use a wide range of investigative techniques for the case of TF among other offences (Objective 27, PEEP 2018), or establishing internal procedures within the framework of Law 6419/19, which governs the freezing of financial assets of persons linked to terrorism, as well as the dissemination, listing and de-listing procedures related to UNSCR lists (Objective 3, PEEP 2020). In this regard, the continuation of the implementation of the PEEP and the assessment of the results obtained are set as a priority.

301. Notwithstanding the above, the country was able to demonstrate it has taken some measures to address TF threats, mainly including strengthening the FIU-SEPTELAD (which has almost doubled its annual budget since 2017), appointing 14 new Specialized Prosecutors within the Attorney General's Office to collaborate with the tasks already performed by the prosecutors appointed in the Specialized ML/TF Unit and creating execution courts, sentencing courts and specialized courts of appeal in the Judiciary.

302. According to the information provided to the assessment team, between 2015 and 2021, the country initiated 40 preliminary investigations, 12 of which were prosecuted for terrorism and terrorist organisation offences. Investigations on terrorist organisations refer to the criminal offence established by Articles 2.1.3 and 2.1.4 of Law 4024/2010 (“*The person (...) 3. involved in supporting it financially or providing logistical support; 4. The Paraguayan legislation punishes the TF offence with imprisonment from 5 (five) to 15 (fifteen) years*”). In accordance with its Immediate Outcome, although convictions for terrorist organisations do not follow properly the Paraguayan TF classification (Article 3 of Law 4024/2010, as amended by Law 6048/2019), it is important to consider the cases prosecuted for terrorist organisations, considering the economic and logistic support elements contemplated by this offence, since they help to fulfil the objective of preventing and punishing TF from a general perspective. In addition, it should be noted that other offences are also investigated in these cases. The average years of imprisonment for terrorist organisations and terrorism are 16 and 19, respectively. Although this information is important regarding the country’s combat against terrorism, the convictions submitted do not refer to the application of Article 3 of Law 4024/2010, as amended by Law 6048/2019 on TF.

Table 44. Number of ongoing investigations for terrorism and terrorist organisations and their related offences between 2015 and 2021/I

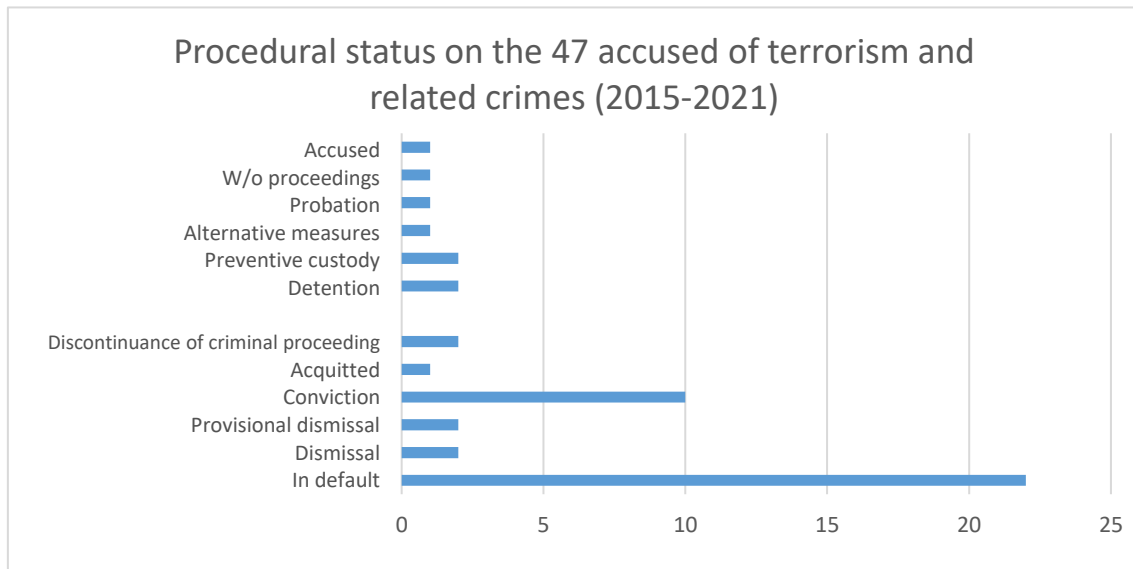
Year	2015	2016	2017	2018	2019	2020	2021	TOTAL
Total preliminary investigations	7	6	5	5	5	7	5	40
Total cases prosecuted	2	1	0	1	0	1	0	6

303. Regarding the cases prosecuted within the framework of Law 4024/10, according to Articles 2.1.3 and 2.1.4, **2** cases were prosecuted for TF in **2015**. According to Articles 2.1.3 and 2.1.4, **1** case was prosecuted for TF in **2016**. According to Article 3 of Law 4024/10, **1** case was prosecuted for TF in **2018**. According to Article 3 of Law 6408/19, as amended by Law 4024/10, **1** case was prosecuted in **2020**.

304. Within the framework of Law 4024/10, as amended, 7 cases were prosecuted for terrorism offences. The country indicates that they are still under investigation, which eventually will lead to considering and expanding TF accusations. Thus, the figures indicated in the previous paragraph are expected to increase.

305. In the ongoing proceedings for terrorism and related offences, 11 persons are associated with these offences, 7 of which have been convicted (terrorism and terrorist organisations). Regarding the criminal offences proven, ten (10) persons were convicted for terrorist organisations (Articles 2.1.3 and 2.1.4) and three (3) persons were convicted for terrorism (one person was convicted for both offences). In accordance with Article 3 of Law 4024/2010, as amended by Law 6048/2019, no convictions for TF were achieved. Although terrorism, TF and other related offences do not have a high impact on the country compared to other offences, there is a limited number of ongoing proceedings and a lack of convictions as per Article 3 of Law 4024/2010, as amended by Law 6048/2019.

Graph 3. Procedural status of accuseds for terrorism and related crimes



306. For the previous cases, the country provided information on the development of socio-environmental analyses, which include asset investigations. However, it was not possible to clarify whether the scope of said investigations is in practice comparable to the scope of a parallel financial investigation.

307. According to the information provided by the Specialized Unit for the Fight against Terrorism within the Attorney General's Office, there are two ongoing proceedings for the offence of terrorism (162/2020 and 256/2020), in which PYG 14.6 million and USD 11,200 were confiscated and made available to the SENABICO. Despite this, no parallel investigations were initiated for TF.

TF identification and investigation

308. In Paraguay, the Attorney General's Office, through the Specialized Unit for the Fight against Terrorism (terrorism, TF and terrorist organisations - Articles 2.1.3 and 2.1.4 of Law 4024/2010) and the Specialized Unit on Economic Crimes (TF - Law 6408/19), is the competent authority to investigate the offences established by the laws that govern the crimes of terrorism, terrorist organisations and TF (Law 4024/10 and Law 6408/19, amending Law 4024/10). To that end, the Attorney General's Office is empowered to request the judge or court the search of private premises, when there are reasons to believe that there is evidence of a crime, or the arrest of persons (Article 187 of the Code of Criminal Procedure). In cases of flagrante delicto, LEAs and other competent authorities may intervene without a court order (Article 239 of the Code of Criminal Procedure).

309. The Attorney General's Office is authorized to request to the judge the use of special investigation techniques for any punishable act. This resource can be used in TF investigations,



given the transnational nature and complexity of this offence. In addition, in accordance with Law 5757/16, amending Law 222/93, the Attorney General's Office will guide the actions of the National Police to carry out controlled delivery procedures and undercover operations (see R. 31) and use informants in cases of organised, multiple, complex and/or transnational crimes, with judicial authorization and under the conditions established in Chapter XII to XV of Law 1881/2000, amending Law 1340/88.

310. In compliance with the provisions of the AML Law and its supplementary regulations, reporting entities should submit to the FIU-SEPRELAD all STRs related to TF. According to the information provided to the assessment team, to date the FIU-SEPRELAD has not received any STR related to TF. Within the framework of the preparation of the TF NRA, the STRs were reviewed, and such analysis revealed that the reporting entities did not indicate that those STRs were filed due to a suspicion of alleged TF. As reported by the country, the analysis of the STRs received from banks, financial institutions and exchange houses made it possible to identify red flag indicators, financial, tax and customs inconsistencies related to potential ML and predicate offences, such as smuggling and intellectual property crimes, and other threats related to foreign trade, such as the payment to suppliers.

311. In addition, Paraguay has created the Secretariat for the Prevention and Investigation of Terrorism (SEPRINTE), which is an intelligence and investigation unit specialized in issues related to terrorism, terrorist organisations and TF that reports to the General Directorate of Prevention and Security of the National Police. Its main functions are the prevention and investigation on terrorism and related crimes, the planning and execution of the fight against terrorism in its different forms, and the gathering, processing, classification and assessment of information on criminal terrorist activities, committed by both individuals and organisations. The SEPRINTE is empowered to produce intelligence, identify, locate and neutralize possible targets, maintain liaison and exchange information with similar institutions and other national or foreign agencies, and to regularly verify and monitor the different border areas in the country, where persons that could be engaged with radical organisations, both for military support or TF, may be operating.

312. The SEPRINTE has an external office at the Asunción Silvio Pettrossi International Airport, whose primary function is the prevention of terrorist acts and the control of passengers, especially those coming from high-risk countries. This passenger control is aimed at identifying persons who come from jurisdictions considered to have a high risk of terrorism and its financing, present certain profiles or could be part of a radical organisation or transnational organised criminal groups. In this regard, the assessment team could not obtain information on how higher risk countries are identified, how profiles are defined or how the lists of persons to be monitored are consolidated. It should be noted that, regarding the information requests to the FIU-SEPRELAD, the SEPRINTE has only sent 1 information request in the last 5 years (2018), which shows limited use of CFT inter-agency coordination.

313. Likewise, by means of Law 5241/14, Paraguay created the National Intelligence System (SINAI). The National Secretary of Intelligence is empowered to request a competent judge the authorization to apply procedures to obtain information, by intercepting telephone, computer and radio communications and letters in any of its forms; computer systems and networks; audio-visual



electronic recordings and eavesdropping, and any other technological system for transmitting, storing or processing communications or information.

314. The SINAI consists of the National Intelligence Council (CNI), the Ministry of the Interior, the Ministry of National Defence and the National Armed Forces, the Permanent Secretariat of the National Defence Council, the SENAD and the FIU-SEPRELAD. It is deemed as “a group of intelligence agencies, independent from each other, that are functionally coordinated and articulated to produce useful knowledge, systematically organised in terms of intelligence and counter-intelligence, to submit and be made available to the President of the Republic and the different high level government authorities, with the aim of guaranteeing the national peace and security, protecting national sovereignty, and preserving the constitutional order and the democratic system in place.” All national prevention, intelligence, investigative and criminal justice agencies are empowered to exchange information spontaneously or upon request, under the protection of the principle of secrecy and within the framework of inter-agency cooperation. Despite this, the representatives of the SEPRINTE and the SINAI stated, in the context of the interviews, that they had not yet exchanged intelligence information between them on cases of terrorism or TF.

315. Although the relationship and context of seven (7) of the investigations were provided detailing the way in which terrorist groups finance their criminal activities, it is estimated that said information is not optimally communicated at the domestic level and that it could be an important asset for the rest of the competent authorities and reporting entities that intervene in the CFT system in order to know the typologies or red flag indicators of this offence.

Case: Terrorism and TF in the town of Paso Senda

On September 7, 2015, a confrontation took place between the Paraguay’s Joint Task Force (FTC) and members of the Armed Peasant Group (ACA) in Paso Senda, Concepción. The ACA members fled and abandoned a motor vehicle containing belongings of a Paraguayan citizen. Later that day, his home was searched and a notebook with a list of explosives and the sketch of a country estate was found. The next day, the citizen surrendered to the police. The investigations carried out revealed that the convicted citizen had provided economic/logistical support to the armed group through:

- Acquisition of a motor vehicle with funds provided by the ACA.
- Transportation of group members when so required.
- Provision of food
- Provision of tactical elements (clothing, cell phones, etc.).
- Provision of weapons.

a) Intervening authorities to know the domestic and/or international coordination.

- Attorney General’s Office – Anti-Kidnapping and Anti-Terrorism Unit.
- Anti-kidnapping Department of the National Police.
- Internal Defence Operations Command.

b) Confiscated goods and/or assets



Weapons (4 rifles and a shotgun), 13 backpacks containing non-perishable food, utensils, clothing, personal hygiene products (soaps, deodorants, toothpaste, etc.) and various medicines were seized.

The citizen was convicted for providing logistical support to the Armed Peasant Group (ACA). The ACA is a detachment of the Paraguayan People's Army (EPP).

Case: Intentional homicide, aggravated robbery, production of common risks, terrorism, TF in Nucleus 6 settlement.

A married couple provided food and weapons to the EPP group that attacked the FTC on August 27, 2016 in Núcleo 6, Arroyito. On that occasion, the EPP attacked an FTC truck in Arroyito, killed its occupants, and seized weapons and other items. An investigation was initiated on a married couple, since it was determined that they had provided a camping site to the members of the armed group in a communal field (premises for community use).

During their stay, they were provided with food, weapons, ammunition, and other materials to carry out the act; they also provided information on the movements of FTC troops.

From the socio-environmental investigation carried out, it was concluded that the convicts were of low economic resources; their financial situation was revealed by the collected information, including work certificates of one of the convicts in which the position held and the assigned salary were specified, as well as evidence that they channelled the requests for the so-called "revolutionary taxes" destined to the subsistence of the criminal group, consisting mostly of cash.

a) The intervening authorities to know the domestic and/or international coordination were:

- Joint Task Force (FTC): Internal Defence Operations Command, Anti-Kidnapping Department of the National Police, Attorney General's Office – Anti-Kidnapping and Anti-Terrorism Unit.
- Forensic Department of the National Police.
- Directorate of the Police of Concepción.

b) Confiscated goods and/or assets, if any.

No goods or assets of considerable economic value were confiscated. As a result of the sentence, cell phones, laptops, photographs, pen drives, and a motorcycle were confiscated.

TF investigation integrated with –and supportive of– national strategies

316. The Attorney General's Office develops strategies in conjunction with other institutions and has identified possible threats for different offences. Through General Instruction No. 1 of June 24, 2021, the Attorney General's Office outlines the “Guidelines for the financial and asset investigation related to cases of money laundering, terrorist acts and terrorist financing, drug trafficking, corruption, smuggling, human trafficking, intellectual property, and any punishable act linked to criminal organisations.” The Instruction describes the planning process of the asset investigation, including the formulation of the investigative hypothesis, the development of an asset investigation, the monitoring of the assets, the formation of multidisciplinary work teams, the establishment of precautionary measures, and the use of international cooperation and coordination for the administration of forfeited assets. However, the recent issuance of this Instruction does not make it possible to measure its impact on the development of parallel financial investigations or on the confiscation of assets that may be managed by the SENABICO.

317. The country argues that the absence of specific TF cases is not explained by the fact that the investigation and the investigative tasks are not successful, and that they demonstrate the country's commitment by considering that there are legal proceedings, charges, and convictions linked to these groups. Although Paraguay has described the agencies responsible for investigating TF cases and their obligations, it was not possible to observe whether the country followed any procedure or had any investigative methodology or coordination protocol for the development of this type of investigations. Likewise, no TF investigations were initiated as a result of the aforementioned cases of terrorism.

318. According to the 7 sentences for terrorism and related offences, most of the persons were convicted for providing logistical support, participating in and being a member of terrorist organisations. More specifically, some sentences refer to cash payments for ransoms and extortion (SD 11/19, 27/19), and cash purchase of goods through third parties (SD 33/2018). Despite this, parallel investigations for TF were not initiated, nor were the procedures related to the seizure, confiscation and disposal of the assets associated with these sentences in accordance with R. 4 and IO 8.

319. It is important to mention that the 2020 TF NRA and the cases contained therein, as described in the previous paragraph, were exclusively based on statistics on the matter from the Attorney General's Office. In that sense, there might be some differences with the statistics held by the Judiciary. As indicated by the country, this is so due to the fact that the investigations that are initiated by the Attorney General's Office are not registered in the Judiciary until the prosecutor submits a request for jurisdictional determination, such as the filing of or dismissal of charges. In this regard, intelligence operations, for example, could take time until the act of charging, and meanwhile there could appear signs of other punishable acts that motivate changes in classification of cases causing this statistical gap.

Effectiveness, proportionality and dissuasiveness of sanctions

320. Through the application of Law 4024/10, which punishes the crimes of terrorism, terrorist organisation and terrorist financing, persons who carry out criminal activities linked to the national criminal group called the Paraguayan People's Army (EPP) have been convicted.

321. According to the information provided by the Department of Statistics of the Supreme Court of Justice, in the period 2017-2021, the case files entered as a result of the application of Law 4024/10 total seven (7): one (1) in 2017, one (1) in 2018, one (1) in 2019, and four (4) in 2020. These cases render a total of one-hundred and fourteen (114) prosecuted persons.

322. Regarding the final judgements (SD), the information provided renders a total of seven (7) convictions for terrorist acts carried out by the GAO. The convictions include prison sentences ranging from 6 to 30 years for twelve (12) persons (see Table 45). It is important to note that the information provided did not include data on the confiscation of assets and their subsequent process of administration and allocation.

Table 45. Number of persons convicted for violation of Law 4024/10, with their respective years of sentence

Criminal offence	Sentence No./Year	Number of persons convicted	Years of sentence
Sentence 1	27/2019	1	30
Sentence 2	70/2019	2	19
			19
Sentence 3	33/2018	1	15
Sentence 4	55/2018	2	13
			13
Sentence 5	57/2019	1	6
Sentence 6	11/2019	3	21
			18
			18
Sentence 7	15/2020	2	12
			12
Total		12	196
Average years per convicted person			16 years

323. Regarding sanctions, the penalties associated with the crimes of terrorism and TF were established in Law 4024/10, whose Article 3 was modified by Law 6408/19. According to said Law, the behaviours will be punished with imprisonment of five (5) to fifteen (15) years, penalty which may be increased up to 20 years in cases where the assets are the proceeds of other offences. Although the penalties seem to be dissuasive and proportionate compared to other criminal offences

such as ML, the absence of TF convictions, in particular the lack of application of the updated provisions of Law 6408/19, does not make it possible to analyse the application of the criminal offence, or of the effective penalties imposed for the punishable act, beyond the application of the penalties for the crime of terrorist organisation.

Alternative measures used when a TF conviction is not possible (e.g., disruption)

324. Paraguay provides for the application of administrative sanctions of a financial nature to natural or legal persons who are suspected of being related to terrorism, a terrorist organization, TF or PF in accordance with the lists of the UNSCRs (Law 6419/2019). This regulation provides the country with the power and the necessary mechanisms to implement the TFS established by the UNSCRs.

325. As indicated in the previous section, the procedure for the implementation of TFS is described in the General Guide for the Freezing of Assets (2020); though there is no information on their implementation status or their operational results. In this same sense, despite what is described in the 2020 TF NRA relating to the convictions for terrorism and the analysis conducted by the SEPRINTE and the SINAI on the activity of domestic and external groups, Paraguay has not implemented the mechanisms of national lists as provided for in Recommendation 6. In this regard, the country reported that to date the CNI has been appointed as the agency in charge of the designation of persons.

Conclusions of Immediate Outcome 9

326. Paraguay's TF risk has been rated in its 2020 TF NRA as medium-high, given the intense activity of groups that have been officially considered GAOs at the domestic level, and the external threat linked to Hezbollah. The authorities that are part of the AML/CFT system have a good level of understanding of terrorism (domestic and external), but their understanding is more limited in terms of TF.

327. Despite the risk identified, and despite having several convictions for terrorism, there was no evidence of the development of parallel investigations for TF (beyond the socio-environmental investigations carried out by the Attorney General's Office) or the confiscation of assets related to TF. In turn, after an analysis conducted in 2019 of the STRs received between 2017 and 2022, the SEPRELAD identified 144 STR related to TF, which in total amounted to approximately USD 297 million. Of these STRs, 16 were rated as "high risk" and 11 of them were referred to the Attorney General's Office where no TF convictions have been recorded. In this sense, very few preliminary investigations were initiated as TF cases, which, according to what was reported by the assessed country, had been initiated for other offences, mainly terrorism and terrorist act. The statistics on information exchange between the intelligence and investigative bodies show a low level of information exchange on issues related to TF.

328. Similarly, the recent update of the legal and operational frameworks hinders the comprehensive measuring of the effectiveness of the measures adopted, beyond the progress that

recently made through the increase in preliminary investigations and cases prosecuted for terrorism and related offences.

329. Based on the foregoing, the country needs to make considerable improvements, particularly with respect to the prosecution, investigation and application of sanctions to combat TF. **Paraguay presents a moderate level of effectiveness for Immediate Outcome 9.**

Immediate Outcome 10 (TF preventive measures and financial sanctions)

Implementation of targeted financial sanctions for TF without delay

330. Paraguay has a legal framework that allows it to apply TFS; Law 6419/2019 (Law on Asset Freezing) includes the requirements under UNSCR 1267 and successors, as well as UNSCR 1373. During the on-site visit, Paraguay approved Executive Order 5920/21, which establishes designation procedures, mechanisms and parameters under UNSCRs 1267 and 1373. Although the issuance of this regulation is an important step forward, it was not possible to verify its application and level of effectiveness with respect to the technical issues it addresses due to its recent implementation. It should be mentioned that prior to the enactment of Law 6419/2019, the applicable regulation was Law 4503/11, in particular Article 3 on the obligation of reporting entities to freeze the funds of persons or entities listed in UNSCRs 1267 and 1373. Regarding the latter, Paraguay provided some examples of the supervision conducted by the competent authorities on reporting entities in order to verify compliance with said law and, specifically, with respect to the UNSC lists.

331. To date, there have been no matches with the persons, groups or entities listed by the UNSC 1267/1989 and 1988 Committees, nor have any requests been received under the UNSCR 1373 regime by third countries. Likewise, no terrorist individuals or organizations have been proposed for consideration by the UNSC, which is in line with the TF risk identified by the country in relation to international terrorist organisations. On the other hand, at the domestic level, there are issues related to the capacity of using domestic designation processes for cases of terrorism or TF that have not been exhausted in the investigations conducted and even the convictions achieved for terrorism and terrorist organisation, where, in some of the cases, the persons involved are members of criminal organisations operating in other neighbouring countries.

332. In sum, despite having had specific cases and convictions for terrorism and domestic terrorist organisation, due to the recent issuance of the Regulatory Law of Law 6419, discussions have not yet been held to find out whether the subjects involved met the designation criteria under UNSCR 1373 and, where appropriate, to be able to request the application of TFS to third countries through the mechanisms provided for in said resolution. In this sense, apart from the aspect related to the criminal prosecution of this offence analysed in IO 9, regarding prevention and disruption, due to the recent implementation of the Regulatory Law, it is not possible to fully appreciate yet the way in which, by virtue of Law 6419/2019, the National Intelligence Council (CNI) has implemented the process of discussion and eventual designation at the domestic level; and, therefore, at the time of the report, it was not possible for the assessment team to assess its effectiveness.

333. Thus, Regulatory Law 5920/21 (August 30, 2021), in addition to describing the necessary mechanism to implement the TFS, also identifies the CNI as the competent authority to resolve listing, de-listing and designation proposals under the UNSCRs related to terrorism and the proliferation of weapons of mass destruction. The CNI may require all kinds of information, whether from public or private institutions, that allows it to determine the relevance or not of the designation proposal received. The FIU-SEPRELAD identified that it would be important to issue operational guidelines for reporting entities providing details on the internal processes to be followed for the implementation of TFS related to TF and, in line with this, it published the General Guide on Asset Freezing in 2020.

334. The FIU-SEPRELAD gets access to the UNSCR sanction lists provided to it by the Ministry of Foreign Affairs through its Permanent Mission to the United Nations. In this sense, the FIU-SEPRELAD periodically monitors and disseminates updates to the reporting entities and relevant government investigative bodies. Reporting entities can automatically download UN lists through a link that is updated in the FIU-SEPRELAD web page and, at the same time, the reporting entities of the financial sector having a high level of materiality are informed of the changes and updates of the UNSC lists through the SIRO platform and institutional email. Regulatory Law 5920/21 indicates that the General Directorate of Special Affairs within the Ministry of Foreign Affairs shall communicate to the FIU-SEPRELAD any listing and de-listing when it comes to the lists issued based on UNSCRs. In practice, on the FIU-SEPRELAD's website there is a link to the UNSC-Control Lists portal, through which the UN Consolidated List can be accessed. According to the Asset Freezing Simulation Exercise (February 13, 2020) and the 2020 the FIU-SEPRELAD "General Guide on Asset Freezing," the lists should be monitored periodically and permanently by the reporting entities. If there is any query, the FIU-SEPRELAD's institutional emails are made available, so that the reporting entities, through their compliance officers, can communicate with experts for clarification and advice on the subject.

335. The information obtained does not reveal any case where sanctions have been applied to reporting entities for non-compliance in the verification of the relevant lists by the supervisory bodies. However, at the conclusion of their inspections (on-site or off-site and usually on an annual basis), prior to any imposition of sanctions, the supervisory authorities submit their observations to the reporting entities and ask them to submit a plan describing the actions to be taken in relation to the recommendations indicated with respect to the instances of non-compliance observed. These remedial action plans are verified through follow-up supervision.

336. For the implementation of the TFS without delay in relation to UNSCR 1267, once a reporting entity becomes aware of the existence of a match between the lists and its clients, it should promptly and without delay freeze their assets and immediately notify the FIU-SEPRELAD through an STR. On the other hand, in the event that the FIU-SEPRELAD ex officio becomes aware of funds or assets that may be related to terrorism, TF, terrorist organisation, etc., it should notify the relevant reporting entities promptly so that they freeze immediately. Since there have been no matches with the UNSCR lists, it was not possible to verify the functioning of the system to alert to reporting entities. However, it is worth mentioning that the FIU-SEPRELAD has a mechanism to immediately communicate with reporting entities through electronic messaging, which, in principle, would be rapid. The FIU-SEPRELAD should request judicial ratification of the

preventive measure to freeze assets within 12 hours of receiving the communication from the reporting entity. If the judge cannot identify the domicile of the affected party, it will serve notice to the Ministry of Public Defence, which should issue a decision within 12 hours of FIU-SEPRELAD's request for ratification. Once the service of notice has been answered or if the term to do so expires, the judge will ratify or revoke the preventive measure within 24 hours.

337. As part of the process of raising awareness and implementing regulations on asset freezing, Paraguay, with the reporting entities of the financial sector, conducted a freezing simulation (Asset Freezing Simulation Exercise of February 13, 2020) to prove that the process and its stages work properly and that the freezing of funds would indeed be conducted without delay in a real scenario. Through the simulation exercise, the FIU-SEPRELAD determined that a total period of 7 hours and 40 minutes elapsed from the update of the list by the UNSC and the ratification of the freezing. In addition, the FIU-SEPRELAD also indicated that the entire process (including the immediate freezing of assets) could take up to 48 hours depending on the time it takes for the judge to ratify the measure. Regarding this exercise, the reporting entities of the financial sector stated that the freezing of assets would be carried out immediately after receiving the FIU-SEPRELAD's notification, which, in the case of insurance companies and banks (unlike the other reporting entities interviewed), would be within hours, in line with the FATF Standard.

338. According to the TF NRA Action Plan, the country plans to carry out more fund or asset freezing exercises with the rest of the sectors, depending on the nature of their activities. Such exercises would include the NPOs which did not take part in the initial Asset Freezing Simulation Exercise. However, it is worth highlighting the massive participation of the financial sectors of the AML/CFT system at the national level, as well as the of the representatives of the Judiciary, the General Prosecutor's Office, the Ministry of Foreign Affairs, the National Police and the FIU-SEPRELAD. Regarding this simulation exercise, the assessment team considers that the time provided for in the legislation and later supported by the simulation exercise described above is compliant with the "without delay" requirement envisaged by the Standard. Authorities also have procedures to act without delay regarding to UNSCR 1373 according to the analysis of R. 6 in this report, where the speed required for the CNI to operate is not compromised despite the involvement of other authorities in the process.

339. Through the application of Law 4024/2010, Paraguay punishes the crime of terrorist organisation and TF (Article 2.1.3, Article 2.1.4, and Article 3). To date, although no convictions for TF have been achieved, there are convictions for terrorist organisation and terrorist acts committed by GAOs. Regarding the convictions described above for the period under analysis, it was possible to verify the procedure used to seize the instruments for the commission of the offence, such as weapons and/or explosives or their accessories.

340. In the case of banks, the existence of a greater understanding of their obligations with respect to the rest of the reporting entities was demonstrated, which is consistent with the materiality of this sector for the Paraguayan financial system. At the same time, it should be highlighted that banks use automated systems that allow them to cross-check the lists immediately (both for new clients and for existing clients when they carry out new transactions outside their profile) and demonstrated knowledge of TF typologies thanks to their participation in international training

sessions. In turn, the FIU-SEPRELAD has conducted training in the implementation of TFS in general, and recommends that DNFBPs are specifically trained on TFS and STRs related to TF.

341. In order to verify that reporting entities are aware of their obligations with respect to TFS for TF, beyond their knowledge of the regulations, the assessment team analysed internal manuals both from the supervisory authority and from the reporting entities. In this sense, for example, the supervision procedures manual of the Superintendency of Banks (SB.SG Resolution 00017/2021) approved in 2021 is up to date with the regulatory framework relevant to TF and indicates that, during the inspections, the policies and procedures for the verification of restrictive lists and actions to be taken in case of matches will be considered.

342. On the other hand, during the on-site visit, it was possible to observe, that some of the AML/CFT manuals of exchange houses (one of them located in the Tri-Broder Area) still lacked updates such as the elements derived from the Law 6419/2019. Additionally, the manuals do not mention the immediate freezing of assets in the event of a match with the UNSCR lists, nor the periodicity with which the lists are reviewed. In the case of the exchange house located in the Tri-Border Area, the internal manual rates NPOs as high risk for ML, which coincides with the profile determined from the SRA of the sector; however, their understanding of the TF risk is not adequate.

343. Manuals of two cooperatives were reviewed, one of which mentions that the financial relationship might be initiated before verification against the lists when necessary, as long as the ML/TF risk management procedures do not exceed sixty days (this hinders the immediate freezing of assets in the event of a match). While, due to the nature of the cooperative's profile, it could represent a low risk to TF, since it is a reporting entity, it is subject to the same supervision as other cooperatives, and, therefore, their failure to comply with the regulations could have some impact (though minor) on the CFT system. Finally, by reviewing a sample report from the Department of Money Laundering Prevention and Control of External Auditors of the National Institute of Cooperativism of August 2021, it was possible to observe that the AML/TF manual was not updated and that risk management was not based on the NRA.

344. Although it was not possible to verify the asset freezing process with the reporting entities due to the lack of matches with the UNSC lists, through documents provided by the authorities, it was possible to confirm that inspections are carried out annually by the supervisory authorities where auditors verify the steps to be followed by the reporting entities to review the lists provided through international organizations, which are included and updated on the FIU-SEPRELAD website. One of the inspection reports contained observations regarding cases where the verifications against the UNSC lists were made after the transactions had been conducted after a client shows up to carry out a transaction (this also applies to existing clients). This is also the case of casinos, which confirmed that they cannot immediately freeze assets in the event of a match, since the lists are only verified after the transaction (payment of chips) and only then could they notify the FIU-SEPRELAD.

345. The reporting entities provide general internal training, including TF issues, but most of them have not conducted internal freezing simulation exercises. Training is provided at least once a year and both new and existing employees should receive it as a requirement. The CNV, for example,

has delivered training in TF issues and has also issued a circular to its reporting entities to disseminate Law 6419/19 on the UNSC lists, such as CNV/DIF-PLAFT Circular No. 033/2020. However, this circular, which was issued on November 27, 2020, makes reference to the FIU-SEPTELAD Circular No. 01/2020 of April 16, 2020. In this regard, it is estimated that this gap in the timing of dissemination of the circulars between the different reporting entities hinders the timely knowledge of their obligations by the reporting entities.

346. To date, Paraguay has not proposed the designation of any natural or legal person to the Committees pursuant to UNSCRs 1267, 1988 or 1989, which responds to the risk profile identified in the NRA of the country in relation to international terrorism. Regarding the regime related to said resolutions, the recently established regulatory framework (November 18, 2019) and the above-mentioned Executive Order (August 30, 2021) stand out. In turn, Paraguay does not report having received requests regarding the freezing of property or assets derived from the obligations under UNSCR 1373.

347. Article 5 of the Law on Asset Freezing (Law 6419) establishes that the SENABICO may authorize payments and transactions intended to cover the basic needs of affected bona fide third parties, in accordance with the provisions of UNSCRs 1452 (2002) and 2368 (2017). Resolution 578/2021 of August 23, 2021, establishes the necessary basic data that the requests should contain so that the SENABICO, in its capacity as administrator of the funds and/or resources, authorizes the exemption intended to cover basic expenses. The document recommends the use of a form that should be completed by the interested party in order to provide the necessary data to study the feasibility of the authorization required to make said expenses. The SENABICO will have a period of 3 business days to make a decision on requests to cover basic expenses; and a period of 5 business days to decide on those related to extraordinary expenses. To date, due to the fact that there have been no matches with the lists under UNSCR 1267/1988 and 1989, nor any third country request or country designation under UNSCR 1373, Paraguay has not received requests to authorize payments under UNSCRs 1452 and 2368, and given the recent adoption of Resolution 578/2021, it was not possible either to assess its effectiveness for that purpose.

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

348. In Paraguay, NPOs are considered AML/CFT reporting entities, and their supervision is exercised by the FIU-SEPTELAD through the SEPTELAD Resolution 453/11 which establishes the obligations that the sector should comply with. According to the “Report on the Sectoral Study of NPOs” of December 2019, the risk for NPOs in Paraguay of being abused by terrorists, terrorist organisations and terrorist support networks is currently low compared to the risk of ML and misuse of NPOs for other offences, such as corruption, which is rated as high. The study has determined that the NPOs that were most likely to be abused by terrorists, terrorist organisations, and terrorist support networks in the country would be those of the following subgroups: charity/assistance, education, social services, social and economic development, and religion. According to the 2020 ML/TF SRA conducted on legal persons, there would be seven types of legal persons that would be created and used for the development of “non-profit” activities, corresponding approximately to 29 % of the total of legal persons defined (24 types). To date, no cases have been detected in which NPOs have been used for TF activities.

349. The risk reporting process of NPOs takes into account factors such as geographic location or the nature of the activities carried out by each NPO subgroup, and focuses on the fact that the threat of terrorism primarily occurs outside the country. Likewise, the analysis conducted within the framework of the sectoral study reveals that the percentage of international bank wire transfers sent is lower than that of those received.

350. On the other hand, the sectoral study on money remitters also stated that Lebanon ranks third, below China and the USA, as the destination for remittances sent by money remitters from Paraguay, in USD during the last five years. The analysis of international remittances sent in USD to Lebanon through an FI reveals that the reason for such higher percentage is donation, followed by family support and, in the third place, “unknown reason.” The study also indicates that approximately 70% of all remittances were sent from the Department of Alto Paraná, of which approximately 58% were identified in Ciudad del Este (Tri-Border Areas).

351. Through the “Guidelines on the use of the risk matrix - NPO sector,” approved by Resolution 247/2020, the FIU-SEPRELAD describes the process used by the team of supervisors to identify, assess, understand, and manage ML/TF risks. The matrices prepared by the FIU-SEPRELAD consider variables associated with minimum ML/TF risk factors, such as customers, products and/or services, collection and delivery channels, geographic areas, and others. The inclusion, exclusion and weighting of the variables depend mainly on the sectoral risk profile, the experience and criteria of the supervisors, and the emerging risks. Resolution 034 of February 3, 2020 indicates the classification of NPOs according to a risk-based approach, ranking them with the same level of risk as other sectors (real estate, money remitters, etc.), and establishes a percentage distribution of inspections in this sector based on its position in the total of entities subject to supervision by the FIU-SEPRELAD. According to this percentage distribution, during the period 2015-2020, the FIU-SEPRELAD has conducted 57 on-site inspections on NPOs operating in the country (this figure represents less than 1% of all NPOs).

Table 46. On-site inspections conducted on NPOs

N°	Reporting Entity	Year of inspection									Total
		2013	2014	2015	2016	2017	2018	2019	2020	2021	
1	Non Profit Organizations (NPOs)	15	2	0	0	0	1	20	26	0	74

352. On the other hand, Paraguay does not have a central database with complete information on the NPO sector. According to data from the State Undersecretariat of Taxation (SET), there are 24,598 NPOs actively registered in the taxpayer registry (data as of October 19, 2020); excluding those that do not match the definition adopted by the FIU-SEPRELAD (municipalities and public limited companies), the number of taxpayers is reduced to 21,352. In turn, according to data from the FIU-SEPRELAD, there are 4,848 NPOs actively registered, which represents only 23% of active NPOs. This discrepancy results from not having a unified, complete and updated registry, which does not make it possible to have a real knowledge of the sector, since there is 77% (16,504) of NPOs on which the FIU-SEPRELAD has no information or knowledge of their AML/CFT procedures at all, thus raising the risk of TF.

353. The FIU-SEPRELAD indicates that of the 21,352 NPOs registered with the State Undersecretariat of Taxation, 19% (4,034) would represent the most vulnerable subgroups for TF (see details in the comparative table). In this sense, within the subgroups of NPOs registered with the State Undersecretariat of Taxation, but not with the FIU-SEPRELAD, there is a material difference in two categories considered to be highly vulnerable for TF: on the one hand, a difference of 1,533 NPOs providing social services and, on the other, a difference of 1,619 NPOs providing education/training services.

354. Given the recent approval of Resolution 247 of November 17, 2020, which approved the Data Review and Update Form and the Guideline for the NPO sector, the elements of effectiveness of the preceding paragraph were analysed based on previous regulations (Resolution 348/15, which triggered the first update of the matrix). In this regard, the SEPRELAD Resolution 247 requires data to be updated annually. In this sense, at the date of the on-site visit, 509 NPOs had updated their data using the off-site forms (the first update would not take place until March 2021). Apart from registering with the FIU-SEPRELAD and the SET, NPOs should also update their data in the Registry of BOs managed by the Ministry of Finance. The FIU-SEPRELAD indicated that it has access to the records of the SET and the lists of BOs. If there is an inconsistency in the information among the three systems, the FIU-SEPRELAD can notify the authority that maintains the records which later notifies the NPO requesting them to update their information or otherwise they will not be able to issue payments using their taxpayer identification number (RUC). If the NPOs are not registered on the list of this authority, FIs cannot provide them with services.

Table 47. Comparative analysis of NPOs registered with the SET and the SEPRELAD

NPO type	Registered at SEPRELAD	Registered at SET	Diference	% = Difference / registered at SEPRELAD
xii. Association	1813	5923	4110	227%
xiv. Committees	1264	7966	6702	370%
ii. Charity/Assistance	364	340	-24	-1%
xiii. Sports	335	1242	907	50%
iv. Social Services	288	1821	1533	85%
vi. Religious	254	1152	898	50%
iii. Education/Training	228	1847	1619	89%
viii. Philanthropic-philosophical	139	209	70	4%
x. Political	51	74	23	1%
vii. Culture and art	28	128	100	6%
i. Humanitarian	26	26	0	0%
xi. Recreational	26	345	319	18%
v. Economic-social development	19	250	231	13%
ix. Protection of rights/democratic	13	29	16	1%
General Total	4.848	21.352	16.504	

* Table nomenclature: red = high vulnerability; orange = medium-high vulnerability; green = low vulnerability

Table 48. Universe of NPOs registered with the SEPRELAD and the SET and their vulnerability to TF

NPO catalogue- SEPRELAD	Number of NPOs-SET	%	Possible TF Vulnerability
i. Humanitarian	26	0,12 %	HIGH
ii. Charity/Assistance	340	1,59 %	HIGH
iii. Education/Training	1847	8,56 %	HIGH
iv. Social Services	1821	8,53 %	HIGH
ix. Protection of rights/ democratic	29	0,14 %	LOW
v. Economic-social development	250	1,17 %	MEDIUM HIGH
vi. Religious	1152	5,40 %	MEDIUM HIGH
vii. Culture and art	128	0,60 %	LOW
viii. Philanthropic-philosophical	209	0,98 %	LOW
x. Political	74	0,35 %	LOW
xi. Recreational	345	1,62 %	LOW
xii. Association	5923	27,74 %	LOW
xiii. Sports	1242	5,82 %	LOW
xiv. Committees	7966	37,31 %	LOW
General Total	21.352	100 %	

355. The review of a FIU-SEPRELAD’s report on the supervision of an NPO of July 22, 2020, and a note with recommendations to the same entity dated January 7, 2021, reveals the lack of updating of internal manuals, training in ML/TF issues stand out, among others. The report does not explain whether during the inspection it was possible to verify if the NPO appropriately checked its program beneficiaries or donors against the UNSCR lists. Despite the fact that there were no sanctions for non-compliance, after submitting its recommendations, the FIU-SEPRELAD granted the reporting entity a period of 30 days to respond as to how it would remedy the observations made during the inspection. This would not seem to constitute an effective and dissuasive sanction for the sector in accordance with the Standard.

356. Regarding outreach to the sector, the FIU-SEPRELAD has provided training to NPOs mainly focused on the obligations and compliance with R. 8 of the FATF, the SRA of the sector and the form for updating data. In 2021, 7 training sessions were held (the most recent was on August 20, 2021) for money remitters, NPOs, the real estate sector, and the motor vehicle sector in preparation for the GAFILAT on-site visit.

357. In turn, the NPOs interviewed in the Tri-Border Area reported that the FIU-SEPRELAD had given them training in their obligations as reporting entities in TF matters on August 24, 2021. Since the training was delivered only a few days apart from the visit of the assessors, it is difficult to determine to what extent said training had an impact on the improvement of compliance with obligations; however, as part of the schedule of activities outlined by the General Directorate of Supervision and Regulations (DGSR) of the FIU-SEPRELAD, these outreach activities to the sector will be held annually.

358. Of the NPOs interviewed, only one confirmed being registered in the three aforementioned registries with the competent authorities. In terms of knowledge of their obligations, it did not seem to be consistent among all NPOs, and in terms of TF risk mitigation, the only mitigation measure

available was the policy, of not receiving large sums of money (with an average of USD 1,200 per week). In cases of a large sum of money (generally for projects), the NPOs explained that the banks would conduct the necessary due diligence and would report information on foreign donors. One of the NPOs indicated that all donors are asked for their identity card at the time of their cash donation to manually cross-check the lists of the UNSC Committees, regardless of the amount of the transactions, and that they do not accept international wire transfers to mitigate any vulnerability.

359. Besides not seeming very efficient, this procedure is not consistent with the NPO's own internal manual which states that in the cases of donations from USD 1,000 to USD 9,999 or its equivalent in other currencies, the presentation of the ID card or any other document that identifies the donor will be required and a copy of it will be kept. In addition, for donations of USD 10,000 or more, or its equivalent in other currencies, a "Donation Affidavit Form" should be filled in. Finally, their refusal to accept international wire transfer would not be consistent either, since the NPO, according to its internal report, holds an active account in USD and one in PYG.

360. Finally, during the interviews with NPOs, the sector shared its assessment of what it considers to be overregulated by the competent authorities and its non-inclusion in the SRA. As a result, in August 2021, the AML/CFT Driving Group of NPOs in Paraguay submitted to the FIU-SEPRELAD the project "NPOs in Paraguay: a methodology proposal for the development of an AML/CFT Segmentation Model adjusted FATF Recommendation 8." The report indicates that in Paraguay interaction between the FIU-SEPRELAD and NPOs has historically been poor and very unsteady, and this has resulted in their inclusion as reporting entities of the AML/CFT Law, the issuance of regulations that do not fully apply to various subgroups of the sector, the lack of knowledge of its characteristics, threats and vulnerabilities, the low level of effectiveness of inspections due to their volume and heterogeneity, as well as the existing lack of knowledge about relevant TF issues and typologies that affect them, among others. In this regard, the assessment team considers that the project is a good step toward to continue the existing dialogue with the competent authorities and to conduct a more efficient supervision of NPOs, as well as to disseminate more effectively the update of the next SRA.

Deprivation of TF assets and instrumentalities

361. Executive Order 1548 of April 2, 2019, created the Board of Supervisors of the Reporting Entities that comprise the AML/CFT/CFP system, with the aim of implementing protocols that facilitate the coordination and exchange of information between all relevant authorities. The Board includes members of the FIU-SEPRELAD, the Superintendent of the SIB, the Superintendent of the SIS, the President of the CNV, the President of the National Commission of Games of Chance, and the President of the National Institute of Cooperativism. The Board of Supervisors of the Reporting Entities meets periodically, and the topics covered in the meetings are of a general nature. In this regard, it was not possible to verify specific or recent meetings regarding issues on the CFT agenda.

362. The SEPRINTE is an intelligence and investigative unit specialized in issues related to terrorism, terrorist organisations and terrorist financing, which reports to the National Police of



Paraguay. To date, apart from an investigation that led to a related offence, no investigations have been conducted in relation to TF prosecution as analysed in IO 9.

363. Both reporting entities and supervisory authorities explained that they have not been required to deprive TF-related assets and instrumentalities but pointed out that there are internal processes that explain how to do so. As mentioned above, there are relevant internal manuals, training and circulars that help them get a basic understanding of their obligations as reporting entities. The reporting entities, specifically banks and money remitters, indicated that they have the capacity to make an immediate freezing as a preventive measure and that they communicate such action to the compliance department for them to check whether it is a false positive (all this occurs without delay, so as not to affect the service to the customer).

364. Considering the lack of detection of terrorism or TF activity, despite there being convictions for domestic terrorism, Paraguay has made no national designations, which would allow the use of its cross-border authority to freeze the assets of these entities or individuals in neighbouring countries. Paraguay neither reports the existence of active or passive requests for cooperation based on UNSCR 1373.

Consistency of measures with overall TF risk profile

365. In relation to the TF risk, the 2020 TF NRA indicates that, given the presence of international and domestic GAOs, the country has a medium-high risk. The country has provided examples of monitoring processes, but there are no examples of TF investigations, and, to date, there have been no matches with the UNSC lists. It is important to mention that the FIU-SEPRELAD's budget has recently been doubled and, upon asking other supervisory authorities, they do not seem to lack the necessary resources to combat TF; however, TF threat is not prioritised among reporting entities. For example, reporting entities and supervisory authorities consistently indicated that there is no risk of TF by international stakeholders and that, at the national level, there is no evidence that terrorists use the financial system to finance themselves, since, to that end, they use the cash obtained from kidnappings and extortions (a relatively common operation in some cases, as reported by the country).

366. The threat of TF is still latent, despite the fact that, to date, no cases associated with the financing of terrorist attacks and the financing of terrorist organisations and individual terrorists have been identified within Paraguay and outside the country, as analysed in IO 9. On the other hand, there are cases of companies linked to nationals associated with jurisdictions related to terrorist groups, which conduct financial transactions within the framework of foreign trade transactions. From 2015 to 2019, requests for international cooperation on possible TF cases were received from countries such as: Argentina, Colombia, Chile, the USA, Philippines, Brazil and Belgium, through the platform of the Egmont Group and the RRAG.

367. There seems to be a difference in risk perception of NPOs by other stakeholders of the system, despite the absence of STRs with respect to this sector and TF. For example, it was possible to identify that money remitters and banks consider NPOs to be of high risk due to factors related to international transactions and geographic area. This would seem contrary to that indicated by the



FIU-SEPRELAD and the NPOs themselves, whose perception of risk is medium-low. However, the confusion of some stakeholders is likely to stem from the confusion of ML risk that TF risk.

368. The assessment team was unable to determine the level of coordination on operational issues related to the fight against TF (beyond the Asset Freezing Simulation Exercise), since the authorities reiterated that the country has not suffered terrorist attacks and that there has been no evidence of TF neither by national or international individuals. The interviews with reporting entities and authorities make it possible to deduce that international transactions, the geographic area (such as the Tri-Border area) and the nationality of the parties involved (such as those from areas posing risks of terrorism and its financing) are prioritised as TF risk profiles. Apart from the country's policies that recognize TF vulnerabilities, it is not clear if their implementation is fully effective or if reporting entities with fewer resources or located in the Tri-Border Area fully understand their obligations on this matter.

369. Thus, it is possible to conclude that the measures adopted by the country are not completely consistent with the overall TF risk profile.

Conclusions of Immediate Outcome 10

370. The existing legal framework allows Paraguay to apply TFS related to TF, and establishing domestic lists, although to date it has only been possible to verify in practice the functioning of the mechanism through the Asset Freezing Simulation Exercise, since there have been no matches with the corresponding lists. Through its website, the FIU-SEPRELAD maintains the UNSC lists and their updates and provides relevant training to sectors that should implement TF preventive measures. FIs, mainly banks, have automated systems to detect matches with the lists, have the ability to issue the corresponding reports (despite the fact that to date there have been no matches) and can freeze the respective funds in accordance with its internal procedures and systems. In other words, reporting entities from the financial sector with a high level of materiality, in general, seem to have the possibility of acting promptly. Regarding DNFBPs, the different sectors in general face greater challenges, due to the fact that the level of knowledge about their obligations on the matter is lower and some sectors, such as NPOs, casinos, and exchange houses (particularly in the Tri-Border Area) do not have adequate systems or processes to timely verify UNSC lists.

371. However, regarding the freezing of the assets of the listed persons, due to the recent approval of the Executive Order regulating the Law (August 30, 2021), it was not possible to comprehensively measure the implementation of the existing mechanisms beyond the Asset Freezing Simulation Exercise. On the other hand, Paraguay carried out an SRA on NPOs, and later, within that framework, a group of NPOs developed a project that was recently submitted to the FIU-SEPRELAD with the aim of applying the RBA more effectively. Little coordination on TF issues by LEAs was also observed, particularly with regard to the Tri-Border Area. In this sense, the TFS implementation system is deemed to require major improvements, and the measures adopted are to a certain extent consistent with the risk profile of the country.

372. Therefore, Paraguay presents a **moderate level of effectiveness for Immediate Outcome 10.**

*Immediate Outcome 11 (PF financial sanctions)**Implementation of targeted financial sanctions related to proliferation financing without delay*

373. Since 2019, Paraguay has Law 6419 on asset freezing, which has a broad scope and allows the competent authorities to apply it to proliferation financing (PF). This law, together with the General Guide for the Freezing of Assets (2020), sets forth the method for the freezing of financial funds and assets to be used by the reporting entities and competent authorities in terms of PF (as well as TF). Additionally, it determines the specific terms within which each relevant stakeholder should execute the actions aimed at freezing, confirming and/or lifting the measure, as appropriate.

374. In turn, during the on-site visit, Paraguay approved Executive Order 5920/21, which establishes the procedures, mechanisms and parameters for implementing designations under UNSCRs 1718 and 2231. Although the issuance of this regulation is an important step forward, it was not possible to fully verify its application and level of effectiveness regarding the technical issues it addresses, due to the date of implementation and its overlap with the on-site visit. It should be noted that, despite this, the Asset Freezing Simulation Exercise conducted made it possible to know in a certain way the mechanism that the TFS implementation system would follow for PF, if required.

375. The assessment team verified that the system implemented by Paraguay to comply with the UNSCR for TF is practically the same for the UNSCR for PF, but incorporating some peculiarities; such as, the participating authorities which are different depending on the characteristics of the PF.

376. The FIU-SEPRELAD is in charge of accessing the UNSCR sanction lists related to PF, periodically monitoring them and disseminating their updates to the reporting entities and relevant government investigative bodies. In practice, on the FIU-SEPRELAD's website there is a link to the Control Lists, through which the United Nations Consolidated List can be accessed and, at the same time, the reporting entities of the financial sector having a high level of materiality are informed of changes and updates to the UNSC lists through the SIRO platform and institutional email. According to the Asset Freezing Simulation Exercise (February 2020), the lists should be monitored regularly and continuously by the reporting entities. If there is any query, the FIU-SEPRELAD's institutional emails are available, so that the reporting entities, through their compliance officers, can communicate with experts for clarification and advice on the subject. To date, as is the case with the TF lists, there have been no matches with the lists under UNSCRs 1718 and 2231.

377. From the information to which we had access and mainly from the interviews conducted within the framework of the on-site visit, it is possible to observe that the mechanisms to prevent and combat PF are in general less developed than the existing similar mechanisms to combat TF. In this sense, for example, it was possible to appreciate that the reporting entities only understood their obligations in a limited way, since they have just recently received training in it. In this respect, for instance, the reporting entities, mainly non-financial ones, did not demonstrate that they fully understand their obligations in terms of implementation, for example, of PF-related TFS. Another example is the case of casinos, which confirmed that they cannot immediately freeze assets in the

event of a match, since the lists are only verified after the transaction (payment of chips) and only then could they notify the FIU-SEPRELAD. In this regard, it is estimated that the different DNFBPs, considering factors which are specific to their own nature, such as their size, business or customer profile, among others, could benefit from checklist processes to the extent possible. In this sense, it is estimated that the challenges involved in verifying lists manually, as well as the lack of prioritization of PF issues by non-financial reporting entities, hinders the adequate implementation of preventive controls with respect to PF.

378. Regarding the level of understanding of the obligations in terms of PF that the competent authorities have, apart from the FIU-SEPRELAD, the National Customs Directorate in Ciudad del Este demonstrated having a wide knowledge on the matter. In particular, it was possible to appreciate the understanding of the PF risk posed by dual-use items and export control, as a result of international training received, such as the national workshop “Freezing Procedures” on the fight against TF, held from February 11 to 13, 2020, and delivered by OAS-CICTE, which, although primarily focused on CFT, also provided training in some CFP issues.

379. In this regard, no specialized training in PF seems to have been provided to domestic authorities, beyond the training provided on compliance with the obligations related to cross-checking against applicable UNSCR lists. In this regard, training to approach PF from all its perspectives, like the training provided with the support of specialized agencies, are considered to represent an important added value to the efforts made to prevent and combat PF. For example, as a result of having received international training, the National Customs Directorate indicated that it could identify a potential case of dual use of medical equipment that, despite apparently not being related to PF but to a case of import tax evasion, presented the characteristics of a possible case of dual-use item with the risk that this implies for the proliferation of weapons of mass destruction (PWMD). The reporting entities provide general internal training, and to a lesser extent on PF issues, but most of them have not conducted internal freezing simulation exercises. Training is provided at least once a year and both new and existing employees should receive it as a requirement.

380. Paraguay refers to Executive Order 2738/2019 in order to establish an Inter-agency Commission to monitor the implementation of UNSCR 1540 as an example of its commitment to the fight against PWMD. Although the adoption of this Executive Order and the actions derived from it are undoubtedly deemed as an important step in terms of combating PWMD, the implementation of UNSCR 1540 is outside the scope of R. 7 in accordance with the Assessment Methodology.

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

381. As mentioned above, the UNSCR lists, including those applicable to PF for the FATF Standard, are available on the SEPRELAD’s website, in order to request for the immediate freezing of funds or assets in the event of matches. To date, Paraguay has not had any specific cases related to PWMD or PF.

382. The country indicates that the supervisors of each sector are responsible for verifying that the cross-checking against the lists is included as an obligation in the AML/CFT/CFP policies of the reporting entities and that it is complied with in accordance with the established legal requirements, and, failing that, they should apply the corresponding sanctions. In this sense, the monitoring of reporting entities and DNFBPs in terms of PF is conducted at the same time as the monitoring for ML/TF.

383. The possibility of unfreezing the assets if required to cover basic and essential expenses was not available at the date of the on-site visit; however, through an administrative act, the SENABICO could provide access to the property, funds and assets which are necessary or make them available based on Article 5 of Resolution 578 of August 23, 2021. To date, there have been no requests to authorize payments in accordance with UNSCRs 1452 and 2368, and although there is an applicable regulatory framework with the recent issuance of Resolution 578/2021, it was not possible either to assess the effectiveness of the mechanism for that purpose.

384. To date, there are no ongoing investigations or other actions in the country to identify funds or assets that could be linked to PF activities.

FIs and DNFBPs' understanding of and compliance with obligations

385. As described in the analysis of IO 10, the assessment team estimates that FIs and DNFBPs' understanding of and compliance with obligations is mainly explained by what they have incorporated through the training provided by the FIU-SEPTELAD and the relevant supervisory bodies, although for the most part, the focus has been primarily on TF. Additionally, during the on-site interviews, it was more apparent that FIs and DNFBPs understood their obligations in terms of TF. The generalized perception of reporting entities, mainly DNFBPs, is that compliance with PF obligations were only an ancillary consequence of compliance with the CFT system as if the CFP system did not have characteristics of its own, or that the targets of the CFT and the CFP are the same.

386. It was possible to observe that, in general, the AML/CFT manuals of several reporting entities (mainly exchange houses and cooperatives) analyse the obligations of verifying lists and of reporting the freezing of funds belonging to the persons designated under the UNSCRs applicable to PF. It is worth mentioning that manuals from other DNFBPs were not made available to verify compliance by the rest of the non-financial reporting entities. Likewise, in some manuals, the procedure of consulting other national lists, such as OFAC lists, seems to be a more incorporated practice than consultation in the UN lists on the matter. On the other hand, some AML/CFT manuals of exchange houses (one of them located in the Tri-Border Area) were found to lack updates in accordance with applicable Law 6419/2019. Additionally, these manuals neither mention the immediate freezing of assets in the event of a match with the UNSCR lists nor the periodicity of the verification of the lists. In short, although the manuals that could be reviewed indirectly address, primarily, the obligation to verify lists and report, most of them do not develop in detail the procedures or mechanisms that the reporting entities should follow in order to comply with their obligations, report to the authority or implement TFS.

387. Regarding the VASPs' understanding of their obligations, although at the moment they are a sector having a low level of materiality, the interviews revealed that the sector has an incipient notion about the scope of its role in the CFP system beyond associating its obligations with the cross-checking against international lists. However, they were found to have no mechanisms or procedures to apply TFS for PF or tools that allow for or facilitate the verification of lists. Likewise, they do not seem to have adopted any policies internally for the adequate implementation of their obligations.

Competent authorities ensuring and monitoring compliance

388. The obligations of the reporting entities in terms of CFP include informing the FIU-SEPTELAD of assets linked to persons included in UNSCR lists. To date, no STRs have been submitted that could be linked to PF activities.

389. Similar to what is described in IO 10, supervisory authorities and reporting entities have indicated that, during inspections (on-site or off-site), the competent authorities monitor reporting entities' compliance with their obligations as provided for in the relevant regulations. As mentioned in IO 10, supervision records mostly contain observations on the lack of updating of internal manuals or the cross-checking against the corresponding lists after conducting a transaction (generally the case of DNFBPs). To date, no sanctions have been applied for non-compliance related to PF; however, follow-up actions, such as remedial plans, have been conducted. It is worth mentioning that there are reporting entities (banks and money remitters) that, due to internal policies, have opted not to provide services to clients who wish to operate with non-cooperative countries, such as Iran and North Korea.

390. On the other hand, the country indicated that, regarding the monitoring of compliance with these obligations by VASPs, within the process of knowledge and mitigation of risks, an inter-agency working table has been formed, made up of the Ministry of Information and Communication Technologies, the Ministry of Industry and Trade, the Ministry of Finance and the FIU-SEPTELAD, in order to constitute a technical instance for dialogue and discussion of all the factors linked to the recent emergence of VASPs, thus allowing the application of monitoring processes that ensure compliance with obligations related to the application of financial sanctions in relation to proliferation. In this regard, this inter-agency working table held a coordination meeting in February 2020. Additionally, in September 2020 a meeting was held with 2 representatives of the sector where the business models of the VA mining industry in the country were shared with the FIU-SEPTELAD authorities in order for them to know how the sector operates and to promote joint work with the agency. In addition to this meeting, no other agreements, follow-up meetings or other actions seem to have been held or conducted to assess the effectiveness of or outreach to the sector. In that sense, although this is considered to be an important step towards compliance with the Standard, outreach to the sector continues to be limited.

391. Additionally, some key authorities in terms of CFP could have a greater role in the efforts to prevent and combat PF. For example, the Ministry of Industry and Trade, due to the nature of its functions, could share information with the competent authorities, in particular the FIU-SEPTELAD and the Attorney General's Office, in case of identifying dual-use items in the country



that could be used to facilitate or produce weapons of mass destruction (WMD) in the country or that are traded or transported within the country and/or distributed to other jurisdictions for PF purposes.

392. Executive Order 1548 of April 2, 2019 created the Board of Supervisors of the Reporting Entities which comprise the AML/CFT/CFP system, with the aim of implementing protocols that facilitate the coordination and exchange of information between all relevant authorities. The Board includes members of the SEPRELAD, the Superintendent of Banks (SIB), the Superintendent of Insurance (SIS), the President of the National Securities Commission (CNV), the President of the National Commission of Games of Chance (CONAJZAR), and the President of the National Institute of Cooperativism (INCOOP). The Board meets periodically, but they did not seem to have held discussions on PF monitoring and supervision.

Conclusions of Immediate Outcome 11

393. The country has the legal framework that allows it to apply TFS for PF. In this regard, the FIU-SEPRELAD's website provides access to the UNSC lists and their updates and provides relevant training to sectors that should implement PF preventive measures, although it is delivered as general training, i.e., as part of the general training in AML/CFT/CFP issues.

394. Although the regulations required by the Standard are contemplated by the country, the application of the measures without delay could be affected by the low understanding of the obligations and difficulties in the implementation by certain reporting entities, mainly DNFBPs. This could have a considerable impact on the country's CFP system in case there is the need to implement the mechanism as a whole.

395. Although no cases have been detected to verify the implementation of the mechanism apart from the Asset Freezing Simulation Exercise, the deficiencies identified lead to conclude that the country needs to make major improvements and to strengthen the implementation mechanism to ensure the application without delay of TFS related to PF. **Therefore, Paraguay presents a moderate level of effectiveness for Immediate Outcome 11.**

CHAPTER 5. PREVENTIVE MEASURES

Key findings and recommended actions

Key findings

- The level of understanding of the risks and knowledge of their AML/CFT obligations by the reporting entities, as well as the implementation of preventive measures, is not homogeneous; being it greater in the case of traditional FIs.
- The banking, financial, insurance, and securities sector show greater robustness in the application of preventive measures, especially in terms of CDD for the identification of beneficial owners and continuous monitoring. With regard to DNFBPs, the real estate sector applies preventive measures to a greater extent.

- VASPs, lawyers, accountants and other legal professionals have been recently included as reporting entities and specific regulations for their AML/CFT obligations have been recently issued. Therefore, the implementation of preventive measures by these sectors is incipient and they are in the process of raising awareness and understanding their obligations as reporting entities.
- Regarding notaries, despite not being new as reporting entities, their knowledge of their obligations and the application of preventive measures are considered to be limited. The sector presents ample opportunities for improvement.
- Regarding the understanding of the TF risk by reporting entities, particularly by DNFBPs, it is limited to the knowledge of the UNSCR lists and the verification of said lists; the sector presents ample opportunities for improvement in the understanding of said risk.
- As for the filing of STRs, although there is a high understanding of their usefulness and some of the reporting entities have received feedback on it, most STRs are filed by the banking and financial sector.
- Reporting entities generally have AML/CFT manuals and procedures, which include a risk-based approach. However, the DNFBP sector presents ample opportunities for improvement in terms of monitoring to detect unusual transactions and the subsequent issuance of STRs.

Recommended actions

- Strengthen the understanding of risks and knowledge of AML/CFT obligations by reporting entities, as well as the implementation of preventive measures, mainly in the DNFBP sector, such as VASPs, lawyers and accountants.
- Continue with the efforts of the SEPRELAD to engage reporting entities in the drafting of the different regulations, training and feedback sessions to improve the understanding of ML/TF risks.
- Improve the understanding of TF risk by DNFBPs, in order to go beyond the knowledge of the UNSCR lists.
- Implement plans or processes to monitor compliance with the AML/CFT obligations by notaries so that they have greater knowledge of the AML/CFT regulations and apply preventive measures in accordance with the identified risks.
- Ensure a reasonable term to conduct the investigations prior to the formal decision to submit the corresponding STR, since having a term of 60 business days does not result in an STR being promptly filed to the SEPRELAD, which reduces the effectiveness of this important component of the prevention system.

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

Immediate Outcome 4 (preventive measures)

396. Paraguay has five supervisory institutions for the financial sector: 1) the Superintendency of Banks (SIB) supervises banks, financial institutions, exchange houses and credit institutions, EPS providers, and bonded warehouses; 2) the National Institute of Cooperativism (INCOOP) supervises financial cooperatives; 3) the Superintendency of Insurance (SIS) is in charge of supervising insurance and reinsurance companies; 4) the National Securities Commission (CNV), which is responsible for supervising brokerage firms and investment fund administrators; and 5)



the SEPRELAD, responsible for supervising money remitters¹⁴, pawnshops, safe deposit box rental services.

397. Paraguay has 10,774 reporting entities, of which 1,212 correspond to the financial sector, and 9,562¹⁵ to the DNFBP sector. Banks represent 84% of the total assets of financial institutions (FIs) and are distributed as follows: 3 foreign branches, 4 with foreign majority shareholding, 9 with national or local majority shareholding, and 1 Paraguayan State Bank, adding a total of 17. Furthermore, there are 5 EPS providers, 33 operating insurance companies, 750 cooperatives¹⁶, 8 financial institutions, 26 exchange houses, 3 bonded warehouses, 16 brokerage firms, 5 investment funds, 13 money remitters, 9 safe deposit box rental services, 295 credit institutions, 27 pawnshops, and 5 VASPs¹⁷.

398. According to the analysis conducted by the SEPRELAD, with regard to DNFBPs, the real estate sector and notaries, with a total of 1,658 and 1,021 registered entities, respectively, are the sectors with the highest risk in terms of AML/CFT compliance. Notaries are supervised by the Supreme Court of Justice, while the SEPRELAD is in charge of supervising real estate agents. The CONAJZAR supervises casinos; in this regard, there are 38 companies (casinos and other types of business) exploiting games of chance, including 5 physical casinos, 15 online casinos, and the rest are divided into gambling activities in general (bingo, racecourse, *quiniela*, and others). In addition to these entities, there are 162 dealers in precious metals and stones, which are supervised by the SEPRELAD. Lawyers and accountants are in the process of being registered.

399. On the other hand, Paraguay has included other sectors as reporting entities, such as transportation or storage of securities or money values, motor vehicle importers, dealers in antiques, and NPOs. In this regard, there are 1,642 motor vehicle importers, 10 securities transport companies, 3 dealers in antiques and numismatics, and 4,848 NPOs.

400. Although the DNFBP sector includes a greater number of reporting entities, the financial sector is the one that has the greatest impact in terms of ML/TF prevention. As analysed in Chapter 1 regarding the analysis of the materiality and relative importance of the sectors, the sectors that were considered as having a greater relative importance were the banking sector on the side of the financial sector and, on the side of DNFBPs, the real estate sector. In addition, money remitters are also considered as sectors of greater importance. Pawnshops, EPS providers and bonded warehouses are considered to be sectors of lower importance.

401. It is important to take into account the risk of the sectors mentioned above, since, according to the NRA and information provided by Paraguay, banks, exchange houses, real estate agencies and money remitters represent a higher level of exposure.

¹⁴ For the purposes of this report, the money remitters that are considered are those involving the sending and/or receipt of remittances, transfers, wire transfers, money transfers, payment orders, whether electronic or physical.

¹⁵ The total universe of DNFBPs includes the reporting entities under the FATF Standard and those that have been included as reporting entities by the Paraguayan law.

¹⁶ By virtue of recent criminalisation of cooperatives by INCOOP Resolution 24.255/21.

¹⁷ 4 as bitcoin mining and forks of said cryptocurrency, and 1 as exchanger of VA for FIAT currency or other VA.

402. As a result of the on-site visit, the assessment team was able to verify the level of understanding of the ML/TF risks by the different reporting entities. In this sense, they could appreciate that there is a different degree of understanding, depending on whether the reporting entities belong to the financial sector or not, given that this sector shows greater robustness both in the knowledge of ML/TF risks and in the application of preventive measures, especially in terms of due diligence measures for customer verification, identification of beneficial ownership and continuous monitoring. For the DNFBP sector there is still a disparate level of understanding of their risks and AML/CFT obligations among the reporting entities of this sector.

403. Paraguay recently issued a regulation for compliance with AML/CFT obligations for lawyers and accountants, which was developed jointly with the unions of both sectors. On the other hand, notaries are not conducting all the preventive measures that are required yet. In turn, motor vehicle importers and dealers in jewellery, and precious metals and stones show a more limited knowledge of their obligations. However, considering the materiality of these sectors, they are not deemed to have a greater impact on the country, but efforts should be made to increase this knowledge for the application of preventive measures in terms of AML/CFT.

404. As part of the updating of the country's regulatory framework, the SEPRELAD has been issuing resolutions for the different reporting entities sectors, such as Resolution 70/19 (banks and financial institutions); Resolution 71/19 (insurance companies); Resolution 77/19 (EPS providers); Resolution 156/2020 (cooperatives); Resolution 172/2020 (securities market); Resolution 176/2020 (money remitters); Resolution 248/2020 (exchange houses); which are added to previous resolutions, such as Resolution 349/13 (credit institutions, bonded warehouses); Resolution 201/2020 (real estate agencies); Resolution 222/2020 (dealers in jewellery, precious metals and stones); Resolution 196/2020 (motor vehicle importers); Resolution 258/2020 (casinos); Resolution 299/21 (lawyers and accountants); and Resolution 314/21 (VASPs).

405. Additionally, Paraguay has conducted SRAs on the sectors of money remitters, VASPs, and real estate, and has also made an assessment on legal persons and arrangements in order to promote a reasonable understanding of ML/TF risks. In these risk studies, data and information from the different sectors have been processed, which has made it possible to identify the threats and vulnerabilities specific to or linked to each sector. Additionally, the SIB and the SIS have conducted an SRA on their sectors, and the INCOOP and the CNV are currently developing theirs on their respective sectors.

Understanding of ML/TF risks and AML/CFT obligations

406. The AML/CFT regulations applicable to all reporting entities is the competence and responsibility of the SEPRELAD as the LEAs by virtue of the AML Law. Said Law empowers the SEPRELAD to issue, within the framework of the AML/CFT laws, the administrative regulations that should be observed by reporting entities.

407. By virtue of the above, each of the supervisors apply the specific regulations to determine the obligations of their respective reporting entities and verify whether they are applying the actions and measures for compliance. Based on said regulations, apart from the documents issued by the



supervisors, the assessment team reviewed whether the reporting entities understand the risks to which they are or may be exposed to in terms of ML/TF.

408. In this sense, the banking, financial, insurance and securities sectors are considered to have a greater level of understanding of their ML/TF risks when compared to the level of knowledge of other FIs and most DNFBPs. It should be noted that the regulations with an RBA applicable to the DNFPB sector have been recently issued.

a) FIs

409. Based on their composition of assets, liabilities, number of branches, volume of transactions, clients, regional and international presence, diversification and complexity of products, banks and financial institutions show greater exposure to ML/TF risk as compared to the other financial institutions supervised by the SIB.

410. Entities supervised by the SIB in terms of AML/CFT have regulation since 2013. Specifically, SEPRELAD Resolution 349/13, subsequently updated by Resolution 70/19 applicable to banks and financial institutions; Resolution 77/19 applicable to EPS providers; Resolution 176/2020 applicable to money remitters and Resolution 248/2020 for exchange houses. For bonded warehouses and credit institutions, Resolution 349/13 is still in force. Although these sectors represent low materiality, the Resolution needs to be updated so AML/CFT obligations are fully included.

411. As part of the measures derived from the analysis coordinated by the SEPRELAD on the country's threats and vulnerabilities, the SIB has issued Circular SB.SG 00186/2019, so that the financial institutions under its supervision annually submit information related to AML/CFT, including information on the threats and vulnerabilities identified in their self-assessment which are related to the last NRA.

412. The regulations of financial institutions are based on an RBA. Banks, financial institutions, exchange houses and EPS providers should conduct an ML/TF risk assessment at least every two (2) years and develop and implement identification methods and procedures every four (4) years. On the other hand, bonded warehouses and credit institutions should have risk self-assessment procedures in order to implement criteria based on risk minimization and management. The aforementioned regulations require that all entities identify the ML/TF risks inherent to their different lines of business or products, clients, geographic areas and distribution channels.

