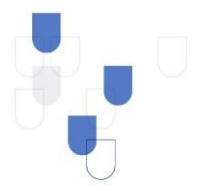


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STRATEGIC ANALYSIS PRODUCT ON PATTERNS, TRENDS AND ALERTS RELATED TO THE PHYSICAL TRANSPORTATION OF CASH AND BEARER NEGOTIABLE INSTRUMENTS IN THE REGION

July 2021



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PRESENTATION

The purpose of this document is to present the results of the consultancy “Strategic analysis product that reflects patterns, trends and alerts related to the physical transportation of cash and bearer negotiable instruments in the region,” based on the parameters established by GAFILAT and in compliance with the activities established in the Working Plan.

The content of this document has been organised in five chapters, as follows:

- the first chapter describes the methodology carried out for the development of the strategic study.
- the second chapter provides an overview of the physical cross-border transportation of money (CTM) in cash and bearer negotiable instruments in the region, describing concepts and the international regulatory framework, as well as compliance in the region with Recommendation 32 (R.32), based on the results of the third and fourth rounds of Mutual Evaluations (ME).
- the third chapter describes the region’s current situation, reporting systems, controls, red flags and typologies and impact of ML/TF through the physical transportation of cash and bearer negotiable instruments in the region based on the answers given to the questionnaire completed by the member countries.
- the fourth chapter presents the analysis of data recorded by the member countries and provided by the Regional Network on Cross-Border Transportation of Money: Consultation and Registration System Tool (hereinafter SICORE Network), which describes the behaviour of CTM in the region.
- finally, the fifth chapter presents the conclusions of the analysis and recommendations.

The narrative and points of view expressed by the consultant are based on the analysis of the documentary information provided by the GAFILAT Executive Secretariat, by the Operational Analysis Working Group (GTAO), through the contributions and answers to the online form—composed of 44 specific questions related to CTM and BNI in the region—as well as on the data provided by the SICORE Network, corresponding to the CTM movements of the last 4 years in its member countries.

ACRONYMS AND ABBREVIATIONS

AML/CFT	Anti-Money Laundering and Counter-Terrorist Financing
DNFBP	Designated Non-Financial Businesses and Professions
NC	National Coordination
UNSC	United Nations Security Council
TC	Technical Compliance
ME	Mutual Evaluation
RBA	Risk-Based Approach
NRA	National Risk Assessment
FPWMD	Financing of the Proliferation of Weapons of Mass Destruction
FSRBs	FATF-Style Regional Bodies
TF	Terrorist Financing
GAFI/FAFT	Financial Action Task Force
GAFILAT	Financial Action Task Force of Latin America
WG	Working Group
MER	Mutual Evaluation Report
BNI	Bearer negotiable instruments
ML	Money Laundering
ML/TF	Money Laundering and Terrorist Financing
IN	Interpretive Note
NPO	Non-Profit Organisations
PEP	Politically Exposed Persons
R	Recommendation
SR	Special Recommendation
SICORE Network	Regional Network on Cross-Border Transportation of Money: Consultation and Registration System Tool
IO	Immediate Outcome
STR	Suspicious Transaction Report
ES	Executive Secretariat
RE	Reporting Entities
CTM	Cross-Border Transportation of Money
FIU	Financial Intelligence Unit