413. Likewise, they establish internal policies and procedures aimed at ML/TF risk management and mitigation in accordance with the specific nature of the sector and other determining factors, in order to classify their clients as high, medium or low risk, or similar category. In addition, they implement an annual training plan and have prevention programs.

414. On this basis, it was possible to observe that the reporting entities interviewed showed, in general, an adequate knowledge of the minimum risk factors to be considered in their respective activities. In this sense, both the financial sector and the DNFBPs took an active part in the NRA,

and the results were duly communicated by the SEPRELAD and the different Paraguayan authorities.

415. During the on-site visit, the assessment team was able to verify that the reporting entities of the banking, financial, insurance and securities sectors maintain a direct relationship with the supervisors; for example, the regulations and resolutions issued by the SEPRELAD are previously consulted with the different sectors, who have the opportunity to provide feedback before the formal issuance of the regulations.

416. In the process of understanding their TF risk, the reporting entities consider several elements: i) self-assessment of TF risks, including the identification, assessment, rating and control of the TF-related factors; ii) control of transactions to prevent wire transfers to non-cooperative countries or jurisdictions or geographic areas considered to be TF risk areas; iii) cross-checking against lists conducted for each transaction and in real time with the inclusion of automatic alerts in case of matches with the name of the sender, beneficiary or geographic area; iv) enforcement of policies and procedures related to the freezing of assets belonging to persons identified in the UNSC lists; and v) in case of TF risk related to NPOs, enhanced due diligence is conducted on the transactions in question. It should be noted that the TF NRA had a broad participation of the private sector, since studies on money remitters and NPOs were incorporated in it. However, further improvements in the understanding and mitigation of the TF risk are deemed necessary.

417. On the other hand, the entities supervised by the SIS follow an RBA. Although the RBA was adopted in July 2019 (SEPRELAD Resolution 71/2019), prior to the issuance of said regulation, the sector had been conducting a series of activities and efforts in order to implement the RBA. In accordance with the regulations in place, insurance companies should identify ML/TF risks and transfer them into a matrix, where the risk factors (customers, products and/or services, delivery channels and geographic areas) are identified to determine the level of CDD to be applied to their clients (based on their level of risk), as well as the mitigation measures, which are established in their AML/CFT Manuals.

418. In order to understand the context of the insurance sector in Paraguay, it should be mentioned that, by June 2020, the penetration rate (Premiums/GDP) had been 1.16%. Likewise, it is understood that the composition of the direct premium portfolio of the insurance market mainly consisted of motor vehicle insurance policies (45%), followed by short-term life insurance policies (14.2%), miscellaneous risks (8.6%), fire (7.5%), surety (4.2%), technical risks (4.1%), civil liability (3.5%), transportation (3.4%), and others (9.4%). Life insurance with a savings or investment component (pure life) accounts for 0.11% of the total volume of direct premiums. This type of insurance is not representative of the Paraguayan insurance sector.

419. Regarding the securities sector, it was possible to observe that it has a good level of understanding of the ML/TF risks and prevention obligations. In addition, there is a good level of cooperation and coordination of policies within this sector, and they have experience in terms of the implementation of AML/CFT measures. In 2017 a matrix was developed to prioritize the inspections conducted by this sector based on the risk identified. To this end, the risk matrix is used and adjusted regularly, which allows for early warnings and other data through specific



verifications. Nevertheless, until 2020, the CNV issued a resolution for a specific RBA for this sector.

420. Based on the information provided by Paraguay, it is possible to note that this sector has increased the most in terms of submission of STRs. This could be explained by their level of understanding of their risks and of the application of measures as provided by the CNV. In addition, Paraguay reported that they are carrying out the first SRA for the securities sector in order to have a better understanding of the ML/TF risks that said sector represents.

421. The supervised FIs of the cooperatives sector incorporate an RBA and develops risk management systems. Based on the recent regulations, the cooperatives sector identifies threats and vulnerabilities within the framework of their risk self-assessment, taking into account the NRA, that are available to the National Institute of Cooperativism.

422. Regarding money remitters, based on the interviews carried out during the on-site visit, the assessment team was told that in recent years some have had problems opening accounts and operating in the banks of the financial system, which can become an obstacle for properly recording the operations and their corresponding traceability.

b) DNFBPs

423. During the on-site visit, it was verified that most of the sectors that make up the universe of DNFBPs have been receiving training and feedback from the SEPRELAD, even during the COVID-19 pandemic, which has been done through the use of telematic means.

424. The real state sector has an ML/TF SRA that was conducted by the SEPRELAD. In addition to this SRA, the SEPRELAD led the development of the TF NRA. The conclusions of this assessment were made public through guides prepared for this purpose, which have also been shared through different sessions both for different reporting entities sectors as well as for the supervisors that are members of the Board of AML/CFT Supervisors.

425. However, the understanding of the risk is not uniform and varies depending on each DNFBP sector, and the understanding of TF risks is more limited than that of ML. The treatment that is done by reporting entities is practically identical, without making major distinctions between the risks associated with ML and FT, so there are opportunities for improvement, both in the understanding of ML risks and TF risk, for the application of measures based on that identified risk.

426. Regarding lawyers and accountants, the Resolution has been recently issued for their supervision and compliance with AML/CFT requirements, so it was not possible for the assessment team to verify how they are effectively developing ML/TF preventive measures. In the case of notaries, although a certain level of compliance with the submission of TR and STR is perceived, they still present gaps in terms of an adequate understanding of the ML/TF risks to which they are exposed, as well as of their obligations as a sector. Therefore, it is not appreciated that appropriate measures are being taken.

c) VASPs

427. As of 2019, the first approaches were made with representatives of the VASPs sector. The SEPRELAD held meetings and visits with VASPs representatives in order to learn about the activity and its subsequent regulation. Thus, during the year 2020, this sector was designated as reporting entity and registration was arranged in the relevant registry authorized for this purpose by the SEPRELAD. Additionally, Paraguay constitutes a permanent inter-agency table on VA, made up of representatives of the SEPRELAD, the BCP, the Ministry of Industry and Trade (MIC), the Ministry of Information and Communication Technology (MITIC) and the State Undersecretariat of Taxation of the Ministry of Finance.

428. From the interviews carried out with the representatives of the sector, it was possible to verify that they demonstrate a broad general knowledge of the activities they carry out and the market environment in which they operate; they also have had approaches and training activities with the SEPRELAD. However, adequate knowledge of the ML/TF risks and AML/CFT obligations to which they are exposed is still limited.

429. As previously mentioned, the sector has an SRA and in 2021 the specific regulation was developed. Despite the foregoing, at the time of the on-site visit, it was confirmed that, to date, although this sector has a certain understanding of its risks, it is not yet applying preventive measures in accordance with its obligations as reporting entity.

Application of risk mitigating measures

430. The reporting entities of the financial sector have been implementing measures based on the greater understanding they have of the risks to which they are exposed. In the case of DNFBBPs, although the progress they show stands out, in the case of lawyers and accountants, the level of understanding of the risk is lower, given the recent approach to this sector, their designation as reporting entities and the recent issuance of the regulations that apply to them.

431. In the implementation of risk mitigation measures, reporting entities require authorization from the respective Superintendence and the SEPRELAD prior to the application of a simplified due diligence process. The respective requests should be accompanied by a study stating the relevance of authorizing a simplified DD.

432. For both FIs and most DNFBBPs, measures have been implemented on not initiating business relationships with customers who are reluctant to provide the information that is required of them; as well as ending the commercial relationship if this occurs during the information updating or monitoring stage.

a) FIs

433. Based on the regulatory provisions that have been issued by the SEPRELAD, reporting entities under the supervision of the SIB, such as banks, financial institutions, exchange houses and EPS providers, should have a prevention system made up of two components: compliance and management. of ML/TF risks. The other supervised entities should analyse the environment in



which they carry out their activities, in order to prepare and apply ML/TF risk management and mitigation methodologies, according to their nature and other factors that determine their exposure to it, aimed at segmenting and classifying their customers by “type of risk”.

434. The FIs sector has been receiving feedback and training in recent years from the SEPRELAD, in relation to STRs, which has allowed them to achieve a better knowledge of their preparation and procedures for referral, as well as an increase in the number of STRs submitted.

435. In recent years, the FIs have made large investments in technology, given the automation that has been presented with respect to the automatic reports that should be sent to the supervisory bodies, as well as to comply with the new requirements related to the submission of the STRs. The digitalization of the documentation included in the clients’ files represents a challenge for the following years that will make it necessary to continue with the investments in technology and human resources.

436. Paraguay's insurance system has been migrating from a compliance approach to an RBA system. This new perspective forces insurers to design activities, develop and apply ML/TF risk management and mitigation methodologies. Regarding the securities sector, as of the issuance of Resolution 172 in the year 2020, it has updated its approach, and it has also been migrating to one based on risk.

437. From the content of the manuals presented by the reporting entities, mainly from the money remitters sector, it has been possible to identify the application of mitigating measures based on the risks. Thus, for example, compliance with the policies and procedures is mandatory for all members of the company, including the Board of Directors, the Management, the Compliance Committee (if applicable), the Compliance Officer and the Person in Charge, as well as all employees of the organization.

438. Lastly, in the entire FIs sector, there are rules regarding identification and verification, risk assessment before and during the business relationship, updating and maintenance of records, identification of BO and monitoring of transactions and procedure for submitting STRs to the FIU.

b) DNFBPs

439. The AML/CFT Law establishes the obligation for all reporting entities, including DNFBPs, to carry out a CDD.

440. Most DNFBPs have been participating in training activities and processes for disseminating and awareness of the scope of the standards, which translates into a significant improvement in the levels of compliance of said subjects. It is appreciated a limited participation of the sectors that were recently included as reporting entities, such as lawyers and accountants.

441. The SEPRELAD requires reporting entities to obtain minimum information on different factors of their activity. In this matter, some forms for information gathering are implemented for the real estate agencies sector, which are published on the SEPRELAD website. These forms require information on: transaction type, number of clients, volume of transactions, method of

payment/collection, geographic area, which obliges these sectors to have a risk management system in order to be able to provide information on a semi-annual basis.

442. The verification of the effectiveness of mitigation measures is carried out by the reporting entities through the execution of audits, in which the vulnerabilities and weaknesses in the mitigation of the risks that are identified within each of the processes are exposed. The following table shows the data on audits conducted by reporting entities:

Table 49. Internal and external audits of DNFBPs

Sector	2015	2016	2017	2018	2019	2020	2021
Real estate	32	20	30	31	30	39	35
Casinos	4	6	8	11	8	8	6
Motor vehicle	-	-	-	-	-	-	27
Notaries	-	-	-	-	-	-	-
Lawyers	-	-	-	-	-	-	-
Dealers in jewellery	-	-	-	-	-	-	-

443. It is worth mentioning that, due to the recent issuance of the regulations and, therefore, the mandatory nature of the audits, the motor vehicle sector and dealers in jewellery will make the corresponding submission at the end of 2021. However, some entities of the motor vehicle sector have continued to submit their reports as a best practice policy. In turn, for lawyers the obligation to present an external audit expires in 2022.

444. Regarding the implementation of measures to mitigate the TF risk, although the understanding of the risks is dissimilar in the DNFBP sector and varies according to each sector, mandatory consultations of financial sanctions and other lists before establishing the business relationship with customers are deemed mitigating factors. These lists are those published by the UNSC, domestic lists of other jurisdictions, such as the OFAC, lists of non-cooperative jurisdictions or those with serious deficiencies in their AML/CFT systems, and others indicated by the SEPRELAD.

445. In Paraguay, if reporting entities of the DNFBP sector are not registered with the SEPRELAD, they cannot access the services of the FIs, which should verify said registration before or during the business relationship.

446. Notaries have had approaches with the SEPRELAD, and since 2013 they carry out TRs and STRs; in this regard, they have been given training regarding the implementation of the new technological system to continue with the presentation of these reports. Notwithstanding this, the



assessment team realized that the application of other mitigation measures is still limited in this sector and the regulation applicable to the sector needs to be updated for them to comply with all their AML/CFT obligations. In the case of lawyers and accountants, the application of measures could not be corroborated compared to the other reporting entities that have shown progress in the risk management process.

c) VASPs

447. Despite the recent addition of VASPs as reporting entities, at the time of the on-site visit, it was confirmed that they are not implementing measures to mitigate the risks to which they are exposed.

448. In addition to this, it is worth noting that, during the interviews, both casinos and VASPs were identified as having problems accessing accounts in FIs, even as a form of De-Risking, which forces them to carry out their activities basically through the use of cash. In these cases, regarding the difficulties shown by casinos and VASPs in accessing accounts in FIs, it is important to clarify that this does not in itself represent a problem of financial inclusion, but that FIs prefer not to have them as clients due to the ML/TF risks that these activities could represent.

449. Likewise, to mention how this is addressed, with regard to casinos, inter-agency meetings have been held since 2019 between the SEPRELAD, the National Commission of Games of Chance, the BCP, the SIB, the Association of Banks, the Association of Banks and Financial institutions (ABAFI), the National Development Bank (BNF), the Ministry of Finance, as well as with representatives of the Gaming Sector. In addition, the Cooperation Agreement between the National Commission of Games of Chance and the SEPRELAD is in force with the aim of building mechanisms for the exchange of information, training in areas of competence of both institutions, as well as an inter-agency cooperation framework agreement between the BCP, the Ministry of Finance and the National Commission of Games of Chance to coordinate and strengthen public policies, priority programs and projects, development and implementation of risk-based supervision by the different supervisors.

450. The problems of access to bank accounts, as could be seen from the interviews conducted during the on-site visit, is a risk that should be mitigated given the necessary traceability and monitoring expected from the transactions of said reporting entities clients, mainly those that could be carried out by VASPs.

Application of enhanced or specific CDD and record-keeping requirements

451. Reporting entities apply proper due diligence and record keeping measures. As for DNFBPs, some of the resolutions issued by the SEPRELAD have been recently enacted, particularly for lawyers and accountants, so it cannot yet be concluded that they are producing the full desired effect.

a) FIs

452. The FIs sector has the obligation to create a ML/TF Risk Prevention and Management Program, in which, through their policies and processes, they create and apply measures of enhanced, general or simplified CDD according to the level of ML/TF risk of their clients, products and services, distribution channels, and geographic areas. During the interviews with the reporting entities, it was mentioned that they have AML/CFT Manuals and, based on these and the regulations, the FIs apply CDD, which can be enhanced, general or simplified and includes the refusal to the opening and/or closing of accounts.

453. Below, there is a table on refusals of account opening and account closure for FIs.

Table 50. Refusals of account opening and account closure

BANKS							
No.	PREVENTIVE ASPECTS	2015	2016	2017	2018	2019	2020
1	Refusal of account opening for AML purposes	24	58	86	72	383	432
2	Closure of accounts for AML purposes	401	369	340	821	349	952
FINANCIAL INSTITUTIONS							
No.	PREVENTIVE ASPECTS	2015	2016	2017	2018	2019	2020
1	Refusal of account opening for AML purposes	4	4	1	2	6	13
2	Closure of accounts for AML purposes	0	2	6	5	16	11
EXCHANGE HOUSES							
No.	PREVENTIVE ASPECTS	2015	2016	2017	2018	2019	2020
1	Refusal of account opening for AML purposes	97	59	93	47	37	1,351
2	Closure of accounts for AML purposes	46	45	59	56	27	37
EPS PROVIDERS							
No.	PREVENTIVE ASPECTS	2015	2016	2017	2018	2019	2020
1	Refusal of account opening for AML purposes	0	0	0	2	2	6
2	Closure of accounts for AML purposes	0	4	9	11	2	9

454. During the on-site visit, it was possible to determine that the FIs are generally complying with their CDD obligations by adopting policies and procedures that include: a) prohibit their clients from opening anonymous, numbered, fictitious, or fake accounts; b) at the beginning of the business relationship, it is required to identify customers and BO by reliable means; c) register through technological means the transactions and information of its clients; in order to detect red flag indicators, due to split amounts, made with the intention of avoiding records and reports. In addition, you should individualize the operations carried out by your clients in national or foreign currency, which reach or exceed USD 10,000 or its equivalent in other currencies; d) verify the



justification and documentary support of the transfer operations sent and received, whether they are of national or foreign origin; e) implement internal policies and procedures focused on classifying clients as High, Medium or Low Risk or under another similar scheme; f) develop continuous monitoring of control tasks, which facilitate the rapid and effective detection and correction of detected deficiencies.

455. Likewise, it was mentioned that, in addition to the general information required from clients, FIs qualify the ML/TF risk of their clients in order to define the type of CDD and monitoring to be applied. In this sense and based on their established obligations, they consider the following risk factors: PEP client, products and services, distribution channels, and geographic areas. Reporting entities apply an enhanced CDD to PEPs, NPOs, and high-risk customers.

456. The reporting entities keep for a minimum period of five years the documents, files and correspondence that prove or adequately identify the operations. The period of five years will be computed from the time the transaction was completed or from the time the account was closed.

457. Regarding the scope of the term BOs and the mandatory implementation of the procedures for their identification, financial institutions verify if the person acting on behalf of the client is authorized to do so, they also identify the client on behalf of whom they are acting, among other aspects.

458. Paraguay has products designed for clients considered low risk and whose main objective is to promote financial inclusion. For example, in the case of EPS providers, whose purpose is to process, manage and/or provide services to electronic means of payment through telecommunications services, a maximum limit of up to 3 minimum wages (approximately USD 1,000) is established, and the wallet's own platform is used for this purpose. If said transactional threshold is exceeded, the account passes to the platform of a financial institution who is in charge of carrying out the CDD process. In the case of clients who do not comply with the CDD process, they are immediately unsubscribed, or the business relationship does not start. The operation of EPS providers is limited to the Paraguayan territory because they can only be ordered within the national territory.

459. Although the FIs carry out CDD, in the interviews conducted with some sectors, observations that have been made regarding the quality of CDD were mentioned, in addition to the fact that sanctions have been applied in this regard, specifically to banks, financial institutions and exchange houses. Due to the foregoing, it is considered necessary to monitor these FIs by supervisors for continuous improvement and strengthening of the actions implemented with respect to their CDD obligations.

b) DNFBPs

460. During the interviews carried out during the on-site visit, it was possible to corroborate that DNFBPs are generally complying in practice with CDD measures, such as: appoint a Compliance Officer, who, in turn, is constituted as a link with the SEPRELAD; possess policies and procedures on AML/CFT matters; prohibit their clients from opening anonymous, numbered, fictitious or fake



accounts; identify their customers and beneficial owners; establish an extended DD procedure for PEP clients.

461. In terms of record keeping, DNFBPs, except for lawyers and accountants, comply with this obligation to keep records for a minimum period of five years of the documents, files and correspondence proving or adequately identifying the operations. Namely, for the real estate sector, during the on-site visit, it was possible to verify that this measure is implemented, being that for the operations that are carried out by means of bank transfers or also in cash, in all cases the corresponding backups of the origin of the resources are requested and kept.

462. In the casinos of Paraguay, due to the characteristics inherent to the operation of this type of business, normally the analysis of the CDD is done after the participation of the client. The customer loyalty cards are the main method used for record maintenance. Regarding the payment of the prizes, for which it is not necessarily required to complete the CDD analysis, which, as explained, is normally done after the participation of the clients, and all payments are made in cash, never by bank or other kind of transfer. Customer identification forms designed by the SEPRELAD are used.

463. In the case of lawyers and accountants, the application of CDD measures and the maintenance of records could not be verified given the recent implementation of their AML/CFT obligations. As for notaries, there is ample room for improvement in the implementation of preventive measures, particularly considering that the CDD and the registry of operations is done when the threshold of USD 50,000 is reached, a threshold that is not based in any technical study that justifies its adoption.

c) VASPs

464. In relation to the VASPs, at the time of the on-site visit, it was not possible to corroborate that they are already applying measures related to specific or reinforced CDD, nor in relation to record keeping.

Application of enhanced CDD measures

a) FIs

465. In compliance with the provisions of the Paraguayan legislation, as well as the AML/CFT Manuals that each FI should have, during the on-site visit, it has been possible to corroborate that, in general, the FIs apply the following enhance DD measures: a) Obtain additional information about the client: occupation, equity volume, information available through public databases, internet, others; b) Obtain additional information about the character that is intended to be given to the commercial relationship, c) Obtain information about the reasons for attempted or performed transactions; d) Verify, in situ, the existence and activity of the client, in order to verify the veracity of the information provided by them; and, in those cases in which the Entity does not carry out said verification, it should justify in writing in the client's file the well-founded reasons for such decision; e) Constantly monitor the development of the business relationship. The aforementioned enhanced CDD measures are implemented by the FIs in the case of their correspondent banking



relationships, especially for the cases of the FIs in which the regulations of their parent companies so establish and/or have even more robust regulatory frameworks than those existing in Paraguay.

466. The effective compliance with these measures is recorded in the files of each of the clients, which are periodically updated in view of the constant monitoring that should be given to the business relationship. Intensified DD measures are implemented, considering the risks posed by commercial and/or transactional relationships carried out with natural/legal persons located in destinations considered to be at risk, or due to calls from international organizations, as well as operations carried out by individuals listed in the different international lists. It was verified that the FIs are familiar with the list publication mechanism carried out by the SEPRELAD on its website. Likewise, the FIs have automated systems for the detection of coincidences with the UN lists and their consequent reporting, and no coincidences have been presented with the UNSC lists to date. If it is impossible to adequately complete the CDD process, the following specific consequences shall take place: i) the account should not be opened, or the business relationship should not be initiated; ii) the transaction should not be conducted; and iii) the account should be closed, or the relationship should be terminated.

467. Regarding PEPs, the FIs supervised by the SIB generally apply the following measures: a) establish an enhanced CDD for PEP clients; b) PEP clients are considered high risk clients; to that end, senior management approval is obtained to establish or continue the business relationship; c) establish an enhanced CDD regarding the transactions conducted with the entity; considering, in addition, their partner and relatives up to the second degree of consanguinity or affinity and related persons, these being understood as those economically dependent on the PEP, including their agents, and legal companies where at least the PEP has 10% of the shares. This condition applies to nationals, foreigners, and international organizations; d) establish the necessary procedures to identify the origin of the funds and wealth, continuous monitoring, among other measures.

468. The effective implementation of said measures, just as the FIs have been doing it, as could be corroborated through the interviews carried out during the on-site visit, is of great importance, in view of the threats of corruption to which Paraguay is exposed.

469. With respect to new technologies, the FIs, in general, are applying the following: a) knowledge of new services or products that the entity offers, in order to analyse the risks of ML/TF/PF that they could represent, by updating the ML/TF/PF prevention policies and procedures, new products should necessarily be considered with a higher level of risk than products already marketed; b) they take into account the changes that may arise in them. In this sense, it is analysed whether these variables have increased the level of risk of the product in question and the opportunity to calibrate them.

470. In terms of TFS, FIs have procedures in place for the freezing of funds and financial assets, considering the UNSCRs and the revisions to their listings. For higher risk countries, red flag indicators are established for operations related to higher risk countries or territories and tax havens

471. Regarding wire transfers, the FIs: a) continuously verify the justification and documentary support of the transfer operations sent and received, whether of national or foreign origin; b) they



implement an enhance DD, in addition to the necessary procedures, in order to identify the transfer operation carried out for the payment to foreign suppliers, and know if it is related to the economic activity of the client, with the expected volume of operations and their data and information, which are available in the entity.

472. The insurance, securities and cooperatives sectors implement enhanced CDD measures similar to those of the banking and financial sectors, which, in the opinion of the assessment team, represents a positive aspect that contributes to the pursue of an effective AML/CFT system.

473. In Paraguay, there are several tools offered by the private sector to facilitate compliance in AML/CFT matters (local and international) which, in order to facilitate CDD, offer access services to databases, which include the lists of the UNSC and the PEP list (positions) prepared by the SEPRELAD (by way of example, we can mention World Check and World Compliance, among the international ones, and Sebadoc and Dynatech, among the local ones). Due to the cost that these tools represent, basically they are mostly used by the financial sector, and many FIs have them incorporated into their own database in order to carry out real-time control, that is, at the time of carrying out each of the transactions with their customers.

b) DNFBPs

474. Actions are implemented with respect to PEPs, new technologies, wire transfers, TFS related to TF, and higher risk countries identified by the FATF with the same approach established for the entities of the financial sector but taking into account the characteristics and particularities of the reporting entities, as well as the regulatory provisions established by their natural supervisors.

475. The consolidated lists of TFS are published on the SEPRELAD web pages. Links to the UN page are available, making it easy for reporting entities to directly access the Unified List of individuals and organizations that were or are subject to sanctions. Also, to facilitate the dissemination of the FATF lists of non-cooperative countries and territories, these are published on the SEPRELAD website, where the link to the FATF page is available, which allows all reporting entities to directly access information.

476. In the case of lawyers and accountants, it was verified that compliance with their enhanced CDD obligations is limited, given the recent issuance of their regulation. In the case of the notaries, it is still necessary to deepen the development of the obligation's implementation.

c) VASPs

477. At the time of the on-site visit, it was confirmed that the VASPs are not implementing enhanced CDD measures.

Reporting obligations and tipping-off

478. According to the information provided by the country, as well as to interviews with the reporting entities, the assessment team has determined that neither FIs nor DNFBPs disclose to

clients or third parties the actions or communications they carry out when complying with the obligations established by this law and its regulations.

479. FIs have policies in their AML/CFT Manuals where they establish how to handle the report of a suspicious operation, as well as ensure confidentiality in their handling, processing, and analysis. These manuals also define the procedures to have risk matrices and alert signals and/or typologies for ML/TF risk, which have been taken from the regulations and typologies determined by the SEPRELAD.

480. Within the framework of the interviews, the reporting entities indicated their obligation to submit STRs whenever there is suspicion of any operation. It is important to indicate that the term of up to 60 business days provided by the regulations in Paraguay to carry out the investigations, prior to the formal decision to proceed with the referral of the STR, could reduce the effectiveness of the prevention system.

481. On the other hand, the assessment team was informed that the supervisors cannot see the STRs that are presented to the FIU, which can ensure that the confidentiality of the information that is being sent is maintained. In some sectors, there has been an increase in the presentation of STRs due to the inspections that are being carried out.

482. The following table indicates the total STRs filed by the financial sector and DNFBPs in the period from 2017 to the first half of 2021¹⁸. Based on this information, consistency is observed since there is a greater number of banking entities. In addition, it is important to note that, with regard to DNFBPs, the notaries sector is the one that presents the most reports and, although they are aware of this obligation as a preventive measure, they need to update their regulations and perform a technical study to justify the presentation of reports when the threshold of USD 50,000 is reached, since this impacts on whether the reports are of quality or if they have a risk basis for their referral to the FIU.

Table 51. Number of STRs from 2017 to 2021/I by sector

Sector	2017	2018	2019	2020	2021	Total
FIs	11,485	16,234	16,597	10,316	6,804	61,436
DNFBPs	68	287	502	324	314	1,495

483. On the other hand, it is important to mention that the transgression of the obligation not to disclose the STRs constitutes both an administrative and criminal offence. At the time of the on-site visit, there was no evidence of the existence of any case where the duty of confidentiality established for reporting entities has been violated, and which has warranted the imposition of administrative and/or criminal sanctions.

¹⁸ IO 6 details one table per entity.



484. In addition to this, most reporting entities have received feedback on the quality of the STRs and have participated in training with the FIU-SEPRELAD regarding these reports and how they should be presented. Notwithstanding this, a closer relationship with DNFBPs is necessary in order to improve the information that is sent.

Internal controls and legal/regulatory requirements impeding implementation

485. In relation to the application of internal controls and procedures, FIs, which have internal audit departments, should approve the annual work program of the Internal Control Unit. To this end, the internal audit should implement control programs to verify compliance with the ML/TF/PF prevention policies and procedures, considering the risks and current regulations for this purpose.

486. The External Audit annually examines the ML/TF/PF prevention programs and issue a report to be submitted to the FIU-SEPRELAD, within a maximum period of sixty (60) days after the end of each audited year.

487. FIs should designate a Compliance Officer, with a managerial hierarchical level rank, who will report organically and functionally to the Entity's Board of Directors or similar body, as well as a substitute thereof. The official designated as compliance officer should have suitability and proven experience in the area of ML/TF/PF prevention. At the proposal of the Compliance Committee, after verifying the personal and professional profile, the Entity should appoint a compliance officer in each branch, agency, auxiliary credit institutions or similar.

488. Also, the Entity should form a Compliance Committee, which should be made up of a minimum of two (2) members of the Board of Directors, the Compliance Officer and any other member considered by the Entity.

489. In this sense, in the AML/CFT Manuals of the FIs, "Know Your Employee" policies and continuous training are included for officers, employees, directors and other representatives; they are also required to prepare an Annual Training Plan. The Entity's AML/CFT training program should be aimed at all employers, administrators, employees, attorneys-in-fact, and non-banking correspondents.

490. At the level of financial groups, based on the use of risk matrices, clients are stratified in CDD processes, and they have AML/CFT guides and programs that describe the different procedures and controls that each of the member companies of these groups should comply with. Likewise, the additional controls established by the parent companies in their programs are implemented in the cases of FIs that are part of international financial groups, which could eventually have more refined regulatory frameworks updated to the most recent international practices.

491. DNFBPs are required to appoint a Compliance Officer, who is the person in charge of controlling the proper implementation and operation of the AML/CFT System, in accordance with the regulations in force for each of the sectors.



492. Taking into account the special characteristics of certain sectors, where there are many reporting entities that work individually, it is established that the position of the Compliance Officer may be vested in the owner.

493. Reporting entities are required, in applicable cases, to have both internal and external audits. In relation to the internal audit, the sector implements programs in order to verify every six months the reasonableness of the prevention, detection and reporting systems, and a semi-annual report on the results is sent to the natural supervisor and/or the SEPRELAD, which are received in this Secretariat of State on a semi-annual basis.

Conclusions of Immediate Outcome 4

494. The banking, financial, insurance and securities sectors show greater robustness in the application of preventive measures, especially in terms of DD measures to verify customers, identification of BO and continuous monitoring. With regard to DNFBPs, the application of these measures is not yet so robust, given that the vast majority of the regulations with an RBA applicable to the sector have been recently enacted. In the case of notaries, an update of the 2013 regulations has not been presented, which does not establish all the preventive measures that are required, since knowledge of their obligations and the application of measures is limited.

495. Regarding the filing of STRs, although there is a high understanding of their usefulness and reporting entities have received feedback on it, statistics indicate that they are basically concentrated in the banking and financial sector. The term of up to 60 business days provided by the regulations in Paraguay to carry out the investigations, prior to the formal decision to proceed with the referral of the STR, could reduce the effectiveness of the prevention system.

496. Reporting entities generally have AML/CFT Manuals and procedures, which include an RBA. However, the DNFBP sector presents ample opportunities for improvement in terms of monitoring, which allows the detection of unusual operations and the subsequent issuance of STR. Based on the above, **Paraguay presents a moderate level of effectiveness for Immediate Outcome 4.**

CHAPTER 6. SUPERVISION

Key findings and recommended actions

Key findings

- The supervisors have an AML/CFT supervisory framework that allows them to have licensing and registration controls. This prevents criminals and associates from having a stake in the financial and non-financial sectors.
- Paraguay has the tools to identify violations of licensing requirements and is empowered to reject licenses or registrations to those who do not comply with them.
- Financial sector supervisors have a good understanding and identification of the ML/TF risks of the reporting entities under their responsibility, specifically in the banking sector. The SIB

and the SIS have developed SRAs since June 2016, which contain the risk rating of each entity within the sector.

- The supervisors of DNFBPs are aware of their risks to a certain degree and have implemented control mechanisms. These mechanisms are mainly present in the entities supervised by the SEPRELAD, with a difference in the VASPs and lawyers and accountants' sectors due to their recent inclusion as reporting entities.
- The country has an SRA for NPOs, money remitters, real estate agencies and VASPs. Likewise, the SEPRELAD has developed risk matrices for real estate agencies, money remitters, car dealers and NPOs, which is consistent with the level of impact that these sectors represent in the country.
- The country performs inspections in all sectors taking into consideration the risk assessments carried out. In addition, it has issued specific resolutions for the sectors so that inspections are carried out with an RBA, with the supervision of the financial sector supervised by the SIB, showing the greatest maturity, since an RBA has been in progress since 2015. Regarding the other financial supervisors, there is less implementation of supervision with EBR.
- Supervision by the SEPRELAD is at a different level of application, and there are sectors that are recently being supervised, such as lawyers and dealers in precious metals and jewellery, so the effectiveness of supervision cannot be measured in these sectors.
- In the case of notaries, the applicable regulations do not cover the obligations of an RBA, and, at the date of the visit, the AML/CFT supervision processes had a very incipient AML/CFT supervision process in place by the Supreme Court of Justice.
- Supervisors have the power to apply sanctions and remedial actions directed at the reporting entities. No sanctions have been applied to the DNFBPs. However, the remedial actions applied to real estate agencies and money remitters have had a positive impact in addressing non-compliance with AML/CFT obligations.
- The country, through its supervisory bodies, has conducted efforts to train, provide feedback and communicate to the reporting entities regarding their AML/CFT obligations and the risks under the NRA and the SRA of the sectors that have showed progress.
- There is close coordination between supervisors and, in 2019, the Board of Supervisors was created, which supports the development of the basic tools for AML/CFT supervision and improvements to their actions.
- It should be noted that, for safe deposit box rental services, money transport companies and pawnshops, financial sectors supervised by the SEPRELAD, the regulation does not fully cover AML/CFT obligations and there is no risk matrix. Notwithstanding this, their materiality, and the low impact they represent for Paraguay are taken into account.

Recommended actions

- Continue strengthening its understanding of the risks that lead to a positive impact on the supervision of all reporting entities, particularly in the sectors of lawyers, accountants, notaries, and VASPs.
- Strengthen the RBA in the supervision of the cooperatives, insurances, and securities sectors and improve its human resource capacities for specialized supervision of AML/CFT issues.



- Pursuance of the implementation process of the RBA, as well as the improvement of the actions implemented, given the recent issuance of resolutions by the SEPRELAD, particularly in those cases of recent incorporation, such as the VASPs, lawyers, accountants and other legal professionals, and dealers in jewellery and precious metals.
- Develop and implement the RBA supervision for notaries, accountants, lawyers and VASPs with appropriate intensity and frequency.
- Continue to monitor the compliance with remedial actions and apply appropriate sanctions in cases of significant or ongoing AML/CFT shortcomings, especially in the real estate and money remitters sectors.
- SEPRELAD should implement sanctioning processes consistent with the RBA supervision for all reporting entities.
- Update of resolutions for bonded warehouses, credit unions, safe deposit boxes, transportation of money values and pawnshops, ensuring that all AML/CFT obligations are addressed in accordance with the provisions of the Technical Compliance Annex.

The relevant Immediate Outcome considered and assessed in this chapter is the IO 3¹⁹. Recommendations relevant to the assessment of effectiveness in this section are R. 14, 15, 26-28, R. 34 and 35, and elements of R. 1 and 40.

Immediate Outcome 3 (supervision)

497. In the Republic of Paraguay, the regulation of the AML/CFT system is in charge of the SEPRELAD for all sectors of reporting entities and other sectors subject to AML/CFT preventive measures that have been defined by the country itself. Regarding the supervision system, Paraguay has supervisory entities in AML/CFT matters of the different reporting entities sectors.

498. In this sense, the following are supervisors of the reporting entities: the SIB, in charge of banks, financial institutions, EPS providers, exchange houses, bonded warehouses, and credit institutions; the SIS, in charge of insurance companies; both superintendencies are dependencies of the BCP.

499. Regarding the securities market, the CNV is in charge of supervising the brokerage firms, the product and stock exchanges, and the administrators of investment assets; and the INCOOP supervises the cooperatives.

500. In turn, the SEPRELAD is in charge of supervising some financial reporting entities, such as money remitters and pawnshops; as well as DNFBPs, such as real estate agencies; dealers in jewellery, precious metals and stones; lawyers, accountants and other legal professionals; and VASPs as a special category of reporting entities in accordance with the requirements of the FATF Standard. On the other hand, the country has incorporated as reporting entities under the supervision

¹⁹ When assessing effectiveness under Immediate Outcome 3, assessors should take into account the risk, context, and materiality of the assessed country. Assessors should clearly explain these factors in Chapter One of the Mutual Evaluation Report under the heading Financial Institutions, DNFBPs and VASPs, as required in the instructions under that heading in the Methodology.

of the SEPRELAD the securities transport companies, safe deposit box rental services, motor vehicles, and NPOs²⁰.

501. In the case of notaries, it was mentioned during the on-site visit that such supervision was the responsibility of the Supreme Court of Justice. In the case of games of chance or gambling, such as casinos, online casinos, lotteries, raffles, bingo, pools, electronic games of chance, sports betting, horse racing, telebingo, these are supervised by the National Commission of Games of Chance (CONAJZAR).

502. As analysed in chapters 1 and 5 on the analysis of the materiality and relative importance of the sectors, it was considered that the financial sector, with particular relevance in the banking sector, is the sector with the greatest relative importance, due to its impact, not only in the country's GDP, but also in the number of entities that are part of the sector, their materiality within the system and the number and amounts of operations and transactions carried out.

503. According to the analysis conducted by the SEPRELAD, the real estate sector and money remitters represent a higher level of exposure.

Licensing, registration and controls preventing criminals and associates from entering the market

a) Financial sector

504. In accordance with the Organic Law of the Central Bank 6104/18, banks, financial institutions, exchange houses, exchange brokers, and EPS providers require prior authorization from the BCP to operate in the financial and/or exchange sector.

505. The SIB receives requests for incorporation of entities from the financial and exchange sectors, where the background of the natural and legal persons is evaluated in accordance with the provisions of the BCP regulations. The SIB is legally empowered to recommend the Board of Directors of the Central Bank to deny or reject the requests and/or appointments received from the reporting entities. In this regard, there is a history and statistics of rejected requests for incorporation, cancelled licenses and active licenses, as shown in the following table:

Table 52. Number of requests and licenses (SIB) 2015-2021/I

Period	Requests received	Requests rejected	Licenses granted	Licenses cancelled	Active licenses
2015	3	3	3	2	66
2016	1	1	1	2	65
2017	1	-	1	1	64
2018	1	-	-	1	63
2019	1	-	1	3	59
2020	2	-	-	-	59
2021(*)	1	-	-	-	59

²⁰ The analysis of NPOs is addressed in the analysis of Immediate Outcome 10.

(*) as of September 3, 2021

Note: Take into consideration that there may be cases where the requests received in a calendar year are not necessarily approved within this same year; therefore, they are transferred to the following year.

506. The SIB, through its technical areas, verifies the origin of the funds, the financial economic capacity and the existing information about shareholders, directors, administrators and beneficiaries of the legal arrangements (information verification refers to the checking against the OFAC and UNSC lists, and available public information), whether they are nationals or foreigners. In this line, the requests for licenses should indicate the relationship of the shareholders and the participation in the capital stock, as well as provide information on the moral and economic solvency of those who will be holding positions of director and administrators.

507. In the cases in which a shareholder exercises a direct or indirect participation and who wishes to hold a position in another entity when he has a shareholding equal to 5%, they may not act as president, director, manager or trustee, nor as an accountant or internal auditor in another institution subject to the supervision of the SIB or a subsidiary thereof.

508. Considering the above, the following table indicates the number of requests rejected along with the reason.

Table 53. Reasons for rejection and cancellation of licenses (SIB) 2015-2020

Period	Requests rejected	Reasons	Licenses cancelled	Reasons
2015	3	Source of funds not verified. Executive flat unfitness. Request withdrawn by the interested party	2	Voluntary dissolution; insufficiency of capital and withdrawal of the pending request for authorization to operate as an exchange
2016	1	Unfavourable report from the technical area	2	Voluntary dissolution; suspension of activities without prior authorization
2017	-	-	1	Voluntary dissolution
2018	-	-	1	For serious offences
2019	-	-	3	Revocation of license due to capital deficit and voluntary dissolution
2020	-	-	-	-

509. Although there are still unregistered brokerage firms, the country has adopted measures since 2018 to counteract this situation. To this end, visits were made to exchange houses, brokerage firms and exchange booths in order to demand the cessation of operations in those places which lacked authorization. This procedure involved 44 unauthorized exchange locations. After the



aforementioned visits, verifications were carried out on compliance with the cessation of operations required by the SIB, and it was confirmed that all of them had ceased operations. Since the registration of brokerage firms was enabled, only 11 of the visited persons had registered as such.

510. On the other hand, with regard to foreign brokerage firms in the process of being formalized, the BCP, in coordination with the Secretary of Consumer Protection (SEDECO), the SEPRELAD, the State Undersecretariat of Taxation and the National Police, are carrying out an action plan that includes different activities in accordance with their specific competencies, such as the Broker Registry published on the BCP's institutional website, which provides a detail of the brokerage firms that are duly registered and supervised by the SIB. This confirms that the country has sought a better outreach to this sector to promote their registration and thus have a greater control over the activities conducted. At the date of the on-site visit, there were 88 duly registered brokerage firms and 54 in the process of being registered. This registration process is expected to be completed by 2022.

511. According to Paraguayan regulations, in the country only two types of institutions are authorized to carry out fiduciary business: financial institutions (banks and financial institutions) and trust companies constituted especially for this purpose. Currently, Paraguay does not have companies dedicated exclusively to carrying out fiduciary business. However, in the event that they decide to incorporate companies that are dedicated exclusively to carrying out the fiduciary business, they would have to comply with all the requirements established for other financial institutions.

512. In 2019, the BCP ordered the creation of the "registry of money credit grantors/Credit Institutions" and instructed the SIB to carry out their risk-based supervision and control. In this sense, the records of natural and legal persons came into force as of January 1, 2020. The assessment team confirmed that the same controls are applied to grant licenses with the reporting entities that are supervised by the SIB.

513. With respect to the insurance sector, these apply the DD requirements for individual shareholders, legal persons and directors of potential insurance companies that request to enter the market. In turn, it establishes the impediment that foreign companies located in non-cooperative countries in AML/CFT matters establish branches of insurance companies in Paraguay.

514. The SIS verifies the origin of the funds for the opening of the requesting company, along with the other requirements established in the standard. In 2020, a resolution was issued that empowers the SIS to approve or reject any purchase and sale of shares that in aggregate or as a whole reach 10% or more in number of shares or in votes of a supervised entity.

515. Similarly, the SIS verifies that the incompatibilities to be a shareholder, director or hold a position in the supervised entity are reviewed, among which stand out being located in non-cooperative countries, in tax havens, if they are included in the OFAC, UNSC or other similar international organizations' lists, having exercised control over a financial institution with a license withdrawn due to irregularities, those disqualified by the BCP, those convicted of financial offences, ML/TF or any punishable act of economic, tax or counter heritage nature, among

others. Likewise, it verifies the origin of the funds for the subscriptions, acquisitions or transfers of shares, together with the other requirements established in the regulation.

516. Regarding the list of shareholders, entities should identify their beneficial owners (if they have legal persons as shareholders), state the nationality and domicile of their shareholders and indicate the degrees of kinship between them (if applicable). These records are sent by the entities on a quarterly basis or when any variation occurs.

517. Likewise, the SIS requires reports related to the knowledge of the origin of the funds of the shareholders or new shareholders, capital increase, or transfer of shares, for the requests for approval of the sale of shares by the companies and they constitute a complement in said assessments.

518. The reporting entities, under the supervision of the SIS, also implement a CDD policy of their directors, managers and employees within the new, permanent, and temporary employee recruitment and selection system, thus ensuring their integrity. This information is made available to the SIS.

519. Paraguay currently has 33 active insurance company licenses, and from 2016 to 2021 they have had 11 sales of shares greater than 10% and 2 mergers corresponding to 2020 and 2021.

520. With regard to the securities market, the CNV is empowered to issue licenses to brokerage firms, stock exchanges and investment fund administrators, for which it has a Securities Market Registry. In the process of granting licenses, the CNV verifies the BOs, as well as the background of new shareholders and main officials and executives using data sources from the police, the judiciary and bodies. However, the verification of the origin of the funds of shareholders and main officials of the reporting entities is not clear.

521. Regarding the issue of licenses granted in the securities market, from 2015 to 2021, 13 licenses were received and approved to operate in the different categories of reporting entities. From 2015 to date, no licenses have been rejected to the reporting entities that are part of the securities market.

522. Regarding the cooperatives sector, the cooperatives of Paraguay have been incorporated through a private administrative act (meeting called by the organizing committee and the preparation of the respective private instrument). Paraguayan regulations establish that legal recognition should be requested and reported to the INCOOP. The INCOOP is empowered to authorize the operation of all types of cooperatives and register them in the registry under its responsibility, indicating that they have been legally incorporated.

Table 54. List of Registered Cooperatives by Type and Sector

Type	Production	Savings and Credit	Other types	Central	Federations	Confederations	Total
A	24	51	5	3	-	-	83
B	13	65	8	4	-	-	90



C	126	342	90	11	-	-	569
EIPG	-	-	-	-	6	2	8
Total	163	458	103.	18	6	2	750

523. Cooperatives unite members equally and are managed democratically with the rule of “one member, one vote”, regardless of the capital they contribute to the cooperative. The profits generated are reinvested in the cooperative or returned to all members. By regulation, all cooperatives that are initially created are classified as C and may only collect savings from their members, with the express authorization of the INCOOP, and during this process, said entity establishes a minimum collection program that cooperatives should meet and other requirements so that when these obligations are completed, they can receive authorization to collect savings.

524. For the knowledge of members of the Management and Control elected bodies, employees and collaborators, the National Institute of Cooperativism verifies that the reporting entities implement a CDD policy of their directors, managers and employees within the new, permanent, and temporary employee recruitment and selection system. Within these DD requirements, the sworn statement of assets and other income, other than those received from the employment relationship with the reporting entities and the credit situation, stand out. These documents are additional to the Certificate of Judicial/Criminal Records, the Certificate of Police Records, the Certificate of Interdictions and the Certificate of not being in Call for Creditors or Bankruptcy. Likewise, when the member initiates the financial relationship (request to open a savings account, request for credits, credit cards) with the cooperative, a documentation verification procedure is conducted, which includes the Statement of Assets and Origin of the Funds.

525. The INCOOP, through supervision, detects anomalies, deficiencies or breaches by cooperatives, which trigger administrative proceedings and the subsequent withdrawal of legal status, if applicable. In this sense, in the 2015-2020 period, 112 legal status have been withdrawn and 31 entities have been cancelled.

526. By virtue of the foregoing, it can be seen that the licensing and registration process carried out by financial supervisors prevents offenders and their associates from owning or being the BOs of a significant or majority stake in FIs, or from occupy an administrative position in them.

b) DNFBPs and other reporting entities supervised by the SEPRELAD

527. The National Commission of Games of Chance (CONAJZAR), a technical agency dependent on the Ministry of Finance, is in charge of planning, controlling, monitoring and supervising the activities of natural and legal persons that operate games of chance and issues prudential regulations on the different types of games of chance, permitted by law, also including supervision in matters of AML/CFT.

528. The authorization of casinos is given by public bidding carried out by the National Commission of Games of Chance. The gaming rooms in exclusive premises for electronic gaming machines are authorized by the Municipalities. The National Commission of Games of Chance performs the verifications at the time of the request for registration with the National Registry of



Operators of Games of Luck or Chance. It should be noted that the National Commission of Games of Chance is empowered to proceed with the administrative-preventive closure of exclusive gaming venues in cases where it detects that they do not have authorization or are operating games of chance for which they were not authorized.

529. In the case of casinos that operate without a license, the country indicates that all unauthorized premises (illegal casinos) are to be immediately closed. In this context, the National Commission of Games of Chance, within the framework of its attributions, carries out verifications, either ex officio or based on complaints, in cases of exploitation of clandestine games of chance, and, if the illegal activity is verified, administrative closure and the corresponding complaint before the Attorney General's Office takes place. Considering the above, during the assessed period (2015-2021), the National Commission of Games of Chance conducted 889 audits and closed 371 gambling establishments.

530. It is important to point out that the concession of the different types of games of chance (lotteries, pools, casinos, bingos, others) is subject to a bidding process, taking into account that the fees paid are part of the income received by the Paraguayan Government. Within the specifications of the bases and conditions for the granting of games of chance, several documents are requested, among which the certificate of police and judicial records and other documents (sworn statement of assets and funds) stand out, through which it may be demonstrated that they have not been convicted for ML/TF or another previous offence, and the request may be denied. It is also provided that, in the event that the concession has been granted and if during it one of the directors, partners, shareholders, or investors is convicted of ML/TF, the license is withdrawn.

531. The National Commission of Games of Chance expressly provides in the Bidding Terms and Conditions, as well as in the signed concession contracts for the exploitation of games of luck or chance, the duty of compliance of the awarded companies with the AML Law, and the regulations issued by the SEPRELAD.

532. By virtue of the foregoing, a total of 38 companies and authorized games are currently authorized, of which 5 are physical casinos and 16 are online casinos.

533. On the other hand, the SEPRELAD implements an administrative registry for reporting entities under the supervision of the General Directorate of Supervision and Regulations of this entity in matters of AML/CFT. The registered sectors are:

FIs, DNFBPs & VASPs

- Money remitters
- Pawnshops
- Safe deposit box rental services
- Real estate agencies
- Dealers in jewellery, precious metals and stones
- Lawyers, accountants and other legal professionals
- VASPs

Other reporting entities designated by the country

- Art works and antiques, philatelic or numismatic investment
- Securities transport companies
- Motor vehicle
- NPOs

534. The main objective of the registry for reporting entities is to identify the BOs or those who control the reporting entity, depending on the type of organization, and it is carried out by requesting specific general data and information. For natural persons, this information consists of a registration request note, identity card or passport, RUC, municipal or commercial license and a sworn statement with the name of the financial entities with which they operate. In the case of legal persons, in addition to the above documents, the bylaws and their amendments, updated meeting minutes, certificate of BO before the General Directorate of Legal Persons and Arrangements and Beneficial Owners are requested.

535. The information collected is compared with other data from open and closed sources to which the supervisory body has access. If risk profiles are identified, more information is collected either from the reporting entity itself or from the competent intelligence areas or authorities, such as the General Directorate of Strategic and Financial Analysis (DGAFE) of the FIU. In the event that the reporting entity identified as having risks continues with the registration request, the Highest Institutional Authority (MAI) and the SEPRELAD intelligence area are informed of the identities and the red flag indicators identified during the document analysis process.

536. In this sense, in the period covered by this assessment, a total of 3,529 reporting entities are registered in the SEPRELAD records, as detailed below:

Table 55. Reporting entities registered

FINANCIAL INSTITUTIONS			
Reporting entities	SEPRELAD Resolution	LICENSES-REGISTRATION	NUMBER OF REGISTRATIONS
Money Remitters	176/2020	Ministry of Finance - State Undersecretariat of Taxation (SET), SEPRELAD	13
Pawnshops	265/07 and 267/07	Municipality, SET, SEPRELAD	27
Safe deposit box rental services	220/14	Municipality, SET, SEPRELAD	9
DNFBPs			
Real estate agencies	201/2020	Municipality, SET, SEPRELAD	1658
Dealers in jewellery, precious metals and stones	222/2020	Ministry of Finance-SET; Municipalities-commercial license; Ministry of Labour, SEPRELAD	162
VASPs			
VASPs	314/2021	Ministry of Finance - SET, SEPRELAD	5
OTHER REPORTING ENTITIES			



Transportation or storage of securities or money values	208/14	National Police, BCP, SEPRELAD	10
Importers of and dealers in motor vehicles	196/2020	Ministry of Finance-SET; Municipalities-commercial license; Ministry of Labour; Customs; SEPRELAD	1642
Antiques	Non-regulated	SEPRELAD	3
TOTAL			3529

537. In the case of lawyers, registration with the Supreme Court of Justice is required, which is in charge of supervising prudential aspects of this sector and, in turn, is empowered to apply disciplinary sanctions on issues related to the performance of their functions. Prior to granting registration, the CSJ analyses the suitability based on the verification of judicial and police records. The SEPRELAD is the supervisory body and is currently conducting outreach and training activities for the sector for compliance with their obligations.

538. To date, licences have been granted to 59,532 lawyers, but according to meetings held between the SEPRELAD and the legal sector, it has been determined that approximately 20 (twenty) firms would provide the services indicated within its regulations. In this same sense, the Paraguayan Bar Association participated in the regulation study process, this being the association that brings together independent professionals, which stated that the activities carried out by their members are those involving representation in litigation of a criminal, civil and contentious-administrative nature. In order to differentiate and specify the activities of the FATF Standard, it was established that the precepts of the lawyers' rules of procedure are expressly excluded when acting as a consultant, sponsor or trust attorney in judicial, administrative, arbitration litigation or mediation. It is possible to observe that the work of the SEPRELAD with this sector is very recent and there are not many details about the controls related to licensing or registration, nor information to verify that no violations occur in the granting of registration.

539. Notaries become holders of a Notarial Record Book after passing a public exam and going through a merit-based selection process, which involves not only a study of technical expertise, but also a verification of the suitability and integrity of the applicants, which includes a verification of police and judicial records. Notarial Record Books are created by law, according to the needs of the country, and they are numbered by the Supreme Court of Justice. There are cases in which the Supreme Court of Justice, depending on the seriousness of the case, can apply suspension sanctions of up to six months, but, as could be observed, these sanctions are not applied in cases of non-compliance with AML/CFT obligations. In addition, pursuant to the regulations, the reiteration in the causes of suspension may determine the removal of notaries from office and the Supreme Court of Justice may warn the notary public for irregularities in the performance of their duties.

Supervisors' understanding and identification of ML/TF risks

a) Financial sector

540. Paraguay carried out two NRAs, one in 2016 and its update in 2018. Similarly, in 2020, it carried out a TF NRA. The supervisors participated in the NRA process and are aware of the

results of said assessments, which have been taken into account by the financial supervisors for the understanding of the risks of the AML/CFT system and their dissemination to the reporting entities.

541. In this sense, the SIB carries out data collection and analysis processes, which, in addition to the NRA reports, help them understand the risks of the system. Among the sources of information used are: information from the supervised entities (for example, the threats and vulnerabilities identified in the self-assessment of the entities; information on customers, products, and services; distribution channels and areas where they operate), FATF typologies, red flag indicators taken from the sanctions imposed by the BCP, publicly available information and the opinion of experts, in order to determine the areas of greatest exposure to ML/TF risks.

542. As a result of risk management, there is a Risk Matrix that qualifies the inherent risks (Low, Medium, Medium-High and High) and the mitigating ones (Very Weak, Weak, Acceptable and Strong) to finally establish the risk residual (Low, Medium, Medium-High and High), thus determining the risk profile of each entity.

Table 56. Risk profile of the entities supervised by the SIB as of 12/31/2020

Residual Risk Level	Amount		
	Banks	Financial institutions	Exchange houses
Low	1	-	-
Medium	3	2	14
Medium-High	8	6	-
High	5	-	12
Total	17	8	26

543. In the case of other types of entities with special laws that, according to the risk analysis, are identified as having less exposure to ML/TF risk, such as EPS providers, bonded warehouses and credit institutions, off-site and on-site inspections are planned according to the particularities of each of these entities.

544. Regarding the insurance sector, the risk matrix rates the risks using the same indicators as the SIB; in this sense, 5 insurance companies are low-risk, 18 are medium-risk, 9 are high-risk and 1 has been rated as very high-risk. Furthermore, the SIS has identified that life insurance with savings or investment components are not significant in Paraguay, as they represent 0.11% of the total volume in the market in Paraguay. This product is not developed in the Paraguayan market and is only marketed by one insurer with foreign capital. Insurance companies, whether national or foreign, can only carry out operations in Paraguayan territory with prior authorization from the SIS.

545. According to the NRA, the main threats that can be linked to the operations of the insurance sector are corruption and smuggling, which could materialize in surety operations and transportation insurance. Regarding the latter, for the payment of indemnities, clients are required to present purchase invoices for the transported goods. In addition, the SIS has a Supervision Manual and a Risk Matrix prepared based on the data submitted by insurance companies to the SIS information system, considering the main risk factors to which their reporting entities are exposed.

546. Regarding the cooperatives sector, the INCOOP issues a regulatory framework for each type of cooperative, whether it is of savings and credit, production, services or of another type, and establishes the levels of supervision through the classification and compartmentalization of cooperatives. In this sense, the INCOOP has three levels:

- First Level- Type “A” entities, made up of cooperatives with total assets greater than USD 7,208,579
- Second level- Type “B” entities, made up of cooperatives with total assets from USD 720,857.88 to USD 7,208,579
- Third level- Type “C” entities, made up of cooperatives with total assets of less than USD 720,857.88

547. Considering the foregoing, entities of Type “A” loans within the aforementioned sector are the ones with the highest risk, since there are Savings and Loans, and therefore have greater regulation and control. These entities are of greater risk since they concentrate a participation of 95.5% of total assets. It is possible to observe that, derived from the recent incorporation of the RBA in this sector, the matrices present opportunities for improvement in their refinement; therefore, the assessment team understands that, given that the INCOOP supervision program divides the supervision processes by type of entity, and this derives from the amounts of total assets, it would be important to take into account other factors to measure the level of supervision than just total assets.

548. For the securities sector, the risk-based supervision methodology has been in force since 2017. In this sense, the CNV collects information every six months. This methodology considers three parameters: (a) ML/TF risks, as well as the policies, internal controls and procedures associated with reporting entities, as identified by the supervisor's assessment of the risk profile of each reporting entity; (b) the ML/TF risks present in the country; and (c) the characteristics of reporting entities, especially the diversity and number of entities in this sector.

Table 57. Information on Classification by semester of the CNV, according to the ML/TF Risk - Net Risk and/or Residual Risk (2017-2020), indicating the category of the reporting entity

Reporting entity (By category)	Semester	Low				Medium				High				Very high			
		17	18	19	20	17	18	19	20	17	18	19	20	17	18	19	20
Fund Managers	1 st	0	0	0	0	1	2	4	4	0	0	0		0	0	0	0
	2 nd	0	0	0	0	2	3	4	0	0	0	0	0	0	0	0	0
Products and stock exchanges	1 st	1	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0
	2 nd	1	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0
Brokerage firms	1 st	1	1	3	3	6	6	8	8	2	2	3	3	0	0	0	0
	2 nd	1	1	3	0	6	6	8	0	2	2	3	0	0	0	0	0

549. The assessment team warns that the NRA carried out in 2018 does not specifically articulate the relationship between the threats and the vulnerabilities detected to derive in the

specific risks of the country. However, the SIB and the SIS have developed risk matrices since June 2016, which contain the risk rating of each entity in the sector. These matrices have considered the results of the country's NRA and form a transversal part of the risk factors identified in the risk matrices for each sector.

550. Regarding the INCOOP, actions have been carried out to understand the risks of the cooperatives sector with its participation in and contribution to the NPOs and Legal Persons SRA, which have also included the figure of Cooperatives. Additionally, the INCOOP has carried out an analysis of the risks of the sector, the results of which materialised in the implementation of the risk matrix and is in the process of preparing its SRA.

551. The assessment team considers that the financial sector supervisors have a good understanding and identification of the ML/TF risks of the reporting entities under their responsibility, specifically in the banking sector. Although the INCOOP has participated in the elaboration of the SRA of two sectors and has taken actions for a better understanding of the risks taken by the sector, during the on-site visit, it was possible to show that, due to the recent implementation of the matrix and regulations, it is necessary to continue developing a better understanding of the risks.

b) DNFBPs and other reporting entities supervised by the SEPRELAD

552. The SEPRELAD and the other supervisors of the DNFBPs, such as the National Commission of Games of Chance, participated in the NRAs and largely understand the ML/TF risks at the country level derived from these assessments. It is worth mentioning that the National Commission of Games of Chance has led efforts to understand its risks. In this sense, in 2021, it approved its Supervision Manual for the implementation of a supervision with RBA and has started the process to carry out the SRA of the sector. The SEPRELAD, as a member of the AML/CFT Inter-agency Committee, through the General Directorate of Supervision and Regulations, as a mission area of the FIU, fully participates in the NRA processes and has led the development of the SRA ML/TF for real estate agencies (DNFBPs), money remitters, and VASPs.

553. In 2019, the General Directorate of Supervision and Regulations of the SEPRELAD, made up of supervisors and sector analysts, completed the SRAs of the sectors: NPOs, money remitters, VASPs, and real estate. Likewise, it has participated in the performance of a specific study of TF risks at the national level and the SRA of ML/TF of legal persons. During the on-site visit, it was reported that Paraguay is developing other SRAs for the other reporting entities supervised by the SEPRELAD.

554. In 2020, the SEPRELAD approved the risk-based supervision manual for reporting entities under its jurisdiction. Each sector has a matrix prepared by the SEPRELAD that measures the risk level for all reporting entities under its supervision.

555. It should be noted that in the risk matrices, the inherent risk factors and variables are determined and weighted differently according to the risks identified for each sector, such as, for example, the real estate and motor vehicle sectors that are more associated with ML risks and

predicate offences of ML; therefore, in addition to the traditional variables, risk factors such as total volume of operations, volume of cash payments, number of clients and by geographic areas (weighted and complemented according to the results of the NRAs/SRAs).

556. Money remitters and NPOs were considered risk factors associated with TF. In the case of money remitters, the sector presents greater risks as a channel for the movement of funds for TF in accordance with the TF NRAs/SRA, which is why the factors considered were: geographic areas for fund delivery and receipt (national and international), amounts by shipping and receiving areas (national and international), and total shipping and receiving volumes.

557. In addition, the SEPRELAD has had an analytical tool since 2015 for money remitters and real estate agencies. The last adjustments were made during 2020 in the aforementioned risk matrices. In this sense, during 2020, the reporting entities with the highest risk profiles were supervised and, according to the off-site supervision forms processed until the on-site visit, the individual ML/TF risk profile of the real estate and money remitters sectors is as follows:

Table 58. Risk profile of real estate agencies and money remitters

Level of risk	Real estate	Money remitters
High	34%	44.4%
Medium	39%	22.2%
Low	14%	
No transactions	13%	33.3%

558. Based on the above, the assessment team estimates that, although an analytical tool has been available since 2015, with the 2020 updates, it is necessary to exhaust an execution period that allows assessing their effectiveness.

559. During the on-site visit, the assessment team was able to verify that, in the case of DNFbps, although the sectors with the highest risk are contemplated in the sectoral risk assessments carried out, it is possible to observe that they have a different level of understanding. As for the reporting entities, both financial and DNFbps, and VASPs that are under the supervision of the SEPRELAD, they present a low level of ML/TF risk, but it is considered that the country should keep track of these due to the eventual impact or risk that may arise.

Risk-based supervision of compliance with AML/CFT requirements

a) Financial sector

560. The SIB, in its capacity as supervisor in AML/CFT issues, is empowered to carry out on-site and off-site inspections. In addition to the regulations issued by the BCP, the SIB considers the

regulations issued by the SEPRELAD and other laws related to the supervision of its entities, in terms of AML/CFT. The SIB made regulatory changes for the application of risk-based supervision for the sectors under its supervision, which date from 2019 and 2020. Notwithstanding the foregoing, the SIB conducts risk-based supervision as of the implementation of the 2015 Risk Matrix. In this regard, data from 2016-2021 on on-site supervision and by level of risk are presented below:

Table 59. Inspections by risk levels

Period	Total Inspections (On-site)	Residual Risk Level of Supervised Entities			
		Low	Medium	Medium-high	High
2016	21	1	3	3	14
2017	31	0	15	12	4
2018	38	2	15	15	6
2019	23	0	5	13	5
2020	21	0	3	10	8
2021	15	2	6	6	1
Total	149	5	47	59	38

561. The Annual Inspection Plan considers 5 supervision modalities: i) general risk inspection, ii) horizontal inspection, iii) special verification, iv) follow-up of supervision carried out, and v) remote follow-up.

562. The results of the on-site inspections are reflected in reports and the results are sent through official notes to each entity for the corresponding corrective actions. The follow-up is carried out off-site; also, according to the sensitivity and level of ML/TF risk determined through the risk matrix and continuous monitoring, on-site follow-ups are applied. In addition, through the financial communication network, the reporting entities send a series of information that allows for the construction of the entities' inherent risk.

563. For on-site inspections, the SIB deals with them through two large groups: general and specialized supervisors. General supervision consists of continuous follow-up supervision of the entities, that is, they supervise the entities under their jurisdiction on a regular basis. This supervision verifies all types of ML/TF risks to which the reporting entities are exposed. The area of the SIB dealing with general inspections has the human resources necessary to carry out its functions (approximately 50 supervisors), and they have the necessary training in AML/CFT matters. This type of supervision is conducted through areas that are independent from the areas that have supervisors specialized in AML/CFT.

564. The general inspections verify the whole process of ML/TF risk management of the supervised party, and the mitigating factors are assessed. In addition, they are fed with information that is provided by the team of specialized supervisors. With this, the SIB aims to take advantage of the human resources that are closer to the reporting entity and verify the general aspects of the

AML/CFT system. In addition, within their action plan, they also consider the supervision conducted by those specialized in AML/CFT matters.

565. On the other hand, within the SIB, there is a specialized area (Intendancy) for ML risk management, and it has resources and specialized personnel. For this specialized process, risk management is informed by the NRA, the TF NRA, the strategic studies carried out by the supervisor, and it concludes with the elaboration of a management report.

566. In turn, the area dealing with specific inspections has experts in specific risks dedicated to their most detailed verification. Likewise, this area has a plan prepared on the analysis of the risks identified in the supervised entities. This action plan is based on the risk management carried out, and the monitoring and follow-up of the observations is carried out by the team of supervisors conducting general inspections. The ML/TF risk specialized area has a differentiated scope that refers to the scope and intensity of the inspections according to the ML/TF risk of reporting entities resulting from the risk matrix, in accordance with the off-site management that is also carried out by the area specialized in ML/TF risk. Likewise, there is a committee made up of supervisors dealing with general inspections and supervisors dealing with specific inspections, who share information to conduct risk-based supervision.

567. Now, based on the above, the type of inspections are as follows:

- a. “General” supervision, that is, a “Comprehensive” review of the ML/TF risk.
- b. “Horizontal” supervision occurs when thematic reviews of a specific AML/CFT matter are carried out in different entities, which can be performed by supervisors conducting special inspections or by them working together with supervisors conducting general inspections.
- c. “Special” supervision occurs when reviews are carried out in an entity regarding AML/CFT matters, but on certain risk elements specifically identified in said entity.
- d. “Remote Monitoring” supervision occurs exclusively off-site, through the revision of files submitted relative to the results of inspections or remote verification of particular cases in AML/CFT matters.

Table 60. AML/CFT inspections of FIs under the supervision of the SIB

Period	Type of inspection	Type of entities					Total inspections
		Banks	Financial institutions	Exchange houses	EPS providers	Other sectors	
2016	General(*)	1	3	14	-	1	19
	Special verification	2	0	0	0	0	2
	Remote follow-up (off-site)	17	9	29	-	-	55
	Total	20	12	43	0	1	76
2017	General(*)	2	4	18	-	-	24



	Special verification	1	1	5	-	-	7
	Remote follow-up (off-site)	17	9	29	-	-	55
	Total	20	14	52	0	0	86
2018	General(*)	1	-	11	2	-	14
	Horizontal	11	1	-	-	-	12
	Special verification	9	-	3	-	-	12
	Remote follow-up (off-site)	17	8	29	-	-	54
	Total	38	9	43	2	0	92
2019	General(*)	5	2	13	-	-	20
	Horizontal	3	-	-	-	-	3
	Remote follow-up (off-site)	17	8	26	2	-	53
	Total	25	10	39	2	0	76
2020	General(*)	3	1	10	-	-	14
	Horizontal	5	1	-	-	-	6
	Special verification	1	-	-	-	-	1
	Remote follow-up (off-site)	17	8	26	-	-	51
	Total	26	10	36	0	0	72

Total inspections: It includes all the entities that were subject to supervision (on-site and off-site) on ML/TF/PF issues.
 (*) General supervision includes follow-up inspections.

568. The table above shows that, although updated risk-based supervision in accordance with the regulations began in 2019 and 2020, the SIB was already conducting supervision of its sectors based on previous risk matrices. In addition, this process is consistent with the risk profile, with banks and exchange houses being the most supervised entities. It is observed that the off-site inspections remain constant in the sectors of the SIB.

569. Regarding the insurance sector, there is a manual of procedures of the SIS for the supervision of ML/TF risks. Said manual establishes the guidelines for supervision cycles, on-site and off-site inspections, ML/TF risk assessment of the sector through the risk matrix tool, among other aspects.

570. In this sense, to determine the risk profile of the supervised entities, the SIS first analyses the inherent risks off-site through statistics sent by their reporting entities. In this way, the mitigating factors implemented are assessed, which leads to the residual risk of each reporting entity (combination of inherent and mitigating risks). Regarding financial groups, the SIS is implementing verifications of policies and procedures of the 7 insurance companies linked to groups. To facilitate this process, financial groups can create the figure of the corporate OC that is in charge of implementing the economic group's prevention system.

571. From 2015 to May 2021, the SIS conducted 104 inspections. Until 2018, during these inspections only compliance with AML/CFT obligations was supervised. In 2019, with the new AML/CFT regulations, the RBA was implemented, and a general mapping of the sector was carried out. In addition to this, the SIS collected statistical data on the ML/TF risk factors of insurance companies with details of the geographic areas where their branches and agencies are located, internal and external audit reports on AML/CFT issues, lists of shareholders detailing beneficial owners, lists of employees and directors, etc. On-site inspections were conducted to supervise aspects such as adverse news from clients of insurance companies and the performance of the supervised companies, inspections in agencies of border cities (Ciudad del Este and Encarnación).

572. The assessment team could observe the great efforts made by the SIS, recognizes the level of understanding of the risks and the capacity of the personnel of said supervisory entity; however, the risk-based supervision process, taking into account the update of the regulation and the development of risk matrices, requires greater maturity to have more data that demonstrates the effectiveness of the supervision conducted by the SIS.

573. Regarding the securities sector, although in 2020, the specific regulation for this sector was issued for supervision with updated RBA, the risk-based supervision methodology has been in force in the CNV since 2017. Taking into account the results derived from it and the established risk profiles, the Annual Supervision Plan is drawn up, in order to effectively allocate the available resources. Based on the information submitted by the country, as well as the interviews conducted with the supervisor, the assessment team recognizes that the risk-based supervision process and the greater specialization in AML/CFT issues in this sector is in process of maturing.

Table 61. Information on the number of inspections carried out per year, indicating the category of reporting entities

Reporting entities (by category)	Inspections conducted (off-site and on-site)	Data corresponding to the period 2014/12-31-2019						
		2014	2015	2016	2017	2018	2019	Total
Fund Managers	Off-site	1	1	1	2	3	4	12
	On-site	0	1	0	1	2	0	4
Commodities exchange	Off-site	0	0	0	0	1	1	2
	On-site	0	0	0	0	1	0	1
Stock exchanges	Off-site	1	1	1	1	1	1	6
	On-site	0	0	0	1	1	0	2
Brokerage firms	Off-site	7	9	9	9	13	14	61
	On-site	1	6	1	9	8	3	28
Total		10	18	12	23	30	23	116

574. For the cooperatives sector, the INCOOP has the Directorate of Supervision and Control, which in turn has three Departments: i) supervision, ii) inspection, and iii) prevention of ML. The first two are in charge of general monitoring processes, that is, prudential, and the ML department is specific in terms of supervision and inspection of specific ML issues.

575. Control processes are divided into two types of activities, inspections (off-site) and inspections (on-site). As a result of the Matrix Implementation Pilot Plan, the INCOOP Resolution 22957/2020 was issued, which established the implementation of the ML/TF Risk Matrix and provides for its implementation in Cooperatives that, among their activities, carry out Savings Collection and Credit Granting. As indicated to the assessment team, a presentation schedule was established, being 09/30/21 for Type A Savings and Credit entities.

576. For auditing purposes, data from savings and loans are taken into account, since, as previously indicated, they are the ones that represent the greatest risk.

Table 62. INCOOP inspection statistics

	2017			2018			2019			2020			2021		
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C
General	6	6	1	3	10	4	0	2	4	2	0	4	0	3	2
Specific (AML/CFT)	1	0	0	0	1	1	1	0	0	1	0	0	0	0	0
Total	14			19			7			7			5		

577. It is appreciated that the specific AML/CFT inspection in type A cooperatives is greater than the rest, which is consistent with the level of risk that they represent. Since the implementation of its regulations in 2020, only 1 inspection has been conducted in these cooperatives. The monitoring of these institutions by the supervisor is deemed necessary, particularly considering that in 2021 the INCOOP started to develop an inspection plan for its entities.