GLOSSARY

- **Bearer shares:** it refers to negotiable instruments that accord ownership in a legal person to the person who possesses the bearer share certificate.
- **False declaration:** it refers to a misrepresentation of the value of currency or BNIs being transported, or a misrepresentation of other relevant data which is required for submission in the declaration or otherwise requested by the authorities. This includes failing to make a declaration as required.
- **Seize:** the term seize means to prohibit the transfer, conversion, disposition, or movement of property based on an action initiated by a competent authority or a court under a freezing mechanism. However, unlike a freezing action, a seizure is affected by a mechanism that allows the competent authority or court to take control of specified property. The seized property remains the property of the natural or legal person(s) that holds an interest in the specified property at the time of seizure, although the competent authority or court will often take over possession, administration, or management of the seized property.
- **Bearer Negotiable Instruments (BNI):** it includes monetary instruments in bearer forms such as traveller's cheques, negotiable instruments (including cheques, promissory notes, and money orders) that are either in bearer form, endorsed without restriction, made out to a fictitious payee, or otherwise in such a form that title thereto passes upon delivery; incomplete instruments (including cheques, promissory notes, and money orders) signed, but with the payee's name omitted.
- **Related to terrorist financing or money laundering:** when used to describe currency or BNIs, refers to currency or BNIs that are: (i) the proceeds of, or used in, or intended or allocated for use in, the financing of terrorism, terrorist acts or terrorist organisations; or (ii) laundered, proceeds from money laundering or predicate offences, or instrumentalities used in or intended for use in the commission of these offences.
- **False disclosure:** it refers to a misrepresentation of the value of currency or BNIs being transported, or a misrepresentation of other relevant data which is asked for upon request in the disclosure or otherwise requested by the authorities. This includes failing to make a disclosure as required.

- **Physical cross-border transportation:** it refers to any in-bound or out-bound physical transportation of currency or BNIs from one country to another country. The term includes the following modes of transportation: (1) physical transportation by a natural person, or in that person's accompanying luggage or vehicle; (2) shipment of currency or BNIs through containerised cargo; or (3) the mailing of currency or BNIs by a natural or legal person.

INTRODUCTION

1. The physical transportation of cash as a means of money laundering continues to be a problem in many countries around the world, and particularly in the Latin American region. Cash is of great importance and a necessity for criminals, it is still widely used in the criminal economy and remains the raw material for most illicit activities. In many cases, even when the proceeds of crime are initially generated electronically, the money is withdrawn through ATMs, and through the so-called “smurfing” modality, it is transported to another country to be deposited in another account to interrupt the audit trail. The physical transportation of cash across an international border is one of the oldest and most basic forms of money laundering¹.
2. The parties involved in the physical transportation of cash across international borders involve at least two countries and a criminal, however, to avoid detection, gangs or networks are involved, making it difficult to trace their movements. Therefore countries, and their authorities, must make efforts to identify, record, verify and control the movement of money across their borders, as well as coordinate and share this information and intelligence in order to facilitate the collection of evidence by international partners, to ensure that the efforts made to combat money laundering and terrorist financing have results in terms of effectiveness.
3. Physical transportation of cash as a method of money laundering is not restricted to a particular type of crime. Although many jurisdictions report the use of this typology by drug trafficking organisations, it is also related to the illegal trafficking of other products, such as alcohol and tobacco, and is also used by criminals involved in other activities, including tax fraud, arms smuggling, and organised illegal immigration, and the financing of terrorism.
4. Although the use of cash is decreasing year by year, paying in cash is still the most efficient method in terms of cost and speed when physically going to stores. In addition, cash continues to provide savers with an asset to diversify their liquid wealth and not depend on an intermediary. However, policies such as financial inclusion or reducing the use of cash based on digital transactions is one of the objectives pursued in the world. The reduction in the use of paper and paper money is a goal for those markets that want to be sustainable.
5. Moreover, although there is a prevalence for the use of cash in the region, there has been a diversification and greater use of electronic means of payment. In addition, some jurisdictions have adopted measures to reduce the use of banknotes and coins, added to the preventive actions generated in response to the pandemic, which has meant a real revolution in the daily aspects of everyone, and the use of cash was not an exception. One of the measures implemented worldwide was lockdown, which meant that most consumers were forced to make purchases over the Internet, or if they did so in physical stores, they made payments with alternative means other than cash as a precaution.
6. To reduce the spread of the virus through contact, digital and contactless payment

¹ Money laundering through the physical transportation of cash. GAFI FAFT, 2015

methods, such as digital wallets, in many cases have replaced cash and have made potentially long-lasting changes in consumer behaviour. Only 45% of Latin Americans had made an online transaction before the pandemic, but that figure has since risen to 83% according to the Americas Market Intelligence (AMI) report. The use of cash, which was the most widespread form of payment in the region prior to the pandemic, –while declining in recent months– remains a predominant means² and continues to be one of the biggest threats in the region, according to GAFILAT's Second Update of the Regional Threat Report on ML.