578. Based on the above, there is evidence that financial supervisors apply risk-based supervision. The SIB applies supervision with an RBA since 2015, using supervisory tools and processes that have been updated under the regulatory amendments. However, while the rest of financial supervisors have supervisory tools, it is necessary to enhance their use and effectiveness by increasing human and technological resources to better monitor their reporting entities.

b) DNFBPs and other reporting entities supervised by the SEPRELAD

579. Supervision of the sectors is carried out in accordance with a Supervision Action Plan, which is approved annually by the SEPRELAD, where all the supervision scope, objectives, actions and goals are defined. In accordance with the information obtained from the SEPRELAD in the 2020-2021 period, based on the results of the SRA and the individual risk matrix, an annual supervision plan was prepared. The supervision manual that addresses two types of off-site and on-site inspections, which, in turn, can have different types of scope. The periodicity will depend on the risk level; low risk every 3 years, medium risk every 2 years, and high risk every year.

580. In order to strengthen the supervision mechanism of real estate agencies and money remitters, the SEPRELAD has a form for collecting information and a guideline for reporting entities to correctly complete the aforementioned forms. In addition, a matrix has been designed in which the data provided in the forms is entered in order to assess the risk level according to the information contained. Both the forms and their instructions are published on the SEPRELAD website.

581. According to the SEPRELAD's analysis, the real estate, motor vehicle and remittance sectors are the ones with the greatest exposure to ML/TF risks. From 2015 to date, 125 on-site inspections and a total of 622 off-site inspections. This has helped to update the individual risk profiles in each of the sectors. Notwithstanding the foregoing, for the other DNFBBs, considering what was indicated in the on-site visit and as stated in the preceding paragraphs, the RBA is extremely recent with the updating of the regulations and the development and implementation of the risk matrices (as of 2020).

Table 63. On-site inspections - SEPRELAD

No.	Reporting entities	Year								
				2015	2016	2017	2018	2019	2020	2021
1	Real estate agencies			10	2	4	4	25	8	12
3	Money remitters			0	0	1	1	5	0	12
4	Importers of and dealers in motor vehicles for sale	Supervision is contemplated from 2016 to 2020 under 2015 resolution.			6	0	4	20	10	0
5	Safe deposit box rental services	The current resolution for the sector is effective as of August 2014			0	0	1	0	0	0

582. For the rest of the financial reporting entities under the orbit of the SEPRELAD, such as pawnshops and securities transport companies, there is no further information regarding their supervision. Likewise, the assessment team indicates that the resolutions for these sectors, as well as for safe deposit boxes, do not have updates to address all AML/CFT requirements and, therefore, their supervision is done with an RBA. However, the assessment team takes into account that they are low materiality and impact sectors for Paraguay.

583. It is important to highlight the efforts that the SEPRELAD has been making to strengthen its supervision tasks; however, there are sectors of the DNFBBs regarding which no information is provided on the supervision, such as in the case of dealers in jewellery and precious stones. Although they are a small sector, the assessment team realized during the on-site visit that they do not have enough information.

584. Regarding the VASPs sector, as it is a recently incorporated sector, in order to carry out an assessment, the General Directorate of Supervision and Regulations of the SEPRELAD



completed the SRA of the VASP and the supervision process on AML/CFT is in the initial stage of development. However, in the current context of Paraguay, this sector does not represent greater materiality due to its lack of development, size and difficulties to operate in the financial system.

585. As for lawyers and accountants, the AML/CFT supervision process is in the initial stage of development by the SEPRELAD given the recently issued regulations, so the effectiveness of the process has not been verified yet. In the case of notaries, although the sector has had an AML/CFT regulatory framework since 2013, the assessment team was able to confirm that the Supreme Court of Justice, as a supervisory body, only supervises prudential and, in a somewhat incipient manner, compliance with AML/CFT issues. Therefore, it is imperative to apply a RBA in these sectors regarding their obligations as reporting entities.

586. In conclusion, DNFBP supervision has different levels of development, particularly due to the recent AML/CFT regulatory and supervisory changes implemented by the SEPRELAD. The money remitters and real estate agencies, as stated above, have a greater relative importance, while, for the rest of the sectors, they represent less materiality. Additionally, it should be noted that SEPRELAD conducted supervision for these sectors prior to the update of their regulatory framework in 2020 according to their risk profile. In the case of lawyers and accountants, the supervision processes have been recently created and their implementation has not yet been verified. In the case of notaries, it is necessary to develop risk-based supervision.

Remedial actions and effective, proportionate, and dissuasive sanctions

a) Financial sector

587. The SIB presents to the BCP Board of Directors the potential actions or omissions committed by the supervised entities that may constitute an infraction of the AML/CFT legal or regulatory provisions through administrative proceedings. All cases that refer to possible non-compliance are analysed by the supervision team of the legal area of the BCP and the SIB. Sanctions are imposed through a resolution of the BCP Board of Directors. In the period covered by this MER, the BCP has sanctioned banks, financial institutions and exchange houses with warnings, reprimands, fines, and suspensions.

588. The country provided an example of an administrative sanction imposed in 2020 by the BCP to a bank amounting to 9 million dollars for non-compliance with the review of internal policies to identify the client, as well as to identify, register and keep information related to the originator and recipient of fund transfer operations. The assessment team considers this sanction is proportional to the materiality of the failures detected in the findings of the supervision report. Additionally, the assessment team considered it is dissuasive at the institutional level since it led to the correction of the deficiencies. In addition, due to the size of the entity, it had a deterrent effect at the sector level that was reflected in the compliance behaviour of other institutions.

Table 64. Sanctions by type of entity

Period	Type of sanctions ²¹	Number of Sanctions	Type of Entity	Issues and failures identified
2015	Public Warnings	1	Exchange houses	<p>There was a lack of update of the AML manual, in the following points:</p> <ul style="list-style-type: none"> • Adapting policies to identify and know the client with documentary support, in accordance with the regulations. • Adapting procedures for automated monitoring. • Adapting procedures for AML/TF training. • Incorporating detailed red flags as provided in the regulations
2016	Public Warnings	1	Exchange houses	<ul style="list-style-type: none"> • Failure to establish in a timely manner the economic profile or transactional limit for a client. • Omission of STRs.
	Fines	1	Bank (USD 3.822.504)	<ul style="list-style-type: none"> • Deficiencies in customer identification. • Lack of STRs. • Deficiency in the warning systems. • Deficiency in the internal control procedure. • Deficiency on the Compliance Officer of the compliance committee. • Deficiency in remittance operations with respect to AML/CFT regulations. • Special identification issues for correspondents' entities. • Lack of compliance with previous observations. • Deficiency in foreign exchange operations regarding ML/TF regulations.
	Temporary Suspension	1	Exchange houses	<p>Failures in the AML system, in the following points:</p> <ul style="list-style-type: none"> • Weaknesses in customer identification.

²¹ The fines are established based on the breached operations, and may amount to up to 50% of their value. If it is not possible to determine the amount of the breached operations, a fine of up to 5,000 monthly minimum wages is applied.

Period	Type of sanctions ²¹	Number of Sanctions	Type of Entity	Issues and failures identified
				<ul style="list-style-type: none"> • Adjustments to the transaction registration system. • Lack of suspicious transaction reports on the selected sample. • Need to adapt internal control procedures.
2018	Warning Notice	1	Bank	<p>Observations on the PLD system, on the following points:</p> <ul style="list-style-type: none"> • Failure to update the client's profile. • Need to adapt the customer due diligence procedures in transfer operations
	Fines	1	Bank (USD 3.427.417)	<ul style="list-style-type: none"> • Non-compliance with regulations. • Inconsistency on generating red flags and management. • Insufficient monitoring of high-risk products such as wire-transfers.
		1	Bank (USD 93.742)	<p>Weaknesses in the AML system, in the following points:</p> <ul style="list-style-type: none"> • Adjust transaction monitoring and red flags. • Update the client's profile. • Need to adapt customer due diligence procedures in transfer and exchange transactions. • Need to adjust customer risk classification parameters.
2019	Temporary Suspension	1	Exchange houses	<ul style="list-style-type: none"> • Failure on filing the STR in time. • Failure on developing in time the transactional profiles of the clients. • Breach of CDD obligations.
2020	Fines	1	Bank (USD 9.647.799)	<p>Failures in the AML system, in the following points:</p> <ul style="list-style-type: none"> • Lack of STRs on the selected sample. • Failures in applying due diligence in international wire-transfer transactions, on the selected sample. • Need to adapt policies and procedures.
2021	Fines	1	Bank (USD 1.544.714)	<p>Failures in the AML system, in the following points:</p> <ul style="list-style-type: none"> • Lack of STRs on the selected sample.



Period	Type of sanctions ²¹	Number of Sanctions	Type of Entity	Issues and failures identified
				<ul style="list-style-type: none"> • Failures in applying due diligence in international wire-transfer transactions, on the selected sample. • Failures on the identification of the BO. • Failures on the verification of the proceed of the funds in the client's transaction.
TOTAL		10	USD 18.536.176	

589. According to Table 64, from 2015 to 2021 the number of sanctions imposed by the BCP to the reporting entities supervised by the SIB, amounts to a total of 10. The total of the sanctions is of USD\$18,536.176 for fines applied for non-compliance with AML/CFT regulations. The assessment team was able to prove that the sanctions are proportional to the deficiencies found in the supervision processes as explained above. Additionally, it was found that most of these sanctions were implemented to banks that represent greater material weight and impact at the national level. With respect to exchange houses, temporary suspensions can be applied. These involve a cessation of operations up to 60 days, which imposes an economic impact on these institutions. These measures are deemed by the assessment team to have a dissuasive effect.

590. It is worth mentioning that, in the sanctioning process, including the administrative one, the possibility is foreseen that the sanctioned subject may appeal in different instances in order to obtain a review of the ruling and its compliance with the current legal precepts. In this context, all resolutions issued in administrative proceedings by the BCP can be subject to review in judicial instances—specifying that in the Paraguayan case—these are reviewed by the Contentious-Administrative Court and ultimately by the Supreme Court of Justice; the appeal proceeds against the judicial resolutions dictated in the course of the judicial process.

591. By virtue of this, according to information obtained during the on-site visit, some institutions appealed the fines. However, at the time of the on-site visit, only 10% of all fines were revoked.

592. The assessment team considers it important to highlight that Paraguay not only apply economic sanctions, but other corrective actions have been imposed such as public reprimands, temporary suspensions and warning notes. These sanctions have been imposed on financial reporting entities that represent the greatest materiality in the Paraguayan context, such as banks and exchange houses. According to the information provided by the country, it is noted that there have been no recidivisms in the event of non-compliance. In addition, the sanctions imposed by the financial sector are made available on the BCP²² website, regardless of whether they can be revoked. This implies a dissuasive factor because of the reputational risk for the sanctioned entities.

²² <https://www.bcp.gov.py/registro-de-sanciones-i771>

593. In the case of the insurance sector, 35 insurance companies, 54% (19) have received warning notes, 44% (15) have been sanctioned with a reprimand notice and (10) 30% have been sanctioned for recidivism for minor matters. The reasons for the sanctions are related to the lack of client classification and profile, lack of provision of information, inadequate DD of the personnel in administration positions and internal rules of procedure.

594. Regarding the cooperatives sector, from 2017 to 2021, 112 sanctions consisting of administrative fines have been imposed on reporting entities, which are mostly for late submission of documentation, and which amount to USD 6,875.04 in total. These sanctions were applied to type A entities that represent the largest and most risky in the country.

595. Regarding the CNV, observations of deficiencies are communicated to the reporting entities through notices. The reporting entities are required to implement measures to correct deficiencies and/or prepare an action plan. CNV has statistics to demonstrate the modification of behaviour by of those entities. During the period from 2015 to 2021, 174 observations have been reported on non-compliances related to the lack of updating of the compliance program and due diligence according to the regulation (some documents not filed or not updated). Of these observations, 88 have been corrected and 86 are pending.

596. In accordance with the above, it is noted that the country has applied corrective actions and sanctions to the different reporting entities of the financial sector, which leads the assessment team to conclude that beyond the applied economic sanctions, there are other types of corrective actions that have been effective in remedying non-compliant behaviour. In that sense, the sanctions are deemed effective, proportionate, and dissuasive in the context of Paraguay.

b) DNFBPs and other reporting entities supervised by the SEPRELAD

597. In the DNFBP sector under the regulation of the SEPRELAD, the assessment team was able to verify that there are no economic sanctions imposed. However, remedial actions such as recommendation notes were observed as having an effect in addressing identified issues. In line with the above, the assessment team observed that Paraguay applies corrective or remedial actions instead of monetary sanctions due to the characteristics of the DNFBP sector in Paraguay, related to size, structure, business model and level of development.

Table 65. Sanctions (2015-2021/I)

No.	SECTOR	TYPE OF SANCTION	AMOUNT
1	motor vehicle	warning notice	704
2	safe deposit box rental services	licence suspension	1
3	motor vehicle	licence temporary suspension for 60 days	329

598. In the application of recommendation notes, reporting entities are required to submit an action plan or schedule in order to schedule the specific adjustments to be made. In turn, feedback and/or training is carried out for the entities in order to reinforce the understanding of their obligations in terms of AML/CFT. With the issuance of these corrective actions, the application of “Zero Tolerance” or “Zero Failure” actions is avoided in entities subject to control regarding the deficiencies detected.

599. The SEPRELAD has made 421 observations to entities, such as real estate agencies, motor vehicle and money remitters, as part of the results of the on-site visits. These have been made based on AML/CFT policies and procedures, communication of designation of compliance officers, audit programs and training in AML/CFT issues.

Table 66. Communicated observations

Observation	2015	2016	2017	2018	2019	2020	2021
Real estate							
Communicated	40	8	16	16	100	28	42
Pending	-	-	-	-	-	-	22
Motor vehicle							
Communicated		12	-	8	48	11	38
Pending		-	-	-	6	-	38
Money Remitters							
Communicated			4	4	20		26
Pending			-	-	-		-

600. From the above data to the end of the on-site visit, it was observed that 66 observations remained pending, corresponding to the 2021 period for the real estate agencies and motor vehicle sectors.

601. The assessment team concluded that, although no economic sanctions have been applied in real estate and remittance companies, there are remedial actions that seek a dissuasive and remedial effect in their AML/CFT system. Notwithstanding, Paraguay is encouraged to monitor compliance with remedial actions and apply appropriate sanctions in cases of significant or ongoing AML/CFT shortcomings.

602. In addition, there is no evidence of the application of sanctions on notaries, lawyers, accountants and VASP given that the RBA supervision is still pending of development. The



assessment team concludes that the sanctions for the DNFBP sector require improvements to be effective, proportional and dissuasive.

Impact of supervisory actions on compliance

603. In this sense, it is important to highlight the efforts made by Paraguay in the creation, in 2019, of the Board of Supervisors, which is made up of all the supervisory authorities in the country. Said Board is a technical team that supports the elaboration of the basic tools for prevention and discusses aspects of the different supervision processes and creates a collaborative environment in terms of AML/CFT supervision, an aspect that has strengthened the work in terms of supervision and action improvements.

a) Financial sector

604. As for the SIB, after the supervision processes, it monitors those supervised entities in order to measure their level of compliance. In addition, it handles statistics that allow it to measure the changes experienced by reporting entities, such as the growth of human, financial, and technological resources that are assigned to their AML/CFT systems, the number of sanctions imposed on officials for AML/CFT misconduct, the number of training sessions, number of STRs, number of alerts, CDD measures, number of observations issued and fulfilled by its internal and external audits, and the updating of internal policies.

605. The result of the supervision that the SIB performs on banks, financial institutions, exchange houses and EPS providers, is communicated to them through inspection result notes, requesting them to: a) implement the necessary measures to correct, within a certain period, the deficiencies detected and report on the progress; and/or b) prepare and execute an action plan so that, within a certain period, the necessary measures are implemented to correct the deficiencies detected; as well as, submit documentation that supports the measures adopted by the supervised entities. The aforementioned plan should be approved by the Board of Directors of the supervised entity and submitted to the SIB within the established term.

606. Derived from the FIU statistics, it is observed that the reporting entities supervised by the SIB represent more than 90% of the STR. Likewise, information provided by the FIU demonstrates the increase in the quantity and quality of analysis made by the preventive system of the entities supervised by the SIB.

607. The SIB has been carrying out training for its officers and staff in general, through which they are provided with the necessary guidance and become aware of the importance of complying with the obligations established in the AML/CFT legal regulations. In this sense, according to the information provided, a total of 52 training sessions were carried out for banks, financial institutions, exchange houses and EPS providers; around 5,637 persons received training, with the banks being the ones who attend these courses the most (1,332), which is consistent with the importance or impact that this sector can generate in the country's financial system.

608. Since 2016, the SIB has been collecting information on the country's main financial sectors in order to identify and assess the inherent risks existing in each one of them and as a whole, using for this purpose tools developed for ML/TF risk management. This tool qualifies the inherent risks of each entity, and the risk mitigation factors to finally establish the residual risk. Although the inherent risk ratings are updated every six months with the data submitted by each entity, the ratings of the mitigating factors present a different updating period that depends on the results of each supervision carried out; that is, as inspections are completed, the supervisory team analyses the results obtained to see if changes to the ratings of the mitigating factors of that supervised entity need to be implemented.

609. In that sense, with the implementation of this tool, FIs can be monitored in terms of compliance with their AML/CFT obligations and requirements.

610. The number of observations made in the 2016-2021 period to the supervised entities, as well as their degree of compliance is detailed below. The observations are conducted on the following internal control areas: board of directors/Corporate Governance, identification, evaluation and measurement of risks, policies and procedures, control bodies, detection and reporting system, resources, and training of the sector.

Table 67. Observations 2016-2021/I (banks)

Observation	2016	2017	2018	2019	2020	2021
Communicated	143	148	126	131	53	23
Pending at the end of each year	35	34	61	59	31	22
% of compliance at the end of each year*	76%	77%	52%	55%	42%	4%

Compliance percentages reflect the status at the end of each year, they do not carry over to subsequent years.

The supervision cycles of the entities are carried out according to those classified as net or residual risk: those of High and Very High are monitored annually, those of medium risk, every 2 years, and those of low risk every three years.

611. The observations made are mostly about the policies and procedures, as well as the control body. The assessment team recognizes the actions taken by the SIB with the aim of achieving a change in the behaviour, since 55% of the observations made in 2019 and 42% of those made in 2020 have been corrected by the reporting entities under its regulation, which is why the percentage of rectification achieved in the year of the COVID-19 pandemic is highlighted.

612. Regarding the insurance sector, the entities have ML/TF risk self-assessments, and, until 2019, policies began to be applied based on the understanding of said risks derived from the resolution issued by the SEPRELAD.

613. As part of the actions being carried out in this sector, compliance analysts have been hired to support the work of compliance officers, which is reflected in the duplication of personnel assigned to the compliance areas compared to what is registered until 2018. Likewise, the investment made by the market in training, consultancies and the acquisition of computer packages specialized in ML/TF can be highlighted. As of April 2021, the amount invested was USD 378,227, 302 training sessions were provided and a total of 3,284 officials were trained.

614. The SIS monitors those entities that have had some type of observation, as indicated in the following table.

Table 68. Observations 2015-2021/I (SIS)

Observation	2015	2016	2017	2018	2019	2020	2021
Communicated	1	11	34	7	44	13	13
Pending	-	-	-	-	-	3	8
Compliance %	100%	100%	100%	100%	100%	77%*	38%*
* At the end of the on-site visit, the pending observations were being followed up for compliance.							

615. According to the information from Paraguay and the interviews, it was observed that the SIS, together with its supervised entities, have taken measures to update the AML/CFT Manuals, taking into account that the policies should be adjusted to the risk self-assessments performed by the entities. In addition, compliance with the Annual Prevention Work Program has been increasing. Regarding the securities market, in 2020, the CNV began to conduct risk-based supervision and to demand that procedures be applied more rigorously and that the understanding of ML/TF risk by the reporting entities be verified based on their self-assessment.

616. Given the recent incorporation of the securities market sector in the Paraguayan scenario, the assessment team evidences efforts by the sector to increase its response capacity regarding risk management to its supervised entities.

617. As for cooperatives, they carry out a process of monitoring the corrective measures adopted by the entity. Most of these corrective actions are aimed at type A cooperatives, since they are considered the ones with the highest risk. It should be noted that the measures lifted in a year do not necessarily correspond to those imposed during that same year but may correspond to processes from previous years. The measures imposed correspond to application, extension and renewal; the administrative measures correspond to: Action Plan, Action Plan with Localized

Surveillance, Intervention, Corrective Measures; and the Lifted Measures may correspond to previous years, since they may be extended/renewed.

Table 69. Administrative measures in the cooperatives sector

YEAR	IMPOSED	LIFTED
2015	48	20
2016	85	18
2017	47	26
2018	80	28
2019	61	23

618. The assessment team concludes that for FIs, the impact has been measured through the controls observed as part of supervision and objective indicators derived from semi-annual statistics, such as number of people assigned to the ML prevention department, the amounts invested in technology or systems, amount of training and the updating of their manuals. Based on the observations, and follow-up by the supervisors, a positive impact can be seen in compliance with the AML/CFT obligations of their reporting entities.

b) DNFBPs and other reporting entities supervised by the SEPRELAD

619. The SEPRELAD has been evolving in terms of the type of recommendations and observations made to its reporting entities, which have gone from the most elementary to others more linked to its prevention systems. This is evidenced in a growth of the STRs, as stated in IO 4.

620. According to the information provided in IRs 6 and 4, it is worth highlighting a growth in STRs by the reporting entities, especially those filed by notaries, an aspect that draws the attention of the assessment team due to the limited application of supervision in terms of AML/CFT by the Supreme Court of Justice. However, it is equally important to consider that the significant submission of this type of reports does not imply knowledge of the AML/CFT system by the regulated parties or effective supervision by the regulator; on the contrary, it may bring with it information irrelevant to AML/CFT issues and have a negative effect on the system, especially in financial intelligence aspects. Therefore, the assessment team warns of the need to continue training in the use of technological tools (ROS WEB and SIRO) and the elements that a STR should have in order to ensure their quality. However, it is important to highlight that this was not an aspect that had a relevant weight on the part of the assessment team at the time of rating this IO.

621. Additionally, although the SEPRELAD conducts supervision of its reporting entities, particularly in the real estate agencies and money remitters sectors, for the rest of the DNFBPs it was not until 2020, with the changes made in the regulations, that a greater emphasis was placed on the risk component so that the reporting entities and supervisors were able identify, understand and mitigate risks, in accordance with the requirements and obligations in terms of AML/CFT. In addition to the recent implementation of the resolution for lawyers and accountants, of which there is little information to demonstrate compliance by these reporting entities. On the other hand, reference is also made to the other financial reporting entities, but no further reference is made



regarding actions taken by the SEPRELAD relative to these entities. However, it is appreciated that these are small and do not pose a risk to the country.

622. On the other hand, regarding VASPs, the SEPRELAD carried out a data survey in which all reporting entities were required to report on the existence of clients that, to their knowledge and within the framework of application of their due diligence processes, operate with crypto assets in any of its modalities. The data provided was used as a basis for conducting the SRA of the VASPs, in order to know the risks, threats and vulnerabilities that the execution of operations with this type of assets represents.

623. Guidelines were issued addressed to reporting entities urging them to incorporate assessment, analysis and control factors of their established or potential clients, if applicable, that are categorized as VASPs. It is worth mentioning that Paraguay has records of STRs linked to virtual assets and their providers, which reflects that reporting entities have already considered and incorporated them as a risk factor in their ML/TF prevention and mitigation systems.

624. Despite the fact that the VASPs were recently incorporated as reporting entities, the SEPRELAD has carried out efforts to raise awareness of the obligations, which is demonstrated by the registration process of 5 VASPs.

625. It is important to highlight the great efforts made by the country in terms of supervision during the COVID-19 pandemic, where these processes remained and were adapted in order to follow-up on the reporting entities. For example, the country provided information on off-site supervision to the reporting entities, as well as constant virtual communication in order to follow up on control processes.

626. The assessment team highlights the work and effort made by the SEPRELAD in terms of supervision. An approach was verified by the SEPRELAD with the DNFBPs to raise awareness of their risks, their obligations as reporting entities and they have also tried to have a communication channel to address the concerns of their reporting entities about compliance with their obligations, especially with the new regulations. In the particular case of notaries, lawyers and accountants, as mentioned above, it is necessary to develop actions for compliance with regard to this fundamental issue. In this sense, although the SEPRELAD has carried out actions to raise awareness in these sectors, it is necessary to continue these efforts to carry out the supervisory processes and generate an impact on the understanding and compliance with their AML/.

627. The assessment team concludes that for the DNFBPs, the impact has been measured by the controls in the supervision processes, through internal and external audits, and the development of manuals. In addition, the sector is required to conduct a self-assessment of the risk and on this basis establish actions to overcome the risk and develop a training plan to better embed their understanding of AML/CFT obligations.



Promoting a clear understanding of AML/CFT obligations and ML/TF risks

a) Financial sector

628. The SIB has implemented training for officials and staff in general of financial institutions, through which they are provided with the necessary guidance and are made aware of the importance of complying with the obligations established in the AML/CFT legal regulations. Likewise, it holds meetings with strategic compliance and control areas, as well as with senior management and the Board of Directors of each supervised financial institution.

629. Meetings have also been held with the unions of financial institutions (ASOBAN – Banks, ADEFI – Financial Institutions and Electronic Payment Service Providers) in order to provide feedback to reporting entities and achieve greater awareness regarding the importance of sending STRs of quality, establish some points of analysis and know their concerns.

630. In turn, the BCP has carried out programs aimed at international certification in AML/CFT matters developed by the Florida International Bankers Association (FIBA) Institute in conjunction with Florida International University. In addition, during the 2015-2020 period, 52 courses on ML/TF prevention have been given with a total of 5,637 participants.

631. The SIB, in accordance with its legal powers, has issued resolutions and/or circulars containing guidelines and recommendations that permanently promote understanding and compliance with the AML/CFT obligations of the financial institutions under its supervision.

632. In turn, the SIS has carried out training activities aimed at Compliance Officers, Directors, Managers, as well as training sessions for Compliance Officers and agents of agencies in the interior (Ciudad del Este, Encarnación and Villarrica). The thematic axes of these training sessions were understanding of what the FATF is, the scope of mutual assessment, the NRA and the need to incorporate the findings from self-assessments of insurance companies, current regulations on ALACFT for the insurance sector and weaknesses detected during inspections carried out by the supervisor.

633. Regarding the securities market, the issuance of circulars for compliance with and understanding of the AML/CFT system stands out; from 2020 to 2021 they have issued 20 circulars that promote the strengthening of the system. Likewise, training has been given on preventive measures for AML/CFT/FPWMD and RBA.

634. Regarding the cooperatives sector, from 2018 to 2021, 23 training sessions have been given, which indicates that efforts should continue for the universe of supervised entities to know their obligations within the AML/CFT system.

b) DNFBPs and other reporting entities supervised by the SEPRELAD

635. In the case of DNFBPs that had their regulatory standards modified, training and support have been carried out by the General Directorate of Regulatory Supervision. The SEPRELAD



promoted training in the standards and conclusions of sectoral studies; guides were also prepared and published on the web page, in order to support the construction of the RBA by the supervised entities. Through the guides, it was possible to share the conclusions of the risks identified by sectors, aspects to be considered for carrying out self-assessments of ML/TF risks, typology trends, and procedures to apply TFS, among other aspects of interest in the scope of AML/CFT application.

636. Regarding VASPs, the SEPRELAD carried out the specific SRA for this sector and, based on that, it disseminated the Guide of Relevant Conclusions of the aforementioned study, which was shared with all the supervisory and supervised entities and the general public.

637. The General Directorate of Supervision and Regulations has held several events consisting of meetings with representatives of the motor vehicle, real estate agencies and VASPs unions, as well as officials from strategic compliance areas (compliance officers, internal auditors, external auditors) and senior management of the different sectors.

638. Similarly, since the modification and implementation of the Data Submission and Update Forms, the General Directorate of Supervision and Regulations has provided training to the various sectors, so that they understand the importance of the data requested to establish a constant monitoring to reporting entities.

639. The results of the different SRAs were disseminated to the reporting entities through virtual training due to the restrictions imposed by the COVID-19 and they were also published on the institutional website aimed at all interested parties.

640. According to the regulations, when certain specific operations are carried out, lawyers and accountants should apply a comprehensive risk management system in AML/CFT matters. Although it is important to mention that, for the drafting of the regulations, the SEPRELAD worked with this union, which denotes an awareness of the matter, according to what was observed in the on-site visit, it was verified that there are limitations in terms of knowledge of said resolution and its correct application by the reporting entities. The foregoing denotes the need for the SEPRELAD to continue this rapprochement and feedback with said sector.

641. It is important to point out the efforts regarding communication and training to reporting entities, so that they have a clear understanding of their AML/CFT obligations, as well as the ML/TF risks. The supervisory authorities indicate that they will continue to develop actions aimed at strengthening the understanding by the reporting entities of their obligations, particularly with the recent modifications to the regulations, and the new regulations applicable to lawyers and accountants.

Conclusions of Immediate Outcome 3

642. The assessment team was able to verify, that in the case of FIs, the country has an AML/CFT supervision framework based on risk; financial supervisors have broad legal powers to carry out their obligations.

643. It is necessary to continue with the RBA maturity process, which, despite being more entrenched in the financial banking, for other financial sectors, such as the cooperatives, insurance and securities sectors it is of recent implementation, although at the same time this sector represents less materiality.

644. The country's efforts to disseminate its obligations to its supervised entities are recognized; however, it is important to strengthen these processes in those reporting entities that have recently been incorporated.

645. As for the sanctioning processes of the financial supervisors, they apply sanctions such as fines, as well as other remedial actions to their supervised entities. Additionally, the assessment team considers that these sanctions are effective and dissuasive.

646. As for the non-financial supervisors, they are in an initial stage of study and understanding of the risks of their regulated parties, especially due to the recent incorporation of the RBA for both the regulator and its regulated parties, which is why it is still difficult to determine how well the supervision of each of the DNFBP sectors is carried out. It is necessary to continue strengthening the supervision and sanction processes in those DNFBPs designated as having a higher level of risk.

647. The SEPRELAD should continue its efforts to conduct a RBA supervision in those reporting entities under its orbit, and implement the supervision and follow-up processes of the AML/CFT obligations of notaries, lawyers, accountants and VASP. Finally, although the assessment team recognizes the efforts made by the country in this matter, attention is drawn to the need for monitoring the remedial actions that have been applied to certain DNFBP and the application of sanctions in cases of significant MLA/CFT deficiencies. Therefore, it is necessary to continue developing actions aimed at reinforcing the understanding, strengthening and execution of the supervision component with a view to strengthening the AML/CFT system.

648. Based on the aforementioned, Paraguay presents a **moderate level of effectiveness for Immediate Outcome 3.**

CHAPTER 7. LEGAL PERSONS AND ARRANGEMENTS

Key findings and recommended actions

Key findings

- The improper use of legal persons and front companies for the commission of criminal activities, including ML, represents a relevant risk in the AML/CFT/FPWMD system, which was thus established by the Sectoral Study of ML/TF Risks of legal persons made in the year 2020.
- The competent authorities identify, assess, and understand the ML/TF risks to a good extent, as well as the vulnerability to which legal persons and arrangements are exposed. However, the understanding of risks within the private sector is not uniform and, in the case of some reporting entities, the risk of using more complex corporate schemes is not understood.

- The country has implemented measures to prevent the improper use of legal persons and arrangements for ML/TF purposes, such as the issuance of laws and regulations that create and implement the “Administrative Registry of Legal Persons and Arrangements” and the “Administrative Registry of Beneficial Owners”, as well as measures so that the information in said registries is available to the competent authorities, and even to reporting entities and the general public. However, these registries take a short time to be implemented from their entry into force, which could represent problems in their operation regarding the adequate protection of information.
- Access by the competent authorities to the “Administrative Registry of Legal Persons and Arrangements” and the “Administrative Registry of Beneficial Owners” is extensive, and the Treasury Legal Service signs agreements with the different authorities to materialize such access.
- Regarding the legal arrangements (trusts), in addition to being part of the aforementioned registries, only the banking and financial institutions authorized by the BCP can be constituted as trustees, which minimizes the risks, since the trustees have the character of FIs and, therefore, they are subject to the supervision and monitoring of the SIB.
- At the date of the on-site visit, due to the recentness of the measures carried out by the country, no evidence was found of the application of effective, proportionate and dissuasive sanctions by legal persons and arrangements for non-compliance related to BOs individualization communication.

Recommended actions

- Continue making efforts and approaches so that the competent authorities and reporting entities understand the risks and the extent to which legal persons and legal arrangements can be improperly used for ML/TF.
- Provide more resources to the authority that manages the Registries to ensure the proper functioning of the Systems and the security of the information, especially in terms of user registration, integrity of the stored data and robustness of the computer programs.
- Provide timely follow-up to the bearer shares exchange process and the updating of non-active joint-stock companies, in order to provide certainty to the records and the number of existing and functioning legal persons and arrangements.
- Implement and, where appropriate, calibrate the review and monitoring process derived from Resolution DGPEJBF 10/2021 to ensure that the information in the registries is adequate, accurate and up-to-date, as well as to continue with the actions for effective and timely access by the competent authorities to said information.
- Strengthen the application of effective, proportionate and dissuasive sanctions to non-compliant legal persons and arrangements.

The relevant Immediate Outcome considered and assessed in this chapter is the IO 5. The relevant recommendations for the assessment of effectiveness in this section are R. 24 and 25, and elements of R. 1, 10, 37, and 40.

Immediate Outcome 5 (legal persons and arrangements)

Public availability of information on the creation and types of legal persons and arrangements

649. Paraguay contemplates a system of publicity (registry) made up of the different legal and administrative Registries (Public Registries) i) Public Registry of Legal Persons and Associations; and ii) Public Registry of Commerce; both managed by the General Directorate of Public Records of the Supreme Court of Justice; iii) Administrative Registry of Legal Persons and Arrangements; and iv) Administrative Registry of Beneficial Owners; administered by the General Directorate of Legal Persons and Arrangements and Beneficial Owners, dependent on the Ministry of Finance.

650. The regulation of legal persons and arrangements in Paraguay is included in Law 1183/85, as amended (Civil Code); Law 1034/83, as amended (Code of Commerce); Law 879/81, as amended (Code of Judicial Organization); Law 921 (Trust Business); Law 5895/17 (Transparency in the regime of Joint Stock Companies); Law 6480/2020 (which creates Simplified Joint Stock Companies) and its Regulatory Law; Law 6446/19 (which creates the Administrative Registry of Legal Persons and Arrangements, and the Administrative Registry of Beneficial Owners of Paraguay) and its Regulatory Law. With respect to the so-called Simplified Joint Stock Companies (EAS), they are only registered with the DGPEJBF of the Ministry of Finance, but their registration is reported to the DGRP, as established in Article 3 of the aforementioned Law 6480/2020.

651. The Unified System for the Opening and Closing of Companies under the Ministry of Industry and Trade has a telephone service that provides assistance on the incorporation of companies, and the types of companies and legal persons. Likewise, the website has information available to the public on the general requirements and forms for the incorporation of companies, as well as specific information on each type of company intended to be incorporated²³. Likewise, in the case of Associations, the Ministry of the Interior publishes, on its website, the requirements that associations and foundations should meet in order to obtain legal status²⁴. Likewise, the DGPEJBF has enabled a link on its website that details the administrative process for the incorporation of Public Limited Companies (SA), Limited Liability Companies (SRL) and Simplified Joint Stock Companies (EAS), in addition to specific reference to the norms in force and that affect the incorporation process²⁵. Regarding the rest of the persons (registered associations with restricted capacity, cooperatives, etc.) and legal arrangements (trusts), even though the assessment team does not consider that there is a mechanism *per se* available to the public, the relevant laws, all of them accessible to the public, establish the types and characteristics of legal persons and the processes for their incorporation and registration, as well as for the collection and registration of basic and BO information relative to all legal persons.

²³ <http://www.suace.gov.py/index.php/tramites/>

²⁴ <http://www.mdi.gov.py/index.php/component/k2/item/2517-requisitos-para-reconocimiento-de-personer%C3%ADa-jur%C3%ADdica?tmpl=component&print=1>

²⁵ <https://www.hacienda.gov.py/web-hacienda/index.php?c=1167>

Table 70. Number and type of legal persons and arrangements in Paraguay

EXISTING LEGAL PERSONS	SET (**)	DGPEJBF (***)	CNV (****)
Partnership restricted capacity	4,942	1,931	
Partnerships that have a their object the common good		1,869	
Churches and religious denominations		859	
Public utility partnership	1,051		
Condominium	2,072		
Consortium co-owners	41		
Consortium conducting public works	47		
Temporary unions consortium	28		
Consortium joint ventures	1,557		
CORPORATE_CONTRACT_RURAL_EJT (transparent legal arrangements)	4		
Cooperative	2,140	458	
Ea em	64		
EAS (simplified joint stock companies)	568	860	
Eas unipersonal	271		
EIRL (single-owner limited liability company)	594		
Trust	2,642		
Foreign company	437		
Mutual funds ejt	5		
Mutual funds			12
Investment mutual funds ejt	7		6
Foundation	287	537	
State-owned entity	193		
Internal movements of supporters	281		
State-owned entity (municipal level)	241		
Others	3,011		
Saeca	67		44
NPO	21,490		



Public limited company	38,970	28,567	46
Collective partnership	47	18	
Simple limited partnership	45	6	
Partnership limited by shares		2	
Simple company	1,203	629	
Foreign companies		245	
Limited liability companies (SRL)	21,006	12,193	
Successions	95		
Joint production unit (UPC)	30		
University	24	84	
TOTAL	103,460	48,258	108

652. By virtue of the foregoing, the objective has been achieved to a large extent, because the information on the creation and type of legal persons and legal arrangements in the country is publicly available, although in some cases it could be more difficult to reach.

Identification, assessment and understanding of ML/TF risks and vulnerabilities of legal persons

653. Paraguay has been carrying out actions and adopting mechanisms to contribute to strengthening the understanding of ML/TF risks and vulnerabilities of legal persons.

654. The results of the 2018 NRA have been used to relate the threats identified with the corporate modalities that have served so that the FIU and the State Undersecretariat of Taxation, the General Directorate of Legal Persons and Arrangements and Beneficial Owners, the National Customs Directorate, the Ministry of Industry and Trade, among others, carry out joint actions to mitigate and repress the use of these persons.

655. Subsequently, and in compliance with the objectives of the PEEP, the authorities carried out a sectoral risk assessment (SRA) in 2020 in order to identify, assess, and understand the ML/TF risks to which the different types of legal persons are exposed in the country. This assessment had a mixed quantitative-qualitative analysis approach on the 2016-2020 period. The SRA took into account the trends, typologies, and other inputs, such as public, private, open and closed sources of information, in order to measure the real risk of the use of legal persons for ML/TF.

656. Additionally, the SRA concluded that the risk level of legal persons being used to intervene in acts of ML and predicate offences in Paraguay is MEDIUM, being the Public Limited Companies, Limited Liability Companies and Sole Traders Companies, the ones that have been improperly used as vehicles to undermine the financial and economic system of the country and introduce assets of illicit origin in a greater percentage. Regarding the TF risk, it was concluded

that it there is MEDIUM level risk, because some legal persons, such as public limited companies and limited liability companies, have been linked to or controlled by natural persons who could be sympathizers or followers of an international terrorist group; to date no collection operations or movement of funds or assets for terrorist purposes have been identified. However, the intelligence and investigative bodies have identified the threat, and given the indicated vulnerabilities of the company types under analysis, the TF risk remains at a moderate level.

657. In terms of threats and risks, the work carried out by the FIU-SEPRELAD, in conjunction with the Ministry of Finance, related to the profiling of commercial companies to determine trends and typologies can be highlighted. This work is an input that allows evaluating the real risk, especially in a context where Paraguay should converge with other countries in which the exposure to ML/TF risk in the ML/TF corporate sector can be considered higher, and mitigating the possible impact of transnational corporate operations that affect the diagnosis and effective prosecution of the phenomenon.

658. The State Undersecretariat of Taxation of the Ministry of Finance has relevant data on legal persons (joint stock companies) existing in the country, which serve as input to establish possible threats and rate their risk in terms of ML/TF. Legal persons have been classified by existing actions, as follows:

Table 71. Existing legal persons (joint stock companies)

EXISTING LEGAL PERSONS (JOINT STOCK COMPANIES)	Registered with the SET	DGPEJBF	CNV
EAS	568	878	
EAS_UNIPERSONAL	271		
SAECA	67		44
PUBLIC_LIMITED_COMPANY	38,970	28,567	
PARTNERSHIP	47	18	
LIMITED_PARTNERSHIP	45	8	
COMPANY	1,203	629	
TOTAL	41,171	30,100	44

659. As described in the table above, the companies incorporated in the country are mostly public limited companies, followed, in a smaller number, by other types, such as EAS, Unipersonal EAS, SAECA, partnerships, limited partnerships and simplified companies.

660. While the SRA on Legal Persons and Arrangements analyses the general aspects that make public limited companies, limited liability companies, and single-owned companies more likely to be misused, the analysis of inherent vulnerabilities could be more detailed. This could also be extended to other forms of legal persons that, although not as common, may face particular vulnerabilities, but the study was not exhaustive enough to reach conclusions for each of their inherent characteristics.

661. During the on-site visit, the SEPRELAD, the supervisory body of the financial, insurance and securities sectors, showed knowledge of the ML/TF risks and the vulnerabilities of legal persons, including the correct identification of their BOs.

Mitigating measures to prevent the misuse of legal persons and arrangements

662. Paraguay has been carrying out actions and adopting mechanisms to contribute to the strengthening of its prevention system. For this purpose, in compliance with objective 17 of the PEEP, the authorities carried out a sectoral risk assessment in 2020 in order to identify, assess and understand the ML/TF risks to which the different types of legal persons are exposed in the country. Said assessment had quantitative-qualitative approaches, based on the processing and analysis of the data collected during the last 5 years, taking into account trends, typologies and other inputs, in order to measure the real risk of using legal persons with ML/TF purposes.

663. Bearer shares were prohibited in Paraguay with the implementation of Law 5895/17. Stock companies have had to undergo the procedure of exchanging their bearer shares for registered shares. In this sense, of the 41,171 joint stock companies existing in the country, 38,970 are public limited that should have gone through the process of exchanging their bearer shares for registered ones. Of the 38,970 public limited companies, 29,053 are active in the national market, since the rest are blocked or suspended. Of the 29,053 active public limited companies, 10,095 have been incorporated with 100% registered shares, since they were created after the effective date of the aforementioned law. Of the remaining public limited companies, 13,347 have already sent exchange communications to the Treasury Legal Service. Therefore, only 5,611 would enter the process of dissolution and liquidation by rule of law at the end of the 2021 financial year.

664. The Paraguayan competent authorities have access to the basic and BO information of legal persons and arrangements through the Registries. In this sense, through the implementation of Law 6446/19 and its Regulatory Law, the database is created in a single, accessible, and updated record of information on all forms of legal persons and arrangements, as well as beneficial owners, incorporated in the country, which represents a notable advance in the timely identification and knowledge of the BO by the authorities in order to try to prevent the improper use of legal persons and arrangements for ML/TF purposes.

665. In Paraguay, there are 41,171 companies with shares, made up of: simplified share companies, open capital issuing companies, public limited companies, partnerships, limited partnerships and simple companies in various forms, incorporated in the country, of which, according to the taxpayer identification (RUC), 29,898 are currently active. With respect to the Registry of Legal Persons and Arrangements, 45,094 communications of share exchange have been received; while, in relation to the Registry of BOs, there has been a total of 91,999, including communications and updates.

666. With the foregoing, the assessment team was able to conclude that the measures on the obligation to register with the Ministry of Finance derived from Law 6446/19 and its Regulatory Law, as well as the prohibition regarding the exchange of bearer shares, as prescribed by Law 5895/17, as amended, and its regulatory laws, are in force. Although it is not possible to

conclude that all active joint stock companies have carried out and completed their exchange process, in accordance with current regulations, non-compliant legal persons could not continue operating, for example, in the financial system or as a taxpayer, among other things, as reflected in the different records. In this sense, the country's authorities should continue to monitor this issue.

667. In this regard, Paraguay has issued DGPEJBF Resolution 10/2021, which approves and implements the monitoring and supervision of the administrative records of legal persons and arrangements and BOs. This resolution contains a flow chart of the monitoring procedure, a schedule by stages according to the risk level of each type of legal person and arrangement, the nature of the procedure to be followed to carry out the monitoring and inspection of administrative records to verify the suitability, update and accuracy of the information recorded. However, due to the recent nature of the Law, the system and the Resolution that dictates the mechanism, it is still too early to determine its effectiveness.

668. It could be verified that the obligation stated in the Paraguayan law which establishes that the books and records should be kept for 5 years from the date the last entry was made, is fulfilled by the reporting entities in the practice. It should be noted that the term indicated above is computed from the date on which they were extended, and the reporting entities have the obligation to provide them to the competent authority when required.

669. Regarding legal arrangements, as mentioned above, in Paraguay, in addition to being part of the aforementioned records and databases, only banking and financial institutions authorized by the BCP can be constituted as trustees, which minimizes the risks, since the trust companies whose creation is authorized have the character of FIs of auxiliary credit services, and are subject to the supervision and monitoring of the SIB, in addition to its prudential regulations and the Fiduciary Business Law.

Timely access to adequate, accurate and current basic and beneficial ownership information on legal persons

670. The AML Law and its reforms, “Which prevents and represses illicit acts aimed at legitimizing money or goods”, establishes in its Article 16 the obligation of the reporting entities to ensure transparency regarding BOs of legal persons or arrangements, implementing reasonable mechanisms that allow their corresponding records to be identified and kept up to date. The Treasury Legal Service and the DGPEJBF, both dependent on the Ministry of Finance, have had constant interaction with representatives of legal persons and arrangements to publicize the new regulatory provisions on companies, elimination of bearer shares, the administrative registration of legal persons and arrangements and beneficial owners, coupled with the training that has been given throughout the country.

671. In addition to the above, due to the fact that Paraguay has opted for a registry system under the public administration (Public and Administrative Registries), with the entry into force of Law 6446/19 and its regulatory laws, and the development of the Integrated System provided for in such law, it should be noted that the Administrative Registry of Legal Persons and Arrangements and the Registry of Beneficial Owners is even more accessible for state agencies and entities, as

well as for the persons in charge of the prevention, investigation and sanction of punishable acts that could be carried out through the use or final effective control of a legal person or other legal arrangements.

672. Legal persons and arrangements should inform, through their legal representative, their BOs information, as well as any modification for their corresponding registration within the first 15 days of the amending act. Likewise, in the case of legal persons or arrangements whose capital is, totally or partially, abroad, where it is impossible to identify the BO, it shall be assumed that the BOs is the legal representative, and should be subject to the sanctions, prohibitions and impediments provided for in Law 6446/2019 for all those persons who fail to comply with their BO obligations established in the Law. The provisions of the Executive Order regulating the Law are also applicable to public limited companies (S.A.), as provided for by Law 5895/2017 on the exchange of bearer shares for registered shares.

673. The database, created in 2019, stores the information that works in the register of legal persons and arrangements and in the register of beneficial owners. Through a WEB platform hosted on the MITIC servers, the competent authorities: Attorney General's Office, Ministry of the Interior, Department of Identifications, General Directorate of Public Registries, Supreme Court of Justice, National Securities Commission, Ministries of the Executive Power in general; as well as representatives of the institutions that are part of the financial system, banks, financial institutions, cooperatives, insurance companies, exchange houses, credit institutions, real estate agencies, lawyers, notaries, accountants, etc., access using access control through users with specific profiles and passwords.

674. The database is used from the following categories: a) Users: The competent authorities obtain information on BOs of legal persons and arrangements by accessing the records directly through the users created for this purpose; b) Agreements: Currently, the DGPEJBF has formalized "Inter-agency Agreements" with the Treasury Legal Service and agreements are pending with those OEE involved in the AML/CFT process; c) Database interconnection; and d) the Integrated System.

The implementation of the "Administrative Registry of Legal Persons and Arrangements" and the "Administrative Registry of Beneficial Owners" is an important advance that will allow more timely access to information. Both registries have been in force since January 2020. Although it is a short time since its entry into force, taking into account the number of accesses to the records by the competent authorities and reporting entities according to

675. Table 72, the collection of basic and BOs information is allowed. It is worth highlighting the recent issuance of Resolution DGPEJBF 10/2021, whose objective is to ensure the suitability, updating and accuracy of the information included in the Registries.

Table 72. Number of accesses to the Registry by authority

User access to the data held in the Administrative Records of the DGPEJBF		
	At the time of the on-site visit	As of January 2022
Ministry of Finance (Treasury Legal Service and DGPEJBF)	2,038	3,313
SEPRELAD*	292	401
DNCP	3	11
NATIONAL POLICE	75	90
SENABICO	7	12
SET	45	60
MITIC	90	111
BNF	289	412
MIC - SUACE	13	21
ATTORNEY GENERAL'S OFFICE	6	18
JUDICIARY - DGRP	68	81
BCP	44	65
Reporting Entities of Law 1015	3,780	4,518
Total	6,750	9113

* The SEPRELAD downloads the table that is accessed from the System into its access DATA WAREHOUSE through the Financial Analysis Unit. This process is updated periodically.

676. Likewise, due to the recent creation of the system, during the on-site visit, it was possible to verify that the databases could present some technical and operational problems regarding the adequate protection of the information, such as: a) Lack of the requirement of external certification that good information security practices are followed; b) Controls over network infrastructure, storage and segmented databases (separated from other systems with lower risk); c) Lack of robust authorization and access schemes (digital signature or something similar with at least two factors, but ideally not only username-password, as happens in practice); d) Robust log records of accesses (not only of system users, but of the computer scientists who administer the platform). The assessed country has indicated that it has begun to take the corresponding actions in order to close these gaps.



677. During the on-site visit, the assessment team verified that the competent authorities, and even some reporting entities of the AML Law, demonstrated knowledge of the administrative records and have had conversations with the Ministry of Finance and the SEPRELAD on the usefulness and use of the System to know the basic and BOs information of legal persons.

Timely access to adequate, accurate and current basic and beneficial ownership information on legal arrangements

678. The Law on the Registry of Beneficial Owners (6446/19) establishes the obligation to provide and update basic and BOs information, as well as the obligation for legal arrangements (trusts, investment funds) to keep records. In the case of trusts, the Law establishes that the natural person or persons that constitute themselves in BOs in relation to the settlor, trustee and beneficiary of the trust in question should be identified. Article 7 of said Law provides that every modification should be informed to the BOs Registry within 15 business days of the event.

679. The competent authorities and the reporting entities of the AML Law may have access to the information of both registries through the Integrated System of Administrative Registration and Control of Legal Persons, Legal Arrangements, and BOs referred to in Article 13 of the Law on the Registry of Beneficial Owners, which permits access to the requested information and data processing, in order to verify the faithfulness and consistency of the information.

680. On the other hand, trust service providers only operate through the authorization and control of the Superintendency of Banks, that also is empowered to inspect them. In this sense, the SIB, within the framework of their inspections, may access timely and more adequate information regarding the settlors and BOs of each trust. The SEPRELAD can also request information directly from the reporting entity acting as trustee.

681. The SIB issues semi-annual statistics on banks and financial institutions authorized to operate as trustees²⁶, on the evolution of trust business, the number of trusts classified by type, total assets, liabilities and autonomous equity, in millions of PYG, among others.

682. Likewise, during the on-site visit, the assessment team verified that the competent authorities, and even some reporting entities of the AML Law, demonstrated knowledge of the administrative records and have had conversations with the Ministry of Finance and the SEPRELAD on the usefulness and use of the System to know the basic and BOs information of legal persons.

Effectiveness, proportionality and dissuasiveness of sanctions

683. Paraguay has laws and other regulations that require legal persons to comply with the update of information; as well as require reporting entities to identify the BOs of legal persons and arrangements. Said regulations establish sanctioning measures and provisions and pre-prohibition to operate that are proportionate and dissuasive to the letter (See Criterion 24.13). The assessment team considers that, due to the recent implementation of the relevant legal framework and,

²⁶ <https://www.bcp.gov.py/estadisticas-fiduciarias-i798>



therefore, the lack of sanctions imposed, it was unable to verify the effective implementation of measures, which, despite being considered dissuasive, this cannot be interpreted as they are also effective, since no evidence was found to prove this.

684. Due to the foregoing, the sanctions, in principle, could be considered proportionate and dissuasive. However, at the date of the on-site visit, no evidence of the application of monetary sanctions was found, which prevents considering their degree of effectiveness in mitigating the risk of non-compliance with the standard.

Conclusions of Immediate Outcome 5

685. Access by the competent authorities to the “Administrative Registry of Legal Persons and Arrangements” and the “Administrative Registry of Beneficial Owners” is extensive and represents a great progress, and the Treasury Legal Service signs agreements with the different authorities to materialize such access. Even the information in these registries is available to reporting entities and the public.

686. These registries, however, have been in force for a short time, and could present some technical and operational problems regarding the adequate protection of information.

687. Regarding the legal arrangements (trusts), in addition to being part of the aforementioned registries, only the banking and financial institutions authorized by the BCP can be constituted as trustees, which minimizes the risks.

688. All reporting entities of the AML Law are obliged to identify and update the information of BOs. However, even greater understanding is required on the part of reporting entities about the risks of improper use of legal persons and arrangements.

689. No evidence was found of the application of effective, proportionate and dissuasive sanctions for breaches of information by legal persons and arrangements.

690. Based on the foregoing, it is concluded that **Paraguay presents a moderate level of effectiveness for Immediate Outcome 5.**

CHAPTER 8. INTERNATIONAL COOPERATION

Key findings and recommended actions

Key findings

- In Paraguay, the Central Authorities for dealing with information requests are the Attorney General's Office, through its Directorate of International Affairs and External Legal Assistance, the Ministry of Justice and the Ministry of Foreign Affairs (MRE), which have the basis and tools that allow them to provide cooperation on MLA and extraditions in a constructive manner.

- Paraguay has the Rogatory Letters Management System for the treatment of MLA requests, which allows it to speed up the responses to the requirements.
- It is appreciated that the active international cooperation is to a greater extent for the drug trafficking offence, but to a lesser extent for ML and other predicate offences.
- The FIU-SEPRELAD and the Attorney General's Office have protocols and procedures for the attention and prioritization of requests, which allow them to provide cooperation to their counterparts in a timely manner and according to the requirement. However, it should be noted that the other LEAs do not have similar protocols or mechanisms. The latter has an impact on timely information that may be provided by these authorities. Likewise, there are opportunities for improvement regarding the collection and registration of statistics by the authorities, except for the FIU and the Attorney General's Office.
- The FIU has an active cooperation through requirements and requests for financial intelligence information. This collaboration is provided to a greater extent through requests made to the FIU-SEPRELAD.
- The exchange of information is consistent with the risks identified and there is a greater exchange with bordering countries, with Brazil and Argentina being the most representative.
- In general terms, the country provides international cooperation in a constructive manner. The FIU and other competent authorities can provide international cooperation in matters of financial and investigative intelligence. There are opportunities for improvement regarding the response time by the competent authorities.
- Cases have been presented in which the Paraguayan authorities form and participate in joint investigation teams for the coordination and exchange of information.
- LEAs can provide other forms of international cooperation, in addition to making use of existing platforms to be able to provide such cooperation. However, there is no evidence of active international cooperation by all the LEAs.
- The country implemented the “Administrative Registry of Legal Persons and Arrangements” and the “Administrative Registry of Beneficial Owners” and, although the competent authorities have access, this recent implementation could impact the ability to provide updated or accurate information on this matter to other countries.
- With regard to international cooperation in terms of supervision, it can be seen that the BCP and the SEPRELAD are the only institutions that has cooperation protocols and, therefore, can exchange information with its foreign counterparts. The other supervisors do not have similar agreements nor has international cooperation been provided in this regard.

Recommended actions

- Regarding the other forms of cooperation, with the exception of the FIU, the Attorney General's Office and the DNA, mechanisms and procedures for prioritizing cases should be implemented through a registration system for LEAs such as the Police.
- Strengthen and improve the timing and completeness of the responses provided by Paraguay, adopting a mechanism that allows, for example, to generate alerts in the event of response delays, so that this results in a better opportunity for the requesting countries.

- Expand the base of active international cooperation to other ML source offences, not only drug trafficking, but especially offences identified in the NRA such as corruption and seizure and recovery of assets of illicit activities.
- Seek to make the search for cooperation with other countries more efficient, through constant monitoring of active requests for information that are not answered within the established times.
- With the recent implementation of the BOs registration system, the country should ensure access to information by the competent authorities and thus provide international cooperation in terms of beneficial owners.
- Improve the international cooperation of supervisors, with the aim of strengthening the country's capacity to provide information on this matter.

The relevant Immediate Outcome considered and assessed in this chapter is the IO 2. The relevant recommendations for the assessment of the effectiveness in this section are R. 36-40, and elements of R. 9, 15, 24, 25, and 32.

Immediate Outcome 2 (international cooperation)

691. Paraguay has a legal basis to provide a wide range of MLA. Additionally, Paraguay can carry out international cooperation with its foreign counterparts through bilateral and multilateral cooperation conventions, treaties and agreements. If none of these instruments exist, the country can conduct cooperation based on the principle of reciprocity and the Paraguayan criminal procedural law.

692. The NRA identifies illicit drug trafficking, smuggling, corruption, illicit arms trafficking and the cross-border transportation of cash as the main threats. Therefore, international cooperation between Paraguay and other countries, mainly from the region, is important to address the risks that these threats may pose to the country in terms of ML/TF. In this regard, it is worth mentioning that Paraguay has generated links through international instruments in the Mercosur sphere, which means that the country recognizes the factors that make up its vulnerabilities, mainly with bordering countries.

Providing mutual legal assistance (MLA) and extradition

693. The bodies in charge of processing the MLA as a Central Authority are the Attorney General's Office through the Directorate of International Affairs (DAI) and External Legal Assistance, the Ministry of Justice and the Ministry of Foreign Affairs (MRE). Specifically, the Ministry of Justice acts as the Central Authority regarding the transfer of convicted persons; the MRE acts in extradition cases, being a natural link between foreign jurisdictional authorities, as well as foreign and national representations and organizations for the diplomatic processing of requests, establishing as a rule the immediate processing of rogatory letters related to those requests. Likewise, the MRE also acts as the central authority when there is no bilateral or multilateral agreement.

694. When Paraguay receives requests for assistance, these are analysed by the General Prosecutor's Office, which subsequently processes and distributes them based on the type of

information, the offence involved in the requests and the treaty, if any, applicable to the requirement. Paraguay has reported that, if requests related to the ML are received, a unit specialized on the matter is designated and, due to the nature of the event, it is given priority treatment based on the parameters established in the country. In addition, they classify the priority as indicated in the request by the requesting country.

695. Likewise, Paraguay has the Rogatory Letters Management System for the processing of MLA requests, which allows keeping track and control of all passive and active requests that enter and leave the courts. Once the requests are registered, the Directorate for International Cooperation and Legal Assistance of the Supreme Court of Justice forwards them to the court before which the procedure will be carried out within 1 to 3 days. In cases where the requirements are of an urgent nature, priority is given to the procedure for the corresponding attention. The system is administered by the Supreme Court of Justice, and had its origin in a Cooperation Agreement signed between the Supreme Court of Justice, the Attorney General's Office and the MRE.

696. The times for fulfilling the requests vary according to the complexity or number of measures requested. Priority is given for the process according to the rating granted (high, medium or conventional), the foregoing in accordance with what is requested by the requesting country. In this sense, the average of attention may be of days, and, in others, of months; in these cases, Paraguay advances responses as they are executed.

697. Three cases received from MLA are mentioned below, stating the type of information requested to be able to process them and the time in which they were attended:

a) Buena Suerte Country Estate Case – Passive MLA of Bolivia, in which a digitized copy of the operation report, the laboratory report, the certificate of confiscation and weighing of the controlled substance, the extraction of data from the GPS of the aircraft, data from the confiscated satellite phone, data from social network conversations from cell phones, personal identification data, airplane license plate checks, engine numbers, etc., were requested. The request was fulfilled almost in its entirety and partially delivered to the requesting country by physical and digital means within 6 months.

b) Lava Jato Case - MLA of Brazil, ML offence. Additional data (complementary to Brazil) was requested. Several personal notifications were required. The request was fulfilled in full and was completed within 4 months.

c) CONMEBOL Case - MLA of the United States, ML offence. Seizure of documents, raids, testimonials, authentication of documents, among others, were requested. The request was completed in stages over a period of 5 months. The Paraguayan Prosecutor's Office was the first public institution to gain access to the CONMEBOL headquarters.

698. During the 2015-2021 period, Paraguay received a total of 883 MLA requests, with Brazil being the country that submitted the most requests, followed by Argentina and Chile. The foregoing is understood in accordance with regional cooperation with the countries with which the threats and risks are shared.

Table 73. Passive MLA Requests (2015-2021/I)

Country	2015	2016	2017	2018	2019	2020	2021	Total
Argentina	33	28	41	39	58	8	10	217
Andorra	-	-	-	-	-	-	1	1
Brazil	93	137	96	87	70	48	53	584
Bolivia	2	5	3	-	2	1	2	15
Bosnia & Herzegovina	1	-	-	-	-	-	-	1
Peru	1	1	2	1	-	2	1	8
Ecuador	1	1	-	-	-	-	-	2
United States of America	2	-	2	2	1	-	1	8
Spain	-	3	-	-	1	-	1	5
Chile	11	5	-	3	1	1	1	22
Mexico	2	1	2	3	-	-	-	8
Italy	-	1	-	-	1	-	-	2
Germany	-	-	-	1	-	1	-	2
Bulgaria	1	-	-	-	-	-	-	1
Poland	-	-	-	1	-	-	-	1
Netherlands	-	-	-	-	1	-	-	1
Turkey	1	-	-	-	-	-	-	1
Uruguay	1	1	-	-	-	-	1	3
Venezuela	-	-	1	-	-	-	-	1



Total	149	183	147	137	135	61	71	883
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699. Of the requests submitted, 405 were duly fulfilled, 138 partially fulfilled, leaving a remainder of 340 requests to which Paraguay has not yet responded. Regarding the partially fulfilled requests, all were for the location of persons; regarding the remaining pending requests, the lack of fulfilment or completion is due to various cases. The information presented by the country shows that, some of these requests could not be processed due to insufficient data provided by the requesting country, which makes it difficult to comply with international legal cooperation. In others, it was shown that, despite the fact that Paraguay undertook all the steps for the location, they could not be carried out. For example, in cases related to the location of persons, the lack of data makes it impossible to obtain the requested information, given that the databases of state institutions, private companies and/or open sources of information do not yield results without the national document number.

700. Additionally, as follow-up measures for the attention of pending requests, Paraguay provided examples where the following is requested, as the case may be: complementary data if the information is insufficient, the return of documentation at the request of the foreign authority regardless of the status of the procedure, additional data if there is outdated data or the reassignment of the official to attend to the request, requesting that all local instances be exhausted to obtain the information that allows the assistance to be provided.

701. Now, considering the above and taking into account that attention has been given to 61% of the requirements both fulfilled and partially fulfilled, it is reflected that Paraguay has an active role in the attention of and response to international requirements in the provision of international cooperation.

702. The offences present in the MLA requests were: drug trafficking (43%), smuggling (35%), human trafficking (7%), ML (6%), tax evasion (3%), arms trafficking (1%), criminal association (1%), organized crime (1%), corruption (0.68%), terrorism (0.68%), among other offences that represent 1.64%. This is consistent with the risks identified by Paraguay's national risk assessment.

703. With respect to extradition, the Attorney General's Office and the Ministry of Foreign Affairs are governed in accordance with the provisions of international instruments (bilateral or multilateral) for the execution of extradition requests. In these cases, as mentioned above, the MRE²⁷ acts as the Central Authority through the Directorate of Legal Affairs, and any extradition should be approved by the Supreme Court of Justice. The Attorney General's Office intervenes in extradition processes and a prosecutor specializing in the matter is assigned.

704. At the date of this report, Paraguay has signed 2 multilateral and 21 bilateral treaties on extradition, both at the regional level and with other countries. Namely:

²⁷ Resolution 284/01 "By which the Central Authority is designated for additional protocols to the Treaty of Asunción" and Executive Order 3046/15, "By which the Ministry of Foreign Affairs is designated through the Directorate of Legal Affairs as the competent Central Authority for the application of the provisions of the Inter-American Convention on Rogatory Letters"

- Multilateral: 2 agreements on extradition between the member states of MERCOSUR.
- Bilateral: Argentina, Brazil, Uruguay, Peru, Panama, Costa Rica, Mexico, United States of America, Canada, Germany, Austria-Hungary, Spain, France, Italy, Switzerland, Belgium, United Kingdom, China (Taiwan), Korea, South Africa, and Australia.²⁸

705. It is worth mentioning that, although Paraguay has 21 extradition treaties, 9 of these date from 1907-1980, which may imply that some requirements for extradition are not addressed. Notwithstanding this, as reviewed with the country, the lack of certain budgets in said treaties does not prevent it from materializing extradition requests. In addition to conventions and agreements, Paraguay makes use of the principles of International Law and international practices. In this sense, it has provided an example of an extradition case involving Germany, where the treaty dates from 1914, but within the framework of the rogatory letters 213/21, the extradition of a German citizen was required where the punishable act for which the request was made was not provided for in the treaty between both countries; however, the process was given rise through another international standard, specifically in accordance with the provisions of Articles 9 and 24 of the Convention on Cybercrime.

706. During the 2015-2021 period, the country received 80 extradition requests, of which 46 were fulfilled, that is, 36 extraditions were granted (50 extradited persons) and 10 were denied with the process already completed.

Table 74. Passive extradition requests (2015-2021/I)

Country	2015	2016	2017	2018	2019	2020	2021	Total
Argentina	10	4	3	2	4	7	3	33
Brazil	3	4	5	7	6	5	6	36
Peru	-	-	-	-	1	-	-	1
Germany	-	-	1	-	-	1	-	2
Mexico	1	-	-	-	-	-	-	1
Spain	-	-	1	-	-	-	-	1
United States of America	-	-	-	3	-	-	1	4
Italy	-	-	-	-	-	-	-	-
Netherlands	-	-	-	-	1	-	-	1
China	-	-	-	-	-	1	-	1
Total	14	8	10	12	12	14	10	80

²⁸ The country is processing treaties with Colombia, Germany, Turkey and Portugal.

Table 75. Passive extradition requests finished, pending and in process

Status	2015	2016	2017	2018	2019	2020	2021	Total
Finished	8	6	6	7	4	3	2	36
Pending	10	1	4	4	2	4	9	34
Denied	9	1	0	0	0	0	0	10
TOTAL	27	8	10	11	6	7	11	80

707. Regarding extradition requests classified as *pending*, in many cases there are several defendants, and not all requests can be fulfilled at the same time due to the filing of legal resources. With regard to those classified as *denied*, the country has reported that, for the most part, they have a written statement from the requesting country to desist from extradition, for various reasons, including the expectation of a conviction. This determines the filing of the case records.

708. Offences related to these requests were the following: drug trafficking (58%), criminal association (15%), smuggling (6%), arms trafficking (6%), human trafficking (4%), fraud (2%), ML (2%), corruption (1%), customs offences (1%), tax evasion (1%), terrorism (1%), extortion (1%), fraud (1%), and other offences (1%).

709. It is possible to observe that the response times in these requests in a normal extradition process average between 90 days and 2 and a half years (in attention to the resources that may be given), and, in the abbreviated or simplified processes, it is an average of thirty days. In addition, in cases where the urgency or priority of the requests is indicated, Paraguay gives attention in this regard by assigning them to the corresponding area or authority. Likewise, the extradition requests received are in the same line as the MLA, since they come from countries of the Tri-Border Area (Argentina and Brazil), countries with which Paraguay maintains a closer relationship considering the risks identified by the country.

710. As an example of simplified extraditions, it refers to the Lava Jato case in which a Brazilian national was arrested on December 26, 2018, and two days later, the Interpol Department in Asunción reported the extradition. Another case involving the United States and the offence of drug trafficking and ML took 20 days from the arrest of the person until the extradition took place.

711. Regarding ordinary extradition, the country presented the FIFA GATE case where the procedure took 18 months, but, due to the death of the person, it could not be carried out. Likewise, it is worth mentioning that, in the processing of this process, the defence articulated several dilatory procedural springs (appeals, incidents, action of unconstitutionality and extraordinary appeal for cassation) that, despite not having favourable results, caused the process to be prolonged.

712. On the other hand, in these matters, the country provides extensive cooperation and assistance because it has no restrictions in this area or to extradite its fellow citizens. Examples of Paraguayans extradited in recent years are shown below:

Table 76. Extradition of Paraguayan nationals

Date	Case	Country to which the person was extradited
01/19/2017	Drug trafficking	Brazil
11/23/2019	ML and drug trafficking	United States of America
07/09/2019	Drug trafficking	Brazil

Case Extradition request

ALI ISSA CHAMAS Case

The Criminal Guarantees Court No. 7 (Judge Miguel Palacios) issued final judgement No. 18, dated May 11, 2017, granting the simplified extradition to the citizen ALI ISSA CHAMAS and deferring his delivery until he is in a position to be extradited, considering that he has another case pending before the Criminal Guarantees Court No. 4 of Ciudad del Este, in charge of Judge Alba Meza Dávalos, whereby prosecutorial discretion is granted as requested by the Representative of the Attorney General’s Office in favour of the accused ALI ISSA CHAMAS.

After being extradited to the United States, where he was sentenced by the Miami Federal Court, through the application of the Extradition Treaty between the Republic of Paraguay and the United States of America, approved by Law 1442/99, he arrived on September 16, 2020 in order for his criminal proceeding to continue.

713. At the date of the presentation of this report, Paraguay has not denied the provision of international cooperation to requesting countries. There have been cases in which the request has not been processed since all the necessary data had not been provided, which is made known to the applicant, but not for any specific reason or because the country cannot provide the information for optional reasons.

714. The assessment team considers that the country provides collaborative and constructive assistance. The foregoing could also be corroborated with the information regarding Paraguay's international cooperation experience with other countries. In this regard, the vast majority stated that they received assistance from the country. In particular, neighbouring countries indicated close and active cooperation, with a constant number of requests sent and received, and with good quality responses. However, most of the comments point to an improvement in response times by Paraguay.

715. Paraguay has a “Coordinated System of Statistics”; however, the scope of this system does not seem to be for data referring to requests for international cooperation. Based on the information, it can be seen that this system contains statistics on intelligence reports, assets involved in cases, and data on legal proceedings.

716. Inter-agency coordination for international cooperation appears to be solid, to the extent that it not only has a Central Authority to process international cooperation requests, but also, as mentioned above, when there are requests for both MLA and extradition, a unit specialized in the matter is assigned, and the case is processed according to the nature of the event.

Seeking timely legal assistance to fight domestic ML, associated predicate offences and TF cases with transnational elements

717. In the 2015-2021 period, Paraguay made 260 MLA requests, of which 158 received a response and 1 was denied²⁹ because it was not punishable in the requested country.

Table 77. Active MLA requests (2015-2021/I)

Country	2015	2016	2017	2018	2019	2020	2021	Total
Brazil	1	4	6	7	9	5	13	45
Argentina	10	13	11	10	5	9	4	62
Spain	6	5	3	5	6	7	6	38
Bolivia	6		6	1	5	4	3	25
Chile	3	4	2		4	1	1	15
Uruguay		4	3	4	4			15
Mexico		4	2				2	8
Panama	1	1		4	1	1	2	10
Ecuador		1						1
Colombia		1	1	1		1	1	5
Canada		1						1
Costa Rica		1						1
Venezuela	1	1	1					3
Italy			1	2	1			4
Luxembourg					1			1

²⁹ The punishable act was arms trafficking, and the content of email exchanges was requested. Canada based its denial on Article 5 of the Nassau Convention that refers to double criminality.



Portugal				1				1
Belgium							1	1
Israel				1			1	2
People's Republic of China				1				1
United States of America	2	3	9	1	3	1	2	21
Total	30	43	45	38	39	29	36	260
Total attended	41	29	30	35	23	20	21	199

718. It should be noted that, of the total number of requests addressed, particularly in 2015, not all correspond to that year, but to responses from previous years. In addition, the remaining active MLAs represent requests that to date have not been fully processed by the required countries, either because additional information related to different legal systems was required, or due to the difficulties that the figure of the Central Authority represent in political (non-judicial) bodies that make interaction difficult. As part of Paraguay's follow-up of pending requests, examples of emails and communications were provided to find out the status of the request or to claim their return if completed.