OBJECTIVE

S GENERAL

7. In view of the above, the objective of this product is to develop, based on the information provided by SICORE for the exchange of information on cross-border transportation of money, a strategic analysis product that reflects patterns, trends and alerts related to the physical transportation of money and bearer negotiable instruments (BNI) in the region.

SPECIFIC

8. In order to achieve that end, the key objectives of this paper are as follows:
- a) To develop an understanding of the scope and magnitude of the problem of the physical transportation of money and BNIs in the region through data collection and review of existing literature.
 - b) To identify the trends, methods and techniques being used for money laundering (ML) through the physical transportation of money and BNIs in the region.
 - c) To know the details of the status of SICORE, the information and fields it considers, as well as the reports and red flags it includes in order to consider them in the development of the strategic analysis.
 - d) To identify the main challenges and problems faced in the detection and disruption of physical transportation of money and BNIs.
 - e) To compile a set of red flags and/or indicators, as well as any other information that can be subsequently used to develop best practices for the prevention, detection, and disruption of ML through the physical transportation of money and BNIs in the region.

² Payments, commerce, and life post-COVID-19 quarantine. Consumers' shift from aspirational to practical in Latin America and the Caribbean. October 2020 Mastercard and America Market Intelligence report.

1. METHODOLOGY

9. The following is a description of the methodology implemented for the preparation of this strategic study, through the identification of the inputs and activities carried out in each phase.

1.1. PHASES OF THE STRATEGIC STUDY

1.1.1. Identification of sources of information

10. In this phase, the different available sources of information were identified:

- a) Provided by GAFILAT: reports of the Operational Support Working Group (GTAO), Report of the workshop on physical cross-border transportation of money and negotiable instruments and its analysis through the consultation and registration system (SICORE), results of the intensified monitoring exercises on cross-border transportation of money and bearer negotiable instruments, FATF Report on money laundering through physical transportation of cash CTM and SICORE Networks data: statistical information provided by the SICORE platform administrator, corresponding to CTM movements recorded by the 11 member countries for the years 2017 to 2020.
- b) Open sources: global cash use statistics, studies related to financial inclusion and the consequences of the COVID-19 pandemic on cash use, Mutual Evaluation Reports (MER) from the third and fourth rounds.

11. An initial meeting was held to define the guidelines and priorities for the coordination of the GTAo and the administration of the platform to get an understanding of the data and the parameters established for the generation of current red flags, through the initial analysis of the information provided by the tool to forecast the level of data analysis at the country and regional level. From this meeting, activities for the collection of the inventory of additional relevant information sources were defined.

1.1.2. Regulatory analysis

12. In this phase, a review of the current regulations and implementation of the Anti-Money Laundering and Counter Terrorist Financing (AML/CFT) System in GAFILAT member countries was carried out to identify the gaps and similarities that were considered in the analysis. This was done through research and compilation of current legislation and technical compliance of member countries with Recommendation 32 (R.32). The control mechanisms currently implemented at the regional level were also analysed, based on the MERs conducted to date and the information published on the web portals each jurisdiction's authorities.



1.1.3. Analysis of the current situation

13. In addition, a form was prepared for the National Coordinators, CTM Network contact points and authorities in order to learn about the current context of CTM and BNIs in the countries of the region. This form included questions that allowed to know the current application of R.32, its technical compliance, and other questions to identify the experience and views of member countries on the subject, some relevant cases, as well as to develop a deeper understanding of their models and operations, their possible exposure to ML/TF risks, and the associated risks.