719. The offences related to the requests sent by Paraguay were the following: drug trafficking (37%), human trafficking (35%), ML (14%)³⁰, breach of trust (4%), smuggling (3%), fraud (3%), arms trafficking (1%), other offences that represent 3%. According to the information provided, it is estimated that the response time varies according to the data and information requested, with a minimum response time of one month and a maximum of 3 years.

720. In this regard, it can be verified that Paraguay seeks MLAs based on the main offences identified as threats in the country. In addition, the exchange occurs mainly with bordering countries, with Brazil and Argentina being the most representative and consistent with the country's risk profile.

721. Based on the foregoing, it can be seen that a response has been provided to the vast majority of the requests made by Paraguay. To date, only one request conducted by Paraguay has been denied and taking into account the experience of international cooperation of the Global Network with the country, it should be noted that, in general, the requests from Paraguay contain sufficient data for them to be properly attended.

³⁰ Of the 14% of MLA requests for ML, 3 of the requests correspond to ML of a special nature with a predicate offence of drug trafficking.

722. A case related to Paraguay's international cooperation with other countries and its results is presented below:

FOREX Case

FRD (owner of an accounting consultancy in a cross-border area) together with TWT (manager of an exchange, linked to legal and illegal activities) created a scheme to remit money abroad, simulating commercial activities through corporate shells. A link with drug trafficking was proven during the investigation, through a person linked to GCG (drug trafficking); the predicate offences of smuggling and piracy were also proven.

Mr. FRD, along with his wife NSMRdD, structured a criminal scheme that began with the firm (owned by both of them) where they performed accounting work for companies. Over time, they used the knowledge and documentation of low-profit companies and some with zero commercial activity to mobilize capital of illicit origin, simulating different types of commercial activities that never really existed. Their purpose was to use the financial system to mobilize large amounts of money from activities related to the marketing of counterfeit products (piracy), drug trafficking, smuggling, circumventing the mechanisms of money laundering prevention and detection, to remit money to foreign countries under the colour of law.

723. In this FOREX case, cooperation requests were submitted to Chile, Brazil, Spain, Argentina and Panama, the information provided being timely and useful to advance the course of investigations in Paraguay. The responses from said countries served to determine the beneficiaries of the transactions involved to corroborate information that supported the hypotheses of the investigation, determine the background and links of the persons involved, among other important information.

724. Regarding active extradition requests, Paraguay conducted 42 requests, 33 received a response and 9 are pending response.

725. According to the data provided by Paraguay, Argentina is the country to which the most extradition requests have been made (19), followed by Uruguay, Chile and Spain, the first two with 6 requests and the third with 5. In turn, 2017 was the year with the most extradition requests (16), followed by 2015 (8).

Table 78. Active extradition requests finished, pending and in process

Status	2015	2016	2017	2018	2019	2020	2021	Total
Finished	8	1	14	3	5	-	2	33
Pending	-	-	4	2	-	2	1	10
Denied	-	-	-	-	-	-	-	-

726. The figures provided demonstrate an active search for cooperation through extradition, and that it has been provided in a constructive and efficient manner based on the accuracy of the data



and the grounds indicated in the requirements, to the extent that almost 80% of the requests have been answered.

727. On the other hand, with regard to the repatriation or sharing of assets derived from international cooperation, it is appreciated that Paraguay can conduct it with its foreign counterparts. Namely, there is a specific case with Switzerland for the offences of breach of trust and misconduct in crisis situations. In this case, the Specialized Unit on Economic Crimes and Anti-Corruption (UDEA) within the Attorney General's Office, and within the framework of reciprocity between the States, requested the freezing and repatriation of assets in a Swiss bank, belonging to the bankruptcy process of a German bank.

728. In this sense, through the action of the Attorney General's Office, a refund of USD 4,170,000 was achieved, which was transferred to the judicial account opened within the process against the parties involved. Said return became effective on February 2, 2012.

729. Considering what has been stated in the previous sections, it can be seen that international cooperation in Paraguay is consistent with the threats identified by the country and is done mostly with neighbouring countries, mainly with Brazil and Argentina. Likewise, a greater number of passive requests can be seen, both in terms of MLA and extradition.

Seeking other forms of international cooperation for AML/CFT purposes

730. Paraguayan authorities make use of other ways of international cooperation for the exchange of information in ML/TF matters. They can do it through agreements, conventions or international treaties, and if they do not have one, it is done under the principle of reciprocity. Likewise, the FIU, the Attorney General's Office and the National Police can carry out informal cooperation with their counterparts through the networks of which they are part.

731. The National Anti-Drug Secretariat (SENAD) has a total of 33 international cooperation instruments for the fight against drug trafficking, which seem to frame a large and active bilateral relationship with Argentina and Brazil, Bolivia, Chile, Colombia, Costa Rica, Cuba, Ecuador, Spain, USA, Great Britain, Italy, Mexico, Peru, Portugal, Taiwan and Uruguay.

732. In turn, the FIU of Paraguay has 32 MOU for the exchange of information. In addition to these MOU, the FIU, due to the fact that it is part of the Egmont Group, can make inquiries through the Secure Network to its counterparts abroad. Additionally, it is the contact point for the RRAG and can share the widest range of information available with the other contact points in this network and other similar regional networks. The Attorney General's Office and the National Police can also make use of the RRAG through their point of contact.

733. In addition, the FIU also has a "Protocol for the receipt and processing of international cooperation requests through Egmont Group channels, RRAG platform, MOU and other means of cooperation." This instrument establishes the precepts to be followed by the General Directorate of Financial Analysis of the FIU for the attention of requests, such as the priority of requests and the confidentiality of information. In addition, the FIU has a Manual for the Treatment and Analysis of STRs and Information received, whose section "Reception and collection of information" indicates

that, when the analysis transcends borders, mechanisms such as the Egmont Group and the RRAG will be used, in accordance with the relations established by the country.

734. Cooperation at the level of financial intelligence exchange seems to be active to the extent that from 2015 to the first semester of 2021 so far, the FIU-SEPRELAD has made requests at an average rate of 34 per year, except for 2020 due to the impact of the COVID-19 pandemic. The statistics of requests sent by the FIU on financial intelligence are shown below:

Table 79. Requests sent by the FIU of Paraguay-Egmont

Cooperation via Egmont	2015	2016	2017	2018	2019	2020	2021	Total
Deliveries	62	25	35	66	53	12	18	271
Answered	18	11	25	11	14	5	10	94

735. Once an information request has been made to other FIUs, the response process is monitored and feedback is provided to the requested FIU, as necessary for the provision of information. In addition, it was verified that the FIU sends weekly reminders to the required FIUs to obtain the required data. In case feedback is requested, the FIU provides it.

736. Notwithstanding this, the table shows that there is a difference between the requests for information sent and those answered by other FIUs, which suggests that many of the requests for information were not or have not been answered, and the country does not seem to obtain information in this regard or monitor these requests.

737. As mentioned, in addition to the exchange via the Egmont Secure Network, the FIU provides informal cooperation through the RRAG. In this sense, the following data is presented:

Table 80. Requests sent by the FIU of Paraguay - RRAG

Country	2015	2016	2017	2018	2019	2020	2021	Total
Uruguay	-	-	-	-	1	-	-	1
Argentina	-	-	-	-	1	-	-	1
Total	-	-	-	-	2	-	-	2

738. On the other hand, the Paraguayan Attorney General's Office has formalized MOU with foreign counterparts, as well as inter-agency Cooperation Agreements with Brazil, Uruguay, Chile, Peru, Argentina, Bolivia, and Colombia. In addition, there is an Inter-agency Cooperation Agreement between the Attorney General's Office and prosecutors who are members of the Ibero-American Association of Public Prosecutors (AIAMP), an instance in which the Paraguayan Attorney General's Office exchanges information for investigative purposes, mainly in networks and thematic working groups in matters of ML, asset forfeiture, confiscation, corruption, drug trafficking, and others.

739. These serve as the basis for the exchange of information or relevant data for investigations that are prior to proper investigative acts or that do not require jurisdictional control. This mechanism is used for speed purposes. The Attorney General's Office, the Judiciary, the Ministry



of Justice and the Ministry of Foreign Affairs use the secure communication channel of the Ibero-American Network of International Legal Cooperation (IberRed) to process cooperation requests.

740. During 2021, in matters of international criminal cooperation (among Attorney General's Offices), the Paraguayan Attorney General's Office received a total of 13 requests for cooperation and sent 12 requests to their peers. These exchanges took place between the Prosecutor's Offices of Brazil, Argentina, Chile, Bolivia, and Spain. In the cases, criminal news, requests for reports, requests for a person's location, among others, were sent.

741. Regarding the National Police, it has signed information exchange agreements with Argentina and Brazil. It is also the contact point before the RRAG and it can also make use of other information exchange platforms, such as the Interpol/STAR Network, the 24/7 Interpol, Ameripol and Europol Platform. Additionally, it uses informal channels (e-mails) to communicate with different police contact points.

742. Notwithstanding this, there is no evidence of the search for international cooperation through the mechanisms it has to exchange information with its foreign counterparts. It is possible to observe that, based on the information provided by the country, there is greater passive cooperation, as explained below.

743. The National Customs Directorate (DNA) of Paraguay has various mechanisms for cooperation, exchange of information, and mutual assistance based on international and/or regional, bilateral, and multilateral treaties, agreements, and memoranda. In turn, through its Inspection Department, it is part of the Regional Intelligence Liaison Office (RILO), which allows it to exchange information with customs of other countries. It is also an active member of the World Customs Organization (WCO), COMALEP, and makes use of the WCO's Cen Platform, CenComm, ContainerComm and AirCargoComm.

744. In 2020, the National Customs Directorate of Paraguay's Administrative Coordination of Customs Investigation (CAIA) carried out an investigation of an export/import company that operates in Paraguay since 2019. The National Police collaborated in this investigation and an exchange of information was conducted with the Spanish customs agency. Based on this exchange, an operation was carried out in which 495 kg of cocaine were confiscated and resulted in the arrest of 3 individuals.

745. In relation to cooperation in terms of supervision, the SEPRELAD has led the following activities in conjunction with representatives of the BCP, the Ministry of Finance, the National Chancellery, among others:

- a. SGT-4 MERCOSUR Financial Sub-Group – Commission for the Prevention of ML and TF: supported risk-based supervision tasks for the Bank of Venezuela.
- b. In 2017, a Joint Exercise was carried out in the Paraguay-Argentina-Brazil border area with the participation of representatives of the Department of the Treasury of the United States of America, whose task was to collect information on currency movement in the area, use

of cash, beneficial owners of legal persons, remittances and on-site visits to financial institutions and DNFBPs (casinos). In this regard, the relevant results obtained, with regard to Paraguay, coincide with some of the threats and vulnerabilities of the NRA and its updating, such as: the need for greater control (in the use of legal persons and arrangements and physical currency remittances); increasing AML/CFT supervision of FIs established in the area and intensifying cross-border control of cash.

746. On the other hand, the BCP signed two Cooperation Protocols with the Superintendency of Banks and the Central Bank of Brazil. MOU have also been signed with the Central Bank of Uruguay, the Central Bank of Argentina, the Financial Superintendence of Colombia and the Central Bank of Brazil. Lastly, the BCP has an agreement with the Association of Senior Bankers of the Americas (ASBA).

747. The SEPRELAD can carry out the exchange in terms of supervision based on the international agreements and conventions signed. The other supervisors do not have similar agreements to carry out international cooperation with their foreign counterparts.

748. The SEPRELAD has had a rapprochement with its foreign counterparts to generate a space for the exchange of experiences in the use of tools and other strategies in terms of supervision. However, there is no evidence on the search for international cooperation in terms of supervision.

Providing other forms of international cooperation for AML/CFT purposes

749. Since the FIU-SEPRELAD has powers to request information from different sources at the national level, it can provide a wide range of international cooperation to its foreign counterparts.

750. The statistics corresponding to the requests received through the RRAG and on financial intelligence by other FIUs during 2015-2021 are presented below:

Table 81. Requests received by the FIU of Paraguay - RRAG

Country	2015	2016	2017	2018	2019	2020	2021	Total
Colombia	2	2	2	4	2	-	-	12
Argentina	5	3	4		3	6	1	22
Brazil	1	-	1	1	-	-	1	4
Spain	-	1	-	-	-	3	1	5
Chile	-	-	-	-	1	-	1	2
Panama	-	-	-	-	-	-	1	1
Ecuador	-	-	-	-	-	1	-	1
Total	8	6	7	5	6	10	5	47

Table 82. Requests received by other FIUs - Egmont

Cooperation via Egmont	2015	2016	2017	2018	2019	2020	2021	Total
Received	31	25	35	66	53	12	18	240
Answered	17	25	33	55	66	11	28	235

Table 83. Spontaneous information - FIU of Paraguay

	2015	2016	2017	2018	2019	2020	2021	Total
Spontaneous information received	1	0	0	1	2	0	0	4
Spontaneous information sent	3	0	1	13	28	6	4	55

751. In terms of requests received from other FIUs, Paraguay has given priority to cases of international requirements; as can be seen in the table above, a response has been provided to 97% of the requirements.

752. In the course of 2019, Paraguay implemented the feedback form, created through an application, which accompanies the information sent and allows the importance of the shared data to be measured. In this regard, feedback has been received from Brazil and Panama; in the case of Brazil, the country points out the relevance and usefulness of shared information.

753. From the figures presented, it is evident that collaboration has been provided to a greater extent through responses to requests made to the SEPRELAD, and to a lesser extent through the dissemination of spontaneous information, because, although it is true that in 2019 there were 28 spontaneous reports sent, in 2020 and 2021 that figure dropped blatantly to 6 reports, respectively. For this decrease in the figures for 2020 and 2021, the impact of the COVID-19 pandemic on the reduction in the number of economic operations is taken into account, apart from the significant impact on the slowdown of processes.

754. In this matter, the country has a broad passive international cooperation framework. The authorities have cases and data on international cooperation other than financial intelligence, including police cooperation in cases related to organized crime, smuggling, drug trafficking, human trafficking, illegal gold mining, ML, among others.

755. It is relevant to mention that the LEAs in Paraguay have formed Joint Investigation Teams (JIT) in order to investigate punishable acts related to drug trafficking, arms trafficking, ML, human trafficking, among others. For such purposes, agreements are signed to establish the formal rules of procedure (Technical Cooperation Instrument). Paraguay ratified the Framework Cooperation Agreement between the MERCOSUR States Parties and Associated States for the Creation of Joint Investigation Teams. The Attorney General's Office of Paraguay has two JIT signed with Brazil on Organized Crime and one joint investigation team signed with Argentina on ML, whose original cause was formed after the use of other cooperation mechanisms, such as spontaneous information. In addition, as a mechanism of international cooperation, the Attorney General's Office uses the international mechanism for the **'transfer of cases'** between jurisdictions of different countries in order to avoid impunity for the acts committed in one of the territories.



756. In 2020, through spontaneous information transmitted through inter-agency cooperation channels from the Argentine prosecutor's office, a criminal case was opened in Paraguay that led to the formation of a JIT which investigated ML acts against a group of people who organized a public fund collection scheme for their subsequent laundering. During a period of time determined by both prosecutor's offices, trips to Paraguay were recorded, some of them only for a few hours, and some of them coinciding with the withdrawal of large sums of money from Argentine banking entities. The authorities estimate that these trips were made for transferring sums of money for the purpose of investing them in businesses through financial institutions located in Paraguay. In February 2022, an on-site meeting (in Paraguay) was organized between the members of the JIT to coordinate actions and determine investigative guidelines.

757. In addition, due to the transmission of spontaneous information from the General Prosecutor's Office of the Principality of Andorra in Paraguay, another criminal case was opened for facts related to ML. In the same sense, due to spontaneous information transmitted from Brazil, a case was initiated also linked to ML that resulted in the confiscation of significant values, the administration of assets by the SENABICO and the negotiations for the first international sharing of confiscated assets with Brazil are highlighted.

758. The National Customs Directorate of Paraguay has collaborated with other counterparts in the exchange of information. An example provided by the country refers to a request from Portugal regarding a suspicious shipment. The customs of Paraguay collected the documentation of the controls applied with respect to the request and sent it to its counterpart.

759. In turn, between 2017 and 2020, the National Police provided support in the processing of 32 requests with the Czech Republic, Spain, Germany, South Korea, Poland, Colombia, Argentina, Ecuador, Panama, Brazil, and Chile.

760. Although the National Police has supported the processing of requests, there are no specific protocols or mechanisms for processing requests, so it is necessary that they be developed in order to ensure the prioritization of cases.

761. In turn, the different intelligence and investigative bodies, in coordination with the National Anti-Drug Secretariat, have carried out joint operations with their counterparts in the region. Eleven cases corresponding to 2019 and two cases from 2020 were noted, in which offences related to drug trafficking, ML, arms trafficking, and smuggling were observed.

762. In the collaboration by the National Police and the National Anti-Drug Secretariat, the countries which participated the most are Argentina and Brazil, which is consistent with the risk that the Tri-Border Area represents for Paraguay and the need for greater cooperation and coordination between authorities to share information.

763. Now, considering the foregoing regarding joint investigations, it can be seen that the country has collaborated through its different LEAs, as in the case of the National Anti-Drug Secretariat and the Attorney General's Office, which has derived in the capture of persons and the confiscation of assets, as mentioned in the analysis of Immediate Outcome 8.



International exchange of basic and beneficial ownership information of legal persons and arrangements

764. According to the information provided by Paraguay, the International Taxation Unit of the SET has received requests for international cooperation referring to legal persons and arrangements and BOs.

765. Namely, in 2019, Argentina made two requests for the exchange of information on accounting, corporate and tax data within the framework of inspections carried out on taxpayers. In one of the requests, information was partially granted by providing only the information of a public nature, while the other was rejected considering that Paraguay had no legal basis to grant the information that was subject to the secrecy of the proceedings.

766. On the other hand, considering the openness of the data currently in existence, any international jurisdiction without requiring direct information can access the DGPEJBF website (<https://www.hacienda.gov.py/web-hacienda/index.php?c=1167>) and obtain publicly available information on legal persons, thus having the possibility of identifying whether or not there is a record of them. In case of confirming the existence and requiring other relevant information, the request for information exchange could be made.

767. Regarding the deficiencies identified with respect to the Registry of BOs under the analysis of IO 5, it should be noted that, if the information contained in the registries is not sufficient, in order for international cooperation to be adequately provided by Paraguay, the requesting country may make a specific request in this regard.

768. Notwithstanding the foregoing, the implementation of the “Administrative Registry of Legal Persons and Arrangements” and the “Administrative Registry of Beneficial Owners” is very recent (see Immediate Outcome 5), which could limit the ability to provide complete and updated information for the competent authorities.

Conclusions of Immediate Outcome 2

769. Paraguay has mechanisms to provide and request international cooperation. From the figures presented, it is observed that international cooperation has been provided to a greater extent for drug trafficking, but to a lesser extent in other predicate offences. Based on the information provided by the experience of the Global Network, it is estimated that the exchange with Paraguay is constructive but requires improvement in terms of response times.

770. In the same way, there is an improvement in national cooperation and coordination to process responses regarding MLA, extradition and other forms of cooperation. The Paraguayan authorities have agreements in place that allow them to exchange information with their foreign counterparts, and they can also make use of other tools, such as the RRAG, Interpol, WCO platforms, among others, for international cooperation in criminal and supervision matters. However, it is possible to observe that not all LEAs and supervisors seek cooperation with other countries.



771. There is an opportunity for improvement for authorities other than the FIU and the Attorney General's Office to achieve a greater exchange of information and to promote the formalization of procedures to prioritize and execute international cooperation. It should be noted that LEAs other than the FIU and the Attorney General's Office do not have protocols or mechanisms that allow them to prioritize cases or requests.

772. Paraguay cooperates actively with neighbouring countries and has developed JIT with other countries for better coordination and cooperation between the competent authorities.

773. Therefore, it is concluded that **Paraguay has a substantial level of effectiveness for Immediate Outcome 2.**

TECHNICAL COMPLIANCE ANNEX

CT1. This annex provides detailed analysis of the level of compliance with the FATF 40 Recommendations in numerical order. It does not include descriptive text on the country situation or risks and is limited to the analysis of the technical criteria for each recommendation. It should be read in conjunction 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 carried out as part of the previous Mutual Evaluation in 2008. This report is available from <https://www.gafilat.org/index.php/es/biblioteca-virtual/miembros/paraguay/evaluaciones-mtuas-13/217-paraguay-3era-ronda-2008/file>.

Recommendation 1 - Assessing risks and applying a risk-based approach (RBA)

Risk assessment

CT3. *Criterion 1.1* - In order to identify and assess its risks, in 2016, with the technical assistance of the Inter-American Development Bank (IDB), Paraguay carried out its National Risk Assessment (NRA) on ML/TF in compliance with Objective 3 of Paraguay's Strategic Plan for Combating Money Laundering, the Financing of Terrorism and of the Proliferation of Weapons of Mass Destruction (PEEP). This NRA was updated in 2018, and its findings were incorporated as new objectives in the PEEP, in order to mitigate the threats and vulnerabilities identified. In addition, on November 6, 2020, Paraguay issued Executive Order 4312, whereby the final report of the National Risk Assessment on Terrorist Financing (TF-NRA) was published. This self-assessment exercise was conducted with the technical assistance of the World Bank and includes conclusions and a clear weighting of the risks identified. The incorporation of the conclusions and recommendations into the PEEP becomes mandatory as provided for by Article 2 of said Executive Order.

CT4. Although the reasoning used to reach the conclusions and the weighting of the threats and vulnerabilities identified is not clear from the reading of the updated NRA summary (2018), the weighting of the threats and vulnerabilities identified and the impact they have on the country context are more clearly shown in the extended assessment and supporting documentation used to update the PEEP in accordance with the discussions held at the AML/CFT Inter-agency Committee. At the end of the on-site visit, Paraguay had four sectoral risk assessments (SRA) (non-profit organisations (NPOs), real estate sector, money remitters, virtual asset service providers (VASPs), and a risk assessment on legal persons and arrangements. The PEEP includes, as one of its objectives, the performance of sectoral risk assessments, which have been progressively developed by the country as provided for by the Inter-agency Committee.

CT5. *Criterion 1.2*- Through Executive Order 6604, as amended by Executive Order 7949/17, Paraguay appointed the country's Secretary General and Chief of the Civil Cabinet of the Presidency of the Republic to lead the General Coordination for the Strengthening of the AML/CFT system. In addition, through said Executive Order, the AML/CFT Inter-agency Committee was created. In accordance with Article 4.a), this Committee shall coordinate Paraguay's efforts in the



assessment of ML/TF risks, with the support of the Executive Coordination carried out by SEPRELAD.

CT6. *Criterion 1.3* - Article 4.b) of Executive Order 7949/17 establishes that one of the tasks of the AML/CFT Inter-agency Committee is to ensure that the NRA is updated. Moreover, Executive Order 3265/2020 establishes the procedure to be followed for said update, which should be performed within a minimum period of 3 years. It should be noted that Paraguay approved the update of the NRA on LA issued in 2016 through Executive Order 9302 in 2018, and on November 6, 2020, issued Executive Order 4312, whereby the TF-NRA final report was released.

CT7. *Criterion 1.4* - Paraguay has the mechanisms to provide information on the results of the risk assessments to all competent authorities and reporting entities. A summary of the results of the 2016 NRA and its 2018 update was shared with the authorities of the AML/CFT system and published on the SEPRELAD website, so that said information could be freely accessed by public/private entities and the general public. Article 3 of Executive Order 4312 empowers the AML/CFT General Coordinator and the AML/CFT Executive Coordinator to disseminate the results of the TF NRA to the public and private sector and to implement the objectives of the Action Plan. In addition to the publication on the SEPRELAD website, bulletins were sent to reporting entities and training sessions were held for some sectors, in which the results of the NRA were shared.

Risk mitigation

CT8. *Criterion 1.5* - Through Executive Order 4779/16, Paraguay recognized the NRA issued in 2016, and its results were incorporated into the PEEP. Jointly with the NRA update carried out in 2018, adjustments were made to the PEEP Action Plan through Executive Orders 9302 from August 2018 and Executive Order 507 from October 2018. In addition, Article 2 of Executive Order 4312/20, relative to the TF NRA, established the incorporation of its results into the PEEP. The Action Plan consists of 29 objectives divided into five central themes (legal-criminal aspects, cross-cutting-structural aspects, prevention, criminal detection-investigation, and international cooperation) based on an understanding of the threats, vulnerabilities and risks identified in order to develop specific and time-bound measures to mitigate them.

CT9. In addition, together with the dissemination of the results on the classification of the threats and vulnerabilities identified in the 2018 NRA and the strategic compliance with the measures set out in the PEEP, it is possible to observe the existence of tools for the application of an RBA in the implementation of measures to mitigate the risks identified. Nonetheless, although conducting an SRA is one of the objectives of the PEEP and four studies have been completed and disseminated in this regard, due to the limitation mentioned in criterion 1.1, there is a deficiency related to the lack of studies on the different sectors of the AML/CFT system and to the degree of priority in which they should be addressed.

CT10. By means of an Executive Order, the General Coordinator is empowered to promote the implementation of measures in order to comply with the Action Plan, as well as to monitor its progress.



CT11. *Criterion 1.6* - Paraguay applies the FATF Recommendations to financial institutions (FI) and Designated Non-Financial Businesses and Professions (DNFBPs). However, an exception to the FATF Recommendations 22 and 23 regarding notaries (DNFBPs) is made as provided for by Resolution 325/13 on the mandatory application of policies and procedures for operations or transactions carried out by their clients, based on transactional thresholds below USD 50,000 for the following activities: buying and selling of real estate; buying and selling movable property; performance of notarial acts on the deposit of money, securities or other assets; and the incorporation and modification of the bylaws of legal persons, both for-profit and non-profit entities.

CT12. The exception referred to above does not seem to be supported by an analysis that demonstrates the low risk of the transactions established, and there are no elements to conclude that the USD 50,000 threshold was determined based on a study or assessment of the ML/TF risks inherent to the activities carried out by the notaries sector in the context of the country that show the low risk of said activities. In addition, at the date of issuance of this measure, there was no NRA or sectoral assessment that could help justify this exception to apply customer due diligence (CDD) and other prevention obligations in this sector.

CT13. *Criterion 1.7* - Through various resolutions, Paraguay establishes the obligation for reporting entities to have and comply with internal risk-based policies and procedures to prevent ML/TF/PF and establishes minimum parameters to classify their higher risk clients, regardless of those developed by reporting entities themselves, in order to apply enhanced CDD.

CT14. In this sense, banks and financial institutions, exchange houses, insurance companies, cooperatives and brokerage firms, money remitters, lawyers and accountants, real estate agencies, car dealers, dealers in jewellery and precious metals, and VASPs are expressly required to comply with that obligation. In addition, regarding reporting entities governed by the AML Law, Article 12 of said law establishes the obligation for reporting entities to incorporate context and risk-based policies and procedures into their risk prevention, mitigation, and detection processes, “*pursuant to the regulatory guidelines issued by the authority.*” Likewise, in 2020, the SEPRELAD issued the General AML/CFT Guidelines aimed at guiding reporting entities in the preparation of their risk self-assessment so that they can properly apply the RBA in order to mitigate said risks. However, although the AML Law in force is not exhaustive when listing reporting entities and only establishes certain general obligations regarding the implementation of risk prevention and mitigation measures, the same Law sets forth that this should be done in accordance with the regulations issued by the SEPRELAD. In this regard, no provision or related provisions were found in Resolution 325/2013 that could be applicable to notaries.

CT15. *Criterion 1.8* - Article 14 of the AML Law establishes that every reporting entity, based on the risk parameters regulated by the SEPRELAD, should apply CDD, which may be simplified, general or enhanced. Moreover, in the use of its powers, the SEPRELAD established, in various regulations, the possibility that some reporting entities may apply, for certain products, simplified CDD measures to know their clients, in accordance with the results of their own risk assessments and the ML/TF-NRA. Pursuant to Article 14 of the AML Law, the SEPRELAD should issue the relevant regulatory guidelines for the reporting entities under its authority. In this regard, the



SEPRELAD issued a General AML/CFT Guide aimed at establishing the minimum criteria for risk self-assessment in order to guide reporting entities in the application of an adequate RBA.

CT16. Article 26 of SEPRELAD Resolution 70/19, applicable to banks and financial institutions, and Article 27 of SEPRELAD Resolution 71/19, applicable to the insurance sector, provide for the possibility of applying simplified CDD measures depending on the level of risk and when i) the client is classified by the entity as low risk, and ii) there is a prior authorization by the SEPRELAD, and only in the case of certain financial products and with low-risk transaction thresholds established by said Resolutions.

CT17. In addition, pursuant to the same regulations (Article 26 of SEPRELAD Resolution 70/19 and Article 27 of SEPRELAD Resolution 71/19) applicable to banks and insurance companies, respectively, CDD by reporting entities should require SEPRELAD's authorization and the SEPRELAD may render said authorizations ineffective when it determines that the circumstances that justified the application of simplified CDD measures have changed. Therefore, reporting entities should adjust their CDD according to SEPRELAD's instructions based on risk factors and in line with the findings of the NRA.

CT18. In turn, the National Securities Commission (CNV), in accordance with SEPRELAD Resolution 172/2020, abrogating Resolution 427/2016, has a specific chapter on risk management, which addresses simplified CDD measures and the identification of low-risk products or services, and authorizes stock exchanges, brokerage firms and investment funds to implement simplified CDD measures, depending on the risk factors (Article 35/Article 4), in the case of clients (natural persons and legal persons or arrangements) performing transactions through the financial system that do not exceed the amount of 50 minimum wages per legal person and per year.

CT19. Similar measures are established for electronic payment service (EPS) providers (SEPRELAD 77/2020), exchange houses (SEPRELAD 248/2020), money remitters (SEPRELAD 176/2020), brokerage firms (SEPRELAD 172/2020), VASPs (SEPRELAD 314/21) and cooperatives (SEPRELAD 156/2020), according to their own risk factors. Other financial institutions, such as credit institutions and bonded warehouses are regulated by Resolution 349/13, which authorizes the implementation of simplified CDD measures as established therein and in accordance with the internal assessment performed by the sector. However, this process is not subject to the findings of the NRAs or to prior authorization by SEPRELAD. On the other hand, there are no regulations for safe deposit box rental services, cash transport companies and pawnshops.

CT20. In the case of the non-financial sector, SEPRELAD Resolutions 196/2020, 201/2020, 222/2020, 258/2020 and 299/2021, applicable to car dealers, real estate agencies, dealers in jewellery and precious metals, casinos, and lawyers and accountants, respectively, include a specific chapter on risk management that addresses simplified CDD and the identification of low-risk products or services, and authorize their respective sectors to implement simplified CDD measures in line with the risk factors included in each of the above-mentioned resolutions. Resolution 70/19 is applicable to trust service providers, since banks and financial institutions may act as trustees. Nonetheless, Paraguay has no regulations on this issue for notaries.

CT21. *Criterion 1.9* - The Superintendency of Banks (SIB), the National Institute of Cooperativism (INCOOP), the CNV, the Superintendency of Insurance (SIS) and the SEPRELAD (See R.26 and R.28) are responsible for monitoring and supervising FIs and DNFBPs. In this sense, due to the obligations arising from the AML Law, the supervisory bodies are empowered to verify reporting entities' compliance with said Law in a comprehensive manner, including their AML/CFT obligations, including those related to Recommendation 1, as well as the obligation to adopt risk-based identification, management and mitigation systems and procedures. However, it is not possible to verify whether supervision by notaries is conducted according to this criterion, in line with the specific powers to monitor that these sectors are implementing a risk-based approach.

Risk assessment

CT22. *Criterion 1.10* - The reporting entities should be required to identify, assess, and understand their risks, document this exercise and update said risks, at least, every 2 years, consider all the risk factors and NRA, as well as to keep them available to supervisors and the SEPRELAD. Nonetheless, no explicit obligation is imposed for notaries, safe deposit box rental services, cash transport companies and pawnshops.

Risk mitigation

CT23. *Criterion 1.11*- Article 4 of SEPRELAD Resolution 70/19, applicable to banks and financial institutions, and Resolution 71/19, applicable to insurance companies, Article 3 of Resolution 77/2020, applicable to EPS providers, as well as the related articles applicable to exchange houses (SEPRELAD 248/2020), money remitters (SEPRELAD 176/2020), brokerage firms (SEPRELAD 172/2020), cooperatives (SEPRELAD 156/2020), car dealers (SEPRELAD 196/2020), casinos (SEPRELAD 258/2020), real estate agencies (SEPRELAD 201/2020) and dealers in jewellery and precious metals (SEPRELAD 222/2020) set forth the responsibility of the reporting entity's Board of Directors, management body or highest authority to implement an AML/CFT system and to promote an internal environment to facilitate its strengthening. Therefore, said authority should be required to:

- (a) Consider ML/TF risks when establishing the reporting entity's main business objectives, annually approve and review ML/TF risk management policies and procedures and approve the AML/CFT Manual and Code of Conduct or Ethics. The foregoing seems to cover the obligation for reporting entities to have policies and procedures approved by senior management in order to mitigate the risks identified and to ensure that said procedures take into account the NRA.
- (b) As mentioned in the previous paragraph, the aforementioned resolutions establish the obligation for the reporting entity's Board of Directors, management body or highest authority to annually approve and review the ML/TF risk management policies and procedures.
- (c) According to the Paraguayan authorities, the different resolutions mentioned in the initial paragraph of this criterion have a specific chapter on risk assessment that, in general, requires reporting entities to adopt RBA measures; In addition, this chapter indicates specific factors and the need to consider other instruments, such as the NRA, in order to

adopt enhanced control measures to effectively and efficiently manage and mitigate the ML and TF risks identified in the development of their own policies and procedures.

CT24. However, even though Resolution 349/13 is applicable to bonded warehouses and credit institutions, the resolution and its provisions, including its Article 5, are not sufficiently precise to comprehensively cover the requirements of each paragraph of this specific criterion. The same is true for Resolution 299/21, applicable to other legal professionals and accountants, and Resolution 325/13, applicable to notaries. Finally, there are no regulations regarding pawnshops, safe deposit box rental services and cash transport companies.

CT25. *Criterion 1.12-* In accordance with the resolutions issued by the SEPRELAD, reporting entities covered by said resolutions may adopt simplified requirements, as provided for by criterion 1.8, based on the analysis of entities, by using the criteria defined in their policies, in accordance with the established risk factors and in line with the NRA findings. In this regard, the relevant regulations for virtual asset service providers, lawyers, accountants and other legal professionals, gambling, exchange houses, dealers in jewellery, precious metals and stones, real estate agencies, motor vehicles, money remitters, insurance companies, cooperatives and entities involved in the securities market explicitly prohibit the application of these measures in the cases referred to in this criterion.

CT26. Nonetheless, in the case of EPS providers, even though the use of simplified requirements for suspicions of ML/TF is not expressly prohibited, these measures should be based on the client's low risk and authorized by the SEPRELAD.

CT27. Article 14 of the AML Law, applicable to all the reporting entities, empowers SEPRELAD, to regulate, in coordination with supervisory bodies, the CDD parameters to be applied by reporting entities to their customers, which may be simplified, general or enhanced. It was not possible to verify the existence of other regulations or provisions applicable to bonded warehouses, credit institutions, pawnshops, notaries, safe deposit box rental services, and cash transport companies.

Weighting and conclusion

CT28. Regarding the 2016 NRA, and its 2018 update, there is no clear risk identification and assessment to understand how ML threats can affect the AML/CFT system and which sectors would represent higher risks. However, the 2020 NRA on TF is clearer in this regard and the PEEP has been updated with its findings and the discussions held at the AML/CFT Inter-agency Committee. The PEEP is at an advanced stage of implementation and allocates resources for the fulfilment of the actions established, though there are still some pending issues for which there are already actions in progress. Some of the requirements included in this recommendation do not fully apply to some sectors, such as notaries, pawnshops, bonded warehouses, investment funds, and credit institutions, which are also important in the AML/CFT system, though they have a low materiality in comparison to the other sectors. Since the measures required by this Recommendation have been largely implemented and the materiality of the deficiencies that are yet to be addressed is low, considering not only the nature of the sector but also the relative importance of the actions to be taken, deficiencies are considered to be minor. **Recommendation 1 is rated Largely Compliant.**



Recommendation 2 - National cooperation and coordination

CT29. In its 3rd Round Mutual Evaluation Report (MER), Paraguay was rated non-compliant with former R. 31. At that time, it was concluded that coordination and cooperation among agencies were not ad hoc, and that the existing mechanisms for policy makers, the FIU, compliance authorities and supervisors were not sufficient to effectively cooperate and coordinate the development and implementation of AML/CFT policies and measures.

CT30. *Criterion 2.1* - Paraguay has formally approved AML/CFT policies at the national level. In 2013, its first PEEP was approved through Executive Order 11200/13 and, subsequently, based on the 2018 NRA, it was updated through Executive Order 9302/18, as amended by Executive Order 507/18. This PEEP established, under objective 8, a mechanism to update Paraguay's NRA and the Action Plan set forth in the PEEP.

CT31. In this regard, the General Coordination for the Strengthening of the AML/CFT system has jointly worked to establish this mechanism, and a periodic review of both the methodology and the assessment has been approved by the Inter-agency Committee. This was formalized by an Executive Order. In accordance with Executive Order 3265/2020, the NRA should be updated in a minimum period of 3 years and the PEEP should be updated once the NRA update has been issued (Articles 2 and 3). Still, it is important to mention that, if required, the AML/CFT General Coordinator may promote an NRA update prior to the established term (Article 4). In addition, in 2020, Paraguay issued a TF-NRA, developed with the assistance of the World Bank, for the purposes of conducting a more exhaustive and timely study of Paraguay's TF risk level.

CT32. *Criterion 2.2* - In 2016, by means of Executive Order 6604/16, Paraguay appointed the Secretary General and Chief of the Civil Cabinet of the Presidency of the Republic as General Coordinator for the Strengthening of the AML/CFT System. In addition, Resolution 833/2017 created an Executive Coordination under the control of the Executive Secretary of the SEPRELAD.

CT33. In 2017, for the purposes of ensuring the permanence and continuity of AML/CFT policies and inter-agency cooperation, Executive Order 7949/17 was issued in order to institutionally establish the appointment of both Coordinators, as well as the creation of an Inter-agency Committee formed by the chairs of the agencies that make up the AML/CFT system (Articles 1-3). Likewise, Article 4 of said Executive Order sets forth the following functions:

- i) To coordinate Paraguay's efforts to assess ML/TF risks to which the country is exposed;
- ii) To ensure that the NRA is updated;
- iii) To establish mechanisms to provide competent authorities and reporting entities with NRA results;
- iv) To coordinate the application of an RBA to allocate resources and implement measures to prevent or mitigate ML/TF;
- v) To propose to the President of the Republic the approval of the PEEP periodic update; and



- vi) To establish mechanisms that enable adequate inter-agency coordination and cooperation for the development and implementation of AML/CFT policies and activities.

CT34. *Criterion 2.3* - The Inter-agency Committee is responsible for coordinating, jointly with other authorities, the formulation of AML/CFT policies to be implemented for the strengthening of the AML/CFT system. In accordance with Executive Order 7949/17, the Inter-agency Committee may include subcommittees or sectoral, technical or operational working groups consisting of officials of the agencies making it up, according to their competencies and the needs of specific actions, for the purposes of supporting its functioning or implementing its decisions (Article 5). In addition, all public and private sector institutions may be requested to support the actions undertaken by the General Coordination and the Committee (Article 6 of the aforementioned Executive Order).

CT35. Paraguay has also signed several Inter-agency Cooperation Agreements for the purposes of exchanging relevant information with AML/CFT authorities, such as the National Police, the Attorney General's Office, the National Customs Directorate (DNA), the National Intelligence Secretariat (SNI), the National Anti-Drug Secretariat (SENAD), the General Directorate of Migration (DGM), the National Anti-corruption Secretariat (SENAC), the National Secretariat for the Administration of Seized and Forfeited Assets (SENABICO), the BCP, and the Ministry of Finance. In 2020, the FIU issued three protocols: (i) management and exchange of strategic information, (ii) receipt and processing of requests from the Comptroller General of the Republic, and (iii) receipt and processing of requests from the Attorney General's Office and other AML/CFT authorities.

CT36. In addition, Paraguay created the Board of Supervisors from Reporting Entities in order to strengthen the use of international best practices in ML/TF/PF matters by designing inter-agency strategies for the development and implementation of effective supervision, establishing mechanisms to provide information on the results of the supervision to the members of the Inter-agency Council, implementing an agile system for the exchange of information about threats and vulnerabilities identified, among others (Articles 1 and 4 of Executive Order 1548/19).

CT37. *Criterion 2.4* - Paraguay has a National Action Plan that includes an objective to address compliance with the United Nations Security Council Resolutions (UNSCRs) regarding the prevention, suppression and disruption of proliferation of weapons of mass destruction (PWMS) and their financing. The agencies that make up the AML/CFT Inter-agency Committee plan, coordinate and execute policies related to the implementation of international conventions and treaties on this matter. Furthermore, this Committee coordinates the actions of the national agencies that make up the AML/CFT system and has submitted the reports on compliance with UNSCRs to the 1540 Committee.

CT38. *Criterion 2.5* - There is cooperation and coordination between authorities based on agreements, Memorandums of Understanding (MOU), protocols and best practices that are applied in each case, and which are subject to data protection, confidentiality and professional secrecy rules, as provided for by Article 32 of the AML Law, Articles 322 and 323 of the Code of Criminal



Procedure in its Chapter IV, as well as Articles 84 and 85 of Law on Banks and Financial Institutions 861/96, as amended. This Law on Banks and Financial Institutions establishes that bank secrecy shall not apply when competent authorities require necessary information, according to their function, and the relevant measures should be adopted to guarantee confidentiality.

CT39. In addition, there are technological tools to access different databases, such as those of the Judiciary, the DNA, the State Undersecretariat of Taxation (SET), the National Police, the Public Registries, the Cadastral Registry, the BCP and the Ministry of Information and Communication Technologies (MITIC). These databases implement security and confidentiality measures for shared information and data protection purposes. The FIU has access to these databases, whether through interconnections (web service system) that permits automated access to the information available from the agency that provides it, or through the provision of database access privileges in analysts' secure computer equipment.

Weighting and conclusion

CT40. Legislation on national cooperation and coordination covers all the elements required by the Standard. **Recommendation 2 is rated Compliant.**

Recommendation 3 - Money laundering offence

CT41. In its 3rd Round 2008 MER, Paraguay was rated PC with R.3. The main deficiencies identified were related to the fact that ML did not cover the "conversion" or "transfer" nor the "acquisition" or "possession" of assets; the ML offence did not criminalise the "concealment" or "disguise" of the true nature, location, disposition, movement or ownership of or rights with respect to property, nor the act of "aiding a person involved in the commission of the predicate offence to evade the legal consequences of their acts." ML was not established as a stand-alone offence, and the list of predicate offences did not include a number of offences in each of the designated categories of offences. Finally, conspiracy, facilitation and counselling were not criminalised as related offences.

CT42. In addition, criminal liability did not extend to legal persons as required by the Palermo Convention (Article 10); ML was not classified as a serious offence; and sanctions for ML were not effective, proportionate and dissuasive.

CT43. *Criterion 3.1* - Paraguay has criminalised ML in Article 196 of its Criminal Code (Law 1160/97, as amended by Law 6452/19), and incorporates most of the elements of the Vienna and Palermo Conventions. In this sense, the concealment, disguise of the source, acquisition of assets or making them available to a third party, and the custody or use of them, as well as any attempt to do so, are included in the criminal offence. In the case of the specific conduct of acquisition, even though it is not literally stipulated in the criminal offence, it is considered to be covered by the term "obtain," set forth in Article 196.2, as amended. As regards the mere possession of property, it is not expressly established in the criminal offence, but some of the conducts provided for necessarily entail possession (as is the case of custody and use stipulated in Article 196.2, as amended). In this regard, through the analysis of some judicial decisions it was possible to observe that possession is

a conduct considered in cases of ML and related offences. In addition, Article 196.1c) of the Criminal Code considers ML as the concealment of the proceeds of the associated offences (Articles 37 to 45) under Law 1340/88 related to **illicit trafficking in prohibited substances**. In this regard, the acts of selling, being involved in, or obtaining an economic benefit from the proceeds of illicit trafficking in the substances or raw materials referred to in said Law (Article 44 of Law 1340/88) are clearly included in the offence of ML related to illicit trafficking in prohibited substances.

CT44. On the other hand, although Article 196 does not expressly describe the full range of participation levels, such as association with or conspiracy to commit a crime, or aiding, abetting, facilitating and counselling the commission of a crime, as well as “aiding a person involved in the commission of the predicate offence to evade the legal consequences of their acts,” the Paraguayan Criminal Code addresses these requirements in different articles. In this regard, Book One, Chapter II, Title III of the Criminal Code, which is in the general part applicable to all the offences under the Criminal Code, establishes the punishment of the perpetrator(s) (Article 29), aiding and abetting (Article 30), conspiracy (Article 31), and attempted abetting (Article 34) (offence punishable with more than five years’ imprisonment). In the case of association or conspiracy, according to the legal concept of “criminal association” (Article 239 of the Criminal Code), there is criminal association when, regardless of whether the association is hierarchically structured or not, it is created and somehow organised to commit crimes.

CT45. *Criterion 3.2* - Article 196 of the Criminal Code, as amended by Law 6452/2019 and applicable special laws (as is the case of Law 4788/12 “Comprehensive Law on Trafficking in Human Beings,” Article 12), includes 19 of the 21 categories of predicate offences required by the Standard, excluding offences related to migrant smuggling and trafficking in stolen and other goods. Regarding migrant smuggling, pursuant to Article 5 of Law 4788/12, whereby the trafficking in human beings is criminalised, the typical elements of this particular crime were not identified.

CT46. On the other hand, regarding the illicit trafficking in stolen and other goods, Paraguay does not have a specific criminal offence in this regard, but it is important to mention that it does criminalise some other related serious crimes, such as robbery, aggravated robbery, and robbery resulting in death or serious injury or smuggling.

CT47. *Criterion 3.3* - In accordance with Article 196 of the Criminal Code, Paraguay applies a combined approach that includes a list of ML predicate offences that are classified into two main categories (serious crimes and offences). Therefore, according to the law, “unlawful acts” shall be those offences criminalised in the Criminal Code and other special laws, and serious crimes. Article 13 of the Criminal Code classifies offences into: i) serious crimes as the “*offences that are punishable with more than five years’ imprisonment,*” and ii) crimes as the “*offences that are punishable with up to five years’ imprisonment, or a fine ...*”

CT48. In this regard, Paraguay establishes predicate offences for ML with reference to a combined approach that includes a threshold linked to serious crimes, a list of offences criminalised under the Criminal Code, and offences committed by criminal organisations, as well as a list of specific

violations under the anti-drug trafficking legislation; Law 5810/17 on the Securities Market; Law 4036/10 on Firearms; Law 2422/04 Customs Code; Law 2523/04, which criminalises influence peddling and illicit enrichment; and Law 6430/19 on bribery and international bribery.

CT49. With the recent amendments to Article 196 of the Criminal Code, Paraguay includes in the threshold: i) all offences considered as serious crimes under its legislation, and ii) almost all categories of predicate offences, regardless of the punishment, which are listed in Article 196 of the Criminal Code and special laws, excluding the exceptions detailed in criterion 3.2.

CT50. *Criterion 3.4* - For the purposes of criminalizing the ML offence, the Paraguayan Criminal Code, and its amended laws, uses the term “proceeds of.” as a descriptive element of the criminal offence. Paraguay has introduced an amendment to Law 1015/97 “preventing and punishing the illicit acts intended to legitimise money or assets, amended by Law 3783/09” and Law 6497/20 (hereinafter, the AML Law), whose Article 2.a) defines the ML offence as: “*the proceeds obtained or derived from, directly or indirectly, the commission of a crime.*” Based on the foregoing, paragraph b) of the same article defines assets in a broad manner, including any type of tangible or intangible property, real or personal, virtual financial assets, funds, legal documents or instruments, securities, funds and other assets, shares, securities, bonds, bank loan, and the income derived from said funds or assets. This is in line with the definition of funds and other assets established in the FATF General Glossary.

CT51. Neither the definition of objects (assets) nor the Criminal Code impose any property value threshold. Consequently, the definition of “assets” under the Paraguayan legislation is broad enough to include property of any kind that directly or indirectly represents the proceeds of crime.

CT52. *Criterion 3.5* - Article 196 of the current Criminal Code and paragraph 10 of Law 3440/08 specifically establish that ML is a stand-alone offence, for which a prior conviction for the predicate offence is not required.

CT53. *Criterion 3.6* - Article 196.7 of the Criminal Code sets forth that ML applies to any offence or serious crime listed in said Article when they have been committed outside the scope of the Criminal Code and involve conducts criminalised in the jurisdiction where they were committed. This applies with the exception of the deficiencies analysed in criterion 3.2 regarding ML predicate offences that are not covered.

CT54. *Criterion 3.7* - Article 196 of the Criminal Code criminalises ML as a stand-alone offence. However, this provision does not exclude the persons committing the predicate offence from being held criminally liable for ML. Likewise, a ML offence can be committed by any person, including the person committing the predicate offence.

CT55. *Criterion 3.8* - Articles 172 and 173 of the Code of Criminal Procedure (search for truth and principle of freedom of evidence) establish the legal basis for concluding that, under the Paraguayan legislation, it is possible to infer the intent and knowledge required to prove ML based on circumstantial evidence, which, as argued, derives from the requirement for the means of proof “when they refer directly or indirectly to the act under investigation.” In addition, the country

applies a system of judgment called *Santa Crítica*, which implies the application of logical and reasonable rules of evaluation and procedure [*Santa Crítica*], which implies the application of the principles of experience psychology and logic. This system of evidentiary assessment requires judges to justify the reasons for which they have come to have a strong feeling about the existence of something. In this regard, the assessment team had at its disposal some criteria from the country's Supreme Court of Justice (Supreme Court Decision 1050,22/07/04 and Supreme Court Decision 65, 02/03/11), where the control of the evidentiary assessment and the principle of *Santa Crítica* are cited to prove the intent or particular knowledge for this assumption and considers that they cover the requirements of this criterion.

CT56. *Criterion 3.9* - In Paraguay, ML is criminalised as an offence, and therefore it is punishable with a maximum penalty of up to 5 years' imprisonment or a fine. It is important to remember that serious crimes in the Paraguayan system are those that are punishable with more than 5 years' imprisonment. Regarding fines, they may be imposed as an additional penalty in accordance with Article 53 of the Criminal Code. In turn, since no specific reference is made regarding crimes, Article 38 of the Criminal Code establishes a penalty of six months' imprisonment for this offence. It is important to consider that, in Paraguay, there is a unitary system of sanctions where an enhanced criminal framework is applied, both to cases of multiple offences and concurrent offences, i.e., when the ML offence and any of the predicate offences provided for by law are committed simultaneously or successively, the punishment expectation increases, being it possible to get the maximum penalty expected, which is 30 years of imprisonment. Notwithstanding the above, in the convictions that could be accessed where ML was considered as a stand-alone offence the penalties imposed only range from 2 to 4.6 years on average. It should be noted that, in some circumstances, such as the commission of multiple serious crimes by one single offender, when the perpetrator has carried out the same ML offence more than once, the criminal framework (even if it is the typical criminal offence), ranges from 6 months to 7 years (Article 70 of the Criminal Code). When ML is related to the offence of illicit trafficking in prohibited substances, in accordance with Article 44 of Law 1340/88, penalties range from 5 to 15 years' imprisonment.

CT57. Thus, in line with the established penalties that have recently averaged up to 7 years of imprisonment (when ML has been tried together with other crimes), and considering the penalties imposed on other asset-related crimes (with penalties over an average of 7 years of those for ML), penalties for ML are not sufficiently proportionate, effective or dissuasive. Based on a sample of ML convictions that could be accessed to (14), it should be noted that, for example, penalties with the highest number of years of imprisonment for ML (23 years) are imposed when other crimes are involved, such as drug trafficking (20 years), illicit enrichment, criminal association and fraud (up to 10 years). On the contrary, for those ML convictions where ML was considered as a stand-alone offence, the penalties imposed range from an average of 2 to 4.6 years.

CT58. *Criterion 3.10* - Under the Paraguayan legislation, there is no specific regulation for applying criminal liability and criminal sanctions to legal arrangements. In this respect, regarding the purpose of penalties, Article 20 of the Constitution legally precludes the imposition of a penalty on legal persons, since a penalty or sanction in Paraguay can only be applied to natural persons, given that, within the country's criminal legal system, penalties are aimed at the readaptation of convicted persons and the protection of society. Nonetheless, Article 16 of the Criminal Code

covers actions conducted on behalf of another (including legal persons' representatives or partners). In addition, the Criminal Code sets forth some legal concepts whereby incidental consequences, such as special confiscation or deprivation of benefits (Article 90.2), are applied to any person that has been used to conceal the proceeds of crime. Moreover, the general part of the Criminal Code also establishes that any representative or member of the bodies of legal persons shall be personally liable for the crime, even though the conditions, qualities or personal relationships required by the type of criminal offence are not present.

CT59. On the other hand, Articles 24 and 25 of the AML Law (Law 1015, as amended) permit the application of administrative sanctions to legal persons that do not comply with the administrative obligations set forth in Chapter 3 of said law and the related administrative regulations. In this regard, Article 24.2 of the AML Law establishes the criteria for sanctioning non-complaint legal persons, which include a warning notice, public reprimand, fine of up to 5,000 monthly minimum wages, fine of up to 50% of the amount of the transaction involved in the violation, suspension, temporary closure or disqualification of the license to operate for up to one year or revocation of the license.

CT60. In addition, civil liability is regulated by Title VIII of the Civil Code, establishing the liability for: own acts, reparation of the damage for the commission of a crime, liability for the acts conducted by a another person who acts under dependence of or with authorization from another person, liability without fault for the damage caused by the activity or the instrumentalities used, among other assumptions, and, on the other hand, liability for compensation for the damage caused independently of the criminal action (Articles 1833 to 1871, Civil Code).

CT61. Based on the above, even though the criminal liability of legal persons is not legally possible in Paraguay, they demonstrated that they have other tools that regulate administrative and civil liability in the case of legal persons.

CT62. *Criterion 3.11* - The Criminal Code sets forth that attempt (Article 169), aiding and abetting (Article 30), conspiracy (assistance, aid, preparation) (Article 31) and attempted abetting (Article 34) are covered by the Paraguayan legislation and can be applied to the crime of ML. Book One, Chapter II, Title III of the Criminal Code, which is in the general part applicable to all unlawful acts included in the Criminal Code, establishes the punishment of the perpetrator(s), aiding and abetting, conspiracy and attempted abetting (crime with a penalty of more than 5 years), which are sufficiently broad to cover said conducts. In turn, according to the analysis of criterion 3.1 regarding the offence of criminal association set forth by Article 239 of the Criminal Code, participating in an association and conspiracy are considered to be covered by this criminal offence.

Weighting and conclusion

CT63. Paraguay has a criminal definition of ML that encompasses, to a large extent, the elements required by the Vienna and Palermo Conventions and the main criteria of the Recommendation. However, there are certain deficiencies regarding criteria 3.2, 3.3, 3.6 and 3.9, which have an impact on the criminalisation of the offence, the most significant being those related to the proportionality

and dissuasiveness of the penalties for ML and some associated ML offences that are not provided for as required by the Standard. **Recommendation 3 is rated Partially Compliant.**

Recommendation 4 - Confiscation and provisional measures

CT64. In its 3rd Round 2008 MER, Paraguay was rated partially compliant with former R.3. At the time, there were deficiencies related to i) the lack of a legislative provision establishing the filing of initial requests for property seizure upon request or without prior notice; ii) the lack of criminal laws/tools to prevent or invalidate contracts and actions that diminish the capacity to recover assets subject to confiscation; iii) lack of express provision to permit confiscation of property of an equivalent value, and iv) the fact that the legal provisions on confiscation and provisional measures were not effectively enforced with respect to serious crimes.

CT65. *Criterion 4.1* - The Paraguayan Criminal Code sets forth the possibility of confiscating the proceeds and instrumentalities used for the commission or preparation of an intentional crime (Article 86 on confiscation), and the benefits derived from such proceeds (Articles 90 and 94 on the deprivation of benefits, also called “special confiscation” and “extensive special confiscation,” respectively).

- (a) Based on the foregoing, by leaving open the possibility of confiscating the proceeds of any intentional crime, ML is covered by the concept of confiscation. This means that, even though Article 86 does not expressly mention ML as one of the crimes whose proceeds may be subject to confiscation (and, in fact, it does not mention it for any crime), since the criminal offence is regulated in Book One (General Part of the Criminal Code), specifically, under Title IV, ML is covered by the general rule applicable to every offence included in said section of the Criminal Code.
- (b) In turn, as previously mentioned at the beginning of this criterion, “special confiscation” (Article 90 of the Criminal Code) focuses on the confiscation of the “benefits” derived from the proceeds of crime. That is, it covers the proceeds of ML, or the instrumentalities used or intended for use in the commission of this crime. The foregoing goes in line with the analysis of paragraph a), since “special confiscation” is also mentioned in Book One of the Criminal Code.
- (c) The proceeds of TF or the instrumentalities used or intended for use to commit this crime are covered, since TF, though covered by a special law, namely the Anti-Terrorist Law, under the system adopted by Paraguay which gives priority to the legal rights set out in its Constitution, is also covered by the general rule. This means that, even though TF is not criminalised in the General Part of the Criminal Code, it is governed by its rules, since it is covered by a special law that follows the main law.
- (d) Moreover, Article 91 of the Criminal Code (special substitute asset confiscation) clearly establishes the possibility of ordering the payment of a sum of money corresponding to the value of the proceeds.

CT66. *Criterion 4.2* - In addition to the powers of the Attorney General’s Office regarding the identification, monitoring and execution of confiscation measures, Law 6431/2019, “creating the special procedure for the application of confiscation, special confiscation, deprivation of benefits

and profits, and non-conviction-based confiscation,” and abrogating the provisions of Law 4575/12, establishes, in its Article 5, the preliminary investigation on the matter.

- (a) Article 5 of Law 6431/2019 empowers the Attorney General’s Office to track, identify, locate and verify that the property is the proceeds of crime; to collect evidence that proves the assumptions established by law for confiscation, disablement of publications, deprivation of benefits or special confiscation and extensive special confiscation.
- (b) Article 6 of Law 6431/2019 empowers the Judge of Criminal Guarantees (at the request of the Attorney General’s Office) to dispose of the application of provisional measures on property subject to confiscation.
- (c) In accordance with Article 235 of the Criminal Code on provisional measures and Article 260 on the powers of the criminal judge to grant said measures and that such measures should be governed by the Code of Civil Procedure, Paraguay adopts measures that prevent or void actions that affect the country’s capacity to freeze, seize or recover assets subject to confiscation. Said measures consist of the general prohibition on the disposal and encumbrance of property (Article 718 of the Code of Civil Procedure), property seizure (Article 721 of the Code of Civil Procedure), *lis pendens* (Article 723 of the Code of Civil Procedure), prohibition on innovation and contracting (Article 725 of the Code of Civil Procedure), and judicial administration and intervention (Article 727 of the Code of Civil Procedure). In addition, regarding the consequences of confiscation, Article 88.2 of the Criminal Code works as a precautionary measure to prevent property seizure or confiscation by prohibiting the encumbrance and disposal of property, thus safeguarding the capacity to seize the instrumentalities of and the benefits derived from the crime.
- (d) Article 5 of Law 6431/2019 analysed in paragraph a) of this section permits the establishment of investigative measures, as required by this section.

CT67. *Criterion 4.3* - Paraguayan criminal legislation regulates two types of confiscation: traditional confiscation and special confiscation or deprivation of benefits. In this regard, the Paraguayan legislation provides for measures to protect the rights of bona fide third parties. In the case of traditional confiscation, Article 89 of the Criminal Code establishes the country’s obligation to indemnify third parties who are owners or holders of other rights over the property at the time the confiscation order becomes final.

CT68. In the case of special confiscation, Article 90.4 of the Criminal Code provides as follows: *“The special confiscation order shall not proceed on goods or rights that, at the time of the decision, belong to a third party who is not the perpetrator, participant or beneficiary.”* In addition, Article 90.2 protects the property of whoever acquires or receives it in good faith; this is why the special confiscation has subjective limits, considering that the order shall not proceed against whoever is not the author, participant or beneficiary. Regarding the actions and how the person affected by the confiscation order should intervene, these rules are provided by Law 6431/19 (Law for the application of confiscation, special confiscation and deprivation of benefits and profits, and non-conviction-based confiscation).

CT69. *Criterion 4.4* - By means of Law 5876/17 (Law on the administration of seized and confiscated assets), the SENABICO was created. According to Article 4, this agency is a body



under the Presidency of the Republic, with its own legal status and technical, administrative and financial autonomy, responsible for the administration and management of property of economic value which has been seized, abandoned, confiscated, and made available to it by the competent authority.

CT70. In accordance with Article 7, the SENABICO is empowered to i) issue general instructions for the proper administration of assets in order to prevent their alteration, deterioration, disappearance or destruction, and ii) to issue general instructions to depositories, administrators, intervenors and third parties specialised in the management of assets. In addition, Article 10 addresses the General Rules of Asset Management that the SENABICO should implement regarding the seized assets that are under its administration. In this sense, Article 12 of the same law establishes that the SENABICO may directly manage the assets or appoint depositories, intervenors or third parties specialised in the administration of assets.

CT71. Moreover, Chapter V of the aforementioned Law establishes specific measures for the management of financial products by the SENABICO or the entities specialized in the administration of assets; i) take the necessary actions before the corresponding administrative or judicial authorities to ensure the correct administration of assets of economic value and their reasonable conservation, and ii) execute and coordinate auctions or donations of the confiscated assets so that they can be used as provided for by Chapter VII of the Law.

CT72. In the case of the power of disposal of frozen or seized property subject to confiscation, the aforementioned Law 5876/17 establishes the concept of anticipated sale and declaration of abandonment. Finally, another example of the disposal of confiscated property is found in Article 49, which empowers the SENABICO to carry out the auction or donation of the confiscated property.

Weighting and conclusion

CT73. Legislation on confiscation covers all the elements required by the Standard. **Recommendation 4 is rated Compliant.**

Recommendation 5 - Terrorist financing offence

CT74. In its 3rd Round 2008 MER, Paraguay was rated non-compliant with special recommendation (SR) II, mainly due to the fact that TF was not criminalised and, accordingly, TF was not established as a predicate ML offence. Paraguay is a state party to the International Convention for the Suppression of the Financing of Terrorism. However, its legislation did not contain provisions that criminalise TF.

CT75. *Criterion 5.1* - Paraguay is a state party to the International Convention for the Suppression of the Financing of Terrorism (1999), which was signed by the country in October 2001 and approved by Law 2381 in October 2013.

CT76. Law 4024/10 punishes terrorism crimes, terrorist association and terrorist financing, and was amended by Law 6408/2019 (hereinafter, Law on Counterterrorism and its Financing). Article 3 of said Law criminalises the TF offence, covering the organisation, provision, facilitation and collection of funds, assets or any type of property and securities, funds or economic or logistical means, with the intention of financing, in whole or in part, directly or indirectly, terrorist acts, terrorist individuals or organisations, or to be used, directly or indirectly, in whole or in part, for commission, in national territory or abroad, of terrorist activities or promotion, dissemination or aiding or abetting to planning, preparation or commission of said activities.

CT77. On the other hand, it is not clear from the reading of the terrorist offence related to TF that the financing of the acts referred to in the Agreements listed in the Annex to the International Convention for the Suppression of the Financing of Terrorism (1999) is covered. Regarding, specifically, the Convention on the Prevention and Punishment of Crimes against Internationally Protected Persons, including Diplomatic Agents, it is unclear whether the scope of the term “international organisation or its representatives” covers diplomatic officials as required by Article 2.1.a) of the International Convention for the Suppression of the Financing of Terrorism (1999). It is considered that, even though the country’s criminal law provides for the description of typical conducts in a generic and abstract manner applicable to specific cases, the criminalisation of TF under Article 3 of Law 6408/2019, and its connection with Article 1.3 related to the criminalisation of terrorism in Law 4024/2010, is not in line with the spirit of the Convention on the Prevention and Punishment of Crimes against Internationally Protected Persons, including Diplomatic Agents referred to in paragraph 3 of the Annex to this Convention.

CT78. *Criterion 5.2* - As indicated above, Paraguay was able to demonstrate that Article 3 of the Law on Counterterrorism and its Financing, criminalises TF by governing important aspects that are sufficiently broad to address the elements of this criterion. Based on the analysis of the TF criminal definition, it is possible to identify that the Paraguayan TF criminal definition covers:

On the one hand, any person who, directly or indirectly, and by any means, provides or collects funds or other assets (any kind of goods and securities, resources or economic or logistical means) and, on the other hand, the intent of financing (in whole or in part): (a) the commission of terrorist acts, (b) a terrorist organisation or one of its members, (c) an individual terrorist or any person for TF purposes, and (d) acts related to the promotion, dissemination or aiding or abetting of the plan, preparation or commission of terrorist acts. However, there are doubts about the extent to which the country understands that the funds or other assets shall be used for terrorist purposes, and whether it is clear (due to its inclusion in the criminal offence) the element of intent that proves the intent and, thus, the knowledge of the destination of said funds or other assets.

CT79. *Criterion 5.2Bis* - Although the legislation does not include “financing the travel of individuals,” Article 3(1) d) of the Law on Counterterrorism and its Financing includes “providing, facilitating or collecting funds, assets or any property and securities, economic or logistical means or resources, in whole or in part.” These elements would be interpreted as being sufficiently broad to cover the financing of the travels as required by the criterion. Nonetheless, even though the legislation does not make a specific mention to financing for the purposes of “providing or receiving terrorist training,” Paraguayan authorities argue that the conducts of “providing” and “facilitating,”

covered by the Paraguayan criminal offence, imply broadly providing, giving, delivering, handing out, or offering any type of element necessary or convenient to achieve an end. Therefore, the act of providing training to a terrorist would be covered. However, it is not clear that the provision or facilitation of funds also covers the individual who, through the financing of his trip, shall receive terrorist training.

CT80. *Criterion 5.3* - Article 3b of the Law on Counterterrorism and its Financing states that the TF offence extends to the contribution or collection of economic funds or resources of any nature, regardless of the lawful or unlawful source. This term is also in line with the definition of “funds” set forth by Article 1(1) of the TF Convention against TF.

CT81. *Criterion 5.4* - Although Article 3 of the Law on Counter-Terrorism and its Financing does not specifically mention that the criminal offence does not require the existence of a connection between the financing or provision of resources with the commission or attempt of a specific terrorist act or acts, as mentioned in criterion 5.1, the Paraguayan legislation does not require that the funds or other assets are effectively intended for or used in one or several terrorist acts and that these are committed, since the intention to finance, in whole or in part, any of the paragraphs established in Article 3 is sufficient for the crime to be punished. Therefore, when the person has had the intention to finance for said purposes, the existence of the connection with the commission of or the attempt to commit terrorist acts is not necessary.

CT82. *Criterion 5.5* - The Paraguayan authorities refer to the general provisions related to the assessment of the evidence of the “principle of freedom of evidence” (Article 173 of the Code of Criminal Procedure), which covers the possibility of inferring the intent and knowledge necessary to prove the TF based on objective and actual circumstances. In this regard, according to the analysis of criterion 3.8, the intent and knowledge required to prove the TF offence can be inferred as required by this criterion.

CT83. *Criterion 5.6* - The Paraguayan legislation punishes the TF offence with imprisonment from 5 (five) to 15 (fifteen) years. It also incorporates an aggravating circumstance in the event that the funds, assets or other property and securities of any nature had their origin in the commission of other crimes, increasing the penalty up to 20 (twenty) years. Therefore, since the TF offence is considered a serious crime under the Paraguayan legislation (more than 5 years’ imprisonment) and considering that the maximum penalty for this crime is 15 years, this seems to be a proportionate and dissuasive sanction in relation to similar crimes in Paraguay³¹ and in relation to the criminalisation of this crime in other jurisdictions in the region.

CT84. *Criterion 5.7* - As mentioned in criterion 3.10, under the Paraguayan legislation, there is no specific system for applying criminal liability and sanctions to legal entities. However, in line with the analysis of criterion 3.10, even though criminal liability of legal persons is not legally possible in Paraguay, the existence of other administrative and civil liability tools for legal persons was demonstrated, with a range of sanctions that would be sufficiently proportionate and dissuasive in case of a TF event. In this regard, in addition to the civil liability mentioned in

³¹ For example, terrorism is punishable with imprisonment from 10 to 30 years in accordance with Law 4024/10 or terrorist association is punishable with imprisonment from 5 to 15 years in accordance with Law 4024/10.

Articles 1833-1871 of the Civil Code, the criteria for the scaling of reporting entities' administrative liability sanctions, according to Article 24.2 of the AML Law, are applied, as developed in criterion 3.10.

CT85. *Criterion 5.8 -*

In Paraguay:

- (a) The TF offence does not directly cover attempt. However, Article 27 of the Criminal Code establishes that a serious crime is considered to be attempted only in the cases expressly provided for by the Law. In this case, TF is classified as a “serious crime” in accordance with Article 13 of the Criminal Code, which, in paragraph 1, states that “*serious crimes are offences that are punishable with more than five years’ imprisonment*”, it is in line with the assumption and the concept of attempt is applicable, since imprisonment for the TF offence ranges from 5 to 10 years, according to Article 3 of Law 6408/2019.
- (b) As mentioned above, Article 31 of the Criminal Code establishes the possibility of punishing conspiracy in the sense of helping and abetting an unlawful act. Similar to the discussion of the analysis of criterion 4.1 c), since TF is covered by a special law, namely the Anti-Terrorism Law, the general rules are also applicable, in accordance with the system adopted by Paraguay which gives priority to the legal rights set out in its Constitution. This means that, even though TF is not criminalised in the General Part of the Criminal Code, it is governed by its rules, since it is covered by a special law that follows the main law. In this sense, the conspiracy mentioned in Article 31 of the Criminal Code is applicable. Although the criminal offence does not make specific mention to conspiracy in the case of attempted TF, since it is a crime, and considered a serious crime under the Paraguayan legislation, punishment for conspiracy is provided for by the application of the special law on TF.
- (c) Under the same approach described in the preceding paragraph, the Paraguayan legislation covers the conduct of organising others to commit TF. In addition, Article 29 of the general part of the Criminal Code establishes perpetration, stating that i) whoever commits the act or whoever makes use of another person for its commission shall be punished as the perpetrator of the crime, thus reinforcing their punishable nature. In turn, the applicable attempt is addressed in accordance with Article 27 of the Criminal Code, as analysed in paragraph a) in relation to terrorist association (Article 2 of Law 4024/110).
- (d) See the discussion under paragraph (b) of this criterion, also applicable for this criterion according to the information discussed in relation to Article 39 of the Criminal Code regarding criminal association.

CT86. *Criterion 5.9 -* Article 196.1.2 of the Criminal Code, as amended by Article 1 of Law 6452/2019, provides that any serious crime (offence with imprisonment of more than 5 years) shall be considered as an ML predicate offence. Therefore, terrorism and TF are decisive for ML, according to the analysis made regarding imprisonment for TF crimes in criterion 5.6.

CT87. *Criterion 5.10 -* Article 3 of the Law on Counterterrorism and its Financing provides that the TF crime shall be punishable even when the criminal conduct has not been carried out in Paraguay. In addition, Paraguayan authorities managed to clarify that, since the punishment of the criminal offence is particularly and expressly regulated in said Article, Article 8.1 of the Criminal

Code, whose legal provision is a general rule applicable to particular offences, is no longer applicable unless the legislator states otherwise or establishes a different regulation for the case of concern. Therefore, Paraguay would not need to be bound by any approved and ratified international convention or treaty.

Weighting and conclusion

CT88. Paraguay has a criminal definition of TF that covers, to a large extent, the elements required by the CFT International Convention and the main criteria of the Recommendation. However, there are some moderate deficiencies in criteria 5.1, 5.2 and 5.2Bis, which have a moderate impact, as is the case of some criminalisation issues under criterion 5.1 or the knowledge element in criterion 5.2. **Recommendation 5 is rated Largely Compliant.**

Recommendation 6 - Targeted financial sanctions related to terrorism and terrorist financing

CT89. In its 3rd Round MER, SR.III (Special Recommendation) was rated non-compliant. It was concluded that Paraguay had not issued national laws and regulations (or lacked mechanisms in force) to make UNSCRs 1267 and 1373 effective.

CT90. *Criterion 6.1* - Law 6419/2019 “regulates the freezing of financial assets of persons related to terrorism and the proliferation of weapons of mass destruction, as well as the procedures for dissemination, listing and de-listing of persons in the sanction lists prepared in accordance with the United Nations Security Council Resolutions.” The Law on Asset Freezing establishes guidelines applicable to all the designation processes under the United Nations Security Council Resolutions (UNSCRs).

- (a) Article 12 of the Law on Asset Freezing empowers the Executive Branch to propose to the UNSC the listing or de-listing of (natural and legal) persons related to terrorism. On August 30, 2021, the Executive Branch issued Executive Order 5920, which regulates Law 6419/19 “regulating the freezing of financial assets of persons related to terrorism and the proliferation of weapons of mass destruction, as well as the procedures for dissemination, listing and de-listing of persons in the sanction lists prepared in accordance with the United Nations Security Council Resolutions.” This Executive Order appoints the National Intelligence Council (CNI), which is under the Executive Branch, to make proposal designations to the 1267 or 1988 Committees.
- (b) Article 12 of the Law on Asset Freezing states that the mechanism to be used should be in line with the relevant UNSCRs. In addition, Article 6 of Executive Order 5920/21, which regulates said Law, mentions the specific mechanisms to identify persons or entities to be designated based on the designation criteria set forth by the UNSCRs.
- (c) Article 7 of Executive Order 5920/21 also establishes that a reasonable grounds or reasonable basis test assessment should be conducted when deciding whether or not to make a proposal for designation, which is not conditioned to the existence of a criminal case.
- (d) and (e) Article 5 of Executive Order 5920/21 states the obligation to follow the procedures and standard listing forms adopted by the related Committee. The same Article establishes that proposals for designation should detail in a reasoned and justified way all the

information supporting the request. In addition, Article 7 states that additional information may be requested in order to obtain more information to support the proposal. Paraguay's policy before the 1267 Committee is to make public Paraguay's status as a designating country. The foregoing is in line with the provisions of Article 9 of the Executive Order 5920/21.

CT91. *Criterion 6.2* - Regarding designations under UNSCR 1373, Paraguay addresses this criterion in a way similar to that set out in the previous criterion, i.e., through the Law on Asset Freezing and its Regulatory Resolution, which includes (a) the appointment of the CNI as the competent authority to make designations; (b) the powers, procedures and mechanisms to identify persons or entities that meet the designation criteria under UNSCR 1373; (c) the performance of a reasonable grounds or reasonable basis test assessment. It is important to mention that the mechanism mentioned in Article 14 to recognize and assess a request makes reference to the intervention of the Ministry of Foreign Affairs as the recipient of the requests. However, even with this step, it appears that the CNI can meet the requirement of speed of this sub-criterion; d) similarly to the previous sub-criterion, designations should be made at the same level of test assessment and there is no need for an ongoing criminal action; and e) provision of all information possible for identification purposes and specific information justifying the designation, when Paraguay, through the Ministry of Foreign Affairs, requests a country to order asset freezing in accordance with UNSCR 1373.

CT92. *Criterion 6.3* - Article 12 of the Law on Asset Freezing is the legal basis for asset freezing. Likewise, the Regulatory Law (Executive Order 5920/21) establishing the basis for the processes as set forth in this criterion, was issued.

- (a) Articles 7, 8 and 15 empower the CNI to request information to identify persons and entities that could meet the designation criteria.
- (b) The CNI should operate in a reserved way and keep all the information used in the process confidential in accordance with Executive Order (Law 5242/14). In addition, the processes established by Regulatory Law 5920/21 do not make any reference to the legal or procedural need to inform the person or entity that is being considered and analysed as to whether or not it meets the designation criteria. Thus, both the sessions and the operational actions carried out should follow the confidentiality and reserve guidelines required by an intelligence agency.

CT93. *Criterion 6.4* - The Law on Asset Freezing provides for the immediate freezing of one or more natural or legal persons' funds or financial assets that meet the assumptions under Article 1 of the Law. This Law sets forth that reporting entities should directly review the relevant lists and, when they become aware of it through the publication updated by SEPRELAD, this applies to all relevant resolutions.

CT94. In addition, Executive Order 5920/21 establishes the mechanism through a general circular issued by the SEPRELAD to inform all natural and legal persons and reporting entities at the national level so that prompt action may be taken on the persons designated in the lists of the 1267/1988, 1989 Committees, as well as by request issued by a third country in accordance with UNSCR 1267/1988. In this regard, in the case of UNSCR 1373, once the CNI has verified that the

designation criteria are met and have sufficient information to support the request on reasonable grounds or reasonable basis to suspect or believe that the designation meets the designation criteria of said UNSCR, or when the designation is the result of a deliberative process of the CNI at national level under the same terms.

CT95. The authorities clarified the scope of the Regulatory Law, specifically, with regard to the role of the Ministry of Foreign Affairs as the recipient of the requests in line with UNSCR 1373 and its immediate referral to the CNI, which accounted for the feasibility that freezing requests made by a third country under UNSCR 1373 are promptly analysed and targeted financial sanctions (TFS) are applied without delay, in accordance with footnote 97 in the assessment Methodology.

CT96. *Criterion 6.5* - Regarding the law enforcement and competent authorities to apply TFS, Paraguayan authorities act as follows:

- (a) In accordance with the provisions of Article 3 of the Law on Asset Freezing related to Article 13 of the AML Law, reporting entities should promptly and preventively freeze any fund or asset once they become aware that they possess, manage or have under their control funds of persons related to any of the assumptions under Article 1 of said Law. Failure of reporting entities to comply with these and other obligations of the Law on Asset Freezing shall be punished in accordance with Article 24 of the AML Law. On the other hand, regarding natural and legal persons in the country that are not reporting entities under the AML Law, Executive Order 5920/21 establishes the prohibition on the provision of funds, assets or any service that could benefit, directly or indirectly, designated persons or entities. This applies to all natural and legal persons and reporting entities at the national level. (Articles 10 and 20).
- (b) Article 2, in relation to Articles 5 and 6 of the Law on Asset Freezing, sets forth that the obligation to extend the freezing of funds or other assets to the prohibition on the transfer, conversion, disposition or movement of the funds or other assets owned or controlled by the persons designated by the relevant UNSC Committees and not only those that may be related to a terrorist act, conspiracy or threat. This obligation also extends to property owned or controlled directly or indirectly by the designated person or entity. Regarding the extension of the obligation over third parties acting on behalf or in the representation of the person or entity designated, as well as over the assets derived or arising from funds or other assets owned or controlled directly or indirectly by the person or entity designated, and to those persons or entities acting on behalf or under the instructions of the persons or entities designated. Article 2 of the Law provides that assets owned directly or indirectly by the Company are subject to freezing, whether they are directly or indirectly owned by the designated person.
- (c) Article 10 of Executive Order 5920/21, as well as Article 20, states that the prohibition on the provision of funds, assets or any service that could benefit, directly or indirectly, designated persons or entities applies to all natural and legal persons and reporting entities at national level. In addition, in order to inform any person regarding this legal provision, the SEPRELAD has incorporated a section in its institutional web portal, indicating that said persons shall be subject to criminal sanctions related to terrorist financing and the financing of the proliferation of weapons of mass destruction.

- (d) Based on Article 3, related to Articles 9, 10 and 11 of the Law on Asset Freezing, it is established that the SEPRELAD should monitor the lists and immediately inform reporting entities of any changes. Moreover, Executive Order 5920/21 (Article 10) provides that changes in the designation of persons in accordance with UNSCR shall result in the SEPRELAD issuing a general circular to inform all natural and legal persons and reporting entities at the national level.

In the same sense, Article 20 describes that the country should monitor and maintain constant control of the lists issued and administered by the UNSC and the CNI and shall apply the related procedures in the event that coincidences are identified.

- (e) Article 3 of the Law on Asset Freezing establishes the obligation to immediately communicate to the SEPRELAD when assets have been frozen and to accompany said communication with a detailed description of the data and address of the affected party, as well as the reasons for the freezing. This article does not specifically require reporting entities to report attempted transactions; however, the obligation to send a suspicious transaction report (STR) set forth by the AML Law for all the reporting entities, establishes this obligation to send the STR in cases of attempt.
- (f) Article 5 of the Law on Asset Freezing establishes that the SENABICO may exceptionally authorize payments and transactions intended to cover the basic needs of the affected bona fide third parties. In addition, the Executive Order regulating the Law and SENABICO Resolution 578/21 provides for mechanisms and formalities that should be followed in order to guarantee the rights of bona fide third parties. In this sense, Annexes A and B of said executive order establishes the criteria and indicators for the request presentation, the basic data that should be included, and implements a standardized form whereby the interested party should check the sections to which the authorization of payments or transactions would apply.

CT97. *Criterion 6.6* - The procedures to de-list and unfreeze funds or other assets of persons and entities which do not, or no longer, meet the criteria for designation under the 1267/1989, 1988 and 1373 Committees, as well as those resulting from homonymy or error, are published on the SEPRELAD website, and individualized for each relevant UNSCR. The foregoing also refers to the Executive Order that regulates the procedures of immobilization, dissemination, inclusion, and exclusion in UNSC sanctions lists, which is a public document.

CT98. *Criterion 6.7* - Article 5 of the Law establishes that the SENABICO may exceptionally authorize payments and transactions to cover the basic needs of the people affected. In addition, Article 17 of the Regulatory Law states that the SENABICO may permit access to or make available said property, funds and assets as may be necessary to pay expenses for the items identified by this specific criterion and the relevant UNSCRs.

Weighting and conclusion

CT99. Paraguay has established regulatory and institutional measures to implement UNSCR 1267 and 1373 in accordance with the criteria set forth by the standard. Although the mechanisms do not establish a clear criterion on the prompt decision making on whether or not the designation criteria are met in a request made by a third country under UNSCR 1373, the country

was able to demonstrate that it would be carried out in a matter of hours, since the intervention of the Ministry of Foreign Affairs is only a means of entry to the request. On the other hand, there is no strict obligation to report attempts of transactions involving listed persons. **Recommendation 6 is rated Largely Compliant.**

Recommendation 7 - Targeted financial sanctions related to proliferation

CT100. *Criterion 7.1* - In Paraguay, the Law on Asset Freezing (Law 6419/19) provides as a preventive measure the prompt freezing of funds or financial assets of one or more natural or legal persons that meet the assumptions under Article 1 of the Law. Article 3 establishes that reporting entities should apply the preventive measure when they become aware of the fact, by verifying the lists against their databases.

CT101. The subject matter and scope of this law are mentioned in Article 1.b), specifically, and extends the obligation of immediate freezing of funds or financial assets of related persons to persons who are connected with the List of sanctions issued by the UNSCR, its Standing Commissions, Committees or Working Groups regarding the Financing of Proliferation of Weapons of Mass Destruction (FPWMD). This provision is broad enough to cover the application of all the current UNSCRs implementing TFS related to the FPWMD, other subsequent resolutions and any future resolutions they impose on the matter.

CT102. In addition, Article 3, related to Articles 9, 10 and 11 of the Law on Asset Freezing, establishes that SEPRELAD should monitor the lists and immediately inform the reporting entities of any changes to this criterion. This is addressed more robustly with the issuance of Executive Order 5920/21, which expressly governs the provisions related to the freezing of assets and their monitoring in order to implement measures immediately (Articles 10 and 20).

CT103. *Criterion 7.2* - The process is the same as described in R.6 for TFS and TF.

- (a) Article 3 of the Law on Asset Freezing, related to Article 13 of the AML Law, establishes that reporting entities should promptly and preventively freeze any funds or assets once they become aware that they own, manage or have under their control funds of persons related to any of the assumptions under Article 1 of said Law. Likewise, the proceeding provided for is an ex-parte proceeding, so prior notification to the persons or entities involved is not required.
- (b) The freezing obligation extends to all types of funds of the designated party. This obligation extends to third parties acting on behalf of or under the instructions of the designated party and to funds or other assets derived or arising from funds or other assets owned or controlled, directly or indirectly, by the designated persons or entities.
- (c) The process is the same as described in R.6. Article 10 of Executive Order 5920/21, as well as Article 20, states that the prohibition on the provision of funds, assets or any service that could benefit, directly or indirectly, designated persons or entities, applies to all natural and legal persons and reporting entities at national level.
- (d) The criterion meets the process described in criterion 6.5 (d).
- (e) The process described in criterion 6.5 (e) does not have the specific requirement for reporting entities to communicate attempted transactions.

(f) The process is the same as described in R.6 criterion 6.5 (f).

CT104. *Criterion 7.3* - Article 11 of the Law on Asset Freezing establishes that reporting entities should constantly verify and monitor the updates of the lists issued by the UNSC and disclosed by the SEPRELAD and proceed to the immediate application of the rule in case of coincidences. In relation to Article 10, this Law sets forth the obligation of the SEPRELAD to immediately disclose the lists of the UNSC to the reporting entities, and for the reporting entities to constantly review the updates submitted by the SEPRELAD. The Law is applicable to all the reporting entities listed in the AML Law.

CT105. Moreover, Articles 18 and 20 of Executive Order 5920/21 reinforce the measure and clarify that the supervisory agencies shall be responsible for the control that reporting entities should observe in the monitoring and effective freezing of funds or assets. Finally, several SEPRELAD resolutions establish the connection between the asset freezing obligations and the sanctions that the authority may impose under the AML Law. However, these obligations do not seem to apply to safe deposit box rental services and cash transport companies.

CT106. *Criterion 7.4* -

(a)-(d) The measures described in criterion 6.6 are applied, and requests to remove their national or resident persons should be made through the Ministry of Foreign Affairs, jointly with the variation covered by UNSCR 1718 and 1737/2231. However, regarding paragraph (c), the Regulatory Law 5920/21, even though it covers, at all times, the relevant Resolutions 1718 and 2231, Article 17 is not clear about the process to access basic and essential expenses, since, although it provides the guidelines to do so in accordance with the Law, this article refers to UNSCR 1452, which is applicable only in relation to the resolutions related to terrorism and its financing.

CT107. *Criterion 7.5* -

(a) and (b). Article 5 of the Law on Asset Freezing establishes that, exceptionally, SENABICO may authorize payments and transactions to cover basic needs of the affected parties, bona fide third parties, as well as ordinary or extraordinary expenses caused by the freezing measure. This provision mentions the possibility that the authority authorizes payments or transactions to make payments related to bona fide third parties and other expenses arising from the imposition of the measure. In turn, SENABICO Resolution 578/21 and Executive Order 5920/21 establish the means whereby payments may be made through SENABICO and validated by a judge pursuant to Article 4 of the Law on Asset Freezing. Nonetheless, similarly to paragraph c) of the previous criterion, the scope of Article 17 of the Executive Order, specifically, is not clear, since, although it provides the guidelines to do so in accordance with the Law, this article refers to UNSCR 1452, which is applicable only to resolutions related to terrorism and its financing.

Weighting and conclusion

CT108. Paraguay has the regulatory and institutional framework to implement FPWMD-related TFS in relation to the relevant UNSCRs, especially regarding the prompt freezing of funds or other assets. The new instruments issued provide clarity on the processes. However, there are options for improvement to clarify the scope of the process to access frozen funds or other assets

and resolutions to update and/or issue in order to provide legal certainty on their obligations and consequences to sectors with less materiality, such as pawnshops, safe deposit box rental services and cash transport companies. **Recommendation 7 is rated largely compliant.**

Recommendation 8 - Non-profit organisations

CT109. In its 3rd Round MER, R.8, former SR. VIII was rated non-compliant. It was concluded that Paraguay had not considered enough national laws and regulations regarding NPOs, no disclosure activities had been carried out to protect the sector from TF abuse and, finally, that the authorities did not provide enough information for a full assessment of this recommendation.

Taking a risk-based approach

CT110. *Criterion 8.1 -*

- (a) Article 91 of Paraguay Civil Code - Law 1183, as amended by Law 388/94, establishes the list of entities that are considered legal persons in Paraguay, among which NPOs are included. In turn, Chapters II, III and IV of the same law include Public Utility Recognized Associations (from Article 102 to 117), Registered Associations with Restricted Capacity (from Article 118 to 123) and Foundations (from Article 124 to 131), which are used for the incorporation of NPOs with legal status within the national territory. In addition, regarding political parties, labour unions and cooperatives, their creation, organisation and operation are established in Laws 834/96, 213/93 and 438/94, respectively. According to the SET taxpayer registry, there are currently more than 18,000 actively registered NPOs in the country. In addition, the SEPRELAD, by means of SEPRELAD Resolution 218/11, created the Registry of reporting entities under the AML Law, as amended, among which NPOs are included. This registry shows that there is an important diversity regarding the specific “purposes” they pursue (social, anthropological, educational, cultural, religious services, among others), the way in which they obtain their funds (donations, contributions, collections), and the geographic areas in which they operate (national and international). In Paraguay, NPOs are considered reporting entities, and their supervision is exercised by SEPRELAD. Therefore, in 2011, SEPRELAD Resolution 453/11 was issued, whereby the obligations that NPOs should meet for the prevention of ML/TF in their sector were established. By 2018, the most common NPOs in the country were those of union and collegiate nature (21.10%), followed by committees, boards and the like (14.68%) and those NPOs aimed at social purposes -health, environmental or research- (11.83%). On that basis, in order to identify the subset of entities of the NPO sector in compliance with the Standard, SEPRELAD conducted an SRA of NPOs in 2019, whereby 3,921 registered entities relevant to the Standard as of said year were identified. The classification based on the criterion of “aim/purpose”, or “main purpose” is worth noting, where 14 subgroups were created³², where social services, education-training, charity and humanitarian assistance were at the top with 22.67% over the total 14 subgroups.

³² Associations (union-colleagues), Committees (neighborhood boards-commissions and the like, Social services (pro-health, environmental, research), Economic-social development, Religion, Education-training, Sports, Culture and art, Charity and assistance, Recreational, Protection of democratic rights, Philanthropic-philosophical, Political, Humanitarian.

The TF-NRA and its Action Plan published by Executive Order 4312/20 perform a partial analysis of TF threats in the NPO sector with respect to the (licit and illicit) collection of funds and assets through wire transfers and international remittances without any risk having been identified. In addition, in 2018, only 5 NPOs were identified as being located in areas where criminal groups, such as the Paraguayan People's Army (EPP) and the Armed Peasant Group (ACA), are considered as high risk without any of them having been involved in the transfer of funds to those areas, this, there is no additional risk beyond the inherent risk due to the geographical factor of their area of operation. Regarding financial flows arising from international electronic transfers (IET), NPOs that have received/remitted (IET) represent only 19% of those registered with SEPRELAD and, from this percentage, 35.27% can be considered highly vulnerable, especially those of social services, education-training and, to a lesser degree, charity and humanitarian assistance.

- (b) Based on the 2019 sectoral study, Paraguay concluded that the risk of NPOs in Paraguay being abused by terrorists, terrorist organisations and terrorist support networks is low. However, the risk of NPOs being used in acts of corruption and money laundering is high, since there have been cases of NPOs abuse related to these crimes. Similarly, Paraguay determined that the NPOs that could be most vulnerable to be abused by terrorism would be those which main purpose is related to charity or assistance, education, social services in general, social and economic development, and religion. Although Paraguay notes that, up to the date of this assessment, no cases of NPOs being misused by terrorist entities have been identified, section V of the SRA on the subject identifies 6 possible threats to the sector, such as dependence on contributions or donations, links to international networks (including in jurisdictions with a high risk of terrorism), the Triple Frontier, the role played by NPOs globally (providing assistance to sectors considered as vulnerable), misinformation, lack of complete and accurate information and the scarce controls on fund origin and destination managed by NPOs.
- (c) Based on the results of the SRA regarding NPOs, Paraguay is developing actions to review measures, including laws and regulations, related to the subgroup of NPOs that could be abused for TF support, in order to be able to take effective and proportionate measures to address the risks identified. In this sense, for example, it is possible to highlight the initiative of more than 40 NPO members, known as the AML/CFT Driving Group, to update the sector's regulations, by adjusting them methodologically to R.8. The synergy between the SEPRELAD and the sector in its role as reporting entity also stands out in this exercise. In addition, the country has participated, through SEPRELAD, in exercises related to the identification of best practices on CFT regulations and monitoring of the NPO sector, organised by GAFILAT.
- (d) Article 1 of SEPRELAD Resolution 32/21 establishes that the Sectoral Risk Studies on ML/TF should be updated, at least, every 2 years. In this sense, the country considers NPOs as reporting entities in accordance with Resolution 453/11; thus, the assessment period is applicable.

Sustained outreach concerning terrorist financing issues

CT111. Criterion 8.2 -

- (a) Paraguay has transparency policies in the administration of NPOs. Article 2 of SEPRELAD Resolution 218/11 establishes that legal persons, including NPOs, should register in the reporting entity registry (which does not have natural supervision) through a form that is available on the SEPRELAD website³³. All the information contained in the form shall constitute a sworn statement and should include the company name, the taxpayer's unique registry, main and secondary economic activity, domicile for tax purposes, shareholders, representatives and compliance officer (Article 3). NPOs should also be registered as reporting entities with the Administrative Registries of Natural and Legal Persons and Arrangements and beneficial owners (BO) in accordance with Law 6446/19, regulated by Executive Order 3241/20. Article 11 of Law 6446/19 grants access to said registry, which shall contain, among other aspects, NPOs' members, directors, administrators and the like, to state agencies and entities that require said information to fulfil their functions.
- (b) The SEPRELAD, as a supervisor in AML/CFT matters, has carried out several training sessions for the NPO sector. The most recent training is the discussion among the organisations' representatives, whose central theme was "The role of NPOs in the AML/CFT System," covering introductory topics, such as the scope of the FATF international standards, NPOs in national regulations, NPOs sectoral study, progress and challenges related to the sector. In addition, between November 2019 and August 2021, 7 different training sessions were conducted for the sector in order to socialize the SRA, a workshop on Global and Regional Trends in the Implementation of FATF R.8 by ICNL, as well as some other trainings, mainly according to the mutual evaluation process. As part of NPOs' obligations, Resolution 453/11 sets forth that NPOs should establish training programs aimed at their organisations components on ML/TF prevention and should have updated tools and preventive measures for the fight against ML/TF (Articles 5 and 8). Paraguay stated that the results of the 2019 NPO SRA were shared with the sector through guides containing findings that address risks affecting NPOs in general and, especially, those belonging to subgroups that, due to their purpose or mission, could be more vulnerable to be abused by terrorists, terrorist organisations and terrorist support networks. In this regard, within the framework of the "Conclusions and Recommendations Guide," as well as the "NPO Risk Sectoral Study," guidelines for assessing ML/TF risks in the sector, SRA findings, applicable legal framework, red flag indicators and the use and calibration of risk matrices were shared.
- (c) Paraguay has developed matrices that could help NPOs determine their own risk and level of vulnerability in relation to TF, corruption and ML. Through different training sessions, ML/TF risk issues have been shared and compliance issues have been addressed, such as prevention programs, analysis of unusual or suspicious transactions and warning signs. Although best practices to address TF risk and vulnerabilities have not yet been developed, various training and outreach activities have been carried out in order for the sector to understand the scope of the applicable International Standards, global and regional trends of concern and their role in the CFT system. A recent example of this is the "Proposed methodology for the development of an AML/CFT segmentation model adjusted to FATF R.8" of the Driving Group described in criterion 8.1 b), which recognizes the importance of developing good practices in this area that have not yet been implemented. However,

³³ (<http://www.seprelad.gov.py/documentos-b4>).

similar actions directly with the donor community or directed at this sector could not be seen in contrast to the progress that has been made with NPOs.

- (d) On September 1, 2021, Paraguay issued Circular FIU-SEPRELAD-SE 04/21, which urges and encourages the reporting entities belonging to the NPO sector to use the financial services available in the market to channel their transactions or operations through the financial system. Similarly, this document is a reminder that there are no legal or regulatory impediments to prevent members of the NPO sector from accessing the financial system, as long as the financial institutions comply with the CDD established in current regulations.

Targeted risk-based supervision or monitoring of NPOs

CT112. *Criterion 8.3* - The AML Law includes NPOs as reporting entities under SEPRELAD's supervision (Article 13). Articles 4 and 5 of SEPRELAD Resolution 453/11 establish the controls related to donor identification, registration of income and verification of its origin, as well as the policies and procedures that NPOs should implement to prevent, detect and report ML/TF related acts. It also provides for the need to implement internal/external audit programs to periodically verify the fairness, effectiveness and efficiency of AML/CFT policies and procedures, considering their inherent risks and regulations in force for that purpose (Articles 9 and 10). In addition, in Paraguay, NPOs can be grouped according to whether they receive public funds or not, and those that manage funds transferred by the state are subject to control and accountability measures implemented by the Comptroller General of the Republic (CGR), which, in compliance with its constitutional and legal powers, receives accountability reports submitted by non-profit organisations or organisations for social purposes that receive transfers from state agencies and entities, including Municipalities, as a policy of transparency, control and integrity. As a result of the SRA and the off-site monitoring process, within its Annual Supervision Plan 2020, the SEPRELAD conducted 30 (thirty) onsite risk-based inspections on NPOs, pursuant to Resolution 034/2020. In addition, by means of Resolution 247/2020, the SEPRELAD approved a data submission and update form, as well as for instructions for use for the sector, as reporting entity, in order to optimize information gathering and exercise more efficient supervision of NPOs. The set of measures described above are in line with those included in section 6 b) of Interpretive Note to Recommendation (INR) 8 and allow the country to supervise and monitor NPOs, even though the scope of their effectiveness is considered limited as analysed in immediate outcome (IO) 3.

CT113. *Criterion 8.4* - Regarding monitoring and supervision, it is reported that:

- (a) As from the National Tax System reform made by Law 6380/19, pursuant to Article 132, NPOs are subject to compliance with tax regulations within the limits established by law. They have the same formal obligations as other taxpayers, such as registering with the Tax Authority to obtain their taxpayer identification number (RUC), issuing and requiring sales receipts, and filing tax returns, among others. Within the framework of Law 6380/19, Article 132 establishes that NPOs shall be subject to inspection, audit and investigation by the Tax Authorities. In turn, SEPRELAD, in its role as NPO supervisor, should verify the compliance of the NPOs with the requirements set forth in SEPRELAD Resolution 453/2011. These requirements include the obligation to implement an AML/CFT program, the appointment of a compliance officer (Article 6), CDD implementation (Chapter III) where it is required to identify and know contributors, donors or benefactors, verify the

origin and destination of the funds donated, implement records of donations received, implement monitoring systems to timely detect unusual donations, consider personal, labour and asset background when hiring of employees and collaborators in order to avoid the use of the organisation for ML/TF related events and implement preventive measures to reduce the degree of exposure to ML/TF risks, among others.

- (b) Article 21 of SEPRELAD Resolution 453/11 establishes that NPOs under SEPRELAD's supervision may be subject to sanctions for non-compliance with their TF prevention obligations. Failure to comply with the obligations may be punishable with a warning notice, public reprimand, fine, removal from office, legal person audits, dismissal or suspension of license, cancellation or revocation of licence to operate, and suspension of distribution of dividends. Sanctions shall be graduated according to the degree of liability or intent, income derived from the proceeds of crime and the seriousness of the offence (Articles 24 and 25 of the AML Law, as amended by Law 6497). In this sense, it is considered that SEPRELAD has the power to apply a wide range of sanctions to the sector beyond the limitations analysed in R.35. These sanctions, which may include suspension, cancellation or revocation of licenses, are considered sufficiently effective, proportionate and dissuasive, and may be applicable to persons acting on behalf of NPOs, as analysed in criterion 35.1.

Effective information gathering and investigation

CT114. Criterion 8.5 -

In Paraguay:

- (a) The authorities of the intelligence, investigation and criminal justice subsystem may exchange information through cooperation mechanisms implemented in national regulations and Memorandums of Understanding signed. In turn, the AML/CFT Inter-agency Committee is in charge of coordinating, jointly with the other authorities, the formulation of policies to be implemented to strengthen the AML/CFT system. In this sense, SEPRELAD's mission is to ensure compliance with the AML/CFT law. For that purpose, it coordinates and cooperates effectively in the formulation of actions to be implemented as policies and information exchange. In addition, it has several Inter-agency Cooperation Agreements for the purposes of exchanging relevant information with authorities responsible for law enforcement, such as the National Police, the Attorney General's Office, the State Undersecretariat of Taxation, the DNA, the National Intelligence Secretariat, the National Anti-Drug Secretariat, the DGM, the SENAC, the SENABICO, the BCP, the National Commission of Games of Chance (CONAJAZAR), among others. It should be noted that even though the SEPRELAD and the Secretariat for the Prevention and Investigation of Terrorism (SEPRINTE) have signed an inter-agency cooperation agreement, information can be exchanged through the NIC and Ad hoc Joint Task Forces, if necessary. Interdisciplinary Task Force Groups are created by institutions based on their competencies and the needs for specific actions, in order to coordinate actions, mechanisms and special investigation techniques for relevant and complex cases. It should be noted that SEPRELAD may set up ad hoc task forces to share information more efficiently. Even though this power is not expressly stated in the AML Law, Paraguay

- points out that it derives from the duty of collaboration set forth by Article 22 of Law 6497/2020, amending the AML Law.
- (b) Paraguay has the SEPRINTE, which is an intelligence and investigation unit specialized in issues related to terrorism, terrorist organisations and terrorist financing, which reports to the Ministry of the Internal Affairs. SEPRINTE's functions include the terrorist prevention and investigation, with jurisdiction throughout the national territory, in coordination with the different police departments and it is able to combine procedures with the Judiciary, the Attorney General's Office and other national and international agencies when necessary.
 - (c) The country has a system of records applicable to NPOs, as is the case of SEPRELAD, with the "Register of Reporting Entities," where information and documentation that enable structural knowledge are requested. This is the first requirement to be fulfilled to be registered as reporting entities and, in order to keep the database updated, they should submit the Data Update and Submission Form every year. This enables information access regarding the administration and management of individual NPOs during an investigation.
 - (d) In addition to adopting Resolution 247/2020, analysed in criterion 8.3 related to the form for data submission and update filed by reporting entities to the SEPRELAD, the NPOs, in Paraguay, pursuant to Article 4.6 of Resolution 453/11, should implement monitoring systems to detect unusual donations in a timely manner. In addition, Article 17 states that they should immediately communicate to the SEPRELAD any act or transaction, regardless of the amount, with respect to which there is any type of evidence or suspicion that they are related to the scope of application of the AML Law. In this regard, the FIU has early warning detection mechanisms at the time of receiving the STRs submitted by the reporting entities through the SAS Studio platform, in order to take preventive or investigative measures when there is suspicion or reasonable grounds to suspect that a particular NPO: (1) is involved in TF abuse and/or is a front for fundraising by a terrorist organisation; (2) is being exploited as a conduit for TF, including for the purpose of escaping asset freezing measures, or other forms of terrorist support; or (3) is concealing or obscuring the clandestine diversion of funds intended for legitimate purposes, but redirected for the benefit of terrorists or terrorist organisations. In addition, in the event that the SEPRELAD becomes aware by other means of the existence of funds or assets that may be related to TF, it should promptly notify the reporting entities so that they immediately apply asset freezing measures pursuant to Article 1 of Law 6419/19.

Effective capacity to respond to international requests for information about an NPO of concern.

CT115. *Criterion 8.6* - The Attorney General's Office is the authority in charge of criminal investigations, as well as receiving and processing mutual assistance requests, including those targeting an NPO. In accordance with Article 33 of the AML Law, SEPRELAD is in charge of processing international cooperation requests received through the EGMONT Secure Mail, as established in the National AML/CFT Law, in addition to its international cooperation powers derived from the bilateral agreement, such as the MOUs signed with its counterparts abroad. In addition, SEPRINTE is in charge of monitoring and supervising issues related to international terrorism on a permanent basis.



Weighting and conclusion

CT116. Paraguay has assessed the risks associated with NPOs and identified the sector and the most at-risk subsector. In addition, as a reporting entity, it has its own SRA. Although the efforts to approach the sector stand out, the training sessions that have been carried out and the monitoring efforts that are being implemented are noteworthy. It is estimated that, particularly in relation to the monitoring tasks, Paraguay faces a major challenge in this sector due to its large number of reporting entities. Another aspect that should be addressed is the approach towards the donor community, which could not be verified, and which would help to generate more awareness in the sector. **Recommendation 8 is rated Largely Compliant.**

Recommendation 9 - Financial institution secrecy laws

CT117. Paraguay was rated partially compliant in its 2008 MER, mainly due to the lack of formal mechanisms or measures that allow regulatory authorities, particularly the SIB, to provide and exchange confidential information with domestic and foreign authorities, as deemed necessary and in accordance with SR VII.

CT118. *Criterion 9.1* - Article 22 of the AML Law provides that all sectors subject to financial secrecy obligations should provide all the information related to the subject matter of the AML Law, which shall not imply a violation of financial secrecy obligations.

CT119. In addition, Article 34 of the same Law clearly establishes that the information provided to SEPRELAD in compliance with AML obligations shall not constitute a violation of secrecy or confidentiality and the reporting entities, their directors, administrators and officials shall be exempt from civil, criminal or administrative liability, regardless of the result of the investigation, except in the case of conspiracy with the act under investigation. The foregoing complies with the criterion of reporting entities' obligations related to prevention and combat of ML. Resolution 349/13, which regulates bonded warehouses and credit institutions as reporting entities, does not have a provision governing this aspect. However, given that this regulation is issued as supplementary to the AML Law, this is met by applying Article 34 of said Law. The same case is for 2014 resolutions applicable to safe deposit box rental services and securities custody services.

Weighting and conclusion

CT120. The regulatory framework covers all the elements required by the Standard regarding financial institution secrecy laws. **Recommendation 9 is rated Compliant.**

Recommendation 10 - Customer due diligence

CT121. Paraguay was rated non-compliant with R.5 in its last MER. Main deficiencies include: Lack of express obligations imposed by (primary or secondary) regulations to: i) expressly prohibit anonymous accounts or accounts under fictitious names; (ii) identify customers (whether permanent or occasional, natural or legal persons or legal arrangements) and verify the identity of the customer by means of reliable and independently sourced documents, data or information (identification data); (iii) verify, in the case of legal arrangement customers, that any person

purporting to act on behalf of the customer is authorized to do so and identify and verify the identity of that person; (iv) identify the beneficial owner, and take reasonable steps to verify the identity of the beneficial owner through relevant information or data obtained from a reliable source so that the financial institution is satisfied that it knows the beneficial owner; (v) determine who are the natural persons who ultimately own or control the customer. This includes persons who ultimately exercise effective control over a legal person or arrangement; vi) establish requirements so that financial institutions conduct CDD on business relationships, particularly for higher-risk categories of customers or business relationships, and to keep customer records up to date, among others.

CT122. *Criterion 10.1* - Article 14 of the AML Law covers the prohibition for financial institutions to open or hold anonymous accounts or accounts under obvious fictitious names. In accordance with this provision, reporting entities should register and verify the identity of their customers or users at the time of entering into business relationships, as well as personal accounts that intend to carry out transactions. The explicit prohibition included in this criterion is expressed in the provisions of SEPRELAD Resolution 432/10, whereby reporting entities should adopt the necessary policies and procedures to avoid opening anonymous, fictitious or fake accounts for their customers and provide for the supervision of compliance thereof.

CT123. *Criterion 10.2* - (a) - (e) Paraguay has regulations (Article 14 of the AML Law) and secondary resolutions applicable to financial reporting entities that establish what should be understood as CDD and the information that should be requested from their customers, whether natural or legal persons.

- (a) At the time of entering into any business or contractual relationship, and continuously during said relationship;
- (b) The current applicable regulations do not differentiate between a customer and occasional user transactions or the thresholds for performing CDD. Thus, reporting entities should always conduct general CDD;
- (c) CDD policies regarding transfers apply when financial institutions are authorized to do so, when they make or receive transfers of funds ordered by or for the benefit of their clients (customer or user), regardless of the amount involved. In the case of banks and financial institutions, even though the difference between customer and occasional user is conceptually made, this does not entail any change with respect to the CDD requirement. However, there are certain CDD measures that only apply when transfers represent an amount equal to or higher than USD 10,000;
- (d) When there is suspicion of connection with illegal activities, and
- (e) When there is doubt about the truthfulness or timeliness of the data provided by customers.

CT124. In this sense, the AML Law provides for CDD in a general way in Articles 14 and 15, and the relevant resolutions of each sector provide clarity on this obligation and the details to be followed by each sector. It is necessary to adapt the resolutions applicable to bonded warehouses



and other minor financial activities, such as custody and cash transport companies and safe deposit box rental services. In addition, the issuance of resolutions for pawnshops is required.

CT125. *Criterion 10.3* - Paraguay establishes by law the reposting entities' obligation to register and verify, by any reliable means, the identity of their customers and users at the time of entering into business relationships, as well as of the persons who intend to carry out transactions and of their principals (Articles 14 and 15 of the AML Law).

CT126. In addition, the resolutions addressed for different financial institutions provide for the duty to identify and verify the identity of their customers, whether natural or legal persons, the individualization of BO as well as the data and information to be collected in order to identify and verify the identity of the customer, identify the BO, understand the business relationship, carry out said CDD on an ongoing basis throughout the business relationship and examine the customer's transactions to verify if the BO is in line with its risk profile (SEPRELAD Resolution 70/19: Articles 23, 24 and 25; SEPRELAD Resolution 71/19: Articles 24, 25 and 26; SEPRELAD Resolution 349/13: Articles 16 and 20, and SEPRELAD Resolution 77/2020: Articles 23, 24 and 27) SEPRELAD Resolution 156/20, Articles 27, 28 and 30; SEPRELAD Resolution 172/20, Articles 30, 31, 32 and 34; SEPRELAD Resolution 176/20 Articles 28, 29 and 32; SEPRELAD Resolution 248/20, Articles 28, 29, 30 and 32; SEPRELAD Resolution 349/13, Articles 16 and 20.

CT127. *Criterion 10.4* - Although prior to the amendments of the AML Law in 2020 (Law 6497), Article 16 of said Law specified the obligation of reporting entities to gather precise information in order to know the identity of the persons when there is evidence or certainty that the clients are not acting by their own. With the law amendments, this article changed and said provision was searched in Article 15 of the same legal instrument; however, the wording is not as precise as that of the previous article. In this sense, the current regulations provide generically the obligation of the reporting entities to identify the BO and verify its identity, as well as to understand the purpose of the business relationship, which is understood to include information about whether a person is acting on behalf of another person and the necessary information to understand the business relationship.

CT128. In addition, SEPRELAD requires these measures to reporting entities, in a more concrete way, through its various applicable resolutions (Resolution 70/19, Articles 23 and 25, paragraphs 1.k. and 2.j., applicable to banks and financial institutions; Resolution 156/20, Articles 26, 27 and 30.10 for natural persons and 30.9 for legal persons (Cooperatives); Resolution 172/20, Articles 29, 30 and 34.5 (Securities Market and investment Funds); Resolution 176/20, Articles 29, 28 and 32.5 (Money remitters); Resolution 248/20, Articles 29, 28 and 32.5 (Exchange houses); Resolution 71/19, Articles 24, 26.1.a, 26.2.a (Insurance companies); Resolution 77/19, Articles 23 and 27.b (EPS providers); Resolution 349/13, Articles 16, 17, 18, 20.2.4 and 20.2.6 (credit institutions, bonded warehouses), and SEPRELAD Resolution 436/11, Articles 2.2 (pawnshops, safe deposit box rental services and securities custody services).

CT129. *Criterion 10.5* - Article 15 of the AML Law makes specific reference to the reporting entities' obligation to take reasonable measures to verify the identity of the BO. In addition, the resolutions applicable to financial reporting entities establish the obligation of reporting entities to

identify their customers' BO in order to verify their identity and understand ownership and control structure. For which purpose, the necessary measures should be established to ensure that there is adequate, accurate and timely BO information (Resolution 70/19, Article 23, applicable to banks and financial institutions; Resolution 156/20, Article 27 (Cooperatives); Resolution 172/20, Article 30, (Securities market and investment Funds); Resolution 176/20, Article 28 (money remitters); Resolution 248/20, Article 28 (Exchange houses); Resolution 71/19, Article 24 (Insurance companies); Resolution 77/19, Articles 23 (EPS providers), and Resolution 349/13, Articles 16, 17, 18 (Credit institutions, bonded warehouses).

CT130. *Criterion 10.6* - Article 15 of the AML Law establishes that reporting entities should understand the purpose or nature that customers intend to give to the business or contractual relationship. In addition, the resolutions issued by the SEPRELAD state that one of the general CDD measures is to have the necessary information to understand the purposes of the business relationship. Resolution 156/20, Article 30.6 for natural and legal persons (Cooperatives); Resolution 172/20, Articles 34.7 for natural persons and 34.6 for legal persons (Securities Market); Resolution 176/20 Articles 38, 40 and 41 (money remitters); Resolution 248/20, Articles 32.7 and 32.6 (Exchange houses); Resolution 70/19, Articles 25.1.f. and 25.2.g. (Banks and financial institutions); Resolution 71/19, Articles 26.1.f and 26.2.7 (Insurance companies); Resolution 77/19, Articles 30 and 31 (EPS providers), and Resolution 349/13, Article 20.1.13 (Credit institutions, bonded warehouses).

CT131. *Criterion 10.7* -

Article 15 of the AML Law, applicable to all the reporting entities, establishes that reporting entities should periodically monitor the transactions performed, verifying they are in line with the customer's profile in general. However, no legal provisions were identified that comply with each of this criterion in relation to ongoing CDD regarding the business relationship and specifications thereof. In this sense, by means of the following provisions, Paraguay establishes the obligation to (a) monitor the clients' transactional profiles during the business relationship, and (b) consider review processes to ensure that the documents, data and information obtained are kept updated and in force. Resolution 70/19, Articles 24.c, 25.4 and 25.6, 29, and 30, (Banks and financial institutions); Resolution 71/19, Articles 25.c, 26.4 and 26.6, 29 and 30 (Money Remitters); Resolution 77/2020, Articles 24.c, 25, 30, 31 and 32 (EPS Providers); Resolution 156/20, 28.3, 29, 33, 35, 36 and 37 (Cooperatives); Resolution 172/20 Articles 32.3, 33, 38, 40, 41, and 42 (Securities Market); Resolution 176/20 Articles 30.c, 31, 36, 38, 39 and 40 (Money remitters) Resolution 248/20, Articles 30.3, 31, 36, 40, 41 and 42 (Exchange houses); Resolution 349/13, Articles 7, 16, 19 and 23 (Credit institutions and bonded warehouses). There are no regulations governing pawnshops, safe deposit box rental services and securities custody services.

CT132. *Criterion 10.8* - As mentioned in criterion 10.5, Article 15 of the AML Law makes specific reference to the obligation of reporting entities to take reasonable measures to verify the identity of the BO, as well as to understand the purpose or nature that customers intend to give to the business or contractual relationship. Although this article does not make reference to the more specific obligation to understand the share interest and control structure of its legal person entity, Article 2 of SEPRELAD Resolution 436/11 establishes that the reporting entities governed by the

AML Law should implement mechanisms to understand the ownership and control structure as well as to take reasonable steps to identify said persons.

CT133. In addition, the special resolutions issued by the SEPRELAD establish the obligation of the reporting entities to identify their customers' BO in order to verify their identity and understand ownership and control structure. For this purpose, the necessary measures should be established to ensure that there is adequate, accurate and timely BO information. Resolution 70/19 Articles 25.2.d, 25.2.e, 25.2.f, 25.2.j (Banks and financial institutions); Resolution 71/19, Articles 26.2.4, 26.2.5, 26.2.6 and 26.2.9 (Insurance companies); Resolution 77/19, Articles 27.b, 27.d, 27.g (EPS Providers); Resolution 156/20, Articles 30.4, 30.5, 30.7, 30.8 and 30.9 (Cooperatives); Resolution 172/20, Articles 34.4, 34.5 and 34.8 (Securities Market); Resolution 176/20 Articles 32.2, 32.4 and 32.5 (Money remitters); Resolution 248/20, Articles 32.4, 32.5, 32.7 and 32.8 (Exchange houses); Resolution 349/13, Articles 20.2.4, 20.2.5 and 20.2.8 (Credit institutions, bonded warehouses).

CT134. *Criterion 10.9* - As mentioned above, the obligation to identify their customers, whether natural or legal persons, is an obligation set forth by AML Law for all reporting entities (Article 15.b). The various resolutions issued by the SEPRELAD for each sector establish the list of minimum information to be obtained from their legal person customers:

- (a) Name, legal form and proof of existence through corporate name, public instrument of incorporation, as amended, and the taxpayer identification number (RUC).
- (b) The powers that regulate and bind the legal person and the names of the individuals occupying senior management positions, through the public instrument of incorporation and the updated payroll of partners, shareholders, legal representatives or attorneys-in-fact, directors, administrators, managers, board of directors, if any.
- (c) Regarding the address of the main office and the commercial domicile; only these resolutions govern these issues. There are no regulations governing this criterion regarding pawnshops, safe deposit box rental services and securities custody services.

CT135. *Criterion 10.10* - The AML Law defines the BO (Article 2.c). In addition, Article 15 also establishes the obligation to identify the BO and take reasonable measures to verify its identity. In turn, in accordance with Article 2 of SEPRELAD Resolution 436/2011 regarding BO, reporting entities should implement procedures and control mechanisms to identify the BO, to understand the structure of ownership, control, as well as to take reasonable measures to identify the identity of those natural persons.

CT136. Similarly, as indicated in the previous criterion, various resolutions were issued establishing that different reporting entities should obtain information and documentation when dealing with legal persons customers as per this criterion, according to the following items: (a) by obtaining the payroll of partners and shareholders and the identification of shareholders, partners or associates holding, directly or indirectly, more than 10% of the capital stock, contribution or participation of the legal person; (b) the public instrument of incorporation and the updated payroll of partners, shareholders, legal representatives or attorneys-in-fact, directors, administrators, managers, board of directors, if any, requesting the identification of the legal representatives, as well as the corresponding powers granted, and c) the updated payroll mentioned in paragraph b) above. (Resolution 156/20, Articles 27, 30.2 30.5 and 30.9 (Cooperatives); Resolution 172/20,



Articles 30, 34.2 and 34.5 (Securities Market); Resolution 176/20 Articles 28, 32.2 and 32.5 (Money remitters); Resolution 248/20, Articles 28, 32.2 and 32.5 (Exchange houses); Resolution 70/19, Articles 23, 25.2.b, 25.2.e, 25.2.f and 25.2.j (Banks and financial institutions); Resolution 71/19, Articles 24, 26.2.2, 26.5 and 26.6 (Insurance companies); Resolution 77/19, Articles 25, 23 and 27.b (EPS providers); Resolution 349/13, Articles 20.2.3, 20.2.4 and 20.2.5 (Credit institutions, bonded warehouses).

CT137. In addition, Law 6446/19 creates an Administrative Registry of Legal Persons and Arrangements to gather information on shareholders or authorities responsible for the management, control and administration, the bylaws or other incorporation instruments, as well as information on shareholding, shareholders' identification, and share, category or right in total share capital. This is another tool for financial reporting entities to identify and verify, in a reliable manner, beneficial ownership information. However, there are no regulations covering this criterion in relation to pawnshops, safe deposit box rental services and securities custody services.

CT138. *Criterion 10.11* - In Paraguay, there are no legal arrangements other than trusts. In addition, pursuant to Article 19 of Law 921/96 "On Trust Business," only banks, financial institutions and trust institutions specially authorized by the BCP may act as trustees. SEPRELAD Resolution 70/19 establishes the obligation to perform enhanced CDD when dealing with trust clients. Moreover, this resolution establishes the obligation to know their customers' BO and verify their identity, understand their ownership structure and control, in accordance with Annex 6, which establishes that, in the case of trusts, the identity of the trustee and the recipient of the remaining assets should be determined. In the event that there are more than 5 trustees, the trust representatives and attorneys appointed by the trust boards should be identified. In this sense, the information required by this criterion is largely addressed by financial institutions (Banks and financial institutions), which are the only institutions that can act as trustees. The other financial institutions could only have a business relationship with the trustee financial institutions that have said information.

CT139. *Criterion 10.12* - Article 15 of the AML Law, jointly with Article 2 of Resolution 436/11 and Articles 24-28 of Resolution 71/19, applicable to insurance companies, comply with this criterion in relation to paragraphs a) and b). On the other hand, although no provision could be identified indicating that insurance companies should complete beneficiaries' profiles by verifying the information when exercising their rights in order to ensure the beneficiary's identity at the time of payment pursuant to paragraph (c) of this criterion, Article 25 of this Resolution establishes that CDD should involve customer identification and verification, as well as the monitoring of the transactions related to the customer's profile. In addition, it establishes that if any of the CDD measures cannot be performed, the reporting entity could proceed in three different ways: i) not initiating the business relationship; ii) not carrying out transactions, or iii) terminating the business relationship. In this sense, it is understood that if the beneficiary's identity cannot be verified, in the case of a natural person customer, the beneficiary may not be able to make the policy effective at the time of collection.

CT140. *Criterion 10.13* - Pursuant to Article 3.2 of SEPRELAD Resolution 71/19, financial institutions should include the beneficiary of a life insurance policy as a risk factor in order to

determine whether further CDD measures should be applied. Moreover, as mentioned in the previous criterion, pursuant to Article 28.3.c), insurance companies should apply enhanced CDD measures when the relationship relates to life insurance, financial or customs guarantee policies, or policies with savings, income, and investment. In addition, Article 25 establishes the stages for conducting CDD at the beginning of the business relationship, verification, and monitoring stages. This provision does not specifically state a CDD at the time the policy becomes effective. However, according to the regulations, it is understood that, as part of the monitoring stage during the entire business relationship, the general CDD requirements apply up to the time of payment of the policy. Therefore, the final policy beneficiary's identity should also be verified at the specific stage of payment of the policy.

CT141. *Criterion 10.14* - SEPRELAD Resolution applicable to financial reporting entities establishes that the verification stage should be performed at the beginning of the business or contractual relationship regarding the information provided by customers and their BO. These provisions also offer the possibility, when necessary, to initiate the business relationship prior to verification. Reporting entities may verify the customer's identity during the course of the contractual relationship, when the reporting entities have adopted risk management procedures to determine the conditions under which the customer may use the services and products prior to verification and determine the term to perform, when possible, the verification. These resolutions establish that this term may never exceed 60 days. There are no regulations covering this criterion regarding pawnshops, safe deposit box rental services and securities custody services.

CT142. *Criterion 10.15* - As mentioned in the previous criterion, according to relevant SEPRELAD resolutions applicable to financial reporting entities, the possibility of initiating the business relationship or carrying out a transaction prior to the completion of the verification is established, so as not to interrupt the ordinary course of the verification state, provided that ML/TF risk management procedures have been adopted to determine the conditions under which a customer may use the products and/or services prior to verification, and the applicable terms to perform it. However, no provision was identified regulating the conditions under which financial institutions may perform subsequent CDD in case of identified ML/TF risk. This derives from the resolutions, which provide for the obligation to perform CDD on an ongoing basis, in accordance with criterion 10.16. Nonetheless, there are no regulations covering this criterion regarding pawnshops, safe deposit box rental services and securities custody services.

CT143. *Criterion 10.16* - Resolutions issued by SEPRELAD applicable to financial reporting entities establish that continuous CDD measures should be applied after beginning the business relationship. Said measures should be applied considering the customer's transactional profile built on the understanding of the purpose and expected nature of the business relationship, which should be updated periodically, and the integrated analysis of the information provided by the customer and that obtained by the financial institution.

CT144. Still, institutions should carry out transactional monitoring of the transactions performed by customers, based on parameters applied to ML/TF prevention systems. However, there are no regulations covering this criterion regarding pawnshops, safe deposit box rental services and securities custody services.



CT145. *Criterion 10.17* - Article 16 of the AML Law provides that reporting entities should implement risk-based identification and management procedures and systems in order to know, prevent and impede the occurrence of ML/TF offences. For these purposes, the enforcement authority of said Law may establish the minimum parameters for the assessment of said risks.

CT146. In relation to the precedent paragraph, the various resolutions applicable to the different financial reporting entities establish that customers should be CDD measures should be implemented to identify those clients that, during the business relationship, carry out transactions showing a high exposure to ML/TF risk. Therefore, in addition to what the reporting entities determine based on their internal risk assessments, these regulations include a number of conditions or circumstances in which CDD should be applied. However, there are no regulations covering this criterion for safe deposit box rental services and securities custody services.

CT147. *Criterion 10.18* - Article 14 of the AML Law mentions that reporting entities should apply CDD measures at the time of entering into the business or contractual relationship, and should continuously do so during said relationship, and that the SEPRELAD, jointly with supervisors, may regulate the CDD parameters, which may be simplified, general or enhanced based on identified risks and other regulated factors. As mentioned above, the SEPRELAD has issued several resolutions establishing the possibility that reporting entities may apply simplified CDD measures to know the customer and for certain products in line with the results of their own risk assessments where low risk has been identified. There are no regulations covering this criterion for pawnshops, safe deposit box rental services and securities custody services. See criterion 1.8.

CT148. *Criterion 10.19* - (a) and (b). Article 15 of the AML Law establishes that in case the reporting entity cannot comply with the CDD measures, the reporting entity should not be able to initiate the business relationship or perform transactions; it should terminate the business relationship previously initiated and issue the corresponding STR. In addition, several articles of SEPRELAD Resolution on the stages of the CDD process to know the customer and on the "Impossibility of applying CDD measures" establish said prohibition and the obligation to submit an STR to the SEPRELAD.

CT149. *Criterion 10.20* - Several SEPRELAD Resolution establish that in case the reporting entity has suspicions of ML/TF activities but considers that implementing CDD measures would alert the customer about said suspicions, the reporting entity may suspend the CDD measures and report the suspicious transaction to the SEPRELAD. However, there are no regulations covering this criterion for pawnshops, safe deposit box rental services and securities custody services.

Weighting and conclusion

CT150. Paraguay has a legal, regulatory and institutional structure that obliges financial reporting entities to perform CDD, whether general, simplified or enhanced, according to the risk posed by the situations established in this Recommendation. However, there are no regulations covering the CDD obligation in many cases regarding pawnshops, safe deposit box rental services and securities custody services. **Recommendation 10 is rated Largely Compliant.**

Recommendation 11 – Record keeping

CT151. Paraguay was rated partially compliant with R.5 in its most recent MER. The main deficiencies include (i) lack of legal obligation for financial institutions to maintain records regarding identification data obtained through the CDD process, account files and business correspondence for, at least, five years following the termination of the business relationship, or for a longer period if requested by competent authorities in specific cases; (ii) lack of legal obligation for financial institutions to make identification data available on a timely basis to national competent authorities acting within their powers.

CT152. *Criterion 11.1* - The AML Law is applicable to all the reporting entities. Articles 17 and 18 of said Law set forth the obligation to record all domestic and international transactions carried out by their clients with all the necessary elements that enable the reconstruction of the transaction and which should be kept for a period of five years from the date of the transaction or, as the case may be, the termination of the business relationship. Paraguayan authorities also mentioned provisions from other legal and regulatory instruments that refer to the preservation, custody and safekeeping of documents, which complement the law and do not contradict the provisions of the AML Law.

CT153. *Criterion 11.2* - As mentioned in the previous criterion, Article 17 of the AML Law establishes the obligation to keep the records obtained through CDD measures, files, correspondence and analysis results for a minimum period of five years. Paraguayan authorities also mentioned provisions from other legal and regulatory instruments that refer to the preservation, custody and safekeeping of documents, which complement the law and do not contradict the provisions of the AML Law.

CT154. *Criterion 11.3* - As mentioned in criterion 11.1, Article 17, in relation to Article 18 of the AML Law, establishes that reporting entities should clearly and accurately identify and record all domestic and international transactions carried out by their clients, containing, at least, amounts, types of currency and other elements that enable their reconstruction. It also establishes other minimum elements that reporting entities should record for said purpose, such as i) documents, files and correspondence that adequately evidence or identify transactions and clients, and ii) the results of the analyses that have been performed, regardless of whether or not they have resulted in a report filed to the enforcement authority.

CT155. *Criterion 11.4* - Article 22 of the AML Law, applicable to reporting entities, set forth the obligation to provide all the information related to the matter governed in said Law upon request of the enforcement authority for the performance of its functions. In these cases, the provisions related to the duty of secrecy, or any legal reserve shall not be applicable. Similarly, the SEPRELAD (Article 22 of the AML Law) and the Attorney General's Office (Article 228 of the Code of Criminal Procedure) are empowered to request the reporting entities any information or documentation at any time.

CT156. Several resolutions issued by the SEPRELAD establish, in their relevant articles ("*Attention to information upon the authorities' requirements*" and "*Form of submission*"), the

deadlines and forms in which reporting entities should meet SEPRELAD's requirements. However, in the case of the resolution applicable to insurance, it does not specify the deadlines or the form for delivering the information requested. The foregoing does not seem to affect compliance with this criterion, since, as provided by law, they should do so. It is understood that, in cases that are not expressly stated, compliance should be met within the deadlines ordered by the corresponding authority and that they are subject to sanctions by the supervisory authority in case of non-compliance (Article 24, in relation to Article 35 of the AML Law). The same applies to pawnshops, safe deposit box rental services and securities custody services.

Weighting and conclusion

CT157. The regulatory framework covers all the elements required by the Standard regarding record keeping. **Recommendation 11 is rated Compliant.**

Recommendation 12 - Politically exposed persons

CT158. Paraguay was rated non-compliant with R.5 in its last MER. The main deficiencies include (i) lack of requirements for beneficial owners, in particular, those that can be identified as PEPs; (ii) lack of requirements by the SIB, SIS, CNV and INCOOP to obtain senior management approval when the client or beneficial owners are subsequently found to be PEPs; (iii) lack of requirements by the SIS and the INCOOP to establish the PEPs' source of wealth, and (iv) lack of requirements by the INCOOP to strengthen continuous monitoring of relationships.

CT159. *Criterion 12.1* - SEPRELAD Resolution 50/2019, applicable to all reporting entities of the AML Law, establishes the Regulation for the identification of politically exposed persons (PEPs) and the CDD measures to be implemented. Article 6 of said resolution provides that clients, whether domestic or foreign, should prove whether they are PEPs, by means of a sworn statement at the time of initiating their business or contractual relationship. In this sense, Article 5, in relation to Article 7, establishes that reporting entities should comply with a-d under this criterion:

- (a) Implement an appropriate risk management system in order to determine whether the client or BO is a PEP and implement its CDD according to and commensurate with the risk they represent.
- (b) Obtain approval from senior management, or the unit responsible for said function, to establish or continue business relationships, as the case may be.
- (c) Take reasonable steps to establish the source of wealth and funds operated by a PEP and obtain information to ascertain this.
- (d) Carry out continuous and intensified monitoring of the business relationship.

CT160. *Criterion 12.2* - As mentioned in the previous criterion, Article 5, in relation to Articles 6 and 7 of SEPRELAD Resolution 50/2019, provides that, regarding domestic or foreign PEPs that include persons holding prominent positions in international organisations (Article 3), reporting entities should:

- (a) Implement an appropriate risk management system in order to determine whether the client or BO is a PEP, whether domestic or foreign.

- (b) Implement their CDD according to and commensurate with the risk they represent, regardless of whether the clients or their BOs are domestic or foreign and inform if they are a PEP by means of a sworn statement. Article 7 does not differentiate between reporting entities' obligations regarding the measures to be implemented whether they are foreign or domestic PEPs. The obligations are the same for both cases. Based on the foregoing, Article 7 covers the measures required in this paragraph of this criterion.

CT161. Criterion 12.3 - Article 1 of SEPRELAD Resolution 50/2019 identifies as a PEP any person, national or foreign, who performs or has performed public functions in some of the positions detailed in Article 2 (positions that should be taken into account for considering a person as a foreign PEP), Article 3 (persons holding prominent positions in international organisations), and Article 4 (positions that should be taken into account for considering a person as a national PEP).

CT162. In the same sense, this article establishes that a (foreign or national) PEP should also be understood as i) PEP's relatives, in ascending, descending or collateral line, up to the second degree of consanguinity or affinity; ii) legal persons or arrangements in which a PEP has, at least, ten percent (10%) or more of the capital stock, contribution or participation, and iii) natural persons who are partners, shareholders, associates or have an equivalent title, and the administrators of the legal persons in which a PEP has, at least, ten percent (10%) or more of the capital stock, contribution or participation.

CT163. *Criterion 12.4* - Resolution 71/19, applicable to insurance companies, provides that insurance companies should implement enhanced CDD measures when a customer identified as a PEP performs a transaction that demonstrates high exposure to ML/TF risks, such as i) domestic or foreign PEPs [Articles 24, 26, 28.1.d and 28.1.e]. Paragraph 3 of said article establishes that reporting entities should implement an enhanced CDD, which covers the identification of the BO from the general CDD (Article 26), when individual life insurance policies, financial or customs guarantee policies or policies with savings, income and investment components are involved.

CT164. In addition, Article 24 establishes that reporting entities should verify the identity of the BO of all their clients (contracting party or beneficiary designated in the policy). In turn, Articles 5, 6 and 12 of Resolution 50/19, applicable to reporting entities, establish the obligation to i) implement a risk management system to determine whether the client or the BO of the client is a PEP, ii) require their clients to provide an affidavit on whether they are PEPs or not, and iii) update the CDD of existing clients to determine whether they are PEPs or not, which covers the requirement of this criterion in a comprehensive manner.

Weighting and conclusion

CT165. The regulatory framework covers all the elements required by the Standard regarding PEPs. **Recommendation 12 is rated Compliant.**



Recommendation 13 - Correspondent banking

CT166. Paraguay received a NC rating for R.7 in its last MER. Key deficiencies include: (i) Lack of requirements to gather sufficient information about the correspondent institution to understand its reputation and the quality of supervision, including whether it has been subject to a ML/TF investigation or regulatory action; ii) Lack of requirements to assess and determine the adequacy and effectiveness of the correspondent institution's AML/CFT controls; and iii) Lack of requirements to document the respective AML/CFT responsibilities of each institution.

CT167. *Criterion 13.1* - According to Paraguayan regulations, correspondent relationships can only be maintained by banks, financial institutions and exchange houses. In this regard, SEPRELAD Resolution 70/19, applicable to banks and financial institutions, and Resolution 248/2020 establish, in their various provisions, the guidelines for correspondent relationships regulating the requirements for FIs on sufficient information, assessment of AML/CFT controls, senior management approval and responsibilities. Thus, Articles 53 and 54 of SEPRELAD Resolution 70/19 and Articles 55 and 56 of Resolution 248/2020 expressly state that, when a reporting entity maintains a correspondent relationship in the capacity as correspondent, it should comply with criteria a to d according to the following articles:

- (a) Article 54, paragraph a) (SEPRELAD Resolution 70/19), and Article 56.1 (Resolution 248/2020) meet criterion 13.1.
- (b) Article 54, paragraph b) (SEPRELAD Resolution 70/19), and Article 56.2 (Resolution 248/2020) meet criterion 13.1.
- (c) Article 53, second paragraph, (SEPRELAD Resolution 70/19), and Article 55, second paragraph (Resolution 248/2020) meet criterion 13.1.
- (d) Article 53, first and second paragraphs, (SEPRELAD Resolution 70/19), and Article 55, (Resolution 248/2020) meet criterion 13.1.

CT168. *Criterion 13.2* - Paragraphs (a) and (b) of Resolution 70/19 (Article 53), applicable to banks and financial institutions, and Resolution 248/2020 (Article 55), applicable to exchange houses, establish the guidelines for correspondent relationships, regulating the requirements for institutions regarding sufficient information and assessment of AML/CFT controls, and are generally applicable to all correspondent services.

CT169. *Criterion 13.3* - Resolution 70/19 (Article 56) in force for banks and financial institutions and Resolution 248/2020 (Article 58) expressly prohibit them from entering into or continuing correspondent banking relationships with shell banks. They should be required to satisfy themselves that the foreign institutions with which they maintain relationships do not permit their accounts to be used by shell banks or companies. Likewise, Resolution 2 of Board Minutes No. 42/02 issued by the Board of BCP Directors, which obliges or urges the SIB to order all entities supervised by said institution to suspend all correspondent relationships with those financial institutions with no physical presence in any country.

Weighting and conclusion



CT170. The regulatory framework covers all the elements required by the Standard regarding correspondent banking. **Recommendation 13 is rated Compliant.**

Recommendation 14 - Money or value transfer services

CT171. Paraguay received a NC rating for R.5 in its last MER. The main deficiency was that Paraguay has no licensing, registration system or designated competent authority for informal money or value transfer services.

CT172. *Criterion 14.1* - The BCP is the institution empowered to grant or deny licenses to operate as banks, financial institutions and exchange houses. All of the above are authorized to perform money or value transfer services and are supervised by the SIB. Likewise, money remitters locally or internationally operating should register with the SEPRELAD (Article 2, Resolution 218/11), which is the supervisory authority. Finally, electronic payment service (EPS) providers are authorized to make money transfers locally (Article 8 of Resolution 6, Board Minutes 18 of 2014) and are supervised by the SIB.

CT173. In this regard, the entities that are authorized to make wire transfers are the following:

Institution	Operational scope	Supervisor
Banks	National/International	SIB
Financial institutions	National/International	
Exchange houses	National/International	
EPS providers	National	
Money Remitters	National/International	SEPRELAD

CT174. *Criterion 14.2* - Only those authorized by the BCP or registered with the SEPRELAD may operate as money or value transfer service (MVTS) providers. Article 35 of the AML Law, in relation to its Articles 24 and 25, establishes sanctions that may be imposed on reporting entities that fail to comply with the provisions of the AML Law and other AML/CFT regulations.

CT175. In addition, Article 5 of Law 861/96 sets forth that no national or foreign entity, regardless of its nature or form of incorporation, may engage in the activities of banks, financial institutions and other credit institutions without having obtained prior authorization from the BCP. Likewise, they should be prohibited from promoting or conducting any action aimed at seeking funds from the public, or using reserved, distinctive or similar generic names to those of entities. The same article empowers the Superintendency of Banks to order the immediate interruption of operations and to propose as many actions and complaints as may be necessary to demand accountability.

CT176. In addition, with respect to banks, financial institutions and exchange houses, Article 89 of the Organic Law of the BCP establishes that operating as an MVTS provider without license or registration is one of the cases for which the sanctions detailed in Article 94 of said Law should be applied. As for EPS providers, they are also subject to sanctions in that specific case (Article 25,



Resolution 6, Board Minutes 18 of 2014), was well as are money remitters (Article 8, Resolution 218/11 in connection with Article 35 of the AML Law).

CT177. *Criterion 14.3* - As mentioned in criterion 14.1, FIs that are authorized to provide MVTS, such as banks, financial institutions, exchange houses and EPS providers are supervised by the SIB. On the other hand, money remitters are under the supervision of the SEPRELAD.

CT178. *Criterion 14.4* - Although there are no explicit obligations for MVTS agents to be licensed or registered, as stated by the country, in the case of brokerage firms and banks, there are no agents and sub-agents for the performance of money or value transfer operations, while money remitters should submit to the SEPRELAD a list of all the sub-agents authorized to provide money or value transfer services, which should be updated within thirty business days after signing new contracts (Resolution 176/2020, Article 53). In the case of EPS providers (Resolution 77/2020 Article 38) should submit to the SIB and the SEPRELAD, within thirty (30) days following the signing of each contract, the updated list with the corresponding documentation and information with respect to their non-bank correspondents.

CT179. *Criterion 14.5* – The different resolutions issued by the SEPRELAD, applicable to the different sectors authorized to carry out wire transfers, establish that, in their contracts with their non-bank correspondents, these reporting entities should require and provide for compliance with their internal policies and the application of their AML/CFT procedures: Resolution 248/20, Article 18, Article 55, Article 59 (exchange houses); Resolution 70/19, Article 23, Article 53, Article 57, Article 63 (banks and financial institutions); Resolution 77/19, Article 37 (EPS providers). On the other hand, Resolution 176/20, applicable to money remitters, in its Articles 16 and 53, states that, in their contracts with sub-agents, they should require and provide for compliance with AML/CFT policies and procedures, and require them to annually update a report on their sub-agents' compliance with internal policies and procedures, including those related to AML/CFT.

Weighting and conclusion

CT180. The regulatory framework covers all the elements required by the Standard regarding money or value transfer services. **Recommendation 14 is rated Compliant.**

Recommendation 15 - New technologies

CT181. Paraguay received a PC rating for R.8 in its last MER mainly due to i) of the existence of obligations in place for financial institutions to develop policies or take the necessary measures to manage transactions where participants do not appear in person, as well as new technologies. However, there is no specific obligation for financial institutions to apply these policies and/or measures when establishing relationships with clients or to apply ongoing due diligence, or to require certified documentation; and ii) the lack of requirements for cooperatives and money remitters to apply policies or measures when establishing relationships with clients and to conduct CDD.

CT182. *Criterion 15.1* - Paraguay conducted its NRA and its update in order to identify, assess and understand its ML/TF risks. In any of these documents does Paraguay provide for the specific ML/TF risk that may arise in connection with the development of new products and new commercial practices, new transportation mechanisms and the use of new technologies or developing technologies for new or existing products.

CT183. However, as regards the identification and assessment of ML/TF risks that may arise in connection with new technologies or products, the General AML/CFT Guideline prepared by the SEPRELAD and addressed to relevant reporting entities, states, in section 1.1 on “Minimum self-assessment criteria”, that reporting entities should assess the level of exposure to ML/TF risks associated with new products, technologies and/or services that they may eventually offer. The indicators on new products include: the nature and characteristics of the products (taking into account whether these characteristics facilitate a greater degree of anonymity, lack of identification of the client or person involved in the transaction, etc.), the means of payment used, the share of each product in total assets and revenues of the reporting entity, and the red flag indicators and STRs linked to each product. In addition, delivery channels should be analysed by looking at indicators such as: the nature and characteristics of each channel, the share of each channel in total assets and revenues of the reporting entity, and the red flag indicators and STRs linked to each channel.

CT184. On the other hand, Paraguay has stated that it has incorporated the obligation to carry out periodic assessments of the ML/TF risk level of new products for different sectors such as: banks and financial institutions (Article 19, Resolution 70/19), insurance sector (Article 20, Resolution 71/19, EPS providers (Article 5, Resolution 77/2020, cooperatives (Article 5, Resolution 156/2020), securities market (Article 5, Resolution 172/2020), money remitters (Article 5, Resolution 176/2020), and exchange houses (Article 5, Resolution 248/2020).

CT185. In addition, the country has established similar obligations for other non-financial sectors such as: car dealers (Article 5, Resolution 196/2020), real estate agencies (Article 5, Resolution 201/2020), dealers in jewellery, precious metals and stones (Article 5, Resolution 222/2020), and gambling (Article 5, Resolution 248/2020).

CT186. *Criterion 15.2* -

(a) In accordance with the analysis of criterion 15.1, FIs are required to conduct risk assessments prior to the launch or use of their products, practices and technologies.

In the case of banks and financial institutions, insurance companies, EPS providers and cooperatives, they are also obliged to carry out such risk assessment by preparing a report to be submitted to the SEPRELAD and their corresponding supervisor.

(b) Regarding the obligation for FIs to take appropriate measures to manage and mitigate risks, such obligation is expressly provided for in the case of cooperatives, the securities market, money remitters, and exchange houses, pursuant to the articles mentioned in the previous criterion. In the case of banks and financial institutions, insurance companies and EPS providers, the obligation is contained in Article 2 of SEPRELAD Resolution 70, 71 and 77 of 2019 respectively.

CT187. *Criterion 15.3 -*

- (a) As mentioned in criterion 15.1, Paraguay has an NRA and its update in order to identify, assess and understand its ML/TF risks; however, neither of these documents address the risks posed by VASPs.

On the other hand, the country has an SRA of ML/TF risks for virtual assets and VASPs for the year 2020. It revealed that 7 reporting entities (5 banks, 1 financial institution and 1 insurance company), consulted through Circular 03/2019, indicated that they had operated with virtual assets. In addition, working groups were held with the sector to learn about the use of virtual assets, the business modalities and the stakeholders that interact with VASPs. In this regard, with the participation of 5 virtual asset mining and exchange companies, the country identified 3 main activities associated with virtual assets: 1) companies engaged in the import of computer equipment that function as servers for cryptocurrency mining, 2) companies engaged in virtual asset mining (the activity can also be performed by individuals) and VA exchange companies that buy and sell virtual assets (exchanges). The SRA for virtual assets and VASPs identified that the most widely used virtual assets in Paraguay are Bitcoin, Bitcoin Cash, Bitcoin Satoshi, and Monacoin, among others. In turn, the types of VASPs identified in the country are VA exchanges and miners. In accordance with the Guide on the Findings of the SRA for VASPs, from January to August 2020, Paraguay received 4 STRs related to virtual assets, all of them categorized as low risk.

The SRA for the sector identified the following as domestic threats: 1) the use of cash, 2) peer-to-peer investment or exchange, 3) VA mining activity in border areas, 4) the use of virtual assets as a means of payment, and 5) transactions with other jurisdictions. The vulnerabilities identified at the domestic level include: 1) the need for legal protection (lack of regulatory framework for industry and user protection), 2) financial exclusion and informality of activities, 3) lack of knowledge of activities with virtual assets, 4) complex technological application and virtual transaction environment, 5) difficulty in identifying VASPs, and 6) corruption by law enforcement agencies mainly due to the absence of prudential regulation and informality.

- (b) Based on the SRA conducted for the sector, it is estimated that the country understands the ML/TF risks of virtual assets and VASPs in its territory. In that sense, Paraguay has expressly incorporated VASPs into its AML Law, so the application of the RBA in AML/CFT policies and procedures is included in Article 12 of said law, being applicable to all reporting entities, including VASPs.
- (c) Pursuant to Resolution 8/20, VASPs are reporting entities under the AML Law, and therefore they are obliged by said Law to implement risk-based identification and management procedures and systems in order to know, prevent and deter the occurrence of ML/TF offences (Articles 12 and 16, AML Law).

CT188. *Criterion 15.4 -*

- (a) Article 2 of SEPRELAD Resolution 008/2020 establishes that VASPs (natural or legal persons) should register with the SEPRELAD on the platform provided for this purpose.
- i) In the case of VASPs that are legal persons, in accordance with the Guideline for the Registration of Natural and Legal Persons Associated with Virtual Assets (published on the SEPRELAD website), specifically item 2, paragraphs a), b) and c) thereof, they should

provide the authority with the documents proving the corporate name, bylaws and modifications made to such legal persons. Likewise, information on the list of partners or shareholders (supported by a copy of the identity card) and proof of the RUC (taxpayer identification number) is requested.

ii) With respect to VASPs that are natural persons, item 1, section a), b) and c) of the aforementioned Guideline establishes that, for their registration, they should submit a copy of their identity card or passport, proof of the RUC (taxpayer identification number), commercial license, and sworn statement of the list of reporting entities with which they operate commercially.

In this sense, this information makes it possible to know the registration details in the jurisdiction of creation of the VASPs that are legal persons and the social address in the case of natural persons.

The regulatory framework applicable to VASPs does not establish the obligation of registration for those operating from Paraguay but registered outside the country.

- (b) At the time of registration of VASPs, with the application of the Guideline described in the previous paragraph, Paraguay establishes regulatory measures to prevent criminals or their associates from holding (or being the beneficial owner of) a controlling interest, or holding a management function in a VASP as established in the criterion, in particular those described in a) i), such as those related to the list of partners or shareholders with copies of their identity cards and proof of their RUC (taxpayer identification number), in addition to the information deriving from the articles of incorporation of the VASPs that are legal persons.

CT189. *Criterion 15.5* - In accordance with what was analysed in the previous criterion on the registration of VASPs, the SEPRELAD issued Resolution 09/2020, which urges the reporting entities under the AML Law to adopt, in their due diligence processes, criteria related to natural and legal persons that develop activities associated with VA, and establishes, as a necessary condition to carry out a transaction, initiate, or give continuity to a business relationship, the submission of proof of registration with the registry made available by the SEPRELAD (Article 3 of Resolution 09/20). In addition, Article 15 of the AML Law states, in its last paragraph, that, in case reporting entities are unable to comply with the due diligence measures, the business relationship shall not be initiated, the transaction shall not be conducted, the business relationship shall be terminated, and, if applicable, the corresponding suspicious transaction reports shall be submitted to the enforcement authority, in accordance with the regulations issued. Paraguay points out that in order to identify VASPs operating without authorization or registration, for example, in the case of virtual asset exchanges, there is the possibility of monitoring the STRs received at the FIU and consulting open sources on the Internet. However, although this measure could limit the scope of action of said persons, the assessment team does not consider it sufficient to be able to identify VASPs that are operating without registration with the SEPRELAD, since that does not inherently oblige the reporting entity submitting the STR to notify the authority of the specific event; the power to submit an STR pursuant to Article 15 of the AML Law for non-compliance with due diligence measures appears to be discretionary on the part of the reporting entity. In addition, although the country notes that the SEPRELAD can identify, through different sources (open or closed), the persons engaged in the VA business, without the proof of registration, and

identify legal persons or arrangements engaged in such activity through the country's Registry of Beneficial Owners, it seems complicated that this could be actually carried out in practice, and even more so when the main mechanism for identifying VASPs operating in the country without license is the receipt of an STR indicating so.

CT190. In case of alleged non-compliance with the regulations by reporting entities, the SEPRELAD is empowered to initiate administrative or sanctioning proceedings against reporting entities that do not comply with the provisions of Resolution 09/20 as established by the provisions of Articles 24 and 25 of the AML Law. In this regard, Article 3 of Resolution 09/20 only sets forth that reporting entities should require all natural and legal persons with which they maintain business relationships to submit proof of registration with the Registry made available by SEPRELAD. In this sense, the assessment team considers that the obligation falls on reporting entities, but only with respect to those VASPs with which it may have a business relationship, but not with respect to the entire universe of VASPs operating outside the financial system. Therefore, the measure adopted by Paraguay to identify natural or legal persons carrying out VASP activities is limited in scope.

CT191. *Criterion 15.6* - Pursuant to the provisions of Article 28.8 of the AML Law, the SEPRELAD has the power to regulate, supervise and sanction the reporting entities established in Article 13 of said Law that do not have natural regulators or supervisors. Reporting entities are subject to all administrative regulations issued by the SEPRELAD to ensure compliance and proper implementation of AML/CFT requirements. Article 43 of Resolution 314/2021 establishes, as part of the VASP control and verification procedures, that SEPRELAD's supervision or monitoring of the sector should be risk-based. In addition, Resolution 239/2020, which approves SEPRELAD's Supervision Manual for its reporting entities, sets forth the policies and procedures necessary for the implementation of an RBA for supervision. As for SEPRELAD's powers to carry out inspections and impose sanctions, these elements are covered by the obligation under the AML Law, Articles 22 and 24 in connection with Article 28.8.

CT192. *Criterion 15.7* - In order to provide guidelines to help VASPs to apply AML/CFT measures, in particular with the detection and submission of STRs, Paraguay has implemented the following actions:

CT193. On the one hand, through the issuance of the 2020 General AML/CFT, Guideline applicable to all SEPRELAD reporting entities (including VASPs under Article 13 of the AML Law), Paraguay provides some basic guidelines for reporting entities regarding the implementation of a ML/TF risk self-assessment (paragraph 1) and the identification of ML/TF risk factors and indicators. In addition, the Guide on the Findings of the SRA for VASPs determines the risk indicators to which the sector is exposed, which should be considered by reporting entities verifying transactions and conducting analysis, and throughout their relationship with clients, as analysed in 15.3 (a).

CT194. In addition, regarding the detection and reporting of STRs, Resolution 314/21 of the sector sets forth, in Articles 36, 37 and 38, the obligations and provides guidelines in relation to said reports, such as the analysis measures, the content to be included and the way in which they

are to be submitted. Likewise, Article 32 of said Resolution provides for the measures to be implemented by the reporting entities to classify transactions as suspicious and submit them to the competent authority. These measures imply monitoring, so that, among other things, such transactions can be identified. Article 32 also includes indicators related to the analysis of red flags, identification of unusual transactions and the mechanisms for classifying them as suspicious.

CT195. *Criterion 15.8 -*

- (a) Resolution 08/20 in relation to Article 24, 25 and 28 of the AML Law sets forth that the SEPRELAD is empowered to impose the corresponding range of administrative sanctions and their scaling.
- (b) In turn, Article 42 of Resolution 314/21 expressly describes that non-compliance by reporting entities, their highest authority, directors and other officers, shall be considered as a violation of the provisions established in the current legislation on ML/TF.

CT196. *Criterion 15.9 -*

- (a) Based on the capacity of VASPs as reporting entities under Article 1 of Resolution 08/20, as analysed in criterion 15.3, they are subject to the obligations of the AML Law and therefore are required to comply with the requirements of preventive measures established in the aforementioned Law relative to CDD, record keeping, transfers of assets, submission of STRs, among other obligations required by this criterion. Although the VASP Regulation issued by Resolution 314/21 does not make a distinction by type of transaction or threshold, CDD is covered in Article 19, which sets forth that it shall be applied to clients acting as natural persons, or as agents or representatives of natural persons and legal arrangements, regardless of the amount of the transactions conducted. In addition, said article sets forth that, regardless of the established due diligence parameters, reporting entities should maintain a record on and monitor all transactions, including those below the threshold established for simplified due diligence (Article 23), in order to identify possible subdivisions or attempts to circumvent CDD controls.
- (b) Regarding transfers of virtual assets, Articles 27, 28, 29 of Resolution 314/21 indicate the requirements applicable based on R.16:
 - i) and ii) The obligation to register data on the originator and beneficiary, such as full name or company name, national identity number, account number, transaction reference number, address, etc. (Article 27.1 of Resolution 314/21). Additionally, information that permits traceability of the transactions carried out by clients, such as the type of transfer, asset, amount and quantity, date of the payment order or transfer, instructions of said order or transfer, wallet address, etc., should be recorded. Said information should be kept together with the transfer or related message through the payment chain. Article 44 of Resolution 314/21 sets forth that reporting entities should develop and implement mechanisms to respond to the requirements made by the competent authorities in relation to the AML/CFT system. The obligation to respond to requests for information arises from Article 22 of the AML Law, which establishes that, among other stakeholders, all reporting entities should provide all related information required by the enforcement authority for the fulfilment of its functions.

iii) In turn, Article 41 of Resolution 314/21 sets forth that the reporting entity, besides reporting, should freeze funds immediately and without delay when the implementation of CDD identifies persons that are included in the relevant UNSCR lists and other lists. The monitoring of the client's profile and its periodic updating (based on the integrated analysis of the information provided by the client and that obtained by the reporting entity itself), in order for the reporting entities to comply with the obligation under this sub-criterion in relation to existing clients, is stipulated in Article 30 of Resolution 314/21.

(iv) Article 27 of 314/21 sets forth that when the transfer of assets is made by the reporting entity, whether it has been ordered or for the benefit of its clients, the requirements analysed in the previous paragraphs of this criterion should be complied with. In this regard, it is understood that the same obligations apply to financial institutions when sending or receiving VA transfers in accordance with this sub-criterion.

CT197. *Criterion 15.10* - As mentioned in previous criteria and in criterion 6.5, in accordance with Article 3 of the Law on Freezing of Assets, the reporting entities mentioned in Article 13 of the AML Law should freeze preventively and without delay any fund or asset once they become aware that they possess, administer or have under their control funds of the persons related to any of the assumptions under Article 1 of said Law. In this regard, VASPs are required to comply with all the obligations mentioned in criteria 6.5 and 6.6, as well as 7.2, 7.3 and 7.4. Although, as indicated in the criteria and as referred to in R.6 and R.7, Article 3 of the Law on Freezing of Assets does not require reporting entities to report attempted transactions, the obligation to submit STRs in cases of attempted transactions is nonetheless stipulated for all reporting entities by the AML Law.

CT198. *Criterion 15.11* - In general terms, competent authorities are empowered to develop international cooperation with their counterparts abroad as discussed in Recommendations 37-40. However, some shortcomings with respect to international cooperation are noted for some particular authorities according to the analysis of these Recommendations. In particular, the SEPRELAD is empowered by the AML Law (Article 33) to exchange information with the law enforcement authorities of other States exercising similar powers, which is understood as being possible in view of its capacity as supervisory body. As mentioned above, the deficiencies identified in these Recommendations do not allow full compliance with this criterion with respect to VASPs, particularly when international cooperation involves competent authorities other than the SEPRELAD which, being the regulator and supervisor of this sector, uses the possibility of cooperating and exchanging information within the framework of this criterion to a greater extent.

Weighting and conclusion

CT199. The country has carried out a regulatory follow-up related to new means of payment and new technologies. With regard to the identification of ML/TF risks of VASPs, in general Paraguay has developed an adequate risk-based identification and assessment system to mitigate or prevent the risks identified in the sector. In addition, VASPs are required to register and should be adequately monitored by SEPRELAD. Nevertheless, the regulatory framework does not cover this obligation for those VASPs operating from Paraguay without having been incorporated in the country. On the other hand, there are minor deficiencies in relation to the measures to identify those natural or legal persons that carry out activities without registration, since measures are mainly



taken based on the submission of STRs by the related reporting entities, which does not guarantee access to the data of the natural or legal persons that could not prove their registration with the SEPRELAD and to the information available in open sources. no more details are available on how this situation is implemented. Paraguay regulates, supervises and monitors VASPs with an RBA, and its competent authorities are empowered to impose a wide range of sanctions for non-compliance in accordance with the AML Law. Recommendation 15 is rated **Largely Compliant**.

Recommendation 16 - Wire transfers

CT200. Paraguay received a PC rating for SR.VII in its last MER mainly due to the lack of specific measures in place to address local batch and wire transfers and to ensure that the originator information appears in the payment message or instructions accompanying the wire transfer.

CT201. *Criterion 16.1* - Paraguayan regulations do not establish any identification threshold to verify the identity of the originator or ordering party of wire transfer.

- (a) Article 60 of SEPRELAD Resolution 70/19 (applicable to banks and financial institutions), Article 38 of SEPRELAD Resolution 248/20 (exchange houses), and Article 27 of SEPRELAD Resolution 176/20 (money remitters) establish the minimum originator identification data that should be included in the payment order or transfer, namely: i) name(s) and last name(s) or company name, address, account number. In the event that the transaction is carried out or processed through an agent, the requirement shall be the same as that required from the client; ii) identification of the originating account from which the funds shall be transferred; iii) amount of the payment order or transfer; iv) date on which the payment order or transfer is made; v) instructions for the payment order or transfer, where available; vi) identification of the beneficiary entity.
- (b) Likewise, such provisions require reporting entities to provide the following information on the beneficiary of the transfer when the institution is the ordering party: i) name(s) and last name(s) or company name, address, account number of the beneficiary of the transfer or payment order; ii) name(s) and last name(s) or company name, address of the beneficial owner, provided that it is available in the transfer instruction or payment order; iii) other supporting documentation that justifies the transfer carried out as required in the reporting entity's AML/CFT Manual.

CT202. *Criterion 16.2* - The regulations described in the previous criterion make no difference whether it is one or several transfers, and the information in the previous criterion should be required in all cases. Please refer to the analysis of criterion 16.1.

CT203. *Criterion 16.3* -

- (a) and (b) As mentioned in criterion 16.1, Paraguayan regulations do not establish any identification threshold to verify the identity of the originator or originating party of a wire transfer for reporting entities covered by Resolution 70/19, 248/20 and 176/20, and therefore the same requirements mentioned for criterion 16.1 are applicable to this one.

CT204. *Criterion 16.4* - Article 15 of the AML Law establishes the obligation for the reporting entities mentioned in Article 13 of said Law to apply CDD measures, including the



verification of information at the moment of identifying the client and the BO, and when monitoring the transactions carried out by the client.

CT205. In addition, Article 58.3 paragraph a) of Resolution 70/19 (banks and financial institutions) stipulates the obligation to “*verify the originator and/or beneficiary information, as appropriate.*” Likewise, Article 30 obliges reporting entities to monitor the transactions carried out by their clients and, in the event of detecting unusual transactions (30.8), to gather the necessary information to adequately justify them, and to update the client’s file, including its transactional profile, if necessary.

CT206. With respect to money remitters, Article 27 of Resolution 176/20 sets forth that the client’s data and information (sender or beneficiary) should be verified within the CDD guidelines and when there are suspicions of ML/TF. Likewise, Article 36 of said Resolution provides for CDD data verification.

CT207. With respect to exchange houses, Article 38 of Resolution 248/20 states that reporting entities carrying out transfers of funds that have been ordered by or for the benefit of their clients should verify the data and information within the CDD guidelines and when there are suspicions of ML/TF.

CT208. *Criterion 16.5* - Relevant Paraguayan regulations make no difference whether the transfers are domestic or cross-border transfers, and in both cases the originator and beneficiary should be identified, as well as the related accounts, if appropriate. It should be noted that the foregoing is in accordance with the provisions of Articles 58, 59 and 60 of SEPRELAD Resolution 70/19 (banks and financial institutions); and Article 38 of SEPRELAD Resolution 248/20 (applicable to exchange houses). With respect to money remitters, the obligation can be found in Article 27 of SEPRELAD Resolution 176/20.

CT209. In order to understand how EPS providers, operate, the peculiar characteristics of the sector should be taken into account. EPS providers operate by making only domestic wire transfers through the so-called “wallet,” which is associated to a telephone number authorized by a telephone company which is in turn authorized by the BCP to provide this type of service. Then the services offered include wire transfers and the accreditation of funds. Wire transfers involve transactions from “wallet” to “wallet.” Currently, Paraguayan regulations only allow for transactions between clients of the same telephone company, i.e., the reporting entity channels the data of both the originator and the beneficiary (since both are its clients).

CT210. As for the accreditation of funds, it consists of a client called “sender” who goes to an authorized agent or point of sale to recharge the wallet of an account holder or beneficiary, in this case the reporting entity applies the same CDD measures.

CT211. Considering the above, Article 22 of Resolution 77/20 states that “*risk-based due diligence measures are applicable to all account holders, senders and beneficiaries linked to a certain reporting entity, within the scope of the definitions set forth in the regulations issued by the BCP, regardless of their particular characteristics or the frequency with which they carry out*

transactions.” In this regard, Article 27 of the same Resolution details the minimum information that should be required (from natural and legal persons), including: full name, identity card, nationality, business activity, telephone number, address; and in the case of legal persons: company name, identification of agents and representative (including full name, type and number of identity card, proof of taxpayer registration, business activity, telephone number, address of registered office or principal place of business where they carry out their business activities and the number of branches and/or subsidiaries, if any.

CT212. *Criterion 16.6* - As stated in the previous criterion, the reporting entities covered by Resolutions 70/19, 248/20, 176/20 and 77/20 should identify, among other things, the originator and beneficiary, as well as the linked accounts, if appropriate, whether they are domestic or international transfers (in the case of EPS providers, this applies only to domestic transfers), as no distinction is made in the regulations. They should also protect said information in accordance with FATFR.11. Finally, in accordance with Article 28 of the AML Law, the SEPRELAD is empowered to request from reporting entities, pursuant to Article 13, any information that could be related to the information analysed (thus covering ML/TF-related information).

CT213. Considering the above, and based on the analysis of the information submitted by Paraguay, it can be concluded that although the reporting entities covered by Resolutions 70/19, 248/20, 176/20 and 77/20 are required to have that information, and there is an obligation on the part of the issuing entity to submit the information requested by the beneficiary financial institution, including the duty of collaboration and submission of information to the competent authorities under Article 22 of the AML Law, the legislation does not cover the 3 working day period required by the criterion. In this regard, for example, Article 66 on the transaction record-keeping applicable to banks and financial institutions, sets forth that said reporting entities should submit the record on their transactions to the SEPRELAD on a monthly basis, which does not comply with the requirement of immediacy referred to in this criterion.

CT214. *Criterion 16.7* - The reporting entities mentioned in Article 13, including those that transfer money or securities (banks, financial institutions, exchange houses, money remitters and EPS providers), should keep all records on the transactions and those obtained through due diligence measures for a five-year period. The record-keeping period shall be computed, accurately and completely, from the time the transaction has been carried out or the business relationship has terminated.

CT215. Likewise, the records obtained through CDD measures, files, correspondence, and analysis results shall be kept for five years after termination of the business relationship or from the date of the occasional transaction.

CT216. *Criterion 16.8* - The regulations applicable to the different reporting entities that carry out wire transfers (or electronic payment transactions in the case of EPS providers) stipulate that when certain requirements are not met in relation to the identification and collection of the originator and beneficiary information, the corresponding wire transfer should not be allowed to be executed. Said obligation is provided for in Article 58.11 of Resolution 70/19 for banks and



financial Institutions, last part of Article 27 of Resolution 176/20 for money remitters, and Article 39 of Resolution 248/20 for exchange houses.

CT217. On the other hand, since the nature of EPS providers is not focused on transfers, but on electronic payments, it should be clarified that, according to Resolution 6 of Board Minutes 18, dated March 13, 2014, issued by the BCP, EPS providers aim to provide electronic money and non-bank wire transfers.

CT218. Since only two transactions are involved, Resolution 77/20 focuses on both of them, also considering that, somehow, the payment also implies a transfer from the electronic money account. In this regard, as this criterion provides that the financial institution should not be allowed to execute the transaction unless all the requirements related to the originator and the beneficiary are identified, this situation is provided for in Article 29, which means that EPS providers also comply with this criterion.

CT219. *Criterion 16.9* - Article 17 of the AML Law establishes the obligation for all reporting entities to identify and maintain records on all transactions of their national or foreign clients containing at least sufficient data to permit reconstruction of the transaction.

CT220. In addition to the provisions of the AML Law, the regulations governing each financial institution operating this way provide for compliance with this criterion, specifically as follows: Resolution 176/20, Article 27 (money remitters); Resolution 77/20, Article 42 (EPS providers); Resolution 248/20, Articles 38 and 39 (exchange houses); and Resolution 70/19, Article 58.4, 58.10, 59 (banks and financial institutions).

CT221. In turn, Article 25 of Resolution 01/12 “General Regulations for Paraguayan Payment Systems” obliges the issuing FI to have the necessary data to accurately identify the beneficiary, being the responsibility of the sending client to provide said information. Failure to comply with this obligation would be subject to sanctions for AML/CFT violations under Article 24 of the AML Law, since the non-compliance with the regulations and related rules, such as the resolutions described in the preceding paragraph, are related to this regulation.

CT222. *Criterion 16.10* - Based on the above, Article 18 of the AML Law establishes that the reporting entities mentioned in Article 13, including those that carry out securities transfers, should keep records of the transactions and due diligence measures implemented for a five-year period. The record-keeping period shall be computed, accurately and completely, from the time the transaction has been carried out or the business relationship has terminated.

CT223. *Criterion 16.11* - The reporting entities covered by Resolution 70/19 (banks and financial institutions) are obliged to take measures to identify whether transfers lack the required originator or beneficiary information (Article 58, paragraphs 8 to 11). In turn, Resolution 176/20, Articles 27 and 40 (money remitters) and Resolution 248/20, Article 39.3 (exchange houses) allow such reporting entities to comply with this criterion.



CT224. *Criterion 16.12* - Article 58.5 of Resolution 70/19, applicable to banks and Financial Institutions, establishes that reporting entities acting as intermediaries or beneficiaries should have policies and procedures based on ML/TF risks to determine when to execute, reject or suspend a transfer which is lacking the required originator and/or beneficiary information, as well as the appropriate follow-up action. In turn, Resolution 176/20, Article 27 (money remitters) and Resolution 248/20, Article 39.3 (exchange houses) allow such reporting entities to comply with this criterion.

CT225. *Criterion 16.13* - The provisions on fund transfers are applicable to reporting entities, regardless of whether they act as transaction originators or beneficiaries. In this regard, in accordance with the provisions of Article 58 of SEPRELAD Resolution 70/19, beneficiary banks and financial institutions are required to take measures to identify whether transfers lack the required originator or beneficiary information (Article 58, paragraphs 8 to 11). On the other hand, Article 38.2 of Resolution 248/20 (exchange houses), and Article 27 of Resolution 176/20 (money remitters) also cover this aspect.

CT226. Additionally, Articles 15 and 16 of the AML Law, applicable to all reporting entities, establish the obligation to periodically monitor transactions to verify that they are consistent with the client's transactional profile, as well as the CDD obligations to identify all persons involved in the transactions.

CT227. *Criterion 16.14* - Paraguayan regulations do not establish a minimum threshold for the identification of the beneficiary of the transfer. In all cases, the beneficiary should be identified, and therefore the requirements of criterion 16.1 shall apply. Articles 15 and 17 of the AML Law require all reporting entities to identify the client and verify their identity and to monitor transactions, regardless of whether the client is the beneficiary or the originator. In addition, Resolution 70/19 (Articles 18, 58.3 and 60) requires banks and financial institutions to verify the originator and/or beneficiary information, as appropriate, of all transfers ordered by or for the benefit of their clients, for amounts equal to or higher than ten thousand U.S. dollars (USD 10,000), its equivalent in local currency or other currencies, as well as in the case of several related transactions that taken together exceed the aforementioned amount during a calendar month. The same is true for other related resolutions whose threshold is higher than the one established in the standard. With regard to the safeguarding of information in accordance with R.11, the provisions of the AML Law set forth in the relevant criteria meet this criterion.

CT228. *Criterion 16.15* - In accordance with the analysis of criterion 16.12, risk-based policies and procedures are considered to be covered.

CT229. *Criterion 16.16* - The criteria of R.16 are applicable to banks and financial institutions, money remitters and exchange houses with the regulations described in the analysis of this criterion). In this regard, Article 3.4 of Resolution 70/19 (banks and financial institutions), Article 4.4 of Resolution 77/20 (EPS providers), Article 4.4 of Resolution 176/20 (money remitters) and Article 4.4 of Resolution 248/20 (exchange houses) establish that reporting entities should consider the ML/TF risks associated with the geographic areas in which they offer their products and/or services, both domestically and internationally, including the areas in which reporting



entities and clients operate, as well as those linked to the transactions. In addition, paragraph 5 of the 2020 AML/CFT Guideline states that reliance may also be placed on third parties residing in other countries, provided that the reporting entity verifies that the country of origin does not represent a significant level of risk.

CT230. *Criterion 16.17 -*

(a) and (b) The provisions on money transfers establish the obligation to consider both the originator and beneficiary information at the time of filing an STR. The foregoing is in accordance with Resolution 176/20, Article 27, last paragraph (money remitters), Resolution 248/20, Article 39.4 (exchange houses), and Resolution 70/19, Article 58.8 (banks and financial institutions). These articles state that in fund transfers when all the originator and beneficiary information cannot be obtained, the reporting entity should consider the transaction as unusual and comply with the relevant provisions of each resolution regarding STRs (Article 45 Resolution 70/19, Article 44 Resolution 248/20, and Article 42 Resolution 176/20).

CT231. *Criterion 16.18 -* The Law on Freezing Assets (Law 6419/19), which is mandatory for all reporting entities, in its Article 1, establishes the obligation for reporting entities under the AML Law to immediately freeze the funds and financial assets of natural or legal persons as alleged perpetrators that may be related to terrorism, terrorist association, TF/PF, and that are linked to the TFS lists issued pursuant to UNSCRs, either on terrorism, terrorist association and its financing or the financing of the proliferation of weapons of mass destruction (paragraph b) .

Weighting and conclusion

CT232. Paraguay has regulations that address most of the elements of Recommendation 16. However, minor deficiencies are noted in the context of compliance with criterion 16.6, since there is no obligation for the originating financial institution to submit the corresponding information within three working days of receipt of the request from the beneficiary financial institution or the relevant competent authorities. **Recommendation 16 is rated Largely Compliant.**

Recommendation 17 - Reliance on third parties

CT233. In its 2008MER, former R.9 was rated not applicable due to existing prohibitions.

CT234. *Criterion 17.1 -* Paraguayan regulations indicate that reporting entities should always abide by the general guidelines on outsourcing when using intermediaries to perform services related to the identification and verification of information on clients, directors, managers, officers, counterparts or suppliers, in order to develop their own business activities or to introduce and/or attract new businesses. In addition, reporting entities are responsible for conducting CDD to know the client, directors, managers, officers, counterparts or suppliers, and should supervise their compliance with the provisions of their respective regulations. (Article 35 of SEPRELAD Resolution 70/19, Article 36 of SEPRELAD Resolution 71/19, Article 40 of Resolution 77/2020, Article 52 of SEPRELAD Resolution 156/2020, Article 53 of SEPRELAD Resolution 172/2020, Article 53 of SEPRELAD Resolution 248/2020, Article 52 of SEPRELAD Resolution 176/2020).



Considering the above and that this Recommendation does not apply to outsourcing, Recommendation 17 is **not applicable**.

Weighting and conclusion

CT235. In accordance with Paraguayan regulations, reliance on third parties must be subject to the general outsourcing guidelines, therefore, this recommendation does not apply. **Recommendation 17 is rated not applicable.**

Recommendation 18 - Internal controls and foreign branches and subsidiaries

CT236. In the 2008 MER, R.15 and R.22 were rated NC. It was identified that i) there is no requirement to conduct a potential ML/TF risk analysis, ii) there is no guidance governing the appointment, role, authority, reporting lines, or need for resources of a compliance officer, iii) there is no requirement to maintain an adequately resourced and independent audit function, iv) there is no guidance on training issues for institutions to consider, v) there are no requirements imposed on money remitters in relation to the training program, and (vi) there are no specific requirements in place to comply with the essential elements of this recommendation.

CT237. *Criterion 18.1* - Through the resolutions issued by the SEPRELAD establishing AML/CFT regulations for FIs, Paraguay has established the ML/TF risk management for the policies, procedures and controls determined by the reporting entities, in accordance with the provisions of the Law and the regulatory provisions governing the matter. These resolutions include the following controls:

- (a) Articles 5 and 7 of the regulations applicable to banks, financial institutions and insurance companies (SEPRELAD Resolution 70/19 and SEPRELAD Resolution 71/19) establish that a compliance officer should be appointed by the reporting entity's Board of Directors and should have autonomy and independence in the exercise of their functions. The compliance officer should be at the first level of management and have sufficient authority, resources and support from all areas of the reporting entity. As for the other FIs, this obligation is established in Resolution 77/2020, Article 10 for EPS providers; Resolution 156/2020, Article 12-15 for cooperatives; Resolution 172/2020, Article 12-15 for the securities market; Resolution 248/2020, Article 12-15 for exchange houses; Resolution 176/2020, Articles 12 and 15 for money remitters and Article 9-12 of Resolution 349/13.
- (b) The reporting entities supervised by the SIB and the SIS should implement CDD to know their directors, managers and officers to ensure their integrity. The purpose of this due diligence is for these reporting entities to be able to establish their profiles. Reporting entities should require and assess personal information about the employees, certificate or other documents about criminal records, sworn statement of assets and other income, business activity, and credit situation. In addition, reporting entities should establish red flags and procedures to be followed regarding the suitability of shareholders, directors and senior officers (Article 32 of SEPRELAD Resolution 70/19 and Article 33 of SEPRELAD Resolution 71/19). With respect to other financial institutions, this obligation is established in Resolution 77/2020, Article 36 for EPS providers; Resolution 156/2020, Articles 10-14 and 20 for cooperatives; Resolution 172/2020, Articles 10-14 and 21 for the securities

market; Resolution 248/2020, Articles 10-14 and 21 for exchange houses; Resolution 176/2020, Articles 10-14 and 21 for money remitters and Resolution 349/13, Article 8 for bonded warehouses and credit institutions.

- (c) In terms of training, guidelines are incorporated regarding the development of an annual ongoing training program on ML/TF, taking into consideration the profile of directors, managers and officers. The purpose of this program is to instruct about the regulations in place, as well as the policies, rules and procedures established by reporting entities, and should be reviewed and updated by the compliance officer (Articles 36-39 of SEPRELAD Resolution 70/19 and Articles 37-40 of SEPRELAD Resolution 71/19). Likewise, training programs shall be reviewed and updated annually or when required by the compliance officer. In turn, the compliance officer should complete at least 2 trainings per year in order to know about ML/TF risk management. With respect to other FIs, this obligation is established in Resolution 77/2020, Article 21 for EPS providers; Resolution 156/2020, Article 23-25 for cooperatives; Resolution 172/2020, Articles 26-28 for the securities market; and Resolution 248/2020, Articles 24-26 for exchange houses. The same requirements apply for money remitters under Articles 24-26 of Resolution 176/2020, and for bonded warehouses and credit institutions under Article 35 of 349/13.
- (d) The aforementioned resolutions establish the obligation of internal and external audit programs. To this effect, internal audits should implement control systems to verify compliance with AML/CFT policies and procedures, where risks are identified; while the external audit service should be registered with the SEPRELAD and shall be responsible for analysing the AML/CFT system on a yearly basis (Articles 51 and 52 of SEPRELAD Resolution 70/19 and Articles 52 and 53 of SEPRELAD Resolution 71/19). Regarding other FIs, this obligation is established in Resolution 77/2020, Article 20 for EPS providers, Resolution 156/2020, Articles 17, 21-22 for cooperatives; Resolution 172/2020, Articles 18, 22-23 for the securities market; and Resolution 248/2020, Articles 24-26 for exchange houses. The same requirements apply for money remitters under Article 18, 21 and 23 of Resolution 176/2020, and for bonded warehouses and credit institutions under Article 15 of Resolution 349/13.

CT238. *Criterion 18.2* - Financial groups consist of two or more reporting entities supervised by the SIB, the SIS or the CNV, and are controlled by a parent company or its BOs, thus belonging to the same economic organisation, in accordance with the established parameters and regulations. These groups are subject to the application of AML/CFT policies and procedures, including the measures contained in criterion 18.1.

- (a) The type and scope of the referred policies and procedures should take into consideration the ML/TF risks and be consistent with the complexity of the transactions and/or services offered, as well as the size of the financial group. Resolution 70/19 (Articles 10 and 11), Resolution 71/19 (Articles 12 and 13), Resolution 172/2020 (Article 17) and Resolution 248/2020 (Articles 17) (banks/financial institutions, insurance companies, securities market, and exchange houses, respectively) establish that the members of a financial group may appoint a corporate compliance officer for compliance with AML/CFT obligations. Articles 17 and 18 of Resolutions 70/19 and 71/19, as well as Article 24 of Resolution 172/2020 require financial groups to develop group-wide policies and procedures for risk

management and ML/TF prevention. Article 25 of Resolution 172/2020, applicable to the securities market, indicates that branches and subsidiaries located abroad, belonging to a Paraguayan financial group, should comply with ML/TF prevention and risk management measures compatible with those required in Paraguay. It should be mentioned that as far as exchange houses are concerned, Resolution 248/2020 highlights that they should comply with these obligations when undertaking a correspondent relationship with domestic or foreign legal persons. In their contracts, they require and provide for compliance with their policies and procedures (Article 55-59).

- (b) Under the regulations applicable to the sectors under this criterion, there is no obligation to provide for group-wide compliance, audit and/or AML/CFT functions, as requested in this criterion.
- (c) Articles 17 and 18 of Resolutions 70/19 and 71/19, as well as Article 24 of Resolution 172/2020 establish obligations for financial groups to share information within the group for AML/CFT purposes, establishing adequate safeguards on confidentiality and the use of information.

CT239. *Criterion 18.3* - Article 4 of SEPRELAD Resolutions 70 and 71 establishes that the reporting entity's Board of Directors or similar management body is responsible for implementing the AML/CFT system for branches of foreign banks/entities, in accordance with current regulations. The foregoing is applicable without prejudice to the responsibilities specified in the regulations on comprehensive risk management and other related regulations issued by the SEPRELAD, the SIB or the SIS, as the case may be. Article 7 of Law 827/96, applicable to insurance, establishes the possibility of opening a branch abroad, subject to prior communication to the supervisory authority, which, together with Article 4 provides that the existence or creation of branches cannot operate until they are authorized by the supervisory authority. Similar measures apply to banks and financial institutions under Article 6 of Law 861/96. As mentioned in criterion 18.2, Article 25 of Resolution 172/2020, applicable to the securities market, indicates that branches and subsidiaries located abroad should comply with AML/CFT measures and ML/TF risk management compatible with those required in Paraguay. As far as exchange houses are concerned, they are subject to Article 2 of Law 2794, which determines their scope, whether they are public or private, domestic or foreign entities whose activities involve foreign exchange transactions. Likewise, Article 7 states that they may not start operating, open, close or move their principal place of business in the country or abroad, without the authorization of the BCP, which in use of its supervisory powers shall request AML/CFT measures and ML/TF risk management. The local parent company is responsible for the activities carried out in its branches (even abroad), hence, although the applicable legislation in the country where the branches are located is more lenient than the Paraguayan legislation, they should apply the national regulations.

Weighting and conclusion

CT240. In Paraguay, FIs implement risk-based AML/CFT programs that include policies, procedures and internal controls in accordance with the requirements of this Recommendation. Financial groups consist of two or more reporting entities supervised by the SIB, the SIS or the CNV, and are controlled by a parent company or its BOs. These groups are subject to the application of AML/CFT policies and procedures, including the measures contained in criterion 18.1.

Notwithstanding the above, there is no obligation to provide for group-wide compliance, audit and/or AML/CFT functions. Therefore, **Recommendation 18 is rated Largely Compliant.**

Recommendation 19 – Higher-risk countries

CT241. In Paraguay's 3rd Round MER, former R.21 was rated NC due to the following: (i) lack of requirements imposed by the INCOOP on FIs to pay special attention to business transactions and relationships with persons coming from or being in countries which do not or insufficiently apply the FATF Recommendations; (ii) lack of requirements imposed by competent supervisory authorities on FIs to examine as far as possible the background of transactions that have no apparent economic justification or visible lawful purpose, and to set out in writing the observations on such transactions and make them available to competent authorities and auditors; (iii) apparent lack of measures and powers of the SIB, the SIS, the CNV and the INCOOP to advise their FIs on concerns about deficiencies in the AML/CFT systems of other countries and to implement measures to deal with cases where a country continues to fail to or insufficiently implement the FATF Recommendations.

CT242. *Criterion 19.1* - National regulations require the implementation of enhanced due diligence measures which are proportionate to the risks posed by business relationships and transactions with natural and/or legal persons from risk jurisdictions or countries for which this is called for by international organisations. In this regard, the legal framework provides for the application of CDD mitigation measures or countermeasures aimed at risk mitigation upon the identification of transactions carried out by persons associated with risk countries, or from/to risk jurisdictions; by persons from non-cooperative countries; or by persons designated in international lists. These obligations apply to the reporting entities supervised by the SIB (Article 21, paragraph 7.3; Article 25, paragraph 1; and Article 34, paragraphs 3.4 and 5 of SEPRELAD Resolution 349/13, Article 27, paragraph h/i; Article 55; Article 58, paragraph 7c and Annexes A1 and A4 of SEPRELAD Resolution 70/19; and Article 35 of SEPRELAD Resolution 248/2020 (exchange houses), Article 35 of SEPRELAD Resolution 176/2020 (money remitters), Article 28 paragraph h/i; and Annexes A1 and A5 of SEPRELAD Resolution 71/19 (those supervised by the SIS) and Article 37 of SEPRELAD Resolution 172/2020 (securities market).

CT243. Regarding reporting entities under the supervision of the INCOOP, Article 32 of Resolution 156/2020 establishes that cooperatives should conduct enhanced due diligence procedures for members classified as high-risk. Regardless of the risk assessment performed, this enhanced due diligence should be mandatorily applied to persons convicted of ML/TF, non-resident nationals or foreigners, PEPs and any other assumptions identified by reporting entities. In addition, notwithstanding the fact that cooperatives only operate in the national territory and that do not make transfers abroad, Annex IV of the Resolution 156/2020 establishes that reporting entities should verify at least the UNSC lists, FATF non-cooperative jurisdictions list, OFAC list, the European Union list, and those indicated by the SEPRELAD.

CT244. *Criterion 19.2* - According to the General AML/CFT Guideline prepared by Paraguay in the context of risk identification, apart from considering those persons designated in TFS lists, countries subject to financial sanctions by international organisations should also be considered. In

addition, this Guideline includes some examples where reporting entities should not conduct transactions with customers identified as high risk and some examples of the enhanced CDD measures applicable to higher risk relationships. Furthermore, international standards provide for three situations in which if it is impossible to adequately complete the CDD process, the following specific consequences shall take place: i) the account should not be opened or the business relationship should not be initiated; ii) the transaction should not be conducted; and iii) the account should be closed or the relationship should be terminated.

CT245. *Criterion 19.3* - When there are calls by countries or the FATF to pay attention to risk jurisdictions, the SEPRELAD disseminates circulars on weaknesses in the AML/CFT systems of other countries and sends alerts through the ROS WEB System (for reporting entities) on its website (available to all citizens), and other means of information exchange. Likewise, the FIU issued resolutions for some reporting entities for them to verify the lists issued under UNSCRs, FATF lists, OFAC list, terrorist lists of the European Union and other lists, as considered by the SEPRELAD (Annex IV of these resolutions applicable to cooperatives, securities market, money remitters, exchange houses, car dealers, real estate agents, and dealers in jewellery, precious metals and stones).

Weighting and conclusion

CT246. The regulatory framework covers all the elements required by the Standard regarding higher-risk countries. **Recommendation 19 is rated Compliant.**

Recommendation 20 - Reporting of suspicious transactions

CT247. In its last MER, Paraguay was rated PC on R.13 and SR. IV. The main deficiencies include: (i) lack of direct obligation by law or regulations to report suspicious transactions to the SEPRELAD; (ii) the obligation to report does not cover all financial institutions; (iii) terrorist financing has not been criminalised; (iv) lack of obligation by law or regulations to report suspicions related to terrorist financing; and (v) small number of suspicious transaction reports most of the reports received are from banking institutions);

CT248. *Criterion 20.1* - Paraguay establishes by law the obligation for reporting entities to submit STRs. The AML Law, applicable to the reporting entities under Article 13, establishes, in its Article 19, the obligation to report to the SEPRELAD, in accordance with the established regulations, any transaction or attempted transaction, regardless of its amount, for which there is suspicion or there are reasonable grounds to suspect that the transaction is linked to activities that are conducive to, represent threats or are indicative of the commission of ML/TF.

CT249. The relevant provisions to establish the forms and procedures to be implemented in order to prevent, detect and report ML and TF transactions are: Article 32 of Resolution 348/2013, applicable to all reporting entities supervised by the SIB (including credit institutions and bonded warehouses); Article 45 of Resolution 70/19, applicable to banks and financial institutions supervised by the SIB; Article 46 of Resolution 71/19, applicable to insurance companies; Article 46 of Resolution 77/2020 and Article 44 of Resolution 248/2020, applicable to exchange houses;

Article 39 of Resolution 156/2020, applicable to cooperatives; Article 12 of Resolution 172/2020, applicable to brokerage firms, stock exchange, retirement and mutual funds administrators; and Article 42 of Resolution 176/2020, applicable to money remitters.

CT250. The resolutions applicable to banks and financial institutions, as well as those applicable to insurance companies, establish that reporting entities have a maximum period to determine, under their own analysis, whether the nature, purpose or circumstances of the transaction should be considered suspicious, and they should submit their report to the SEPRELAD within a maximum period of 24 hours from the time the transaction is considered as suspicious.

CT251. In the case of exchange houses, brokerage firms, cooperatives, EPS providers and money remitters, the applicable resolutions establish a period of up to 90 days to perform the analysis and a period of 24 hours to submit the STR, calculated from the time the transaction is considered suspicious. However, in the case of credit institutions and bonded warehouses, the applicable Resolution does not establish the period of 24 hours from the time the transaction is considered suspicious. This issue is not covered either for pawnshops, since there is no regulation referring to these time periods in relation to this sector. Likewise, in the case of natural and legal persons engaged in the transportation or custody of securities or money values and those who provide safe deposit box rental services, the applicable resolutions establish the obligation to submit the STRs within a maximum period of 60 days from the date the service is rendered, which is different from the previous cases.

CT252. *Criterion 20.2* - As mentioned in the previous criterion, Article 19 of the AML Law establishes the obligation for reporting entities to report any act or transaction, regardless of its amount, which is considered suspicious. The aforementioned legal provision covers the scope of this criterion.

Weighting and conclusion

CT253. The AML Law and the different resolutions issued by the SEPRELAD cover the obligation for financial reporting entities to submit STRs to the SEPRELAD according to the criteria of this Recommendation. In the case of credit institutions and bonded warehouses, due to the fact that their regulations have not been updated, there is no specific basis as to the time in which, once a transaction is considered suspicious, the entity should submit the relevant STR. **Recommendation 20 is rated Largely Compliant.**

Recommendation 21 - Tipping-off and confidentiality

CT254. In its last MER, Paraguay was rated C on R.14.

CT255. *Criterion 21.1* - Article 34 of the AML Law clearly states that the information provided by reporting entities (Article 13 of the AML Law) to the SEPRELAD in compliance with said law and its regulations should not be considered a violation of the duty of secrecy or confidentiality, and that reporting entities, directors, managers and officers submitting reports shall

be exempt from civil, criminal or administrative liability, regardless of the results of the investigation, except for aiding and abetting in the case under investigation.

CT256. *Criterion 21.2* - Article 20 of the AML Law prohibits reporting entities from disclosing to clients or third parties the actions or communications they carry out when complying with the obligations established by this law and its regulations. Even if it is understood from the legal provision mentioned above that the intention of the legislator behind the prohibition imposed on reporting entities as a whole, includes their officers, regardless of their rank. This issue is addressed in Article 21, last paragraph, establishing that reporting entities must notify and impose on their directors, managers and employees to comply with the provisions of this law, including the prohibition of Article 20 mentioned above.

Weighting and conclusion

CT257. The regulatory framework covers all the elements required by the Standard regarding tipping-off and confidentiality. **Recommendation 21 is rated Compliant.**

Recommendation 22 - DNFBPs: Customer due diligence

CT258. In Paraguay's 3rd Round MER, former R.12 was rated NC in relation to the following: (i) Law 1015/97 does not cover lawyers, notaries and other independent legal professionals and accountants when they prepare for or carry out transactions for a client concerning the activities set out in the FATF Methodology, and trust and company service providers when they prepare for or carry out transactions for a client concerning the activities set out in the FATF Methodology, (ii) there is a lack of regulation by the SEPRELAD with respect to dealers in precious metals and stones, (iii) Recommendations 5, 8, 9, 10 and 11 are not properly covered. The measures established are general and do not provide for the level of detail contained under the criterion, (iv) there are no express requirements in the regulations with respect to all the obligations imposed in Recommendation 5 - prohibition of anonymous accounts or accounts in fictitious names, cases in which CDD is required in accordance with criterion 5.2, sections c-e (Measures for identification, Identification of legal persons or arrangements, Risk, Timing of verification, Monitoring, Information regarding the purpose and intended nature of the business relationship, Deficient compliance with CDD requirements), (v) besides due diligence measures, lack of obligation to pay attention to PEPs in accordance with Recommendation 6, (vi) lack of requirements to pay attention to new technologies that may favour anonymity, and to address those risks related to business relationships or transactions that are not conducted in person, (vii) there are no requirements to prohibit companies in the gaming and gambling industry from relying on intermediaries or other third parties to perform some of the elements of the CDD measures or to conduct business activities, or expressly indicate the requirements that should be observed when such reliance is allowed, (viii) inadequacy with respect to record keeping in accordance with Recommendation 10, (ix) lack of an express obligation to pay attention to all complex, unusually large transactions or unusual transaction patterns, and to examine the background and document such findings in writing in accordance with Recommendation 11, (x) the CONAJZAR has not issued the relevant regulation for companies in the gaming and gambling industry, (xi) TF is not criminalised in Paraguay, therefore compliance with the recommendations that refer not only to ML prevention but also TF,

such as Recommendation 8, is limited, (xii) lack of implementation by DNFBPs under Article 13 of Law 1015/97 of all the requirements set out in the Law and in the resolutions issued by the SEPRELAD with respect to FATF Recommendations 5, 6, 8-11.

CT259. *Criterion 22.1* - The reporting entities considered as DNFBPs, pursuant to Article 13, paragraph ñ of the AML Law, should comply with the same CDD legal requirements provided for in R.10. Article 14 of the AML Law establishes the obligation to implement CDD measures, whether they are natural or legal persons or arrangements. In addition, the requirements for DNFBPs are established in the respective regulations. In this regard:

- (a) With respect to casinos, Resolution 258/2020 establishes customer identification requirements, regardless of the modality under which they intend to participate (Article 24). It also establishes that reporting entities should implement CDD measures to obtain information that allows them to know the client or BO, and understand the purpose of the relationship, establish their profile and verify that the transactions are in line with such profile. CDD criteria shall be applicable to clients acting in their own behalf, as agents or on behalf of legal persons/arrangements when they are involved in transactions for amounts equal to or greater than eight minimum wages (Article 26), which at the time of the projection of this report is equivalent to USD 2,650.
- (b) For real estate agencies, Article 18 of Resolution 201/2020 establishes that information should be obtained to know the identity of the client or BO, understand the purpose of the relationship, establish a profile and verify that the transactions are in line with such profile. CDD is applicable to customers acting on their own behalf or when they carry out their transactions through agents or representatives. The CDD to be implemented shall be determined based on the ML/TF risk rating.
- (c) Resolution 222/2020 establishes CDD requirements for dealers in jewellery, precious metals and stones, which should be applied to clients acting on their own behalf, as agents or as representatives, whenever transactions are carried out for amounts equal to or higher than thirty minimum wages (Article 18), which at the time of the projection of this report is equivalent to USD 9,970.
- (d) Resolution 325/13 issued by the SEPRELAD, in its Articles 4 and 5, provides for the obligation for notaries to identify the client, keep a record on the transactions, among others. They are also required to develop and observe a customer identification and know-your-customer policies and should keep a record on all the transactions that reach or exceed the amount of USD 50,000 or its equivalent in another currency, as indicated in Article 3, including the buying and selling of movable and immovable property, the performance of notarial acts on the deposit of money, securities or other assets held by the client, and the incorporation, and modification of the bylaws of legal persons. In addition, it is important to take into consideration the provisions of R.1 with respect to the established threshold indicating that there are no elements to conclude that the USD 50,000 threshold was determined on the basis of any study or assessment of the ML/TF risks inherent to the activities carried out by this sector in the country that demonstrates a low risk of this type of transactions in the sector (see criterion 1.6). In this sense, the assumptions under this sub-criterion on CDD would not be covered. With respect to lawyers, accountants and other legal professionals, Article 12 of Resolution 299/21 establishes the CDD requirements

which shall be applied when the amounts involved in the operations and/or transactions carried out in the name or on behalf of their clients exceed the equivalent of 50 (fifty) minimum wages, which at the time of the projection of this report is equivalent to USD 16,600. In this sense, it is understood that the CDD is applied for higher amounts, according to the requirements set out in R.10. In addition, it is indicated that the CDD to be implemented shall be based on the client's ML/TF risk.

- (e) In Paraguay, only banks and financial institutions and trust companies specially authorized by the Central Bank may act as trustees, in accordance with the provisions of Article 19 of Law 921/96. The trust companies whose creation is authorized shall be categorized as auxiliary credit institutions, and shall be subject to the supervision and oversight of the SIB, which shall be exercised, as appropriate, in accordance with the rules of the General Law on Banks and Other Financial Institutions (Law 861/96) as amended, and they should therefore comply with the AML/CFT rules (Articles 19-21 of Law 921/96). On that basis, CDD requirements should be implemented in accordance with the AML/CFT regulations for financial institutions (Articles 24, 25, 26, 27 and 28 of SEPRELAD Resolution 70/19). In addition, Article 27 requires enhanced DDC measures for trusts.

CT260. *Criterion 22.2* - The AML Law establishes that reporting entities should clearly and accurately identify and maintain a record on all domestic and international transactions carried out by their clients, including at least the amounts, type of currency and other elements that permit traceability of the transactions. Likewise, they should keep the records on the transactions and CDD measures implemented for a 5-year period, and in case of termination of the business relationship, the records obtained through CDD measures, files, correspondence and analysis results should be kept for the same period (Articles 17 and 18). On the other hand, reporting entities should provide all the information related to the subject matter of this law that is required by competent authorities for the fulfilment of their functions, and the provisions related to the duty of secrecy, or any legal reserve shall not be applicable. In addition to the provisions of the AML Law, the reporting entities under paragraphs (a)-(d) of criterion 22.1 are requested to keep records: (a) Articles 39 and 40 of Resolution 258/2020; (b) Articles 31 and 32 of Resolution 201/2020; (c) Articles 31 and 32 of Resolution 222/2020; (d) Articles 4 and 5.3 of Resolution 325/13 for notaries, and Articles 22 and 29 of Resolution 299/21 for lawyers, other legal professionals and accountants. Notwithstanding the record-keeping obligation, the deficiency identified in sub-criterion 22.1 (d) for these reporting entities should be taken into account. Since trust service providers are considered financial entities, they have the same obligations as the reporting entities supervised by the SIB (Resolution 70/19).

CT261. In addition, the SEPRELAD may require government agencies and entities to interrelate to each other in order to obtain access to their databases, as well as those of reporting entities for the development of their functions (Article 22). In turn, the Attorney General's Office may request reports from any person or public or private entity (Article 228 of the Code of Criminal Procedure). The additional reports or documents required by the SEPRELAD, and the Attorney General's Office should be submitted within the time limit and in the forms established as required by the law enforcement authority.

CT262. *Criterion 22.3* - According to Article 5 of SEPRELAD Resolution 50/19, reporting entities should implement an appropriate risk management system to determine whether the client



or client's BO is a PEP and should implement adequate due diligence that is proportionate to the associated risk. In addition, at the moment of identifying them as PEPs, reporting entities should establish approval levels for the relationship according to its risk and should implement the necessary procedures to monitor the transactions carried out. The measures to be applied by reporting entities when identifying PEPs are i) obtaining approval from senior management or the unit to which the management function has been delegated in order to establish or continue business relationships, ii) conducting enhanced ongoing monitoring of the business relationship, iii) taking reasonable measures to establish the source of funds, iv) obtaining information on the PEP (business activity, purpose of the business relationship, reasons for transactions, source of funds, etc.), and v) the nature of the transactions (Article 7). The regulations applicable to reporting entities described in criterion 22.1 (a)-(c) include the obligation of CDD with respect to R.12: (a) Article 32 of Resolution 258/2020; (b) Article 24 of Resolution 201/2020; (c) Article 24 of Resolution 222/2020. Regarding paragraph (d), Article 16 of Resolution 299/21 for lawyers, other legal professionals, accountants. There are no similar provisions for notaries. In addition, the deficiencies identified in criterion 22.1 (d) with respect to these reporting entities should be taken into account. Regarding trust service providers, the provisions of R.12 under SEPRELAD Resolution 50/2019 shall apply.

CT263. *Criterion 22.4* - The resolutions applicable to reporting entities under criterion 22.1 (a)-(c) indicate that reporting entities are required to assess the level of ML/TF risk exposure associated with the new products and/or services that they may eventually offer. Assessing and identifying ML/TF risks that may arise from the development of new products and new business practices, including new delivery channels, and from the use of new technologies or developing technologies for new or existing products, is a task that all reporting entities should carry out in order to properly implement CDD measures (Article 5 of Resolution 258/2020, Resolution 201/2020, Resolution 222/2020). With respect to paragraph (d), although Article 3 of Resolution 299/21 establishes that lawyers, accountants and other legal professionals should perform a risk assessment on new technologies, the requirements of R.15 are not fully covered, as appropriate. In addition, there are no similar provisions for notaries. Trust service providers should assess new products in accordance with Article 19 of SEPRELAD Resolution 70/19 (see criteria 15.1 and 15.2).

CT264. *Criterion 22.5* - In Paraguay, reliance on third parties does not apply to the DNFBP category.

Weighting and conclusion

CT265. In Paraguay, the majority of DNFBPs comply with the requirements to implement CDD and ensure that they are applied in relation to record keeping, transactions with PEPs and new technologies, in accordance with this Recommendation. The foregoing with the exception, in some cases, of notaries, lawyers, accountants and other legal professionals. In addition, it is important to take into account the sector of notaries, since there is no analysis on the low risk posed by this sector to establish the threshold for CDD. **Recommendation 22 is rated Partially Compliant.**

Recommendation 23 - DNFBPs: Other measures

CT266. Former R.16 was rated NC in the 3rd Round MER. The assessment team concluded the following: (i) not all DNFBPs are covered under Law 1015/97, (ii) compliance with the Recommendations is limited: Law 1015/97 does not cover all categories of DNFBPs and the measures imposed on those that are covered by the Law are very general and do not have the level of detail required under the standard, (iii) lack of regulation issued by the SEPRELAD for dealers in precious metals and stones, (iv) non-compliance with Special Recommendation IV and criterion 13.2 as long as terrorism is not criminalised under Law 1015/97, (v) the obligation to submit STRs applies to the crime of ML and not to TF, (vi) lack of requirements to adequately address the criteria of Recommendation 15, especially with respect to criteria 15.1., 15.2 and 15.3, (vii) Recommendation 21 is not addressed in the Law or in the regulations issued by the SEPRELAD, and (viii) lack of implementation by the reporting entities under Article 13 of Law 1015/97 of the requirements set forth in Law 1015/97 and in the resolutions issued by the SEPRELAD with respect to FATF Recommendations 13, 14, 15 and 21.

CT267. *Criterion 23.1* - In accordance with Article 19 of the AML Law (Law 6497, amending Law 1015), reporting entities should report to the SEPRELAD, in accordance with the established regulations, any transaction or attempted transaction, regardless of its amount, with respect to which there is suspicion or there are reasonable grounds to suspect that the transaction is linked to activities that are conducive to, represent threats or are indicative of the commission of ML/TF. Regarding measures related to terrorism and its financing, Resolution 454/1,1 addressed to all reporting entities, sets forth that they should apply and implement policies and procedures to prevent, and report acts and transactions that may be related thereto. In compliance with this Recommendation, the following DNFBPs should be required to submit STRs in accordance with their respective regulations:

- (a) Article 7.1 of Resolution 325/13 establishes that notaries should inform to SEPRELAD of any suspicious act or transaction, regardless of its amount. STRs should be submitted to SEPRELAD through the ROS_WEB application within a maximum of 60 days from the start of the professional intervention, which does not result in a promptly filed STR. It also establishes that the red flag indicators present in Article 8 of this Resolution should be taken on an illustrative and non-exhaustive basis by notaries when submitting an STR. In the case of lawyers, other legal professionals and accountants, Article 23 of Resolution 299/21 establishes their obligation to file an STR with the FIU. These reporting entities have 90 days from the time of the transaction to perform the analysis and report it within 24 hours.
- (b) In accordance with Resolution 222/2020, dealers in jewellery, precious metals and stones should perform the analysis of the unusual transaction and, when based on the analysis performed, the transaction is considered suspicious, they should submit an STR to the SEPRELAD within 24 hours. The reporting of suspicious transactions is confidential, reserved and for the exclusive use of the SEPRELAD. The STR, as well as the complementary documentation, should be submitted via ROS_WEB (Articles 33 to 37).
- (c) As mentioned in R.22, in the case of trustees, Resolution 70/19 is applicable, which, in its Article 45 establishes the forms and procedures to be implemented in order to prevent, detect and report ML and TF transactions, and sets forth a maximum period to determine



under if the nature, purpose or circumstances of the transaction should be considered as suspicious. They should submit their report to the SEPRELAD within a maximum period of 24 hours from the moment the transaction has been deemed as suspicious.

CT268. *Criterion 23.2* - Article 21 of the AML Law provides that reporting entities that are incorporated or unincorporated entities should establish adequate procedures for the internal control of information in order to know and prevent ML transactions. In this regard, the requirements of criterion 18.1 are applicable in accordance with the following regulations: (a) Articles 5, 6, 10 and 11 of Resolution 299/21 for lawyers, other legal professionals and accountants. Regarding notaries, it is worth mentioning that they are reporting entities as independent natural persons, and not as part of a structure, entity or organisation, and shall be personally accountable for the implementation of AML/CFT policies and procedures. The function of compliance officer is their own responsibility and, given their nature, they cannot establish foreign branches or subsidiaries, being limited the exercise of their profession to the geographic area in which they have registered as notaries, thus being prohibited the creation of subsidiaries or branches (Article 101 of Law 2335/03); (b) in the case of dealers in jewellery, precious metals and stones, Articles 8, 10, 12-16 of Resolution 222/2020 are applicable; (c) regarding trust service providers, as mentioned in R.22, Resolution 70/19 is applicable, which establishes the obligations in this respect in Article 4, 5, 17 and 51 to 57.

CT269. *Criterion 23.3* - According to the information provided by Paraguay, the FIU website has a section containing the lists that should be observed by reporting entities in their CDD, including the list of higher risk jurisdictions subject to FATF monitoring. The sector of lawyers, accountants and other legal professionals, as well as dealers in jewellery, precious metals and stones, have specific provisions establishing that these reporting entities should consult the lists of higher risk countries and if any is identified, they should proceed according to their regulations (Article 16 of Resolution 299/21 and Annex IV of Resolution 222/2020, respectively). In the case of trust service providers, Article 27, paragraph h/i; Article 55; Article 58, paragraph 7c, and Annexes A1 and A4 of SEPRELAD Resolution 70/19 are applicable. There are no similar provisions applicable to notaries.

CT270. *Criterion 23.4* - Reporting entities should not disclose to the client or third parties the actions or communications they carry out when complying with the obligations established by the AML Law and its regulations (Article 20). The respective regulations establish that the sectors under this Recommendation may not disclose to their clients or to the persons involved any confidential information on ML/TF or data such as STRs, their content, or reports requested by the SEPRELAD (Article 9 of Resolution 325/13 for notaries; Article 26 of Resolution 299/21 for lawyers, other legal professionals and accountants; and Article 36 of 222/2020 for dealers in jewellery, precious metals and stones). In the case of trust service providers, the provisions of Resolution 70/19 are applicable.

Weighting and conclusion

CT271. Lawyers, notaries, other legal professionals, accountants and dealers in jewellery are subject to suspicious transaction reporting obligations. However, in the case of notaries, the

deadline for filing STRs does not comply with the promptness requirement. On the other hand, with the exception of notaries, the sectors comply with the requirements for internal controls and actions with respect to the higher risk countries under R.19. In the case of trust service providers, they are assessed in accordance with Resolution 70/19 for banks and financial institutions. **Recommendation 23 is rated Largely Compliant.**

Recommendation 24 - Transparency and beneficial ownership of legal persons

CT272. Paraguay was rated NC on R.33 in its last MER. Key deficiencies include: (i) Laws do not require adequate transparency regarding ownership and control of legal persons; (ii) competent authorities do not have access in a timely manner to adequate, accurate and current information on ownership and control of legal persons; and (iii) there are no measures in place to prevent the illegitimate use of legal persons through the use of bearer shares in relation to money laundering.

CT273. *Criterion 24.1* - Article 91 of Law 1183/85 (Civil Code) establishes the different types and forms of legal persons provided for by the Paraguayan law. In this sense, the legal persons recognized by Paraguay are: (i) the State; (ii) municipalities; (iii) the Catholic Church; (iv) self-sufficient, autonomous and mixed economy entities and other public law entities, which, in accordance with the respective legislation, are capable of acquiring property and binding themselves; (v) universities; (vi) non-profit organisations; (vii) registered associations with restricted capacity; (viii) foundations; (ix) public limited companies and cooperatives; and (x) other companies regulated in Book Two of this Code (simple and collective partnerships, limited partnerships, joint stock companies, limited liability companies, and companies incorporated abroad). It should be noted that Law 6480/2020 created the legal concept of simplified joint stock companies.

CT274. Article 1013 establishes that a “*simple partnership*” is considered to be that which does not have the characteristics of any of the others regulated by the Code or by special laws, and which does not have as its purpose the exercise of a trading activity. In this sense, it establishes that companies shall be considered trading companies whose purpose is: i) the industrial activity aimed at the production of goods or services; ii) the intermediary activity in the circulation of goods or services; iii) transportation in any of its forms; iv) banking, insurance or stock exchange activity; and v) any other activity qualified as such by the Trade Law (Law 1034/83). It also establishes the obligation for all companies whose purpose is to conduct trading activities to be registered with the Public Registry of Commerce. In the case of EAS, they are exempt from this registration and should submit the respective electronic file and send a copy to the General Directorate of Public Registries (DGRP) for its acknowledgement (Special Law 6480/2020; Executive Order 3998/2020, Article 6).

CT275. With the enactment of Law 879/1981 “Judicial Organisation Code,” the General Directorate of Public Registries was created to bring together the registries existing at that time, namely: (i) the Registry of Legal Persons and Associations; (ii) Public Registry of Commerce; (iii) Registry of Real Estate Properties; (iv) Registry of Wills; (vi) Registry of Leasing; and (vii) Registry of Trusts. Similarly, Law 6446/19, which creates the General Directorate of Legal Persons and Arrangements and Beneficial Owners (DGPEJBF), the Administrative Registry of Legal

Persons and Arrangements, and the Administrative Registry of Beneficial Owners (Law on the Registry of Beneficial Owners), establishes, in its Article 3, the obligation to provide to the DGPEJBF within the Ministry of Finance, for its registration in the Administrative Registry of Legal Persons, the list of the shareholders or authorities performing functions of management, control and administration, the articles of incorporation or other incorporation instruments, and the minutes of the last board meeting for the election of authorities, within a maximum period of 9 months from the effective date of the Law on the Registry of Beneficial Owners. Paraguay provided a chart with a description of the relevant regulations for the different types of legal persons allowed by the country, identifying the characteristics of each of them and their respective processes of incorporation and registration, as appropriate. In addition, the Unified System for the Opening and Closing of Companies under the Ministry of Industry and Trade has a telephone service that provides assistance on the incorporation of companies, and the types of companies and legal persons. Likewise, the website has information available to the public on the general requirements and forms for the incorporation of companies, as well as specific information on each type of company³⁴. Likewise, in the case of Associations, the Ministry of the Interior publishes, on its website, the requirements that associations and foundations should meet in order to obtain legal status³⁵.

CT276. On the other hand, the relevant laws on the processes of incorporation and registration, in relation to Law 5282/2014 on the free access to public information, establish the types and characteristics of legal persons and the processes for their incorporation and registration, as well as for the collection and registration of basic and BO information relative to all legal persons. (Law 6446/2019 and its Regulatory Law 3241/2020; Law 1034/1983 and all the regulations related to each type of legal person). Likewise, the Guide on the Findings of the ML/TF SRA for Legal Persons is publicly available on SEPRELAD's website.

CT277. *Criterion 24.2* - As mentioned in the criteria of R.1, Paraguay conducted an NRA and its update on ML/TF matters in 2018. This update was aimed to enact a law providing for the creation of the Administrative Registry of Legal Persons and Arrangements, and the Administrative Registry of Beneficial Owners, as well as to amend Law 5895/17 "establishing transparency rules for joint stock companies." Both objectives have been achieved and this constitutes an important step forward in this area.

CT278. In 2020, the SEPRELAD, together with the Treasury Legal Service, conducted a ML/TF sectoral risk assessment on all types of legal persons (24 types) recognized by the country's legislation. This entailed the classification into groups by purpose (for-profit, non-profit, for-profit/non-profit, and public), and NPOs were left out, as they had already been analysed in their own sectoral exercise. Likewise, risks are classified into low and high, and they are divided into ML risks and predicate offences on the one hand, and TF on the other. The results of this SRA revealed that the legal persons with the highest level of risk were the public entities, either for-

³⁴ <http://www.suace.gov.py/index.php/tramites/>

³⁵ http://www.mdi.gov.py/index.php/component/k2/item/2517-requisitos-para-reconocimiento-de-perreporting_entityner%C3%ADa-jur%C3%ADdica?tmpl=component&print=1

profit or non-profit; single-owner limited liability companies (EIRL); corporations (S.A.); and limited liability companies (S.R.L.).

CT279. *Criterion 24.3* - Companies should be incorporated by public deed and acquire legal status upon their registration with the corresponding Registry (Articles 967 and 1050 of the Civil Code). In the case of trading companies, they should register with the Public Registry of Commerce (RPC) before the General Directorate of Public Registries under the Judiciary, and in order to carry out trading activities, they should also request a trade license. Article 11 of Law 1034/1983 (Trade Law) establishes the obligation for “traders” (natural or legal persons as defined in Article 3) to register their license with the RPC and submit to it the documents required by law.

CT280. Likewise, Article 12 of Law 1034/1983 establishes that registration should include the following data: i) name, address, marital status and nationality, and in the case of a company, name of partners and company name; ii) description of business activity; iii) address or place of business; iv) name of manager or person in charge; and v) the documents that justify its capacity. Likewise, once they obtain their legal status, they have 45 days to register with the Administrative Registry of Legal Persons and Arrangements and the Administrative Registry of Beneficial Owners (Law 6446/2019 and Executive Order 3241/2020). Articles 4 and 8 set forth that all legal persons should communicate to the General Directorate basic information on the legal person or arrangement: a) name; b) legal form or type; c) taxpayer identification number; d) articles of incorporation; e) bylaws or rules of procedure; f) powers of attorney granted in the country for foreign legal persons; and g) place of business and registered office. Likewise, they should communicate any modification within a maximum period of 15 business days from the date of the modification (Article 10). The provision in question is not clear as to whether the information in the Registry is open to the public or only to persons who demonstrate a legal interest. However, the country was able to demonstrate, through Court of Appeals decisions, that the basic information on legal persons does not fall under any of the exceptions provided for by Law 5282/14 on Free Citizen Access to Public Information and Government Transparency or other laws, and therefore ensures that such information held by the State is shared with the public upon request to the relevant law enforcement authority.

CT281. *Criterion 24.4* - Article 87 of the Trade Law establishes that all joint stock companies should maintain a Shares Registry Book, which should contain: (i) full name of the shareholders, the number and series of underwritten shares and the payments made; (ii) the transfer of registered securities, the date of such transfer, and the links resulting thereto; (iii) specification of the shares to be converted into bearer shares and of the securities issued in exchange for them; and (iv) the number of shares pledged as performance bonds by the company’s directors, if required by the bylaws. Likewise, Regulatory Law of Law 6446/2019 of the Administrative Registry of Legal Persons and Arrangements (Executive Order 3241/2020, Article 4) sets forth that the basic information on the company should be reported to the General Directorate, and establishes the obligation to keep, for a period of 5 (five) years, the documents, files and correspondence that serve as proof of or adequately identify the beneficial owners. Although there is no specific requirement for companies to maintain such information at an address within the country and to notify such address to the Registry, the Registry in possession of the BO information is within the country and can provide the information upon request.

CT282. On the other hand, Law 5895/17 “establishes transparency rules for joint stock companies,” the main purpose of which is to establish a transitional regime from bearer shares to registered shares, and modifies Article 1050 of the Civil Code, which establishes that public limited companies (S.A.) acquire legal status upon their registration in the Registry of Legal Persons and Associations, and sets forth the information to be recorded therein³⁶.

CT283. *Criterion 24.5* - Law 6446/2019 creates both the Administrative Registry of Legal Persons and Arrangements, and the Administrative Registry of Beneficial Owners (RAPEJBF). Executive Order 3241/2020 regulates the law by specifying certain provisions and obligations. In this regard, Article 7 of the Law and Article 10 of the Executive Order, in connection with Article 4 of said Executive Order, establish the obligation for the legal persons mentioned in Article 2 to communicate to the General Directorate the basic data of the legal person or arrangement: a) name; b) legal form or type; c) taxpayer identification number; d) articles of incorporation; e) bylaws or rules of procedure; f) powers of attorney granted in the country for foreign legal persons; and (g) place of business and registered office, and sets forth that they should communicate any modification within a maximum period of 15 business days from the date of the modification (Article 10).

CT284. Likewise, Article 3 of Executive Order 3241/2020 establishes the obligation to keep the Registry updated on any modification in the shareholding within a maximum period of 15 days from the date of such modification. Article 11 establishes that the communications made by reporting entities shall be considered as sworn statements, without prejudice to the verifications, controls and requests that may be made by the relevant law enforcement authority. The General Directorate may verify and control the data and information submitted to the Administrative Registry of Legal Persons and Arrangements, and the Administrative Registry of Beneficial Owners, for which purpose it may summon the legal representative or natural person authorized by the legal person or arrangement. In this regard, the Directorate has issued DGPEJBF Resolution 10/2021, which approves and implements the monitoring and inspection procedure of the administrative records on legal persons and arrangements and beneficial owners. This resolution contains a flow chart of the monitoring procedure, a schedule by stages according to the risk level of each type of legal person and arrangement, the nature of the procedure to be followed to carry out the monitoring and inspection of administrative records.

CT285. *Criterion 24.6* - Paraguay has opted for a mechanism mainly focused on obtaining information from BOs, through the updating of an administrative record. The Law on the Registry of Beneficial Owners (Law 6446/2019) and its Regulatory Law establish a period of 45 business days to communicate the information to the RAPEJBF from the date of their incorporation (date of registration with the Public Registries) for legal persons and arrangements incorporated after the effective date of the Law. Likewise, it establishes the obligation to submit an annual review to the RAPEJBF, and in the case of any modification, to communicate it to the RAPEJBF, through the General Directorate of Legal Persons and Arrangements under the Ministry of Finance within a

³⁶ By means of Law 5895/17, Paraguay established that all companies incorporated in Paraguay whose capital stock is represented by bearer shares should be modified and the shares should be converted into registered shares and set forth the mechanism for such exchange of shares.

period of 15 days. This provision is broad enough to apply to the updating of the BO information requested for registration with the RAPEJBF pursuant to Articles 5 and 6.

CT286. *Criterion 24.7* - See Criterion 24.6.

CT287. *Criterion 24.8* - As mentioned in criterion 24.6, legal persons and arrangements should inform and keep updated, through their legal representative, their BO information, as well as any modification for their corresponding registration.

CT288. Likewise, in the case of legal persons or arrangements whose capital is, totally or partially, abroad, where it is impossible to identify the BO, it shall be assumed that the BO is the legal representative (Article 5 of Law 6446/2019) and should be subject to the sanctions, prohibitions and impediments provided for in Articles 8 and 9 of said Law for all those persons who fail to comply with their BO obligations established in the Law. Pursuant to the Executive Order regulating the Law, the provisions of the Law are also applicable to public limited companies (S.A.), as provided for by Law 5895/2017 on the exchange of bearer shares for registered shares.

CT289. *Criterion 24.9* - Article 85 of the Trade Law establishes that the books and records should be kept for 5 years from the date the last entry was made. During the same period, receipts should be kept in an orderly manner for their verification. This period is calculated from the date on which they were issued.

CT290. Likewise, Article 12 of the Law on the Registry of Beneficial Owners establishes that legal persons and arrangements should keep, for a period of 5 years, the documents, files, and correspondence that serve as proof of or adequately identify the BO, as well as all the documentation that supports the information required by the law enforcement authority. Similarly, Law 5895/17 and its Regulatory Law 9043/18, specifically the latter, provide for the obligation for companies to keep, for a period of 5 (five) years, the information on the exchange of bearer shares for registered shares.

CT291. Moreover, as a result of the issuance of Executive Order 5871/21, the DGPEJBF has recently issued Resolution 11/21, widening the scope of DGPEJBF Resolution 04/21, which establishes the obligation for the liquidators of public limited companies to keep information on the company for a period of 5 years after the dissolution of the company, in case the authority may request it. Likewise, in the case of companies liquidated through the process of creditor's meeting or bankruptcy, the respective trustees in bankruptcy are obliged to keep this information (Article 133 of Law 154). However, it is not specified for how long such information should be kept. Although the measures mentioned in this paragraph are not entirely clear in their scope, since Law 6442 does not refer to the elimination of the record and the information on the legal persons that have been dissolved, it is understood that such information should be kept in the records and be accessible for consultation at any time.

CT292. *Criterion 24.10* - The competent authorities, including the Judiciary, the Attorney General's Office, the SEPRELAD, the BCP and the persons performing functions of prevention, investigation and sanctioning of crimes may access the Administrative Registry of Beneficial



Owners, Legal Persons, and Arrangements, as well as request reports and documentation. Likewise, Law 6446/19 provides for the creation of an Integrated System of Administrative Registration and Control of Legal Persons, Legal Arrangements, including trusts, and BOs, which permits access to the database of the Registry of Beneficial Owners and Legal Persons and Arrangements, through the interrelationship of the competent institutions. In this regard, both the basic and BO information contained in both Registries is available to the competent authorities (Law 6446/19, Articles 10, 11 and 13).

CT293. *Criterion 24.11* - Paraguay has opted to convert bearer shares into registered shares. Articles 2 and 3 of Law 5895/17 establish that the bylaws of the companies incorporated in Paraguay, whose capital stock is represented by bearer shares shall be modified, by force of law, in accordance with the mechanisms for the exchange of bearer shares for registered shares established in the same Law, giving a maximum period of 24 months from the effective date of said Law to complete the exchange (the term concluded in October 2019). This term was modified by Law 6399 of October 2019, extending the term until June 2020 to initiate the procedures for requesting a modification in the bylaws to exchange the totality of bearer shares.

CT294. The regulation and its amending executive orders describe the processes that should be observed by legal persons to carry out the aforementioned exchange, as well as the penalties to be applied in case of non-compliance, determining, among other measures, the loss of all financial value or value of circulation of any of the shares that were not exchanged. Pursuant to the Law, by the date of the on-site visit, all the public limited companies (S.A.) that held bearer shares had completed the process of exchanging all their shares for registered shares.

CT295. *Criterion 24.12* - Registered shares and nominee directors are not provided for in the Paraguay laws, since i) all shares should be represented by nominee certificates that serve to demonstrate and transfer the ownership and rights of shareholders; and ii) the positions of director, board member and manager are personal and cannot be held by a representative, so the current regulations do not provide for the legal concept of nominee directors (Articles 1050, 1069 and 1070 of the Civil Code, as amended by Law 5895/17).

CT296. *Criterion 24.13* - Law 6446/19 provides for the application of financial penalties to legal persons and arrangements, as well as to those who refuse to provide information or provide false or incomplete information related to the provisions of the Law. The financial penalties range from USD 16,700 to USD 166,000, calculated in minimum wages from Paraguay (50 to 5,00) or a fine of up to 30% of the profits or dividends to be distributed among shareholders or partners (Article 9). The present criterion is covered under this provision, since, as established by this Law, these penalties would apply to all legal persons and arrangements that fail to comply with the provisions described in the Law, including their registration obligations, or do so with false or incomplete information.

CT297. Likewise, the provisions of Article 8 of the aforementioned Law establish that, upon expiration of the established periods for registration and reporting (Executive Order 3241/2020, as amended by Executive Order 3486/2020), the legal persons and arrangements that have not complied with their obligations shall be subject to certain prohibitions and impediments until the

breach is remedied. Likewise, the Paraguayan laws provide for penalties for legal persons that hold bearer shares and have not complied with the terms established by law to exchange them for registered shares, pursuant to Law 895/17, as amended by Law 6399/19, as well as Executive Order 5871/21, which regulates the imposition of impediments, prohibitions and consequences for non-compliance with the obligations established in the aforementioned laws and Law 6546. The Paraguayan legislation also establishes provisions regarding the liquidation and dissolution of non-compliant public limited companies (S.A.).

CT298. *Criterion 24.14* - In accordance with the requirements of criterion 24.10, the information existing in the Registry of Beneficial Owners and the Registry of Legal Persons and Arrangements shall be accessible to state agencies and entities, as well as to other authorities that perform functions of prevention, investigation and sanctioning of crimes, so that when a foreign jurisdiction or any foreign competent authority requests this information to the country, it may be provided.

CT299. In this sense, the competent authorities are in a position to access information from both Registries for the exercise of their powers, including international cooperation in the case of the SEPRELAD, the Judiciary and the Attorney General's Office (Article 22 of the AML Law and Article 228 of the Criminal Code).

CT300. *Criterion 24.15* - The SEPRELAD monitors compliance with this criterion by sending a form to the requesting countries and conducting a follow-up on them. However, there appears to be no monitoring of the quality of the assistance received from foreign counterpart authorities, nor of the receipt of information requested by Paraguay itself through authorities other than the SEPRELAD.

Weighting and conclusion

CT301. Paraguay has the Administrative Registry of Legal Persons and Arrangements and the Administrative Registry of Beneficial Owners where the legal persons and their foreign branches are registered to acquire legal status. Paraguay also has mechanisms to keep the information in these Registries updated in a timely manner. In addition, current legislation provides for proportionate and dissuasive sanctions for natural or legal persons who fail to comply with the provisions of the Law. On the other hand, although the basic information on companies should be recorded and updated before the authorized authority, there is no requirement for companies to maintain such information in the address within the country that was notified to the Registry. Furthermore, except for what has been done by the SEPRELAD, the country does not have the mechanisms to monitor the quality of the assistance received from other countries in response to requests for basic information and BO information, or requests for assistance in locating BOs residing abroad. **Recommendation 24 is rated Largely Compliant.**

Recommendation 25 - Transparency and beneficial ownership of legal arrangements

CT302. Paraguay was rated NC on R.34 in its last MER. Key deficiencies include: i) laws do not require adequate transparency regarding ownership and control of trusts; and ii) competent authorities do not have access in a timely manner to adequate, accurate and current information on the ownership and effective control of trusts.

CT303. *Criterion 25.1* - Pursuant to Article 1 of the Trust Business Law (921/96), a trust involves the transfer from a settlor to a trustee of one or more specific assets (which may or may not include the transfer of property rights thereof) in order to manage them, dispose of them or fulfil a specific purpose with them, either for the benefit of the settlor or a third party called a beneficiary. The business involving the transfer of ownership of the trust property is called a trust, otherwise it is called a trust request. Trusts may present one of the following forms: guarantee, administration, investment, execution, and development of construction projects, securitization of assets for the development of the productive sector, and company restructuring. Only banks and financial institutions and the trust companies specially authorized by the BCP, in accordance with the provisions of this law (Article 19 of Law 921/96), may act as trustees. In no case may the trustee be a settlor or beneficiary in a trust business.

CT304. Likewise, and taking into account the analysis of criterion 10.11, banks, financial institutions and the trust companies authorized by the BCP may act as trustees in a trust, in accordance with SEPRELAD Resolution 70/19. Reporting entities are required to establish policies in order to identify clients and BOs as requested by R.10 and to keep the information for at least 5 years after the termination of the business relationship in accordance with Article 42 of the aforementioned Resolution and Article 18 of the AML Law applicable to reporting entities. Thus, such provision is applied by these FIs when acting as trustees in the context of CDD, so that the supervisory bodies, within the framework of their inspections, may access timely and more adequate information regarding the settlors and BOs of each trust, and the SEPRELAD may also request information directly from the reporting entity acting as trustee (Article 22 of the AML Law). In the case of the trust companies authorized by the BCP, although these trust companies do not exist in practice, they are bound by Resolution 70/19 and their obligations through Resolution 316/21.

CT305. As mentioned in R.24, Paraguay passed the Law on the Registry of Beneficial Owners (6446/19) on December 2, 2019. This Law establishes the obligation for reporting entities to provide and update basic and BO information, as well as the obligation for legal persons (trusts, investment funds, according to Article 3) to keep records. Therefore, the obligations to update information and keep records are applicable to trusts (Articles 4-7). Specifically, in the case of trusts, Article 5 establishes that the natural person or persons that the BOs in relation to the settlor, trustee, and beneficiary of the trust in question should be identified.

CT306. *Criterion 25.2* - Article 25.8 of the Trust Business Law (921/1996) establishes the obligation for the trustee to keep, orderly and updated, the information and documentation related to the transactions carried out for the fulfilment of the purpose indicated in the articles of incorporation of the trust. Likewise, considering that trusts are reporting entities under the Law on the Registry of Beneficial Owners (Article 2), Articles 4 and 6 of Regulatory Law 3241/2020, and in connection with Article 25.15 of Law 921/1996, establish that they should inform the Ministry of Finance of any modification both in the Administrative Registry of Legal Persons and Arrangements and the Administrative Registry of Beneficial Owners within 15 (fifteen) business days from the date the modification has formally occurred in order to reflect it in the Registry created by virtue of said Law (Article 7).

CT307. *Criterion 25.3*- As described above, only the reporting entities mentioned in Resolution 70/19 can act as trustees. Likewise, based on the existing information in the Administrative Registry of Legal Persons and Arrangements and in the Administrative Registry of Beneficial Owners, created by Law 6446/19, FIs and DNFBPs have tools to determine whether their clients are registered as participants of a trust, either as trustee, settlor or beneficiary of the trust in question. In addition, they shall be able to know if they are the BOs of the trust through the access to be granted to them by virtue of their condition of reporting entities under the AML Law (Article 11 of Law 6446/19). Therefore, this measure addresses the requirements of this criterion, regardless of the established threshold for transactions or type of business.

CT308. *Criterion 25.4* - There are no legal provisions in the Paraguayan laws or other coercive means to prevent trustees from disclosing trust-related information to competent authorities. On the contrary, Article 2 of Law 6446/2019 and Articles 4, 5 and 6 of its Regulatory Law establish the obligation for trusts to provide basic and BO information and keep it updated in the Administrative Registries. In this sense, in line with Article 11 of said Law, government authorities and entities may access said Registries directly through the inter-agency relationships generated by the Ministry of Finance. In addition, Article 25.15 of Law 921/96 (Trust Business Law) establishes the obligation of trustees to provide complete and reliable information when requested by any competent authority.

CT309. *Criterion 25.5* - Article 13 of Law 6446/2019 establishes the creation of an Integrated System of Administrative Registration and Control of Legal Persons Legal Arrangements, including trusts, and BOs, which permits access to the requested information and data processing, in order to verify the faithfulness and consistency of the information.

CT310. Likewise, Article 11 of the same Law establishes the promotion of the interrelationship of competent authorities to have direct access to the database of the Registry of BOs and Legal Persons and Arrangements, which contains the information referred to in this criterion. The competent authorities, including the Judiciary, the Attorney General's Office, the SEPRELAD, the BCP, and the State Undersecretariat of Taxation, are empowered by law to access the Administrative Registry of BOs, Legal Persons and Arrangements, and to request additional reports and documentation, if necessary.

CT311. *Criterion 25.6* - See analysis of criterion 24.14.

CT312. *Criterion 25.7* - As mentioned in R.24, Paraguay passed Law 6446/2019, which sets forth the obligation for reporting entities to provide and update basic and BO information, as well as the obligation for legal arrangements (trusts, investment funds, according to Article 3) to keep records. Therefore, the obligations to update information and keep records keeping are applicable to trusts (Articles 4-7). Likewise, pursuant to Articles 12 and 13 of the Regulatory Law of the aforementioned Law, there are measures and sanctions for breach or non-compliance with any of the provisions of the Law, being applicable to both legal persons and trusts, pursuant to Article 2.2. of said Regulatory Law.



CT313. Likewise, in accordance with Article 35 of the AML Law, and Resolution 70/19, Banks or FIs acting as trustees may be punished for non-compliance with such regulations.

CT314. The sanctions established in the aforementioned laws appear to be proportionate and dissuasive.

CT315. *Criterion 25.8* - See analysis of criterion 24.13, with emphasis on Articles 12 and 13 of the Regulatory Law of Law 6446/2019, whereby there are measures and sanctions for breach or non-compliance with any of the provisions of the Law, being applicable to both legal persons and trusts, pursuant to Article 2.2 of said Regulatory Law.

Weighting and conclusion

CT316. The regulatory framework covers all the elements required by the Standard regarding transparency and beneficial ownership of legal arrangements. **Recommendation 25 is rated Compliant.**

Recommendation 26 - Regulation and supervision of financial institutions

CT317. Former R. 23 was rated NC in the 3rd Round MER, concluding that there is no direct obligation to appoint a competent supervisory authority to regulate and supervise AML issues, such as money remittances; there is a lack of clear and explicit measures to prevent criminals or their associates from having a controlling interest in an FI and that there are no adequacy measures for director senior management positions in FIs.

CT318. *Criterion 26.1* - The regulation of AML/CFT matters for all reporting entities is the competence and responsibility of the SEPRELAD as the law enforcement authority by virtue of the AML Law. Among the functions and powers of the SEPRELAD, Articles 28.1 and 28.8 establish the power to issue, within the framework of the laws governing the matter, the administrative regulations to be observed by reporting entities.

CT319. The supervision of reporting entities rests with the institutions that act as natural supervisors, and when there are no natural supervisors, this supervision corresponds to the SEPRELAD (Article 8 of the AML Law, Resolution 218/11, 208/14 and 220/14). Article 29 of the aforementioned Law sets forth that the regulation, investigation and sanctioning of administrative infringements of the law and regulations may only be carried out through the institutions in charge of the supervision and control of reporting entities according to their nature. The procedure shall be established in the respective laws governing each reporting entity.

CT320. The SIB (banks, financial institutions, exchange houses, EPS providers, bonded warehouses and credit institutions), the SIS (insurance companies), the INCOOP (cooperatives), the CNV (brokerage firms), and the SEPRELAD (money remitters, pawnshops, safe deposit box rental services and cash transport companies) are supervisors of FIs under Article 13 of the AML Law in accordance with the activities carried out by each of them.

Market entry

CT321. *Criterion 26.2* - Articles 19.8 and 19.29 of the Organic Law of the BCP (Law 6104/18) empower the BCP to grant or revoke authorization to operate to banks, financial institutions, and other credit institutions within its competence. No national entity under the supervision of the Central Bank-SIB may carry out its activities without prior authorization from this institution and should submit to the same conditions and established requirements, as applicable, to entities incorporated abroad, which intend to establish a branch in the national territory (Articles 4-6, 13-15 of Law 861/96, as amended by Law 5787/16). In addition, when banks or financial institutions provide correspondent services to domestic or foreign legal persons, they should have AML/CFT policies and procedures. When including the maintenance of funds transfer accounts in other places, they should ensure that the client complies with the CDD obligations (Article 53 of Resolution 70/19). Article 1 of BCP Resolution 2/02 establishes that entities under SIB supervision should suspend any correspondent relationship with foreign FIs without presence in any country. BCP Resolution 24/13, BCP Resolution 69/08 and BCP Resolution 77/10 regulate the opening of banks, financial institutions, exchange houses and EPS providers, respectively. Resolution 70/19 also states that reporting entities may not enter into or continue relationships with shell banks and should be required to satisfy themselves that the foreign institutions with which they maintain relationships do not permit their accounts to be used by shell banks (Article 56).

CT322. Regarding the securities market, Law 5810/17 (Securities Market Law) establishes that the CNV is in charge of granting authorization for the public offer of securities and should apply the same criteria for natural persons incorporated abroad that wish to operate in the country (Articles 5, 10-18). Brokerage firms, considered as securities intermediaries, may only carry out their activities when they are registered with the CNV, complying with the requirements indicated by said agency (Articles 104, 106 and 107). Likewise, Articles 55-57 of Resolution 172/2020 establish the obligations for reporting entities that have relationships with other entities at the national and international levels.

CT323. In turn, once the INCOOP recognizes them, cooperatives have private legal status of social interest. The law enforcement authority shall issue the resolution recognizing the legal status and shall proceed to register the cooperative in the Registry of Cooperatives (Law 438/94, Articles 5, 6 and 14-19). Articles 5, 7, 19 and 79 of Law 2794/05 establish the licensing requirements for exchange houses to operate in the country, and Resolution 248/2020 determines the obligations for this sector in cases of correspondent relationships and transactions with shell entities (Articles 55-59). For the insurance sector, Article 4 of Law 827/96 sets forth that companies and branches may operate until they are authorized to do so by the supervisory authority. The same conditions apply for foreign companies (Article 6). In this regard, the SIS issued Resolution SS.SG 217/18, which establishes the requirements that insurance companies should comply with in order to be incorporated as insurance companies and to be granted licenses.

CT324. With respect to FIs without natural supervisors, by means of Resolution 218/11, SEPRELAD ordered the creation of a Registry of Reporting Entities without natural supervision. Registration in such Registry is a requirement for reporting entities subject to SEPRELAD's supervision to be able to operate in the country's financial system. In order to register, natural and legal persons should comply with strict formalities, such as the express declaration of their business activity before the SET, which shall determine the scope of their nature.

CT325. *Criterion 26.3* - The BCP establishes a series of requirements and conditions when it comes to identifying shareholders, networks of legal arrangements, BOs, board of directors and executive officers, in accordance with Article 36 of Law 861/96 as amended by Law 5787/16, which set forth, among several assumptions, that those who have been convicted of an intentional crime and those who may undermine the sound management of the entity may not serve as presidents, directors, managers or trustees, nor as accountants or internal auditors. In addition, the SIB should keep copies of the lists of shareholders, and the BCP may request the information it deems necessary with respect to any shareholder, regardless of their percentage of shareholding. Such information should cover up to the last link in the chain of shareholders when the shareholder is a legal person or when there are affiliations or relationships that may prevent knowledge of the BO. Likewise, Articles 21 and 22 of Law 861/96 and 5787/16 establish the prohibitions of persons or officers who may not be shareholders of an FI.

CT326. In turn, the SIS issued Resolution SS.SG 217/18 (Annex 2,a.4.3), which establishes the CDD requirements for the shareholders of insurance companies. On the other hand, by means of Resolution 165/2019 (Annex 1, paragraph 56 and 59), a record on shareholders and directors is kept. Such record should be modified every two months and where there are variations in the composition of the shareholding. Regarding the securities market, Law 1284/98 (Articles 146, 170 and 171) and the regulations of this sector under Article 52 of Resolution 172/2020 establish the CDD policies in relation to directors, managers, employees, and collaborators that are part of the recruitment and selection process for new, permanent and temporary, employees, in order to verify their suitability and integrity. In addition, current legal regulations establish requirements and procedures to prevent criminals or their associates from holding (or being the beneficial owner of) a controlling interest in these entities. The foregoing is based on Resolution 6, which contains specific provisions applicable to registration in this sector (Title 2, Chapter 1, Article 4, for stock exchanges; Title 3, Chapter 1, Article 5, for brokerage firms; and Title 4, Chapter 1, Article 1, for fund managers).

CT327. Regarding cooperatives, specifically in the case of savings and credit cooperatives, Law 438/94 (Law on Cooperatives and the Cooperative Sector) as amended sets forth, in its Article 72, the impediments to be a director and to be appointed as a member of the Board of Directors, which, under its assumptions, particularly stipulates that those convicted of guilty or fraudulent bankruptcy, bankrupts for up to five years after their discharge, those judicially disqualified from holding public office and those convicted of crimes against property and against the public faith may not be members of the Board of Directors. With regard to pawnshops, safe deposit box rental services and cash transport companies, the SEPRELAD, based on the records and through the General Directorate of Financial and Strategic Analysis, may review the criminal and tax return records, among others, in order to corroborate the identity of the applicants.

Risk-based approach to supervision and monitoring

CT328. *Criterion 26.4* - Paraguay's FIs are subject to:

- (a) Risk-based regulation and supervision. were issued even for consolidated and financial groups. Article 2 of Resolution 70/19 and Resolution 71/19 indicate that the reporting entities regulated under them should implement an AML/CFT system consisting of ML/TF

policies, procedures, controls, assessment, mitigation and monitoring. Likewise, they should have an AML/CFT Manual, which should be updated in accordance with national regulations and international standards (Article 15 of Resolution 70/19 and Article 16 of Resolution 71/19). The same requirements apply to the stock market (Articles 2 and 20 of Resolution 172/2020). Resolution 70/19 (Articles 10, 11 and 17), Resolution 71/19 (Articles 12, 13 and 18), and Resolution 172/2020 (Articles 12, 16 and 24) establish requirements for the treatment of financial groups, defined as those groups consisting of two or more entities supervised by the SIB and/or the SIS and/or the CNV, and which are controlled by a parent company, therefore belonging to the same financial and/or corporate organisation, in accordance with the established parameters and regulatory provisions. In this context, some of the provisions include the incorporation of a corporate compliance officer, which should directly coordinate AML/CFT issues for each of the reporting entities comprising the financial group.

- (b) Chapter IX of Resolution 70/19 contains specific provisions for FIs that provide money or value transfer services or money or currency changing services, which are applicable for monitoring and compliance with national AML/CFT requirements (Articles 58-62). In the case of money remitters, Articles 2 and 20 of Resolution 176/2020 establish that manuals should be prepared in accordance with their nature and characteristics, including risk-based AML/CFT policies and procedures, and that an analysis of the risks inherent to the sector should be carried out, regulating the procedures in accordance with the obligations under the current legislation. The same requirements apply for EPS providers (Articles 2 and 18 of Resolution 77/2020), cooperatives (Articles 2 and 19 of Resolution 156/2020), and exchange houses (Articles 2 and 20 of Resolution 248/2020). While there are provisions for credit institutions and bonded warehouses (Resolution 349/13) and for pawnshops, safe deposit box rental services and cash transport companies (Resolution 265/07, Article 2; Resolution 220/14, Article 3; Resolution 208/14, Article 3), these sectors do not apply a risk-based supervision or monitoring. However, considering the materiality of these sectors in terms of ML/TF in Paraguay, this is identified as a minor deficiency.

CT329. *Criterion 26.5* - Paraguay approved Supervision Manuals or supervision plans for banks, financial institutions, exchange houses, insurance companies, the securities market, cooperatives and financial reporting entities supervised by the SEPRELAD, in order to determine the frequency and intensity of supervision. With respect to the requirements of this criterion, the following is reported:

- (a) For the supervision of banks, financial institutions and exchange houses, risk analysis and management tools are used. A risk matrix, which considers the risks inherent to each sector, is prepared on a semi-annual basis and the quality of the mitigating factors of each institution during inspections is analysed to finally establish the net/residual risks of each sector. Based on this, semi-annual executive reports, which establish the priorities and scope of the inspections set out in an annual supervision plan, are prepared. In addition, the SIB has a Risk-Based Supervision Procedures Manual for AML/CFT/CFP aimed at the reporting entities under its supervision, which establishes the policies and procedures for the implementation of an RBA for on-site and off-site supervision (Resolution SB.SG 17/21). The insurance sector uses the Supervision Procedures Manual and a risk

matrix informed by the data submitted by insurance companies via VPN (Virtual Private Network) to the SIS information system, considering clients' risk factors, products, geographic areas, and delivery channel. On the other hand, the CNV has elements of ML/TF risk analysis, an assessment methodology, a strategic map and its own ML/TF risk matrix. The main basis for supervision is the enforcement of compliance with SARLAFT, a system based on the risk applicable to the entities under its supervision. To this effect, it has developed its methodology on the basis of the risk matrices, which permit to set priorities in the action plan based on residual risks, once the inherent risk and the controls and mitigators implemented by the institutions to be supervised (stock exchange, brokerage firms and investment fund managers) have been considered. As regards the INCOOP, it approved the Risk-based Supervision and Control Manual through Resolution 18585/18, which describes the supervision model for this sector, taking into account the economic and financial evaluation, the internal control environment and regulatory compliance. Likewise, through Resolution 22957/20, the INCOOP approved the risk-based matrix, which supports prioritisation and the scope of supervision. In the case of the SEPRELAD, Resolution 239/20 approves its Supervision Manual, which describes the implementation of risk matrices that allow for the establishment of schedules to carry out the supervision, taking into account the risk profile of each sector.

- (b) Both on-site and off-site supervision are defined in the draft Supervision Manual for AML/CFT, taking into account the ML/TF risk established in the NRA.
- (c) The level of premiums is taken into account according to the products offered by the reporting entity and their quantity (life, surety, etc.), the different types of clients (PEP, foreign, domestic), points of sale (border cities), among other things. On the other hand, the quality of the mitigating factors with respect to each of the risks (corporate governance, training, internal and external audits, and observations from the Superintendency, etc.) is considered. Moreover, for the control of financial institutions, the strategic reports shared by the SEPRELAD are taken into account in order to determine the need for inspections. These strategic reports are based on the quantitative and qualitative information resulting from the analysis tasks conducted, which could have an impact on the determination or modification of the frequency of supervision.

Although there is no information regarding the frequency and intensity of supervision under this criterion for bonded warehouses and credit institutions, based on the materiality of these sectors in terms of ML/TF in Paraguay, this is considered a minor deficiency.

CT330. *Criterion 26.6* - For the financial institutions supervised by the BCP, the assessment of the institutions' risk profiles is reviewed and updated every six months based on the data and information submitted by the institutions themselves and on the results of the inspections carried out during the same period. This process is carried out in accordance with Circular 1383 and Circular 173, which widens its scope; Resolution 36; and the Risk-Based Supervision Procedures Manual for AML/CFT.

CT331. In turn, the CNV periodically assesses risk profiles by implementing risk assessment matrices. The CNV makes an intensified use of the information obtained and analysed by the aforementioned matrices when preparing itself for on-site inspections. The CNV periodically



receives such information and risk profiles and defines the scope of supervision in each specific case. To this end, the areas of higher risk are identified. Supervision (partial supervision) is mainly oriented to these higher risk areas; however, depending on the size and complexity of the transactions under study and the risks identified, a more comprehensive supervision could be arranged. The risk matrix of the reporting entities is updated every six months and is used as part of the risk analysis that allows for the off-site monitoring of reporting entities, as well as for the determination of the annual plan of on-site visits, in line with the other risk indicators that are of interest to the supervisory authority.

CT332. Likewise, in order to determine the need for inspections, supervisors take into account the strategic reports shared by the SEPRELAD, which are based on the quantitative and qualitative information resulting from the analysis tasks conducted. Regarding the assessment of the ML/TF risk profile of insurance companies, the SIS requires biannual statistics through Resolution SS.SG 165/19 and it also takes into account its Supervision Manual.

CT333. INCOOP Resolution 22957/20 establishes the application of the ML/TF risk matrix, which determines the scope and schedule for compliance, taking into account the type and sector of cooperative. It also establishes the obligation to provide the information on an annual basis.

CT334. As regards the financial reporting entities supervised by the SEPRELAD, Resolution 239/20 establishes that an annual reporting form should be submitted to determine the risk factors inherent to each reporting entity. The data obtained are processed in the risk matrix and the results are compared with previous results to verify any changes that should be considered. Based on the above, the SEPRELAD determines the supervision strategy to be followed with each reporting entity.

Weighting and conclusion

CT335. Paraguay designated the SIB, SIS, CNV, INCOOP as supervisors of FIs for compliance with AML/CFT requirements. The SEPRELAD supervises FIs that do not have a natural supervisor, such as money remitters, pawnshops, safe deposit box rental services and cash transport companies. However, considering the materiality of these sectors in terms of ML/TF in the country, this is identified as a minor deficiency for compliance with the requirements of this Recommendation. Therefore, **Recommendation 26 is rated Largely Compliant.**

Recommendation 27 - Powers of supervisors

CT336. In its 3rd Round MER, Paraguay obtained a rating of NC in former R.29, concluding there was a lack of direct obligation to empower the SIB, SIS, CNV and INCOOP to supervise and inspect financial institutions for compliance with AML obligations; a lack of adequate and frequent inspections of financial institutions by the SIB and SIS to ensure compliance; a lack of direct obligation to sanction FIs for non-compliance or misapplication of AML requirements in line with the Recommendations; and a lack of oversight by supervisors to effectively address AML/CFT issues.

CT337. *Criterion 27.1* - The natural supervisors are empowered to supervise and monitor the activities of the reporting entities under their authority, in accordance with specific regulations that provide for the appropriate measures for their duties (Article 29). The SEPRELAD, as the enforcement authority of the AML Law, has jurisdiction over and is responsible for AML/CFT regulations. According to Articles 28.1 and 28.8, the duties and powers of the SEPRELAD involve issuing, within the framework of the relevant laws, administrative regulations to be observed by reporting entities, as well as regulating, monitoring and sanctioning those reporting entities that fall outside the authority of any natural supervisor or regulator for their monitoring (AML Law). The Central Bank, through the SIB (Law 489/95 and amendment Law 6104/18 Articles 19.29, 29, 31 34 and 83), INCOOP (Law 438/94 Articles 115, 117, 124, 125 and Law 2157 Articles 4 and 5), CNV (Law 5810/17 Articles 165, 182-184 and 195-201) and the SIS (Law 827/96 Articles 1, 5, 56, 61 and 109) as supervisors have supervisory powers to request necessary information and apply sanctions to reporting entities under their authority. In addition, in order to ensure adequate compliance with the AML/CFT Guidelines, the AML Law regulates the liability of reporting entities and the administrative sanctions applicable for non-compliance with the laws in this regard (Articles 24 and 25).

CT338. *Criterion 27.2* - The different provisions that regulate the powers of natural supervisors, through the AML Law, establish the power to inspect institutions subject to control. As supervisors, BCP, through SIB (Law 489/95, amended by Articles 31 and 34 of Law 6104/18, the INCOOP (Law 2157/03 Article 5), the CNV (Law 5810/17, Articles 165 and 167) and the SIS (Law 827/96, Article 61) have supervisory and inspection powers in accordance with their respective regulations. The SEPRELAD, as the enforcement authority of the AML Law, is empowered to regulate, inspect, supervise and sanction those reporting entities that fall outside the authority of any natural supervisor or regulator (Articles 28.1 and 28.8).

CT339. *Criterion 27.3* - The SIB is authorized to require the production of information related to the monitoring of compliance with the AML/CFT requirements from the entities subject to its supervision (Article 34.6 of Law 6104/18). The CNV is authorized to require the production of information related to the monitoring and compliance with AML/CFT requirements from the reporting entities under its authority pursuant to Article 165 of Law 5810/17. Articles 61.c), 67 and 68 of Law 827/96 grant the SIS the power to request any information it deems relevant for the verification of compliance with any law in force. Article 67 establishes that the Supervisory Authority may request any court order it deems appropriate to comply with its supervisory duties.

CT340. In turn, INCOOP is entitled to supervise and control cooperatives, in accordance with the provisions of Article 5, of Law 2157/03. In addition, by virtue of Article 22 of the AML Law (Law 6497/2020), reporting entities should provide all the information required by the enforcement authority in compliance with their duties. In these cases, the provisions relating to the duty of secrecy or legal reserve shall not apply. Likewise, the SEPRELAD, while performing its functions, may require agencies, reporting entities, and institutions to implement interconnections to obtain access to the database. For such purposes, no person, public or private, may object to the confidential nature of the information requested by the SEPRELAD, since such information is exempt from banking, tax or other legally established secrecy.

CT341. *Criterion 27.4* - Articles 24 and 25 of the AML Law set forth the application of administrative sanctions for natural and legal persons that fail to comply with the AML/CFT requirements. These sanctions include a warning notice, a public reprimand, a fine of 500 (natural persons) or 5,000 (legal persons) minimum wages, a fine of between 1% and 10% (natural persons) or 50% (legal persons) the value of the offence, removal from office, temporary suspension or disqualification of license, and revocation of the authorization to operate. In this regard, in accordance with Article 29 of the AML Law, the investigation and sanctioning of administrative offences shall be carried out through the respective supervisors.

Weighting and conclusion

CT342. The regulatory framework covers all the elements required by the Standard regarding powers of supervisors. **Recommendation 27 is rated Compliant.**

Recommendation 28 - Regulation and supervision of DNFBPs

CT343. In Paraguay's 3rd Round MER, R.24 was rated NC, concluding that (i) DNFBPs are not subject to an effective regulatory and supervisory regime to ensure compliance with AML/CFT requirements, (ii) real estate agencies and dealers in precious metals and stones do not have a supervisory body in terms of AML/CFT, (iii) there was no regulatory regime for DNFBPs to ensure proper implementation of AML/CFT measures, (iv) the CONAJZAR is not currently supervising casinos in terms of AML and has not issued any relevant regulations, (v) the CONAJZAR does not have sufficient powers to carry out its duties related to the supervision of the requirements set forth in Resolution 62, including the lack of powers to monitor compliance with the regulation, (vi) the CONAJZAR does not have a sanctions regime under Law 1016 (games of chance or gambling), and therefore to date it is not empowered to impose any type of sanction for non-compliance with AML regulations in force.

Casinos

CT344. *Criterion 28.1* - With respect to the regulation and supervision of casinos, the following is reported:

- (a) The exploitation of games of chance or gambling is regulated by Law 1016/97 and its amendment Law 4716/12 (Article 3), which establishes the regulatory framework to operate games of chance or gambling, regulated by Executive Order 6206/99. The CONAJZAR acts as the planning, control, monitoring and supervisory body for the sector on AML/CFT matters (Article 4). The exploitation of games of chance at the national level shall be awarded exclusively through public bidding, for a five-year term, except for the exceptions listed in the Law (Articles 6 and 7) Article 20 sets forth that games of chance in casinos are one of the games whose exploitation should be granted through public bidding. In turn, Article 25 limits the possibility of awarding the exploitation of casinos only to the following places in the country: Asunción and the Departments of Alto Paraná, Itapúa, Amambay, Cordillera, Misiones and Central. Any premises that are not licensed to operate shall be considered clandestine and the CONAJZAR may order their immediate preventive closure (Article 15). In addition, Resolution 258/2020 regulates this sector and establishes its obligations as reporting entity.

- (b) Resolution 258/2020 (Article 25) establishes that reporting entities should identify their clients' principals and BOs, as well as take reasonable measures to verify their identity, and in the case of legal persons or arrangements, understand their ownership and control structure. Article 6 of Law 1016/97 sets forth that the CONAJZAR should prepare the specifications for public bidding and/or background competitions to award the exploitation of games of chance that are authorized to operate in Paraguay. Section 1 of the bid specifications sets forth the documentation that shall be required and establishes the evaluation and assignment criteria, including other factors to analyse bidders' financial capacity and background. The CONAJZAR conducts criminal records and judicial matters checks not only on reporting entities' shareholders but also on their directors and legal representatives, whether they are nationals or foreigners.
- (c) Article 13, paragraph j of the AML Law sets forth that, in terms of AML/CFT, every natural and legal person engaged in the exploitation of games of chance, including casinos, shall be considered a reporting entity and therefore they shall be subject to the implementation of the AML/CFT measures and policies provided for in the Law and to AML/CFT controls.

Other DNFBPs except for casinos

CT345. *Criterion 28.2* - Article 28.8 of the AML Law empowers the SEPRELAD to regulate, supervise and sanction the reporting entities listed in Article 13 of this Law that fall outside the authority of any natural supervisor or regulator. In addition, Article 29 grants the power to regulate, investigate and sanction administrative offences infringing the law and regulations, according to the scope of application, through the institutions in charge of the supervision and oversight of reporting entities according to their nature. In the case of notaries, Article 10 of Resolution 325/13 designates the Supreme Court as the authority responsible for their control and verification, and the SEPRELAD as their regulator. In the case of lawyers, other legal professionals and accountants, the SEPRELAD acts as their supervisor since they do not have a natural supervisor.

CT346. *Criterion 28.3* - As mentioned in 28.2, in accordance with the AML Law, Article 28.8, the SEPRELAD is the authority designated to carry out the monitoring of those reporting entities that do not have a natural supervisor. For the purposes of this Recommendation, the following reporting entities are considered: real estate agencies; dealers in jewellery, stones and metals; lawyers, other legal professionals, and accountants; and motor vehicle importers. Notaries are subject to the supervision of the Supreme Court and may apply sanctions for non-compliance. If, in the performance of its AML/CFT duties, the SEPRELAD becomes aware of any non-compliance by this sector, it should communicate it to the Supreme Court for all due effects (Article 10 of Resolution 325/10).

CT347. Paraguay has recently issued specific AML/CTF regulations for the real estate sector (Resolution 201/2020); dealers in jewellery, precious metals and stones (Resolution 222/2020); car dealers (Resolution 196/2020); and for lawyers, other legal professionals and accountants (Resolution 299/21), which establish the prevention and control measures they should take based on their AML/CFT obligations.

CT348. *Criterion 28.4* - In Paraguay:

- (a) Article 29 grants the power to regulate, investigate and sanction administrative offences infringing the law and regulations, according to the scope of application, through the institutions in charge of the supervision and oversight of reporting entities according to their nature. The procedure shall be as established in the respective laws governing each reporting entity. In the case of notaries, Article 4 of Law 609/95 establishes that the Supreme Court of Justice, through the Superintendency Council, exercises disciplinary and supervisory power over the tribunals, courts, court aides, and judiciary officials and employees. In addition, based on Resolution 325/13 the Supreme Court should establish procedures to control and verify compliance by notaries. With regard to the reporting entities supervised by the SEPRELAD, an Internal Procedures Manual was issued in 2020, which establishes the policies and procedures necessary for the application of a timely and effective RBA to be applied in their supervisory work.
- (b) Paraguay implemented an administrative registration system for reporting entities without a natural supervisor in accordance with SEPRELAD Resolution 218/11, Articles 1-3, paragraph 3. These reporting entities are mentioned in criterion 28.3. The main objective of SEPRELAD's General Directorate of Supervision and Regulations during the registration process is to compare and analyse the documents received and those filed in the records and databases to which it has access. In this sense, among the registration requirements, detailed information is required from natural and legal persons, as well as authenticated or certified supporting documentation, with the aim of getting to know the BOs behind each reporting entity applying for registration. In addition, in 2020, Paraguay issued risk matrices and forms for the real estate sectors and dealers in motor vehicles requesting that reporting entities should submit information on the identity of shareholders or partners for verification. Lawyers, other legal professionals and accountants are governed by Resolution 299/21, which addresses these requirements. On the other hand, in the case of notaries, Article 102 of Law 2335/03 establishes that, among the conditions to perform their duties, they should not have any criminal record with a final and enforceable judgment and should have a good reputation and good conduct.
- (c) Articles 24 and 25 of the AML Law set forth the application of administrative sanctions for natural and legal persons that fail to comply with the AML/CFT requirements. These sanctions include a warning notice, a public reprimand, a fine of 500 (natural persons) or 5,000 (legal persons) minimum wages, a fine of between 1% and 10% (natural persons) or 50% (legal persons) the value of the offence, removal from office, temporary suspension or disqualification of license, and revocation of the authorization to operate. In this regard, in accordance with Article 29 of the AML Law, the investigation and sanctioning of administrative offences shall be carried out through the respective supervisors. Officials, employees, directors and senior managers of the offending legal persons shall also be subject to the penalties provided for offending natural persons when the existence of a causal link with the acts identified has been proven.

All DNFBS

CT349. *Criterion 28.5* - For all DNFBSs, supervision is carried out as follows:

- (a) Article 12 of the AML Law establishes that all reporting entities should incorporate basic guidelines into their prevention, risk mitigation and transaction identification processes

applying a context and risk-based approach, in accordance with the regulatory guidelines issued by the enforcement authority. Through Resolution 285/14, the SEPRELAD approved off-site and on-site inspection forms for information gathering and risk analysis for real estate agencies, as well as the evaluation of the effectiveness of the minimum standards of the external audit. The information is subject to a risk matrix, which includes weighted ML/TF risk factors, such as volume of transactions, delivery channels, geographic area and number of clients. The result determines the number of reporting entities to be inspected, the modality, frequency and intensity according to the level of risk identified; all of which is included in the annual supervision plan for its execution. SEPRELAD Resolution 239/2020 establishes the necessary policies and procedures for the implementation of an RBA for the supervision of reporting entities under its authority. Likewise, with respect to real estate agencies (Resolution 241/2020) and motor vehicles (Resolution 243/2020), the forms for information gathering were approved to determine the frequency and intensity of the AML/CFT supervision. For lawyers, other legal professionals, accountants, and dealers in jewellery who are subject to the supervision of the SEPRELAD, Resolution 239/20 approves their supervision manual, which describes the implementation of risk matrices and establishes the necessary policies and procedures for the application of a risk-based supervision. In the case of the gaming sector, the Supervision Manual, which determines the frequency and intensity of the supervision based on the ML/TF risk identified in the sector, was approved. In addition, there is an annual plan that considers the number of entities to be inspected, the level of risk, and the type of supervision (CONAJZAR Resolution 35/21). There are no similar provisions for notaries.

- (b) Paraguay has risk matrices for the real estate sector (Resolution 240/2020), dealers in motor vehicles (Resolution 242/2020) under the supervision of the SEPRELAD, as well as for the gaming sector. The characteristics of each sector and the risk profile to which it is exposed are considered, and the supervision strategy to be conducted is determined based on its matrix. In addition, an SRA was conducted for the real estate sector.

Weighting and conclusion

CT350. Casinos are under the supervision of the CONAJZAR, while the rest of DNFBPs are supervised by the SEPRELAD, except for notaries, who are supervised by the CONAJZAR. Supervisors have powers to apply sanctions and should ensure that reporting entities under their authority take measures to prevent offenders or their associates from having any interest or control in the DNFBP. DNFBPs, except for notaries, have supervision manuals that describe the procedures and characteristics to be considered to conduct a risk-based supervision. On the other hand, the country conducted an SRA for the real estate sector, considering the level of risk that this sector represents for the country. **Recommendation 28 is rated Largely Compliant.**

Recommendation 29 - Financial Intelligence Units

CT351. In Paraguay's 3rd Round MER, former R.26 was rated PC by concluding the following: (i) lack of specific operational autonomy of the Administration and Finance Unit (UAF), (ii) confusion between the duties and powers of the SEPRELAD and the UAF, (iii) insufficient operational budget for UAF, (iv) insufficient capacity in terms of STR analysis to determine ML/TF

activities, (v) lack of statistics and studies on ML/TF typologies, (vi) lack of coordination between investigative authorities, (vii) lack of regulations for some non-financial reporting entities, (viii) insufficient security measures in the SEPRELAD premises, (ix) lack of analytical tools, (x) insufficient use of the Egmont secure web to exchange information at the international level, and (xi) insufficient remuneration for UAF employees.

CT352. *Criterion 29.1* - The SEPRELAD serves as the FIU of Paraguay. According to Article 30 of the AML Law, the FIU should comprise professional and technical personnel qualified in finance and data processing to assess and analyse the information received by the SEPRELAD. The FIU-SEPRELAD is responsible for issuing administrative regulations for reporting entities to detect and report STRs, collecting other information from public institutions and reporting entities that may be related to the analysis carried out, analysing the information obtained in order to determine suspicious transactions, and in the event that there are indicators of ML/TF and/or associated crimes, it should submit a financial intelligence report to the Attorney General's Office (Article 28, AML Law). In 2009, the SEPRELAD was constituted as the FIU of Paraguay with functional and administrative autonomy pursuant to Article 27 of the AML Law (Law 3783/09) and, subsequently, its amendment law (Law 6497/19), established that the FIU would have its own legal status within the limits of the law and regulations.

CT353. *Criterion 29.2* - Regarding the disclosures to be received by the FIU, it is reported that:

- (a) The SEPRELAD is the national authority created to act as the central agency for the receipt and analysis of STRs submitted by reporting entities, as established by Article 19 of the AML Law in its capacity as technical agency and enforcement authority of the aforementioned Law.
- (b) The following complementary regulations are also in force:
 1. SEPRELAD Resolution 70/19, which establishes that the banks and financial institutions supervised by the SIB should monthly submit to the SEPRELAD a record of the following transactions carried out by their regular and occasional clients:
 - Deposits, withdrawals, transfers, early cancellations of credits, from USD 10,000 or an amount equivalent to this in any other currency.
 - In the case of fund transfers related to foreign trade, the threshold is USD 2,500 or equivalent amount.
 - Foreign exchange transactions from USD 10,000 or equivalent amount.
 - Other types of transactions requested by the SEPRELAD.
 2. SEPRELAD Resolution 71/19, which sets forth that reporting entities supervised by the SIS should monthly submit to the SEPRELAD a record of the transactions carried out by their clients when they involve the payment of premiums, gross premiums, indemnities, early cancellations, for amounts equal to or higher than USD 10,000, or an equivalent amount, whether in cash or not.
 3. SEPRELAD Resolution 196/2020, which determines as reporting entities the natural and legal persons commercially engaged in the import, buying, selling and consignment of motor vehicles, and establishes, their AML/CFT regulations, sets forth that all the transactions should be registered and establishes the system for receiving and processing such data (Article 31).

4. SEPRELAD Resolution 208/14 on activities related to the transportation or custody of securities or money values establishes the submission of quarterly reports on all transactions carried out by clients in addition to STRs (Article 8).
5. SEPRELAD Resolution 220/14 on safe deposit box rental services establishes the submission of semi-annual reports of all transactions in addition to STRs (Article 7).
6. SEPRELAD Resolution 248/2020 on the AML/CFT regulation for reporting entities supervised by the SIB that is in force for exchange houses provides for the registration of all transactions and the system for receiving and processing such data (last paragraph of Article 43).
7. SEPRELAD Resolution 325/13 on the AML/CFT regulation for notaries sets forth the submission of quarterly reports on all actions carried out in addition to STRs (Article 7).
8. SEPRELAD Resolution 258/2020 on the AML/CFT regulation for companies dedicated to the exploitation of games of chance sets forth the registration of all transactions and the system for receiving and processing such data (Article 39).
9. Article 13 of Law 1015/97, amended by Law 3783/09, Law 6497/19, and Law 6797/21, requires compliance from reporting entities, stating in the last paragraph of said article “this list shall not be exhaustive.” In this regard, safe deposit rental services and cash transport companies have been incorporated as reporting entities through Resolution 220/14 and Resolution 208/14 respectively, both of which, in their Article 1, establish their nature, and circumscribe their obligations to the AML Law, specifically determining the obligation to report suspicious transactions (Article 8 of Resolution 208/ 14 and Article 7 of Resolution 220/14).

CT354. *Criterion 29.3 -*

- (a) In accordance with Article 28.2 of the AML Law, the FIU may collect all information that may be linked to the information analysed by reporting entities and public institutions. The information is requested by the FIU to the reporting entities through the online system ROS WEB, which allows for the communication and submission of STRs and complementary information; this system also allows for immediate and confidential interaction with the reporting entities through the messaging module. The SEPRELAD has also enabled an e-mail address in the institutional domain, within the secure web, to receive information that cannot be sent through the ROS WEB system (for example, PDF files) Additionally, pursuant to Articles 28.3 and 28.4 of the AML Law, the FIU is empowered to analyse the information obtained and maintain related statistics.
- (b) Article 22 of the AML Law (Law 6497/19) empowers the SEPRELAD to request information, without any duty of secrecy being enforceable against it, and makes this applicable to the information provided through the establishment of interconnections, in particular WEB SERVICE systems to share the requested information. The information provided under this framework, being part of the financial or strategic analysis process, is used as intelligence information, i.e., it is indicative and evidentiary. Based on these regulations, the SEPRELAD has access to different databases of public agencies as a result of inter-agency cooperation agreements. In order to strengthen access to these databases, information exchange instruments have been signed with: the MITIC (including

information from the National Police, the Supreme Court of Justice, the Civil Registry, SET, the Social Security Institute, the Ministry of Public Health and Social Welfare, the Ministry of Education and Science, the National Directorate of Public Registries, the Ministry of Labour, Employment and Social Security, and the Civil Service Secretariat); the BCP (access to the Financial Network with data on bank account transfers and balances, the DNA system, the General Directorate of Migration, the National Cadastral Service, the Attorney General's Office, the SNI, SENAD and SENAC.

CT355. *Criterion 29.4* - According to the regulatory information submitted by Paraguay:

- (a) The organisational and functional structure of the SEPRELAD is established by the regulatory law of the AML Law (Executive Order 4561/10), which designates the General Directorate of Financial Analysis (DGAF) as responsible for analysing suspicious transactions reported by reporting entities and any other matter brought to its consideration by the SEPRELAD (Article 8, paragraph a). SEPRELAD Resolution 285/12 establishes the departments under the DGAF in charge of performing operational analysis, and SEPRELAD Resolution 306/13 approves the Operations, Job Description and Procedures Manual of this Directorate, and determines the duties, profiles, responsibilities, and procedures to be fulfilled by each work area in accordance with the organisational structure.
- (b) SEPRELAD Resolution 160/14 created the Strategic Analysis Unit under the Directorate of Financial Analysis, later moved upwards in the hierarchy to Department of Strategic Analysis (Article 1 of SEPRELAD Resolution 163/14) to coordinate and generate strategic studies to keep the FIU updated on practices, trends, typologies, and patterns of behaviour related to ML/TF and predicate offences. Some of the main products of this Unit include the annual analyses of STRs, typology review, and intelligence notes. In addition, it should keep statistical records updated, identify sectors that should be the subject of strategic studies, and suggest the corresponding regulations, prepare the design of new STR control systems or adjustments to existing ones in order to optimize the quality, usefulness and relevance of the information to be collected and, in coordination with the Training and Education Centre, suggest training activities with counterpart entities, reporting entities and other related entities (Article 2 of SEPRELAD Resolution 160/14 and Annex I of SEPRELAD Resolution 379/15). SEPRELAD Resolution 379/15 approves the "Operations, Job Description and Procedures Manual" of the Department of Strategic Analysis.

It is important to mention that in 2018 the organisational and functional structure of the SEPRELAD was updated to strengthen its role as FIU at the national and international level, for which reason there was a change in the name and structure to have a General Directorate of Financial and Strategic Analysis (DGAFE) with a level of Missionary Organisational Units. It should be noted that within the framework of the strategic analysis work carried out by the SEPRELAD there is the Protocol for the Management and Exchange of Strategic Information, implemented in case of requests for reports submitted by the CGR, the Attorney General's Office and other agencies and entities of the country.

CT356. *Criterion 29.5* - Pursuant to Article 28.6 of the AML Law, the results of the analysis conducted by FIU-SEPRELAD are sent as financial intelligence to the Specialized Unit on



Economic Crime and Anti-Corruption (UDEA) under the Attorney General's Office to the attention of the Deputy Prosecutor or directly to the General Prosecutor's Office in a sealed envelope marked as confidential, whose reference is coded. Pursuant to Article 7, paragraph g, of Executive Order 4561/10, the SEPRELAD should respond to the requirements of administrative, judicial and tax authorities, by virtue of an investigation on ML/TF and predicate offences. In addition, a system to encrypt the identity of reporting entities has been implemented as a safeguard and protection policy. The identification of these entities is contained in a document separate from the intelligence report and submitted in another sealed envelope, which is delivered under the personal responsibility of the recipient. It is important to mention that each intelligence report has a unique and unrepeatably coding per reporting entity, which the system automatically modifies on a case-by-case basis.

CT357. The SEPRELAD also has a secure information exchange system through a platform that works by assigning users who should register using an institutional email address and using an authentication process that consists of two independent steps: i) entering the user and password information when accessing the platform (with strong password verification) and a personal identification number (PIN) when downloading the document, which is used only for downloading a specific document for a limited period of time; and ii) designating an user, who shall be specifically authorized to receive that document. Once the document has been downloaded, a record of the date, time, user and IP address from which the download was made is saved. In addition, the platform can only be accessed through a public IP address and a registered domain.

CT358. On the other hand, spontaneous information is shared with other public institutions, within the framework of inter-agency cooperation, in the event that during the analysis process there is reasonable evidence that the acts fall under the competence of institutions, such as: SENAD, SNI, SENAC, the State Undersecretariat of Taxation (SET) under the Ministry of Finance, SEPRINTE or the DNA. In this regard, pursuant to Article 7 of Executive Order 4561/2010, FIU-SEPRELAD has different instruments to promote the protection of the information shared, such as the "Protocol for the dissemination of information to the Attorney General's Office, state agencies and entities, and other relevant AML/CFT stakeholders. This document, dated February 2021, has been disseminated by FIU-SEPRELAD among relevant AML/CFT stakeholders, such as the BCP, the SNA, the General Prosecutor's Office, and the National Anti-Drug Secretariat. Additionally, during the year 2020, Paraguay adopted a series of protocols on the exchange of relevant AML/CFT information and its management at both national and international levels, such as:

- Protocol for the management and exchange of strategic information
- Protocol for the receipt and processing of requests for reports from the Attorney General's Office, state agencies and entities, and other relevant AML/CFT stakeholders.
- Protocol for the receipt and processing of international cooperation requests through Egmont Group channels, RRAG (GAFILAT's Asset Recovery Network), Memoranda of Understanding, and other means of international cooperation.
- Protocol for the receipt and processing of requests for reports from the Office of the Comptroller General of the Republic.

CT359. *Criterion 29.6* - With respect to the protection of information:

- (a) Article 32 of the AML Law sets forth that every person who performs an activity for the SEPRELAD and anyone who receives from it information of a confidential nature or has knowledge of its actions or data of the same confidential nature shall be bound to maintain professional secrecy. Failure to comply with this obligation shall entail the liability provided for by law, and penalties may be applied to the responsible officers through criminal proceedings (Article 315 of the Paraguayan Criminal Code), including a penalty of up to five years' imprisonment or an administrative fine (article 68 of Law 1626/00), as well as sanctions ranging from suspension to dismissal, or dismissal with disqualification from holding public office for two to five years.

The FIU has information security and confidentiality standards. Officials are subject to a confidentiality statement regarding the information and documents to which they have access during and after their employment relationship with the FIU. Resolutions 242 and 243 of December 30, 2019, updated the Code of Ethics and Code of Good Governance, which defines the standards of conduct and commitment to keep the information confidential. Likewise, on September 1, 2021, the Manual for the Treatment of Information Received (STRs) and Operational Analysis was approved aiming to establish the rules, procedures, and mechanisms associated with the integral management of SEPRELAD's operational intelligence cycle, with special emphasis on the treatment of STRs. In particular, this manual deals with the concept of financial intelligence analysis and its characteristics.

- (b) For accessing the suspicious transaction reporting system, users have different levels of access (security and confidentiality) based on their positions and responsibilities (directors, heads/senior analysts, and analysts). By the Resolution 292/21, the SEPRELAD, the FIU's General Directorate of IT, Technologies and Innovation developed a Standards and Procedures Manual. The purpose of this manual is to implement a series of continuous improvements aligned to the best practices in security, user administration, systems change management, administration and adequate environment for the organisation of technology standards. On the other hand, pursuant to SEPRELAD Resolution 293/2021, a series of security policies issued by the General Directorate of IT, Technologies and Innovation (DGITI) were approved. Among the 26 different policies approved, it is worth highlighting those related to the use of mobile devices, Internet, e-mail data backup, information security risk assessment, physical access controls, network security, suppliers, confidentiality and non-disclosure, software, segregation of environments, disposal and destruction, and cybersecurity. Additionally, the DGITI security policies provide for "user security logic" mechanisms that make it possible to manage the privileges linked to user access to SEPRELAD's information systems. Privilege management involves the periodic review of assigned privileges by using an inventory of user profiles where the authorized or denied privileges are identified, as well as a periodic review of the link between the accesses granted and the user's functions.
- (c) Within the FIU, the areas that handle confidential information have restricted access (working independently) to the general public, the entrances have an automatic blocking system and can only be accessed by officials authenticated by a biometric access control

mechanism, and there are security cameras. The access restriction criteria are described in the DGITI's security policy, under section "Physical Access Control Policy," approved by SEPRELAD Resolution 293/21. In relation to the financial analysis area, there are special restrictions on access even for FIU's employees who work in other areas. Likewise, DGAFE officials access their workstations through a proximity card for personal use and without any type of digital equipment.

CT360. *Criterion 29.7* - Regarding FIU's operational autonomy and independence, the following information has been provided:

- (a) The SEPRELAD serves as the FIU pursuant to Article 27 of the AML Law. In turn, it is established as the enforcement authority of the aforementioned law (Article 26), which gives it the independence to develop the activities of an FIU. By law, the head of the SEPRELAD is the Executive Secretary appointed directly by the President of the Republic. The HoFIU has all the prerogatives of the Ministers of the Executive Branch and does not depend operationally on any other governmental structure or entity. Pursuant to Article 28 of the aforementioned Law, the SEPRELAD is empowered to issue administrative regulations to be observed; to collect all relevant information from public institutions and reporting entities; to analyse the information received; to keep statistics on financial flows related to the information under its competence; to submit the cases in which there is strong evidence that crimes have been committed; and to submit the background information to the agencies and institutions responsible for the supervision of reporting entities.
- (b) Article 33 of the AML Law establishes that the SEPRELAD, within the framework of international conventions and agreements, may collaborate in the exchange of information, directly or through international organisations, with its foreign counterparts. In turn, Article 22 of the AML Law (6497/19) empowers the SEPRELAD to request information from national institutions, without any duty of secrecy being enforceable against it. In addition, the SEPRELAD has signed cooperation agreements with national competent authorities of the AML/CFT system.
- (c) As mentioned in (a) above, the SEPRELAD was constituted as an FIU and enjoys functional and administrative autonomy. It does not depend on any other authority, so its central functions are different from those of any other authority.
- (d) The SEPRELAD has a specific budget item in the National General Budget, and administers with autonomy the resources allocated to it, as well as the income from the collection of fees.

CT361. *Criterion 29.8* - The SEPRELAD has been part of the Egmont Group since January 10, 1997, which allows for a fluid and secure exchange of information in accordance with the EG Principles for Information Exchange.

Weighting and conclusion

CT362. The regulatory framework covers all the elements required by the Standard regarding FIUs. **Recommendation 29 is rated Compliant.**

Recommendation 30 - Responsibilities of law enforcement and investigative authorities

CT363. In Paraguay's 3rd Round MER, former R.27 was rated PC when determining the lack of legislation on the use of special ML/TF investigative techniques, and the absence of the use of these special techniques due to lack of technical, financial and human resources, as well as lack of operational capacity of law enforcement agencies.

CT364. *Criterion 30.1* - Pursuant to Article 52 of the Code of Criminal Procedure, the Attorney General's Office is the constitutional and legal body responsible for the exercise of public criminal actions; it is the agency in charge of directing the criminal investigation of offences, through prosecutors, designated officials and auxiliary bodies. Likewise, Article 315 of said law establishes that when the Attorney General's Office has knowledge of an alleged crime, it shall promote and lead an investigation with the direct assistance of the National or Judicial Police. The National Police is a subsidiary body with investigative powers (Article 6 of Law 222/93, Organic Law of the National Police) and cooperates in the investigation through SEPRINTE, the Specialized Department against Money Laundering and Terrorist Financing (Article 171 of Law 5757/16 amending Law 222/93), and the Department against Organised Crime. There are also other laws and regulations that provide for the responsibility of the National Police in the investigation of ML, predicate offences and TF: (i) Article 175 of the National Constitution, (ii) Article 196 of the Criminal Code, (iii) Article 42 of Law 1337/99 of the Ministry of the Interior, (iv) Articles 58, 59, 296 and 297 of the Code of Criminal Procedure, (v) Resolution 983 that creates the Specialized Division against ML/TF, and (vi) Law 4024/10 that criminalises the acts of terrorism and TF.

CT365. SENAD participates in criminal investigations through the General Directorate for the Investigation of Crimes and Financial Crimes, and Article 15 of Executive Order 5279/05 provides for the investigative responsibility of this Secretariat. In turn, the SEPRELAD is empowered to arrange for the investigation of ML/TF-related transactions (Article 28 of the AML Law) and, in its capacity as FIU, is in charge of analysing suspicious transactions, through the DGAFE. In addition, the SET, DNA, CGR, SENABICO, SENAC, SNI, the National Directorate of Intellectual Property (DINAPI), the Inter-agency Unit against Smuggling (UIC) and the DGM, as competent authorities, act jointly in interdisciplinary groups in ML/TF investigations and predicate offences. It should be noted that Articles 1 and 2 of CONAJZAR Resolution 8153/2020 create the specialized courts in economic crime and organised crime matters respectively.

CT366. *Criterion 30.2* - As mentioned in criterion 30.1, Article 28.5 of the AML Law establishes that the SEPRELAD has the power to arrange for the investigation of transactions from which there is reasonable evidence of ML/TF-related acts and to submit to the Attorney General's Office the cases in which there are strong evidence of the commission of related crimes (28.6). In turn, according to the information submitted by Paraguay, the law enforcement authorities that are constitutionally and legally empowered to investigate crimes of ML, predicate offences and TF are the Attorney General's Office (responsible for criminal actions) and the National Police, SENAD, SENAC, SET, DNA, CGR (subsidiary criminal justice bodies). The aforementioned institutions are empowered to carry out financial and asset investigations that enable them to identify and track the assets or profits obtained from corruption, smuggling, drug trafficking, arms trafficking, tax evasion, illicit enrichment, and other ML predicate offences, among others, and afterwards refer

them to the Attorney General's Office. In this regard, the SENAD conducts investigations under the direction of the Attorney General's Office (Article 15 of Executive Order 5279/05). Pursuant to Article 385.15 of Law 2422/04, the DNA is empowered to conduct inquiries, investigations, analyses or checks that are relevant to the fulfilment of its functions.

CT367. In turn, Article 4, paragraph b, of Executive Order 1843/19 empowers the SENAC to receive complaints from any public officials and refer them to the competent authority. Similarly, Article 9 of Law 276/94 establishes that the CGR is empowered to request reports on fiscal and asset management from any person or entity –either public, mixed or private– that administers funds, public services or State assets. In addition, the DNA, as the customs authority pursuant to the provisions of Article 385.15 of Law 2422, is empowered to conduct inquiries, investigations, analyses or checks that are relevant to the fulfilment of its duties. Finally, based on Article 189 of Law 125/92, the SET conducts the inspection and control within the scope of its competence.

CT368. *Criterion 30.3* - The General Attorney's Office is the authority at the national level that is responsible for promoting the corresponding measures to request the seizure and confiscation of the proceeds of crime, as provided for by the Criminal Code (Articles 3 & 4 of Law 6431/19). A preliminary investigation is carried out in order to look out for, identify and locate assets and verify that they are the proceeds of crime, as well as to collect evidence to support the request made by the Attorney General's Office (Article 5). At the well-founded request of the Attorney General's Office, at any time during the proceedings, the Criminal Guarantees Judge may order the application of provisional measures on the property whose confiscation is sought (Article 6). In its capacity as FIU, the SEPRELAD identifies property and assets in the investigative processes, based on the powers vested upon by the AML Law.

CT369. In terms of TF, Law 6419/19 establishes that reporting entities should order the freezing of the assets of persons identified as being involved in such crime and communicate it to SEPRELAD, which should request a judge to validate such freezing order (Articles 3 and 4). In turn, in the event that the SEPRELAD becomes aware by other means of the existence of funds or assets that could be related to TF, it should immediately notify reporting entities of the immediate application of the freezing measure.

CT370. *Criterion 30.4* - In Paraguay, no authorities different from law enforcement are empowered to carry out financial investigations of predicate offences, so this criterion is not applicable to the country.

CT371. *Criterion 30.5* - Within the Attorney General's Office there is a Specialized Unit that investigates crimes related to corruption and is empowered to investigate, identify and track the assets that are to be subject to confiscation, for which it has the assistance of law enforcement agencies responsible for the financial investigation of ML, its predicate offences and TF. This Unit was created in 2007 through Resolution 1975/10 issued by the Attorney General's Office, which approves its organisational structure and operations manual, and sets forth its investigative powers and the scope of action.

CT372. In turn, the SENAC may receive and forward the reports of acts of public corruption committed by government officials to the Attorney General's Office for criminal investigation (Article 4, paragraph b, of Executive Order 10.144/15). At the same time, the SENAC acts as General Coordinator of the National Team of Integrity and Transparency (ENIT), formed by the Civil Cabinet of the Presidency, the Ministry of Finance, the Ministry of Justice, the Ministry of Information and Communication Technologies, the Technical Secretariat for Economic and Social Development Planning, the Secretariat of Public Function, SEPRELAD, the BCP, and the National Directorate of Public Procurement (Article 1 of Executive Order 3003/19), whose objective is to implement plans and strategies for the fight against corruption (Article 2).

Weighting and conclusion

CT373. All criteria are met. **Recommendation 30 is rated Compliant.**

Recommendation 31 - Powers of law enforcement and investigative authorities

CT374. In its 3rd Round MER, Paraguay was rated C in former R.28.

CT375. *Criterion 31.1* - The Attorney General's Office has access to the necessary documentation and information for use in criminal investigations and proceedings, in accordance with the following:

- (a) The Attorney General's Office may request reports from any person or entity, public or private, in written or verbal form (Article 228 of the Code of Criminal Procedure). Likewise, government officials and authorities should collaborate with judges, the Attorney General's Office and the Police, processing without delay the requests of said authorities (Article 144). It is worth mentioning that bank secrecy shall not be applicable when the information is required by the Attorney General's Office, the SEPRELAD, the SET and the CGR (Article 86, paragraphs b-f, of Law 5787/16, amending Law 861/96). Pursuant to Article 11 of the Organic Law of the Attorney General's Office (Law 1562/00), for the better fulfilment of its duties, the Attorney General's Office may gather information and request the collaboration of government officials, who should cooperate and provide the documents or reports or conduct the activities requested of them. The SET is empowered to require taxpayers, responsible persons and related third parties to show their books and documents related to the taxable activity, as well as to request their appearance in order to provide information (Article 189.3 of Law 2421/04). Likewise, the SEPRELAD is empowered to request, collect and obtain relevant information from reporting entities and public and private institutions, within the framework of its financial intelligence work (Article 28.2 of the AML Law).
- (b) The Police are empowered to inspect the place of the crime, as well as to inspect persons, whenever there are sufficient reasons to suppose that they are hiding evidence related to the crimes (Articles 176 and 179 of the Code of Criminal Procedure). In turn, in accordance with Article 187 of the Code of Criminal Procedure, the Attorney General's Office is empowered to request the judge or court the search of private premises when there are reasons to believe that there is evidence of a crime, or to proceed to the detention of persons.

The criminal judge or court shall issue a search warrant, including precise details of the place or places to be searched, the authority designated for the search, the reasons for the search, precise details of the objects or persons sought, and the steps to be taken (Article 189). It should be mentioned that in cases of in *flagrante delicto*, Article 239 sets forth that law enforcement authorities and other competent authorities shall intervene without a court order.

- (c) The Attorney General's Office is the competent authority empowered to investigate, during pre-trial (preliminary investigation of crimes), persons who have knowledge of or may have relevant information on the acts under investigation that may be useful to submit to the competent trial court in the public and oral trial. (Articles 202-213 of the Code of Criminal Procedure).
- (d) Pursuant to Article 193 of the Code of Criminal Procedure, the Attorney General's Office may request the delivery of documents and other crime-related property that is subject to confiscation, and that might be important for the investigation. The confiscation order should be issued by the judge and all the assets obtained should be placed under safe custody in court deposits, always at the disposal of the judge (Articles 195 and 196 of the Code of Criminal Procedure). In addition, the judge may order the interception of correspondence and, if it is related to the proceedings, then confiscation shall be applicable (Articles 198 and 199 of the Code of Criminal Procedure).

CT376. *Criterion 31.2* - The Attorney General's Office is empowered to request the court to use the following special investigative techniques:

- (a) The SENAD, with the intervention of the Attorney General's Office, may authorize undercover operations in the case of drug trafficking-related crimes (Article 83 of Law 1881/02). Likewise, by virtue of Article 6.31 of Law 5757/16 (Organic Law of the National Police), the National Police, with judicial authorization and under the direction of the Attorney General's Office, may carry out undercover operations under the conditions established in Chapter XII to XV of Law 1881 when dealing with cases related to organised, multiple, complex and/or transnational crime. In addition, special investigative techniques may also be used for offences related to trafficking in persons in accordance with Article 23 of Law 4788 against Trafficking in Persons. Notwithstanding the foregoing, the Paraguayan legislation does not establish that competent authorities are empowered to use undercover operations in specific ML and TF offences; rather, it only refers to certain predicate offences, with the limitations established mainly in those cases in which drug trafficking is the predicate offence or where ML/TF is related to organised crime, multiple serious crimes, complex or transnational crimes.
- (b) In accordance with Articles 195, 198 and 200 of the Code of Criminal Procedure, the Attorney General's Office is authorized to request the interception and seizure of correspondence, as well as the interception of communications.
- (c) Although Article 200 of the Code of Criminal Procedure states that the judge may order the interception of the defendant's communications, it does not refer to the use of special techniques to access IT systems. However, based on the information provided by Paraguay, procedural laws do not limit the type of technical means used to transmit any information that is intended to be obtained with the investigative measure, including IT systems. On the

other hand, if the information to be obtained is already in a computer or electronic device and is located in a private home or premises, the legal concept used would be the search.

- (d) The Attorney General's Office may request the court to order controlled delivery, where the crimes are related to drug trafficking or trafficking in persons, in accordance with the provisions of Law 1340/88 and its amendment Law 1881/02 (Article 85), as well as, pursuant to case law, where controlled deliveries have been implemented in cases of public corruption, especially bribery. Likewise, the National Police may carry out controlled delivery, with judicial authorization and under the direction of the Attorney General's Office, in cases of organised, multiple, complex and/or transnational crimes (Article 6.31 of the Organic Law of the National Police). Notwithstanding the foregoing, the Paraguayan legislation does not set forth that competent authorities are empowered to use controlled deliveries in specific ML and TF offences; rather, it only refers to the predicate offences mentioned above.

CT377. *Criterion 31.3 -*

- (a) As mentioned in criterion 31.1, the Attorney General's Office is empowered to request timely information directly from any person, public or private, in accordance with the provisions of Article 228 of the Code of Criminal Procedure. In addition, Article 86 of Law 5787/16, amending Law 861/96, regarding the exceptions to the duty of bank secrecy, empowers the Attorney General's Office to request from financial institutions data or information leading to the identification of bank accounts, account holders and any other financial information. Likewise, in its capacity as FIU, the SEPRELAD may obtain information from financial institutions, in order to access relevant financial data of persons (natural or legal) and identify accounts, their movements, the products used, beneficial owners, account holders and persons linked to such accounts, among others, in accordance with Article 28.2 of the AML Law (Law 3783/09).
- (b) The Attorney General's Office is empowered to request from financial institutions operating within Paraguayan territory the information necessary to identify the accounts of persons, natural or legal, without having to notify or communicate the holder of such accounts, pursuant to the provisions of Article 86 on the exceptions to the duty of bank secrecy under Law 5787/16, amending Law 861/96. The SEPRELAD is also empowered to request information from financial institutions, DNFBPs and the public sector, pursuant to Article 28.2 of the AML Law (Law 3783/09). The request for cooperation and professional secrecy is provided for in Articles 18 and 32 of said Law.

CT378. *Criterion 31.4 -* Within the framework of the powers granted by Law 1562 (Organic Law) and the Code of Criminal Procedure itself, in the context of investigations on ML, predicate offences and TF, the Attorney General's Office, through its specialized units, is empowered to request from the FIU the information available thereof, as well as any data contained in the sources of information to which the FIU has access, in order to cooperate in the investigations of crimes (Article 11 of Law 1562 in relation to Articles 56 (coercive and investigative power), 144 (duty to cooperate), 228 (reports) and 316 (on acts of investigation)). In addition, the SEPRELAD has the obligation to submit to the Attorney General's Office the results of its financial intelligence work



in case evidence related to ML, its predicate offences and TF is found (Article 28.6 of the AML Law (Law 3783/09).

Weighting and conclusion

CT379. Paraguay's regulatory framework largely allows Paraguayan law enforcement and investigative authorities to carry out ML/TF investigations and to obtain relevant documentation and information. While it is possible to observe that the authorities may use a reasonable range of ML/TF investigative techniques in the framework of investigations, undercover operations could only be conducted where they are related to drug trafficking and/or human trafficking, and in the case of controlled deliveries, they could only be carried out when linked to organised, complex, multiple and/or transnational crimes. This limits the capacities of competent authorities to investigate ML/TF cases. **Recommendation 31 is rated Largely Compliant.**

Recommendation 32 - Cash couriers

CT380. In the 2008 MER SR. IX was rated NC due to the lack of implementation of a national control policy on cross-border cash couriers, the lack of control of cash transportation at land borders, inefficient control of cash transportation at international airports, and the absence of results on the control of cross-border cash transportation.

CT381. *Criterion 32.1* - As reported by Paraguay, Article 2 of the AML/CFT regulation on couriers traveling out of or entering Paraguay sets forth that the transportation in and out of the country of bearer negotiable instruments (BNIs), cash and securities exceeding USD 10,000 or an amount equivalent to this in any other currency should be declared. (SEPRELAD Resolution 256/10, Annex B). This declaration should be submitted by every person traveling out of or entering the national territory through land, water and air borders at the primary customs zone to the persons designated by the DNA. Regarding the regulations requiring that cross-border transportation by mail or freight is declared, Paraguay informs that all goods getting in and out of the country are subject to control and inspection by the customs authority (Articles 5, 79 and 251 of the Customs Code). In accordance with the above and Article 108 and subsequent articles, a customs declaration shall always be submitted unless there is an express or implied legal exception/exemption. Therefore, in the case of transportation by "mail" or "freight," both Resolution 256/10 and the Customs Code and DNA Resolution 475/21 are applicable, while in the case of "couriers" only the aforementioned Resolution is applicable. In addition, Article 3 of DNA Resolution 475/21 sets forth that any import or export of money or banknotes whose value is greater than USD 10,000 or an amount equivalent to this in any other currency or BNI shall require the submission of an additional truthful declaration from the importer, exporter or legal representative in the case of legal persons, with certification of signature by an authorized notary public, as well as other required documentation. Unless the required documentation is submitted, the goods shall not be delivered.

CT382. *Criterion 32.2* -

- (a) Not applicable.

- (b) The SEPRELAD and the DNA establish that a written declaration should be submitted in the case of bearer negotiable instruments and securities exceeding the threshold of USD 10,000 or an amount equivalent to this in any other currency (Resolution 256/10). In addition, as part of the implementation of Resolution 256/10, the customs authority issued DNA Resolution 681/10, which led to the development of the operational procedures for the implementation of the regulation; more specifically, the Operational Procedure for Protection (PO_RES) and Electronic Declaration that should be submitted and validated before a customs officer at the time of arrival or entry into the restricted area. Developing this framework also entailed the implementation of manual and electronic declaration forms for the transportation of securities and the inflows or outflows of cash or bearer negotiable instruments. Article 2 of DNA Resolution 477/21, which updates Resolution 681/10, approves the use of computer terminals for electronic declaration, which can be submitted through the DNA website prior to inflows or outflows.
- (c) Not applicable.

CT383. *Criterion 32.3* - Paraguay does not have a disclosure system since couriers should submit a written declaration.

CT384. *Criterion 32.4* - In cases of false declaration or failure to file a declaration, pursuant to Article 6 of Resolution 256/10, competent authorities should request further information to trace the origin and the intended use of the cash and/or BNIs.

CT385. *Criterion 32.5* - Article 12 of Resolution 256/10 establishes that, in the event of detecting a false declaration of the physical transportation of cash or BNIs, the DNA shall initiate the administrative proceedings to apply sanctions for the violation of customs rules and regulations. Sanctions are applied according to the AML Law, which establishes the application of administrative sanctions to the natural and legal persons that fail to comply with the AML/CFT requirements (Article 24). In cases of import/export of goods, Article 313 of the Customs Code sets forth the application of sanctions for customs offences or infringements, which may consist of fines, administrative measures, loss or confiscation of the goods or the means of transport. In turn, Article 336 of this Code updated in 2019 establishes that the omission or the act of getting goods in or taking them out of the country in violation of such customs law shall be considered smuggling. Therefore, in addition to being a customs infringement, it is a criminal offence and is referred to the criminal justice system for the corresponding sanctions. In these cases, smuggling is an offence punishable with up to five years' imprisonment or a fine.

CT386. *Criterion 32.6* - Article 9 of SEPRELAD Resolution 256/10, the DNA should inform the FIU of any violation of the regulations within 72 hours of the infringement. This resolution also includes a model of STR to be submitted to the FIU. In this regard, the DNA has access to the ROS_WEB platform for reporting violations. In addition, the SEPRELAD has access to the DNA's SOFIA System containing information on the declarations made on the cross-border transportation of cash or BNIs.

CT387. *Criterion 32.7* - On March 20, 2013, the FIU, the DNA and the General Directorate of Migration (DGM) signed an Inter-agency Cooperation Agreement in order to coordinate efforts

and knowledge for the effective and timely intervention to control the cross-border transportation of cash and other bearer securities. This Agreement was strengthened with the Specific Agreement signed on May 1, 2021, for the creation of a mechanism for the exchange of information between the parties, which includes the implementation of best practices that address concurrent control (border centres, airports and access points where there are DNA and DGM officials conducting their tasks), intelligence and investigation (allowing for access to information as timely as possible for its analysis and processing) and prosecution.

CT388. *Criterion 32.8 -*

- (a) Articles 4 and 5 of DNA Resolution 477/21 empower customs officials to interrupt the transportation of cash and BNIs if during the control and inspection procedure, when checking against the transportation documents or previous documentary records necessary for authorizing the transportation (prior verification), or if, even when already authorized by a customs declaration, it is verified that these documents do not include the items corresponding to the transported goods. Once the transportation is interrupted, notice should be given to the Customs Administrator, who shall issue a consistent recommendation which may be based on: i) an error, thus allowing the interested party to make the corresponding corrections and, otherwise, the concept of “abandonment” shall apply; ii) an infringement assumption, thus initiating an administrative proceeding. In addition, in cases where the amount exceeds the established threshold (USD 10,000), notice should be given to the Administrative Coordination of Customs Investigation (CAIA), which shall initiate a preliminary investigation and give recommendations, accordingly, including extending the freezing within a period not exceeding 30 days to gather more information. Based on the analysis of this information, the CAIA or the DNA, should submit an STR to the FIU within a period not exceeding 15 days (Article 8). Notwithstanding this, it is not clear from the resolutions whether this happens when there is suspicion of ML/TF.
- (b) Article 3 of Resolution 256/10 empowers the DNA to stop or retain the flow of cash and BNIs falsely declared or disclosed and sets forth the obligation to submit this information to the FIU within 72 hours after the procedure.

CT389. *Criterion 32.9 -* Paraguay can cooperate and provide assistance based on the international conventions to which it is a party. Pursuant to the Customs Code, the DNA may request and provide information to agencies of third countries, as well as exchange information with its foreign counterparts for the inspection and control of customs operations, in line with the agreements and treaties in force (Articles 385.5 and 385.6). Likewise, competent authorities, such as the FIU, the Attorney General’s Office, and the National Police, have international cooperation mechanisms that are implemented through cooperation networks, Memoranda of Understanding, Rrag, EGMONT, and through the principle of reciprocity between international counterpart agencies. In addition, by means of Specific Inter-agency Cooperation Agreement 1 (DGA-DGM-UIF), the FIU can access the databases of the DNA and the DGM and, in exercise of its powers, exchange information with its counterparts. In this regard, there are no restrictions to provide international cooperation and assistance as requested in R.32.



CT390. *Criterion 32.10* - The Specific Inter-agency Cooperation Agreement 1 (DGA-DGM-UIF) establishes that the information collected shall be used and subject to the duty of reserve, secrecy and projection of confidentiality as provided by law. Based on the information provided by Paraguay, Paraguayan regulations in force do not prevent, limit or restrict (i) trade payments between countries for goods and services or (ii) the freedom of money movement or flow.

CT391. *Criterion 32.11* - Regarding the crimes of ML, TF or predicate offences, Articles 29 and 31 of the Criminal Code set forth that the rules of plurality of offenders are applicable, whether as perpetrators or accomplices. Articles 313 to 347 of the Customs Code regulate the sanctions to those who commit customs infringements related to imports/exports. Article 13 refers to penalties for customs breaches or infringements, including the loss or confiscation of the goods. Likewise, Article 338 of the Customs Code establishes the civil liability of commercial and non-commercial companies related to smuggling when they benefit from or finance smuggling, or when one or more directors, managers, assistant managers have certain degree of responsibility in the company and have participated in the actions or omissions, arrangements and operations carried out to commit smuggling or to cover it up.

CT392. Confiscation is regulated in the Criminal Code (Articles 86 to 96), which allows for the confiscation of the instrumentalities and proceeds of crime, as well as the benefits obtained from the commission of the crime. In turn, the Customs Code expressly sets forth (Article 339) that in cases of smuggling, the goods and vehicles involved shall be confiscated, and shall serve to pay for the corresponding taxes, fines and trial costs. Reference is also made to the information provided under criterion 32.8.

Weighting and conclusion

CT393. Paraguay implements a declaration system for all travellers and requires this declaration when the threshold is over USD 10,000 or its equivalent in another currency. When there is a false declaration, the authorities have the power to request additional information regarding the origin of the currency or BNI and in that sense also apply sanctions. The information obtained is within the reach of the FIU, there is also an inter-institutional agreement for national coordination, and they can cooperate with international authorities in relation to this R. On the other hand, although the competent authorities can interrupt cash or BNI, it is not clear from the resolutions whether this happens when there is suspicion of ML/TF. **Recommendation 32 is rated Largely Compliant.**

Recommendation 33 - Statistics

CT394. R.32 was rated NC in the 2008 MER due to the lack of a centralized and coordinated system of statistics on ML/TF.

CT395. *Criterion 33.1* - Based on the powers conferred by Article 7, paragraph 1) of Executive Order 1561/10 regulating the AML Law, in December 2019 the SEPRELAD signed an Inter-agency Cooperation Agreement with the Supreme Court of Justice and the Attorney General's Office in order to create a coordinated system on ML/TF statistics for the coordinated collection of

statistical data on activities related to ML, predicate offences and TF within the scope of action of each of the agencies involved. Thus, the official data of the three institutions can be merged in order to observe the evolution and the results of the AML/CFT system. It should be mentioned that the information received or exchanged through the statistical system shall be subject to the duty of confidentiality and professional secrecy established in Article 32 of the AML Law. Regarding statistics, the following information has been provided:

- (a) Specifically, in relation to STRs, the SEPRELAD is currently migrating from the system SIRTECH to the SIRO system. These informatics tools are used to receive and analyse STRs. In addition, they allow for the production of statistics on STRs, discriminating data by type, reporting entity, year, geographic area, amount and percentage, as appropriate. The implementation of SIRO on a staggered schedule with respect to the receipt of STRs, and SAS Analytics is made particularly for all aspects of reporting and statistics of these reports.
- (b) Pursuant to the aforementioned Agreement, the Attorney General's Office has at its disposal the software for the collection of statistics. This includes statistics on ML/TF investigations initiated, prosecutions and convictions. In addition, reference is made to Article 14 of the Organic Law of the Attorney General's Office (Law 1562/00), which states that statistics on crimes and criminal proceedings should be compiled, and a general information system should be created with other offices or institutions that produce statistics related to the duties of the Attorney General's Office. According to the aforementioned Organic Law, within the Directorate of Criminal Policy under the Attorney General's Office there shall be a Department of Studies and Research and another of Statistics, which shall centralize the production of statistics of the Attorney General's Office (Article 64).
- (c) Pursuant to Article 17 of Law 5876/17, the SENABICO has statistics on all those seized assets which are subject to confiscation, have an economic value and are administered by said institution. These data are also incorporated into the national integrated system. These statistics are organised in a system called Asset Management System.
- (d) Paraguay maintains statistics on international cooperation and mutual legal assistance. In this regard, for example, in 2020 the SEPRELAD implemented a Protocol in the General Directorate of Financial and Strategic Analysis for the receipt and processing of requests for international cooperation through different international organisations, such as the Egmont Group, GAFILAT's RRAG, requests for cooperation derived from Memoranda of Understanding, and other means of international cooperation.

Weighting and conclusion

CT396. The regulatory framework covers all the elements required by the Standard regarding Statistics. **Recommendation 33 is rated Compliant.**

Recommendation 34 - Guidance and feedback

CT397. In the 2008 MER, former R.25 was rated NC due to the lack of guidelines established by the competent supervisory authorities and the lack of sufficient and appropriate information received from the competent authorities.



CT398. *Criterion 34.1* - In 2016, SEPRELAD's DGAFE, through the Department of Strategic Analysis, prepared an STR Quality Assessment Matrix informed by banking, financial, exchange and cooperative institutions, since they represent the highest percentage of STRs received. A first report was issued with the scores of the STRs submitted by all reporting entities in 2016. In 2017, SEPRELAD Resolution 232/17 approved this Assessment Matrix with its procedures for use and feedback to reporting entities. In 2018, the DGAFE modified its organisational structure through SEPRELAD Resolution 14/18, which created the Directorate of Strategic Intelligence, whose duties include providing feedback to reporting entities on the quality of STRs, as well as the study of ML typologies or trends found in the different reports issued by the FIU.

CT399. Paraguay has issued official documents to support reporting entities, such as the Guideline on ML typologies based on judicial rulings in Paraguay (2020), and an Interpretive Guide for banks and financial institutions subject to SEPRELAD Resolution 70/19, in order to assist in the process of conducting risk self-assessment of FIs, due diligence, detection of unusual and suspicious transactions, among other aspects. In accordance with the methodology and design adopted, this Interpretive Guide may be constantly updated as new aspects arise that require interpretation and feedback from the stakeholders of the AML/CFT system.

CT400. In addition, according to the information provided by Paraguay, the rest of the supervisors provide feedback to their respective reporting entities for the application of AML/CFT measures.

Weighting and conclusion

CT401. The regulatory framework covers all the elements required by the Standard regarding guidance and feedback. **Recommendation 34 is rated Compliant.**

Recommendation 35 - Sanctions

CT402. R.17 was rated NC in its 3rd Round MER. It was concluded that the competent supervisory authorities had not imposed AML/CFT penalties or sanctions related to AML/CFT breaches.

CT403. *Criterion 35.1* - Articles 24 and 25 of the AML Law (Law 6497) provide for sanctions to be imposed on those persons who fail to comply with the AML/CFT Guidelines. Consequently, non-compliance with the aforementioned law, regulations and other rules issued by the enforcement authority shall lead to the application of administrative sanctions to natural and legal persons. The sanctions applicable to natural persons involve: a) warning notice, b) public reprimand, c) fine of up to 500 monthly minimum wages equivalent to USD 165,725, d) a fine of between 1 % and 10 % of the amount of the transaction for which the offence was committed, e) removal from office, f) supervision of legal persons that are reporting entities, g) cancellation of their authorization or equivalent in the registry, and h) suspension of dividend distribution for up to 3 fiscal years among shareholders with management positions.

CT404. In turn, in the case of legal persons, the sanctions include: a) warning notice, b) public reprimand, c) fine of up to 5,000 minimum wages, equivalent to USD 1,657,250, d) fine of up to

50 % of the amount of the transaction for which the offence is committed, e) suspension, f) temporary closure or disqualification of the license to operate for up to one year, and g) revocation of the license to operate.

CT405. With regard to the range of sanctions applicable to non-compliance with the obligations to implement targeted financial sanctions for TF (R.6), Article 35 of the AML Law (Law 6497) indicates that for the application of the penalties provided for in Article 24, the supervisory authorities should consider non-compliance with the obligations established in this Law and the regulations issued by the enforcement authority, as well as the other administrative offences described in paragraphs a) - m), in accordance with the analysis of criterion 6.5, the authority is empowered to sanction reporting entities for non-compliance with Law 6419 on the matter. On the other hand, according to the analysis of criterion 8.4 b) with respect to NPOs, a wide range of sanctions can be observed. The sanctions provided for in the AML Law, applicable to all reporting entities, contain several indicators that determine the proportionality, as established in Article 25 of the AML Law (Gradation of Sanctions); and dissuasiveness, since they even imply removal from office and disqualification to exercise management and administration for up to 10 years in the case of natural persons; and suspension, closure or disqualification to operate in the case of legal persons. The seriousness of these penalties makes it possible to strengthen the abandonment of the intention to commit the act, the argument being sustained even by the statute of limitations to initiate the sanctioning process, which is of 5 years. Likewise, although Law 6497 does not expressly state that reporting entities should be punished for non-compliance with the obligation to apply ML/TF prevention measures to foreign branches and subsidiaries, it is estimated that the general scope of the regulation, pursuant to Article 12 in relation to Article 24, allows for penalties under this assumption. The regulations of the different supervisors establish provisions for the application of administrative sanctions specific to their duty and activity: (Articles 83 to 96 of the Organic Law of the BCP (Law 489/95 and Law 6104/18), Articles 182 to 200 of the Securities Market Law, Article 125 of the Law on Cooperatives, and Article 32 of the INCOOP Regulation). Regarding the application of sanctions to reporting entities that are not under any natural supervisor, pursuant to Article 25 of the Regulatory Law of the AML Law (Executive Order 4561/2010), such sanctions shall be implemented by the SEPRELAD, which shall be empowered to initiate an administrative proceeding and to apply sanctions to reporting entities based on the results of the proceeding in relation to the violation of the Law and related regulatory laws in force.

CT406. *Criterion 35.2* - The penalties described in the previous criterion are applicable to officers, employees, directors and senior managers of the offending legal persons when the causal link with the acts identified has been proven. (Section 2 of Article 24 of the AML Law, Article 83 of the Organic Law of the BCP, Article 182 of the Securities Market Law, and Article 33 of the INCOOP Regulation).

Weighting and conclusion

CT407. The regulatory framework covers all the elements required by the Standard regarding sanctions. **Recommendation 35 is rated Compliant.**

Recommendation 36 - International instruments

CT408. In its 3rd Round MER, former R. 35 was rated PC, and SR. I as NC, concluding that, in Paraguay, the criminalisation of ML is too limited, TF is not criminalised, the sanctions are not dissuasive, and there are doubts about their effectiveness. In addition, the UN Convention for the Suppression of Terrorist Financing has not been implemented with respect to the criminalisation of TF and the freezing of terrorist assets and UNSCR 1267 and 1373 have not been implemented.

CT409. *Criterion 36.1* - Paraguay ratified the Vienna Convention in December 1988 (approved by Law 16/90); and signed the Palermo Convention on November 15, 2000 (approved by Law 2298/03); the Merida Convention on December 9, 2003 (approved by Law 2535/04); and the Convention for the Suppression of the Financing of Terrorism on October 12, 2001 (approved by Law 2381/04).

CT410. *Criterion 36.2* - Paraguay has implemented the Vienna Convention, the Palermo Convention, the Merida Convention and the Convention for the Suppression of the Financing of Terrorism in accordance with the regulations set forth at the national level, as appropriate. Notwithstanding the above, the minimum deficiencies identified in the criminalisation of ML/TF according to R. 3 and 5 (criteria 3.1 and 5.1) could limit the full implementation of international conventions.

Weighting and conclusion

CT411. Paraguay has ratified the Vienna Convention, the Palermo Convention, the Merida Convention and the Convention for the Suppression of the Financing of Terrorism. Notwithstanding the above, the deficiencies identified in the criminalisation of ML/TF according to R.3 and R.5 limit the full implementation of these conventions. **Recommendation 36 is rated Largely Compliant.**

Recommendation 37 - Mutual legal assistance

CT412. In the 2008 MER, former R.36 was rated PC and SR. V as NC because legal assistance is not practicable in relation to TF; the provision of timely, constructive and effective assistance by Paraguay is difficult to assess in the absence of general data on the processing of mutual legal assistance (MLA) requests; and the non-criminalisation of TF as an offence that hinders participation in international cooperation.

CT413. *Criterion 37.1* - Pursuant to Article 137 of the National Constitution and the treaties, conventions and international agreements approved and ratified are part of the national substantive law. Articles 146 and 147 (Section II) of the Code of Criminal Procedure provides for the implementation of letters rogatory to formulate requests addressed to foreign judges or authorities and their processing as established by the existing international law, as well as by the international laws and customs. Paraguay may also provide MLA in line with international law, and bilateral and multilateral treaties, through national laws or rules of reciprocity where there is no applicable regulation.

CT414. Based on the foregoing, the country is a party to the Inter-American Convention against Corruption (Caracas 1996); the Inter-American Convention on Mutual Assistance in Criminal Matters (Nassau 1992); as well as to the Conventions established by R.36, which allows for the provision of MLA based on these conventions. In addition, Paraguay has signed bilateral treaties on legal assistance and extradition with Colombia, Costa Rica, Ecuador, Mexico, Honduras, France, Spain, Germany, Brazil, Chile, Austria, Hungary, Belgium, China/Taiwan, the United States, the United Kingdom, Italy, Switzerland, Uruguay, Argentina, Korea, Peru, Australia, Bolivia and Panama; and it has also signed Protocols with MERCOSUR countries, such as the so-called Protocol of San Luis, approved by Law 2048/2003, among others. In this regard, a request for international criminal assistance should be processed within the framework of these agreements through the central authorities designated in each bilateral or multilateral agreement.

CT415. *Criterion 37.2* - In Paraguay, the Central Authority for managing international cooperation based on MLA requests is the Attorney General's Office. Article 13.5 of the Organic Law of the Attorney General's Office sets forth that the Attorney General's Office shall promote international cooperation in the fight against organised crime. In addition, the Directorate of International Affairs and External Legal Assistance, on behalf of the Attorney General's Office, shall be designated as the central authority for processing legal assistance requests within the framework of International Agreements and Conventions wherein the Attorney General's Office has been designated as the central authority (Attorney General's Office Resolution of 10 of January 4, 2007). This Directorate shall coordinate, send, receive, make the corresponding observations, arrange for the processing of active and passive assistance requests, as well as their follow-up.

CT416. The central authority receives requests for assistance, which are analysed by the General Prosecutor's Office (through the Directorate of International Affairs - DAI), which subsequently processes and distributes them based on the location of the evidence and the type of crime. In ML cases, a Specialized Unit on ML is designated and, due to the nature of the event, it is given priority treatment. The follow-up of requests is made through the submission by the central authority of constant processing requests to the designated tax agent or person responsible for such processing, and in the case of an active request, information is requested to the respective foreign central authorities of the requested country, reminding the urgency of the case.

CT417. *Criterion 37.3* - Paraguay does not prohibit MLA nor is it subject to unreasonable or unduly restrictive conditions. In the country, the processing of requests for assistance is governed by the law of the requested party and in accordance with the provisions of the Agreements, Conventions and Treaties signed by Paraguay. In this regard, Paraguay provides assistance in line with the special methods and procedures indicated in the request, unless these are inconsistent with the domestic law or violate Paraguayan internal provisions.

CT418. *Criterion 37.4* - As previously reported, Paraguay provides MLA on the basis of the agreements signed and agreed procedures, whether bilateral or multilateral. Now, with respect to the refusal to provide MLA, it is reported that:

- (a) Paraguay does not foresee that an MLA request may be denied when the offence is also considered to involve tax issues, and that Article 196 of the Criminal Code considers tax

crimes as ML predicate offences. To date, there have been no cases in Paraguay in which a request has been denied on the grounds that it is a tax offence.

- (b) According to the legal instruments in force in Paraguay, there is no possibility to deny MLA on the grounds of secrecy or confidentiality requirements of financial institutions or DNFBPs. Article 22 of the AML Law establishes that all sectors subject to bank secrecy obligations should provide the information requested, which does not imply a violation of their bank secrecy obligations.

CT419. *Criterion 37.5* - Paraguay foresees that the proceedings in the preliminary stage shall not be public for third parties, pursuant to Article 322 of the Code of Criminal Procedure. The Attorney General's Office may take reasonable and necessary measures to protect and set apart evidence that may damage the integrity of an investigation. Likewise, Article 10 of the MERCOSUR's Protocol on Mutual Legal Assistance in Criminal Matters establishes that the request and its processing should be kept confidential.

CT420. *Criterion 37.6* - The MERCOSUR Protocol on Mutual Legal Assistance in Criminal Matters does not specify double criminality as a condition. In the other agreements signed by Paraguay, the requirement of dual criminality for the provision of MLA is not indicated.

CT421. *Criterion 37.7* - Paraguay does not require dual criminality for compliance with MLA, except in cases where the measures requested consist of provisional measures or searches.

CT422. *Criterion 37.8* - Regarding the investigative powers and techniques required under R.31, the following information has been provided:

- (a) The Attorney General's Office can manage assistance to collect information from all public and private sources for cooperation, and may implement measures to locate persons, search private premises, take witness statements, and seize and obtain evidence, pursuant to the provisions of the Code of Criminal Procedure. (The above is detailed in criterion 31.1).
- (b) Under the Paraguayan law, the authorities are empowered to cooperate and exchange information with foreign counterparts. Pursuant to Article 72 of Law 1881/02 "Suppressing the illicit trafficking in narcotic and dangerous drugs, as well as other related offences, and establishing measures for the prevention and recovery of drug addicts," and in order to facilitate investigations and obtain the necessary legal evidence in relation to the application of this law, competent authorities may provide and request cooperation and assistance for (i) taking testimonies and other statements, (ii) conducting expert opinions, (iii) carrying out inspections and seizures, (iv) seizures, freezing of assets and assistance in seizure proceedings, (v) any other form of mutual legal assistance authorized by domestic and international law; among others.

In addition, they can make use of special investigative techniques. Notwithstanding the above, pursuant to R.31, undercover operations and controlled deliveries mostly apply only to certain predicate offences and not to ML or TF offences. It should be noted that Paraguay ratified the United Nations Convention against Transnational Organised Crime, which establishes that countries may make use of special investigative techniques whenever allowed by the fundamental principles of their domestic legal system.



Weighting and conclusion

CT423. Paraguay has a legal framework that allows it to provide MLA, in addition to conducting this assistance under the agreements signed by the country and has a central authority to deal with requests. On the other hand, Paraguayan authorities can make use of special investigative techniques, but appear to be limited in cases of ML and TF. **Recommendation 37 is rated Largely Compliant.**

Recommendation 38 - Mutual legal assistance: freezing and confiscation

CT424. R.38 was rated NC in the 2008 MER upon concluding that in the absence of a treaty, there is no specific provision for the application of provisional measures at the request of a foreign country for search, seizure and confiscation; no consideration has been given to establishing a confiscated assets fund or arrangements for sharing confiscated assets with foreign countries following international coordinated efforts; and there are no arrangements for coordinated efforts with other countries to seize or confiscate assets.

CT425. *Criterion 38.1* - Pursuant to Article 52 of Law 5876/17, the SENABICO may enter into bilateral and multilateral cooperation agreements. International cooperation and MLA agreements, as well as any other international agreement that regulates international seizure and confiscation efforts for the location, identification and recovery of assets, are applicable to the cases provided for by the Law (Article 53). Paraguay ratified the “Agreement for the Disposal of Assets Confiscated to Transnational Organised Crime in MERCOSUR” on August 25, 2021, by means of Law 6772/2021.

CT426. The Criminal Code regulates confiscation and the deprivation of benefits or profits, and the Attorney General’s Office is empowered to process the requests from foreign authorities, in order to identify, seize and confiscate assets, property and the proceeds of crime, under the legal concept of confiscation established in the Criminal Code. This is based on Article 13 of the Organic Law of the Attorney General’s Office and to its capacity as central authority. As mentioned in R.4, the Criminal Code, Article 86 (Confiscation) related to 90 and 94 (Special Confiscation or Deprivation of Benefits), leaves open the possibility of confiscating assets related to any unlawful act, which, according to Paraguayan laws, includes ML and TF. However, the actions to be taken in response to requests for identification, freezing, seizure or confiscation are as follows:

- (a) When an intentional crime has been committed, the proceeds and instrumentalities of crime may be confiscated. Confiscation shall be ordered only when the proceeds and instrumentalities of crime, in view of their nature and circumstances, pose a risk to the community or there is the risk of them being used to commit other crimes (Article 86 of the Criminal Code). The criminal investigations and proceedings provided for by the local laws may be conducted by the Attorney General’s Office and may derive from formal requests by foreign authorities.
- (b) The order for special confiscation may also cover the use of or other benefits derived from the proceeds. When the original proceeds have been replaced by a substitute asset, the special confiscation of the latter may be ordered (Article 90).

- (c) In accordance with Article 86 of the Criminal Code, the instrumentalities of crime may be confiscated.
- (d) Paraguayan authorities are empowered to confiscate the instrumentalities intended for use in ML, predicate offences or TF (see criterion 4.1 (b)).
- (e) Pursuant to Article 91 of the Criminal Code, when, in accordance with Article 90.4 (special confiscation shall not be applicable on property owned by a third party who is not the perpetrator, participant or beneficiary), i) a special confiscation order is not applicable; ii) it is impossible to execute it; iii) or it is not necessary to execute it on a substitute asset, right or property, immediate replacement shall be ordered in the form of payment of a sum of money, or rather in the form of assets, rights or property corresponding to the value of the proceeds of crime.

CT427. *Criterion 38.2* - Paraguay is empowered to provide assistance in cases involving the application of non-conviction-based confiscation, in accordance with the national laws. Where neither a criminal proceeding nor the conviction of a particular person is applicable, the court shall decide on the freezing or confiscation based on the mandatory or discretionary nature provided by law (Article 96 of the Criminal Code).

CT428. The implementation of this legal concept is regulated by the proceeding provided for in Law 6431/2019, “establishing the special procedure for the application of confiscation, special confiscation, deprivation of benefits and profits, and non-conviction-based confiscation.” In this regard, Article 2 of the aforementioned law establishes the rules of this special procedure that shall be applied in an ordinary criminal proceeding.

CT429. *Criterion 38.3* - The SENABICO is empowered to enter into international cooperation agreements to facilitate the administration of seized assets, as well as to regulate international cooperation in seizure and confiscation matters for the location, identification, recovery and repatriation of active assets.

CT430. In this regard, the SENABICO is a party to the Merida Convention (ratified by Law 2535/05), whose Article 57 deals with “Restitution and Disposal of Assets;” and to the Palermo Convention (ratified by Law 2298/03), whose Article 12 deals with “Confiscation and Seizure.” Paraguay also signed an agreement on judicial assistance in criminal matters with Peru, which establishes that both parties undertake to provide the broadest possible assistance in their legal proceedings, including the identification, seizure and forfeiture of assets. In addition, Paraguay recently ratified the “Agreement for the Disposal of Assets Confiscated to Transnational Organised Crime in MERCOSUR.” However, no agreements have been signed with other countries. On the other hand, Law 5876/17 and its amending Law 6786/21 provide for the general rules for the administration of confiscated assets and the administrative decisions to be made for the purposes of optimizing the administration of assets (Articles 10 and 13). In addition, in April 2021 the SENABICO approved the General Rules of Procedure (Resolution 261/21) for the receipt of seized and confiscated assets, which refers to the procedures to be followed for the receipt, inventory and registration of assets that have an economic value to Paraguay.

CT431. *Criterion 38.4* - Based on the aforementioned Article 52 of Law 5876/17, the SENABICO may enter into agreements to facilitate the administration of assets where rules regarding administration costs and the sharing of assets in joint operations shall be considered. The assets confiscated in joint investigations conducted with other States shall be transferred by resolution of the competent jurisdictional body to the SENABICO for their destination in accordance with the agreement signed. Accordingly, it is understood that the country may share the confiscated assets only based on a previously signed agreement. However, as previously mentioned, Paraguay ratified the Agreement for the Disposal of Assets Confiscated to Transnational Organised Crime in MERCOSUR. There are no agreements with other countries.

Weighting and conclusion

CT432. Paraguay is empowered to take action in response to requests to identify, freeze, seize, or confiscate laundered property from, proceeds from, instrumentalities used in, or instrumentalities intended for use in, ML/TF or predicate offences. The SENABICO also has a General Rule of Procedure for receipt of seized and confiscated assets. The SENABICO is the authority empowered to accept MLA agreements with other countries. In this regard, Paraguay recently ratified the Agreement for the Disposal of Assets Confiscated to Transnational Organised Crime in MERCOSUR. Finally, apart from the aforementioned agreement, no other agreements on the sharing of confiscated assets with other countries have been signed. **Recommendation 38 is rated Largely Compliant.**

Recommendation 39 - Extradition

CT433. R.39 was rated PC in the 3rd MER, since there was no data or other information available to assess the effectiveness of the extradition process.

CT434. *Criterion 39.1* - In Paraguay, extradition is regulated in Articles 146-150 of the Code of Criminal Procedure and is also governed by the bilateral and multilateral agreements signed by the country. In this regard, the different treaties signed do not provide for extraditable offences to ensure that such offences are more broadly covered by the regulations. Paraguay has 20 bilateral treaties and is a party to international conventions establishing various guidelines on extradition. Furthermore, at the regional level, Paraguay signed the Agreement on Extradition between the States Parties to MERCOSUR.

- (a) Pursuant to Article 147 of the Code of Criminal Procedure, the extradition of accused or convicted persons shall be governed by the International Law in force, national laws, international customs or the rules of reciprocity where there is no applicable regulation. Although the bilateral and multilateral agreements and treaties signed by Paraguay do not exhaustively list the offences under which extradition may be granted, Paraguayan laws grant extradition in case of ML/TF offences, provided that they are punishable in both countries.
- (b) The Attorney General's Office, the Ministry of Justice, the Judiciary and the Ministry of Foreign Affairs (MRE) are governed in accordance with the provisions of international instruments (bilateral or multilateral) for the execution of extradition requests. Paraguay has a protocol including the steps for dealing with cases that works through a system for

the management of letters rogatory for the execution of extradition requests. With this tool, reports can be generated according to the right affected, the requesting country, the requested country, the legal situation of the intervening authorities and, if applicable, whether the request was granted or rejected, as well as the reasons why it has not been executed. This tool is managed by the Directorate of International Judicial Cooperation and Assistance of the Supreme Court of Justice which was, in turn, created as the central authority responsible for the follow-up of passive or active requests at the national and international level through Resolution 533/08.

- (c) Paraguay has no restrictions or limitations for extradition. The only mention in relation to this issue is that, based on the Paraguayan Constitution, as a condition for granting extradition, the extradited person may not be subjected to torture or to cruel treatment or punishment by the requesting State.

CT435. *Criterion 39.2 -*

- (a) According to Paraguay, the National Constitution in force does not preclude the extradition of Paraguayan nationals. The MERCOSUR Agreement establishes that the nationality of the person to be extradited may not be invoked to deny this process, unless a constitutional provision indicates otherwise.
- (b) Through the different international treaties signed, Paraguay is mutually committed to surrender persons who are in its territory and who are requested by the competent authorities of other States. Likewise, with countries such as Argentina, Bolivia, Costa Rica, Honduras, Peru, Mexico, South Korea, Spain, among others, Paraguay is empowered to refuse extradition where the defendant is a national of the requested State, in which case, they should be submitted to the jurisdiction of the competent authorities for their prosecution. In addition, Article 11.3 of the Agreement on Extradition among the States Parties of MERCOSUR establishes that, in the case of denying extradition due to nationality issues, the requested person should be tried, the requesting country should be kept informed about the trial, and a copy of the judgment should be sent after its issuance.

CT436. *Criterion 39.3 -* For Paraguay, the legal definition of the criminal offence in an extradition request does not preclude that the respective domestic laws use the same or different legal terminology. Requests shall proceed as long as the offence is criminalised as punishable by both parties, with autonomy in its legal definition, description and nature. The MERCOSUR's Agreement on Extradition establishes that extradition shall be granted in the case of acts criminalised as offences by the laws of both parties, regardless of their legal definition and provided that they are punishable in both States (Article 2).

CT437. *Criterion 39.4 -* The international instruments signed by Paraguay on the matter, as well as bilateral treaties, establish the mechanisms for simplified extradition. In addition, according to the Code of Criminal Procedure, in case of urgency, the criminal judge may order the pre-trial detention and preventive custody of the person to be extradited, even when not all the documents required for extradition have been submitted (Article 150). Likewise, Article 420 of the Code of Criminal Procedure indicates that a summary proceeding may be proposed when the accused admits the act and consents to the application of such proceedings.



Weighting and conclusion

CT438. The regulatory framework covers all the elements required by the Standard regarding extradition. **Recommendation 39 is rated Compliant.**

Recommendation 40 - Other forms of international co-operation

CT439. R.40 was rated PC in Paraguay's 3rd Round MER due to the lack of response from law enforcement authorities. On this issue, the mission was able to assess the effectiveness of international cooperation and information exchange, as well as the lack of resources and investigative means for law enforcement authorities, which may affect the response to foreign requests for investigation.

General principles

CT440. *Criterion 40.1* - The FIU, as a member of the Egmont Group, has the policy of assisting members in the search for information (public entity databases to which the FIU has access, STRs and all the information it may gather in exercise of its duties), both spontaneously and upon request. The FIU is also the contact point for the RRAG and can share the widest range of information available with the other contact points in the GAFILAT region and other similar regional networks. It also has a "Protocol for the receipt and processing of international cooperation requests through Egmont Group channels, RRAG platform, Memoranda of Understanding and other means of cooperation."

CT441. The National Police has signed information exchange agreements with Argentina and Brazil, and uses information exchange platforms, such as the RRAG, the Interpol/STAR Network (Anti-Corruption), and the 24/7 Interpol, Ameripol and Europol Platform. Additionally, it uses informal channels (e-mails) to communicate with different police contact points. The Attorney General's Office has signed information exchange agreements with its counterparts in Argentina, Brazil, Chile, Bolivia, Peru and Colombia, and is also the central authority in the international agreements that allow for the possibility of spontaneously submitting information in criminal matters. The Ministry of Foreign Affairs may conduct negotiations on international cooperation and undertake binational and multinational initiatives in coordination, where appropriate, with other government agencies. It also acts as the central authority when there is no bilateral or multilateral agreement.

CT442. *Criterion 40.2* - In Paraguay:

- (a) The powers of the competent authorities to provide international cooperation are determined in accordance with the legal framework governing each of them. The SEPRELAD (Article 33 of the AML Law); the Attorney General's Office (Article 13.5 of its Organic Charter); the National Police (Article 6.26 of Law 5757/16); the Ministry of Foreign Affairs (Articles 4.c and 4.d of Law 1635/00); and the SENAD (Article 3, paragraph n), of Executive Order 40/18).
- (b) Paraguayan competent authorities, in addition to being members of international cooperation groups and networks, have signed and implemented treaties and agreements

that provide them with the means to comply with the formalities of judicial proceedings in international cooperation matters.

- (c) Paraguay has secure channels that allow it to respond to requests for international cooperation. In this regard, the Attorney General's Office, the Judiciary, the Ministry of Justice and the Ministry of Foreign Affairs use the secure communication channel IberRed to process cooperation requests. The National Police uses official platforms for the exchange of information, such as: RRAG, Interpol/STAR Network (Anti-Corruption) and the so-called 24/7 Interpol, Ameripol and Europol, Platform, among others, as mentioned in criterion 40.1. GAFILAT's RRAG platform of contact points is also used by the Attorney General's Office and the SEPRELAD. The SEPRELAD relies on the Egmont Secure Network to provide international cooperation.
- (d) The SEPRELAD carries out a secure procedure for the treatment of cooperation requests by the persons who receive, process and forward the information through the secure platforms. It also has a "Protocol for the receipt and processing of international cooperation requests through Egmont Group channels, RRAG platform, Memoranda of Understanding and other means of cooperation," which establishes that the DGAFE shall be in charge of international assistance, within the framework of financial and asset-related intelligence analysis. This protocol also sets out general rules for international cooperation and describes the process of prioritisation. In turn, the General Prosecutor's Office, through the Directorate of International Affairs and External Legal Assistance, maintains inter-agency communication channels with counterpart agencies through which it alerts and prioritises the timely execution of requests for legal assistance in criminal matters. Likewise, through the letters rogatory management system, requests for MLA and extradition are registered and controlled and, depending on the urgency of the request, priority is given to the appointment of the authority that shall deal with it. There is no evidence of similar procedures for the other competent authorities.
- (e) The General Prosecutor's Office, through the Directorate of International Affairs and External Legal Assistance, generates and maintains with rigor and privacy a record of the information provided and received in MLA contexts, either in paper or digital format. Regarding the SEPRELAD, Article 22 of the AML Law (6497/19) establishes that the information administered by the Secretariat shall be confidential and may only be provided for intelligence purposes. In addition, it sets forth that the SEPRELAD protects the information on the basis of the Egmont Group standards for secure exchange with other FIUs, as well as the MOUs and agreements signed with its counterparts. The National Police has a Protocol on Good Governance that provides for a confidentiality commitment whereby it undertakes to permanently control and verify that those members who handle privileged information do not provide it to third parties without first being authorized to do so. It also protects information as stipulated in the platforms wherein it is included and which it uses to exchange information, such as Interpol which, in its "INTERPOL Rules on Data Processing," provides for processes for keeping information confidential. There is no evidence of similar processes used by the SENAD and the Ministry of Foreign Affairs to protect the information received.

CT443. *Criterion 40.3* - Pursuant to Article 33 of the AML Law, the SEPRELAD shall collaborate in the exchange of information within the framework of international conventions and agreements to facilitate such exchange. Accordingly, it has entered into 48 MOUs. Pursuant to Article 6.31 of its Organic Law, the National Police can exchange information nationwide and worldwide, and cooperate with similar institutions in crime prevention and investigation. For this purpose, it has signed information exchange agreements with Argentina and Brazil. As mentioned above, the Attorney General's Office has signed bilateral cooperation agreements with Argentina, Bolivia, Brazil, Colombia, Chile and Peru, as well as within the framework of the Ibero-American Association of Public Prosecutor's Offices (AIAMP). In addition, in 2018 it entered into a MOU with Uruguay's General Prosecutor's Office. Pursuant to Article 98.h of Law 1881/02, the SENAD is empowered to maintain relationships and exchange information with similar foreign institutions and international organisations. In this context, through the General Directorate for National and International Cooperation, which is responsible for coordinating the signing of international and multilateral agreements for technical and financial cooperation, it has signed several agreements with the Federal Police of Brazil, the Ministry of Security, the Federal Intelligence Agency, and the Ministry of Security of the following countries Argentina, Chile, Venezuela, Ecuador, Uruguay, Costa Rica, Mexico, Bolivia, Great Britain, Colombia, Portugal, Peru, USA, Spain, Cuba, China, Italy. The DNA has signed 18 instruments, such as agreements, protocols and MOUs, in accordance with Article 385.16 of the Customs Code.

CT444. *Criterion 40.4* - Competent authorities are empowered to request feedback on the assistance provided, in relation to the use or usefulness of the information shared.

CT445. The SEPRELAD is empowered to request feedback on the use of the financial intelligence information shared with its counterparts. Regarding limitations, the use of information is governed by the Egmont Group principle for the exchange of information between FIUs, which determines that, upon request and where possible, FIUs should provide feedback to their foreign counterparts on the use of the information provided, as well as on the result of the analysis carried out using such information. There are no legal impediments for the rest of the competent authorities to provide feedback to the authorities in the event that a request is made.

CT446. *Criterion 40.5* - Paraguayan authorities cooperate in the exchange of information based on conventions, agreements, treaties and MOUs. In the absence thereof, cooperation is granted on the basis of the principle of reciprocity, provided they do not violate the country's domestic laws. With respect to compliance with this criterion, the following is reported:

- (a) According to Article 196 of the Criminal Code, tax crime is a ML predicate offence, so there would be no impediment to grant international cooperation. Therefore, a request for assistance involving a tax issue may not be refused in Paraguay.
- (b) According to the legal instruments in force in Paraguay, there are no restrictions on the sharing of information, so Paraguay usually provides assistance, even in those cases where the duty of confidentiality of financial institutions or secrecy requirements apply.
- (c) Pursuant to Law 2194/03, there are no restrictions on providing cooperation in a preliminary investigation, investigation or proceeding in Paraguay (Article 9). Paraguay informs that if the request happened to hinder the investigation, the competent authorities would deny the request.

- (d) Paraguay has no regulations imposing restrictive conditions regarding the nature or status of the requesting authority for the provision of assistance.

CT447. *Criterion 40.6* - In the field of intelligence, the provisions of the different MOUs regarding the protection of the information exchanged apply, so that such information can be used by the competent authority and to fulfil the purpose for which it was requested. In this regard, the applicable rule is the rule of protection and confidentiality of the information received, processed, maintained or disseminated, which should be protected in a secure manner and used in accordance with the procedures, policies, laws and applicable regulations agreed upon by the parties exchanging the information.

CT448. Law 2194/03, which approves the Inter-American Convention on Mutual Assistance in Criminal Matters, sets forth the limitations on the use of information or evidence, clarifying that the requesting State may not disclose or use any information or evidence obtained for purposes other than those specified in the request for assistance, without the prior consent of the central authority of the requested State (Article 25). In exceptional cases, if the requesting State needs to disclose and use, in whole or in part, the information or evidence for purposes other than those specified, it should request the corresponding authorization.

CT449. *Criterion 40.7* - The Attorney General's Office, as the central authority for many multilateral and bilateral agreements, should keep confidential any information or documentation processed within the framework of an MLA. In cases where the request should be kept confidential, the National Police shall communicate it in writing to the competent authority of the requested country through its national central office and shall keep the requests for cooperation and the information exchanged confidential in accordance with the obligations of both parties regarding privacy and data protection. The foregoing is based on the Interpol General Rules on Data Processing (Chapter III, Sections 1 to 4). The SEPRINTE exchanges information that is available in the institution, which is considered confidential at the national and international level and may be used for intelligence purposes and not as evidence in legal cases.

CT450. All the information exchanged is secret and/or confidential and cannot be used without the corresponding authorization of the party that has provided it. Article 33 of the AML Law refers to the obligation of the SEPRELAD to keep the information exchanged confidential within the framework of international conventions and agreements, clarifying that the FIU collaborates in the exchange of information, directly or through international organisations with other countries' enforcement authorities exercising similar powers, which are also subject to the duty of confidentiality. The information managed by the SEPRELAD is confidential and all persons performing an activity for this Secretariat are obliged to maintain professional secrecy (Articles 22 and 32 of the AML Law). The information is treated as confidential as if it were from national sources.

CT451. The SENAD provides information to countries and national institutions within the framework of the bilateral and multilateral conventions and agreements signed, taking into consideration the confidentiality criteria established in order to protect information. In the absence of any of the aforementioned instruments, no information shall be provided to the parties.



CT452. It is not clear whether the same requirements apply to the rest of the authorities mentioned in criterion 40.1.

CT453. *Criterion 40.8* - National competent authorities cooperate in the exchange of information regarding ongoing investigations and/or inquiries and proceedings in the country, in accordance with the provisions of the Inter-American Convention on Mutual Assistance in Criminal Matters, Article 7. In terms of financial intelligence, the FIU exchanges information through the Egmont Secure Web and the RRAG platform, which can be done spontaneously or at the request of counterparts.

Exchange of information between FIUs

CT454. *Criterion 40.9* - The FIU is empowered to exchange information directly or through international organisations with its counterparts, who shall also be subject to the duty of confidentiality (Article 33 of the AML Law). It is also empowered by Law 4024/10 and its amendment Law 6408/19 on terrorism and TF. In addition, it has signed several MOUs for the exchange of intelligence information through the Egmont Secure Web communication channel, as established in the Egmont's Statement of Best Practices, in line with the provisions of the Operations, Job Description and Procedures Manual related to the administration of the Egmont Secure Web, approved by SEPRELAD Resolution 379/19.

CT455. *Criterion 40.10* - The FIU provides feedback to its counterparts, upon request or in case of updates that may be of interest to FIUs. Paraguay also reports that video conferences are held using the technological mechanisms available to work together on the information, clarify doubts, provide more data or help in the interpretation of the information provided; and authorization shall be requested to share information with other agencies, where necessary. Regarding the use, quality and results of the information received, feedback is provided through FIU's own feedback forms.

CT456. *Criterion 40.11* - The FIU-SEPRELAD is empowered to exchange information as follows:

- (a) The FIU exchanges any information it may obtain while performing its duties. The SEPRELAD has no impediments to exchange information obtained directly or indirectly, at the request of requesting countries.
- (b) At the national level, it is empowered to request information to competent authorities, either by legal mandate (AML Law, Article 28) or based on the Inter-agency Cooperation Agreements, which determine the rules of confidentiality that the parties should maintain with respect to the information provided. In addition, based on Article 22 of the AML Law (Law 6497/19), the authorities and reporting entities should provide all the information requested, and the duty of secrecy or legal reserve shall not be applicable. The SEPRELAD may require the implementation of interconnections to obtain online access to databases, information centres and other sources for the development of its functions.

Exchange of information between financial supervisors

CT457. *Criterion 40.12* - In Paraguay, financial supervisors may exchange information with their foreign counterparts on ML/TF matters. In this regard, with respect to the SIB and the SIS, Article 8 of the Organic Law of the BCP empowers the BCP to report on the economic and equity situation of a supervised entity to the agencies in charge of the supervision and resolution of entities of the same nature in foreign countries. For them, reciprocity is required, and they should be subject to the duty of secrecy. On this legal basis, the BCP has signed Multilateral Memorandums of Information Exchange and Cooperation with foreign counterparts, such as the Central Banks/Superintendencies of Argentina, Brazil, Colombia and Uruguay, establishing in each one the conditions, scope, limitations and commitments assumed. There is also an agreement related to the remittance of banknotes, signed with the Central Bank of Brazil.

CT458. The CNV is empowered to participate in international organisations related to matters within its competence and to enter into agreements with them and with regulators in the securities market from other countries (Article 165, paragraph t, Law 5810/17). Paraguay is also an associate member of the International Organisation of Securities Commissions (IOSCO), whose objectives also include enabling member regulators to better exchange information on their respective experiences to promote the development of national markets. The INCOOP, in accordance with Article 5, paragraph g, Law 2157/03, may enter into and execute national and international conventions and agreements.

CT459. *Criterion 40.13* - Based on the provisions of criterion 40.12, the BCP is empowered to sign agreements for the exchange of information and cooperation with national or international financial supervisory bodies. Through these agreements, the parties undertake to cooperate and exchange all information required in the exercise of their supervisory functions. Regarding the SIS, in 2016 a MOU was signed with the Association of Insurance Supervisors of Latin America (ASSAL), which provides for the exchange of information on ML/TF. Through the aforementioned MOU, Paraguay is empowered to exchange information available to it with twelve signatory authorities. On the other hand, although the other financial supervisors are empowered to enter into agreements with their foreign counterparts, there is no further information on these agreements and there is no stipulation that information obtained domestically may be shared in accordance with the provisions of this criterion.

CT460. *Criterion 40.14* - In their capacity as signatories to information exchange and cooperation agreements, supervisors are subject to the provisions contained therein and, within the framework of said provisions, may exchange a wide range of information requested by their foreign counterparts. Considering the scope of the powers and functions of supervisors in AML/CFT matters, there are no impediments to the exchange of the requested information.

CT461. *Criterion 40.15* - Through the Multilateral Memoranda of Information Exchange and Cooperation, the BCP and the signatory counterparts are committed to cooperating in the exchange of all types of information in order to facilitate consolidated supervision. These agreements also provide for the possibility of *on-site* inspections of transnational premises in the host country, always with the coordination of the host country. There is no evidence that other financial



supervisors can make inquiries on behalf of their foreign counterparts or that these can make inspections in Paraguay to expedite supervision.

CT462. *Criterion 40.16* - The BCP provides all the information required by the counterpart for the exercise of its supervisory functions, provided that there is reciprocity and that they are subject to the duty of secrecy under conditions that are comparable to those established by the Paraguayan law. In this sense, the information subject to exchange may only be disclosed between the legally established authorities and those that are exempt from the duty of banking secrecy (Article 8 of the Organic Law of the BCP). It was not possible to observe the same powers in the case of the other financial supervisors in Paraguay.

Exchange of information between law enforcement authorities

CT463. *Criterion 40.17* - Law enforcement authorities are empowered to exchange information on financial and asset investigations that enable them to identify and track the assets or profits obtained from the commission of ML, predicate offences and TF.

CT464. *Criterion 40.18* - The Attorney General's Office is empowered to gather testimony, conduct searches and obtain information, in accordance with the provisions of the Code of Criminal Procedure (Law 1268 as amended). It is also empowered to implement the provisions of international conventions signed and ratified by Paraguay within the framework of legal assistance, as long as they are not contrary to the national legislation. Likewise, the National Police is empowered to conduct investigations and obtain information for its foreign counterparts based on their laws and international cooperation agreements. As a member of Interpol, Ameripol and the Tripartite Command (Paraguay-Argentina-Brazil), it conducts law enforcement cooperation practices, and may make use of special investigative techniques as provided for in Article 6.31 of the Organic Law of the National Police. Likewise, although investigative techniques may be used, in accordance with criterion 31.2, they are limited to specific ML/TF offences.

CT465. As for the SEPRELAD, it is empowered to exchange information with its counterparts through the RRAG platform and the Egmont Secure Web. Likewise, the SENAD provides information and also uses special investigative techniques in order to complement any requests made by similar foreign agencies.

CT466. *Criterion 40.19* - Pursuant to the implementation of the international conventions of Vienna, Palermo and Merida, as well as of the Regional Cooperation Agreements, Paraguay's law enforcement authorities form Joint Investigation Teams (JITs) to investigate offences related to organised crime. In joint investigations, agreements are signed to establish the formal rules of procedure by which JITs are governed. The agreements on legal cooperation in criminal matters and the formal record of the creation of the JIT are strictly confidential and reserved, and exclusively accessed by its members and central authorities.

CT467. Paraguay also ratified the Framework Cooperation Agreement between the MERCOSUR States Parties and Associated States for the Creation of Joint Investigation Teams (CMC-DEC-22/2010). Similarly, where an investigation is requested through international legal cooperation, it



is possible to create joint teams to facilitate the development of collaborative research of interest with foreign counterparts. The SENAD works in coordination with authorities of border countries and also with the US Drug Enforcement Agency (DEA) in several coordinated cooperation and investigation programs; these are countries with which it has already signed information exchange and investigation agreements.

Exchange of information between non-counterparts

CT468. *Criterion 40.20* - National competent authorities are empowered to exchange information directly and indirectly. In this regard, the SEPRELAD exchanges information as long as the request is made through the RRAG contact points and/or through the Egmont Secure Web, in coordination and cooperation with foreign counterpart authorities. Such request for information should be duly grounded.

Weighting and conclusion

CT469. Paraguay has a legal basis to provide the widest range of international cooperation in ML/TF matters and makes use of secure mechanisms or channels for the exchange of information. Competent authorities are empowered to sign agreements with their counterparts and carry out international cooperation based thereon. Paraguay complies with most of the requirements of his Recommendation. However, it can be observed that not all competent authorities, except for SEPRELAD and the General Prosecutor's Office, have clear procedures for prioritising requests and for protecting the information received. In addition, there are deficiencies in the provision of international cooperation by all law enforcement authorities, as well as by all supervisors, as established in this Recommendation. **Recommendation 40 is rated Largely Compliant.**

Summary of Technical Compliance - Major Deficiencies

Compliance with the FATF Recommendations		
Recommendation	Rating	Underlying rating factor(s)
1. <i>Assessing risks & applying a risk-based approach</i>	LC	<ul style="list-style-type: none"> • Due to the limitation to identify the degree of ML/TF risks, there is a deficiency in relation to the lack of studies on the different sectors of the AML/CFT system and to the degree of priority in which they should be addressed. • Exempting notaries from compliance with R.22 and R.23 does not seem to be supported by any analysis that demonstrates the low risk of the transactions associated with this sector. There are no elements to conclude that the established threshold was determined based on any study or assessment of ML/TF risks. • There are no provisions applicable to notaries establishing that they should have and follow risk-based internal policies and procedures to prevent ML/TF/PF or minimum parameters to classify their higher risk clients, regardless of those developed by reporting entities, in order to apply enhanced CDD. • There are no regulations for the application of simplified measures by notaries, safe deposit box rental services, cash transport companies and pawnshops. • It is not possible to determine whether supervision in the case of notaries is consistent with the specific powers of implementation of a risk-based approach by this sector. • There is no explicit obligation for notaries, safe deposit box rental services, cash transport companies and pawnshops to identify, assess and understand ML/TF risks. • The resolutions applicable to bonded warehouses, credit institutions, lawyers, other legal professionals, and accountants, as well as notaries, are not sufficient to cover risk mitigation requirements. Finally, there is no resolution applicable to pawnshops, safe deposit box rental services and cash transport companies. • Although the use of simplified measures by electronic payment service providers in case of suspicion of ML/TF is not expressly prohibited, these measures should be based on the low risk of the client and should be authorized by the

Compliance with the FATF Recommendations		
Recommendation	Rating	Underlying rating factor(s)
		SEPRELAD. In addition, it was not possible to determine the existence of other regulations or provisions applicable to bonded warehouses, credit institutions, pawnshops, notaries, safe deposit box rental services, and cash transport companies.
2. <i>National cooperation and coordination</i>	C	
3. <i>Money laundering offence</i>	PC	<ul style="list-style-type: none"> • With regard to illicit trafficking in stolen goods and other assets, the Paraguayan legislation does not provide for a specific criminal offence; however, it should be mentioned that Paraguay criminalises some other related serious crimes, such as robbery, aggravated robbery, and robbery resulting in death or serious injury. • In Paraguay, ML is criminalised as an offence, and therefore it is punishable with a maximum penalty of up to five years' imprisonment or a fine, which may be imposed as an additional penalty, pursuant to Article 53 of the Criminal Code. Where ML was convicted as a stand-alone crime, punishments ranged only from 2 to 4.6 years on average. • ML sanctions are not considered to be sufficiently proportionate, effective or dissuasive.
4. <i>Confiscation and provisional measures</i>	C	
5. <i>Terrorist financing offence</i>	LC	<ul style="list-style-type: none"> • It is not possible to demonstrate that Paraguayan laws cover the financing of the acts referred to in the Conventions listed in the Annex to the International Convention for the Suppression of the Financing of Terrorism, specifically in relation to the Convention on the Prevention and Punishment of Crimes against Internationally Protected Persons, including Diplomatic Agents. • There are doubts about the extent to which the country understands that the funds or other assets shall be used for terrorist purposes. • It is not clear that, under the Paraguayan law, the provision or facilitation of funds also covers

Compliance with the FATF Recommendations		
Recommendation	Rating	Underlying rating factor(s)
		<p>individuals who, through the financing of their travel, shall receive terrorist training.</p> <ul style="list-style-type: none"> Regulations do not refer to conspiracy in the case of attempted TF.
6. Targeted financial sanctions related to terrorism and terrorist financing	LC	<ul style="list-style-type: none"> The mechanism to respond and assess a request under UNSCR 1373 seems not to meet the requirement of speed. There is no obligation to report attempted transactions on listed persons.
7. Targeted financial sanctions related to proliferation	LC	<ul style="list-style-type: none"> There is no specific requirement for reporting entities to communicate attempted transactions. There is no specific resolution for pawnshops, safe deposit box rental services, and cash transport services with respect to the asset freezing obligations and sanctions that may be imposed by the authority under the AML Law. The process for accessing basic and essential expenses is not clear, as the regulations refer to UNSCR 1452, which is applicable only to resolutions related to terrorism and its financing.
8. Non-profit organisations	LC	<ul style="list-style-type: none"> No outreach and/or educational awareness programmes with the donor community were observed. Although outreach to the sector, the training delivered and the monitoring activities being implemented are noteworthy, particularly with regard to monitoring, Paraguay is considered to be facing a major challenge in this sector due to the large number of reporting entities.
9. Financial institution secrecy law	C	
10. Customer due diligence	LC	<ul style="list-style-type: none"> CDD measures on transfers apply when making or receiving fund transfers ordered by or for the benefit of its customers (client or user), for an amount equal to or greater than USD 10,000. There are no regulations covering pawnshops, safe deposit box rental services and securities custody services in relation to the criteria of this Recommendation.

Compliance with the FATF Recommendations		
Recommendation	Rating	Underlying rating factor(s)
		<ul style="list-style-type: none"> CDD is not specifically established with respect to the beneficial owner at the time the policy becomes effective.
11. Record keeping	C	
12. Politically exposed persons	C	
13. Correspondent banking	C	
14. Money or value transfer services	C	
15. New technologies	LC	<ul style="list-style-type: none"> The regulatory framework applicable to VASPs does not establish the obligation of registration for those operating from Paraguay but registered outside the country. The measures implemented to identify VASPs operating without registration are not considered to be sufficient. Neither do these measures guarantee access to the data of natural or legal persons that could not prove their registration before the SEPRELAD, and therefore could not be identified by the authority to impose the corresponding sanction. Reporting and promptly freezing without delay the funds of persons identified as being in UNSCR lists and other lists appear to be linked only to the implementation of CDD measures. The deficiencies identified in R.37-40 avoid full compliance with international cooperation by VASPs. In particular, there are some shortcomings in the effectiveness of international cooperation in the case of certain specific authorities beyond SEPRELAD's work with their counterparts.
16. Wire transfers	LC	<ul style="list-style-type: none"> The legislation does not cover the 3 working day period required to submit the information requested by the receiving financial institution.
17. Reliance on third parties	Not applicable	
18. Internal controls and foreign branches and subsidiaries	LC	<ul style="list-style-type: none"> In the national legislation, there is no provision establishing the requirement for group level compliance, audit and/or AML/CFT functions.

Compliance with the FATF Recommendations		
Recommendation	Rating	Underlying rating factor(s)
<i>19.Higher-risk countries</i>	C	
<i>20.Reporting of suspicious transactions</i>	LC	<ul style="list-style-type: none"> The 24-hour term for filing an STR is not established for credit institutions, bonded warehouses and pawnshops.
<i>21.Tipping-off and confidentiality</i>	C	
<i>22.DNFBPs: Customer due diligence</i>	PC	<ul style="list-style-type: none"> Notaries, lawyers, other legal professionals and accountants do not comply with the CDD requirements under this Recommendation. In the case of notaries, there are no elements to conclude that the USD 50,000 threshold was determined based on any study or assessment of the ML/TF risks inherent to the activities carried out by this sector. In the case of lawyers, it is understood that CDD is applied for a higher amount, according to the requirements set out in R.10. Lawyers, accountants and other legal professionals should conduct a risk assessment on new technologies, but the requirements of R.15 are not fully covered. There are no similar provisions for notaries.
<i>23.DNFBPs: Other measures</i>	LC	<ul style="list-style-type: none"> Notaries do not fully comply with the criteria described in this Recommendation. <ul style="list-style-type: none"> STRs should be submitted to the SEPRELAD no later than 60 days from the professional intervention, which does not result in a promptly filed STR. There are no provisions applicable to notaries regarding their compliance with higher-risk country requirements.
<i>24.Transparency and beneficial ownership of legal persons</i>	LC	<ul style="list-style-type: none"> It is not clear whether the information in the Administrative Registry of Legal Persons and Arrangements and Beneficial Owners is available to the general public or only to persons demonstrating a legal interest. However, the country managed to demonstrate through resolutions of the Court of Appeals that the basic information of legal persons does not fall under any of the exceptions provided for by Law 5282/14.

Compliance with the FATF Recommendations		
<i>Recommendation</i>	<i>Rating</i>	<i>Underlying rating factor(s)</i>
		<ul style="list-style-type: none"> • Although there is no basis for the obligation of companies to maintain the basic information of the company at the address notified to the Registry, the Registry in possession of the BO information is within the country and can provide the information upon request. • There appears to be no monitoring of the quality of assistance received from foreign counterparts or of the receipt of information requested by Paraguay itself through authorities other than SEPRELAD. • In the case of companies liquidated through the process of creditor’s meeting or bankruptcy, the respective trustees have the obligation to keep this information. However, this is not specified for how long it should be kept.
<i>25. Transparency and beneficial ownership of legal arrangements</i>	C	
<i>26. Regulation and supervision of financial institutions</i>	LC	<ul style="list-style-type: none"> • There is no provision establishing an RBA for the supervision of bonded warehouses and credit institutions; however, considering the materiality of these sectors in terms of ML/TF in the country, the lack of an RBA is identified as a minor deficiency in compliance with the requirements of this Recommendation.
<i>27. Powers of supervisors</i>	C	
<i>28. Regulation and supervision of DNFBPs</i>	LC	<ul style="list-style-type: none"> • There are no provisions determining that the supervision of notaries is risk-based and that therefore there is a plan or procedure to carry it out.
<i>29. Financial intelligence units</i>	C	
<i>30. Responsibilities of law enforcement and investigative authorities</i>	C	
<i>31. Powers of law enforcement and investigative authorities</i>	LC	<ul style="list-style-type: none"> • There are no provisions empowering competent authorities to use undercover operations for specific ML and TF offences; rather, it only refers to certain predicate offences.

Compliance with the FATF Recommendations		
Recommendation	Rating	Underlying rating factor(s)
		<ul style="list-style-type: none"> The are no provisions determining that competent authorities are empowered to use controlled deliveries in specific ML and TF offences; the regulations only make reference to certain predicate offences. The capacities of competent investigative authorities may be limited in ML/TF cases by the lack of certain special investigative techniques for ML/TF.
32. <i>Cash transportation</i>	MC	<ul style="list-style-type: none"> In Paraguay, although the competent authorities can interrupt cash or BNI, it is not clear from the resolutions whether this happens when there is suspicion of ML/TF.
33. <i>Statistics</i>	C	
34. <i>Guidance and feedback</i>	C	
35. <i>Sanctions</i>	C	
36. <i>International instruments</i>	LC	<ul style="list-style-type: none"> The deficiencies identified in the criminalisation of ML/TF according to R.3 and R.5 limit the full implementation of the conventions mentioned in this Resolution.
37. <i>Mutual legal assistance</i>	LC	<ul style="list-style-type: none"> Paraguayan authorities can make use of special investigative techniques but appear to be limited in cases of ML and TF.
38. <i>Mutual legal assistance: freezing and confiscation</i>	LC	<ul style="list-style-type: none"> There are no agreements signed with other countries to coordinate seizure and forfeiture actions, except for an agreement signed with Peru and the Agreement for the Disposal of Assets Confiscated to Transnational Organised Crime in MERCOSUR. There are no provisions for the sharing of confiscated assets with other countries.
39. <i>Extradition</i>	C	
40. <i>Other forms of international cooperation</i>	LC	<ul style="list-style-type: none"> Not all competent authorities, except for SEPRELAD and the Attorney General's Office, have clear procedures for prioritising requests and there is no evidence that they have processes in place to protect the information received. In addition, the information received shall be treated as confidential. It is not indicated whether the authorities may refuse to provide information if the requesting country cannot effectively protect it.



Compliance with the FATF Recommendations		
<i>Recommendation</i>	Rating	Underlying rating factor(s)
		<ul style="list-style-type: none">• There are deficiencies in the broad provision of international cooperation by all supervisors.

Abbreviations and Acronyms

AML Law	1015/97 Law preventing and punishing the illicit acts intended to legitimise money or assets, amended by Law 3783/09 and 6497/20.
AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
AT	Assessment Team
BCP	Central Bank of Paraguay
BO	Beneficial Ownership
CC	Criminal Code
CCP	Code of Criminal Procedure
CFATF	Caribbean Financial Action Task Force
CGR	Comptroller General of the Republic
CICTE	Inter-American Committee against Terrorism
CNI	National Intelligence Council
CNV	National Securities Commission
CO	Compliance Officer
Committee	AML/CFT Inter-agency Committee
CONAJZAR	National Commission of Games of Chance
DGM	General Directorate of Migration
DINAPI	National Directorate of Intellectual Property
DNA	National Customs Directorate
DNFBP	Designated Non-Financial Business and Professions
ENIF	National Strategy for Financial Inclusion
EPs	Electronic payment service providers
FATF	Financial Action Task Force
FI	Financial Institutions
FTC	Joint Task Force
GAFILAT	Financial Action Task Force of Latin America
GAO	Domestic Organized Groups
GDP	Gross Domestic Product
IDB	Inter-American Development Bank
II	Intelligence Reports
IIF	Financial Intelligence Reports
IMF	International Monetary Fund
INCOOP	National Institute of Cooperativism
IO	Immediate Outcome
KYC	Know Your Customer
Law on Counterterrorism and its Financing	4024/10 Law that punishes terrorism crimes, terrorist organisations and terrorist financing, and was amended by Law 6408/19.

Ley de Inmovilización de activos	6419/19 Law regulating freezing of financial assets of persons related to terrorism and the proliferation of weapons of mass destruction, as well as the procedures for dissemination, listing and de-listing of persons in the sanction lists prepared in accordance with UNSCR.
LP	Legal Person
MER	Mutual Evaluation Report
Mercosur	Southern Common Market
MITIC	Ministry of Information and Communication Technology
ML	Money Laundering
MLA	Mutual legal assistance
MP	Attorney General's Office
MRE	Ministry of Foreign Affairs
MVTS	Money and Value Transfer Services
NPOs	Non-Profit Organizations
NRA	National Risk Assessment
PEEP	Paraguay's Strategic Plan for Combating ML/TF/PF
PEP	Politically Exposed Person
PF	Proliferation Financing
PN	National Police
RBA	Risk Based Approach
RE	Reporting Entity
RRAG	GAFILAT's Asset Recovery Network
RUC	Taxpayer identification number
SCJ	Supreme Court of Justice
SENABICO	National Secretariat for the Administration of Seized and Forfeited Assets
SENAC	National Anticorruption Secretariat
SENAD	National Anti-Drug Secretariat
SEPRELAD	Secretariat for the Prevention of Money Laundering
SEPRINTE	Secretariat for the Prevention and Investigation of Terrorism
SET	State Undersecretariat of Taxation
SIB	Superintendency of Banks
SINAI	National Intelligence System
SIS	Superintendency of Insurance
SRA	Sectoral Risk Assessment
STR	Suspicious Transaction Report
TA	Terrorist Association (crime)
TEI	Electronic International Transfer
TF	Terrorist Financing



TFS	Targeted Financial Sanctions
UIC	Inter-agency Unit against Smuggling
UN	United Nations Organization
UNSC	United Nations Security Council
UNSCR	United Nations Security Council Resolution
VA	Virtual Assets
VASP	Virtual Asset Service Providers