1.1.4. Data analysis

14. Using descriptive statistical analysis to characterise the behaviour of each country in relation to cross-border transportation of money, the information provided by the SICORE Network was analysed, resulting in aggregate trends and the identification of links between cross-border transportation of money and demographic, economic and social variables, by means of unsupervised data analysis methodologies, represented by cluster analysis, which seek to generate sets of individuals based on the distance of the values taken by the attributes that define them.

15. In all cases, the analyses were developed in a tool specialised in open-access quantitative data processing, such as R or Python.

1.1.5. Conclusions and recommendations

16. Finally, the conclusions reached based on the analysis of the answers given by the member countries to the online questionnaire and the results of the data analysis through the different analytical processes were identified in order to present the behaviour of CTM and BNIs in the region over the last four years. It also presents recommendations for optimising reports, red flags for the SICORE platform and some aspects for improving the system that will result in more complete data collection.

2. CONTEXT

17. The following is a description of the general international context, the identification of concepts, main players, and regulations applicable to cross-border transportation of money and BNIs.

2.1. CONCEPTS

2.1.1. Cash and BNIs

18. Bearer Negotiable Instruments (BNIs) are:



- a) Monetary instruments in bearer form such as: traveller's cheques.
- b) Negotiable instruments (including cheques, promissory notes, and money orders) that are either in bearer form, endorsed without restriction, made out to a fictitious payee, or otherwise in such form that title thereto passes upon delivery.
- c) Incomplete instruments (including cheques, promissory notes, and money orders) signed, but with the payee's name omitted.

19. Currency refers to banknotes and coins that are in circulation as a medium of exchange.

2.1.2. Physical cross-border transportation

20. It refers to any in-bound or out-bound physical transportation of currency or bearer negotiable instruments from one country to another country. The term includes the following modes of transportation:

- a) Physical transportation by a natural person, or in that person's accompanying luggage or vehicle.
- b) Shipment of currency or BNIs through containerised cargo.
- c) The mailing of currency or BNIs by a natural or legal person.

2.1.3. Authorities

21. A very important aspect of compliance with R.32 is the participation, interaction, and cooperation between the different national authorities involved in the registration, control, verification, follow-up, and enforcement of sanctions, through the performance of their role, such as: Customs, Financial Intelligence Unit, Police, Immigration, Anti-Drug - Anti-Smuggling departments, Attorney General's Office/Prosecutor's Office (specialised).

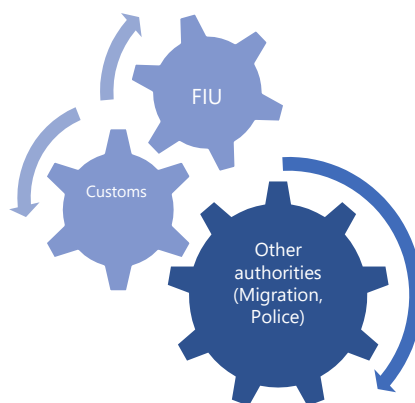


Figure 1. Interaction of actors in implementation of R.32



2.2. INTERNATIONAL LEGAL FRAMEWORK

22. International cooperation and technical, operational, and judicial assistance between States, through the signing of international instruments, are the most important links in the fight against international crime, especially in the fight against money laundering and terrorist financing. The aforementioned becomes even more important when it is noted that most of the active subjects of this crime are members of transnational organised crime.

23. In this sense, international organisations such as the United Nations (UN) and the Financial Action Task Force (FATF), within their objectives and scope, have generated an international legal framework that establishes the obligations of the countries in relation to CTM and BNIs, which are briefly described below.

2.2.1. UNSC Resolutions

24. The United Nations Security Council (UNSC) is the United Nations body responsible for maintaining peace and security in the world and it has issued a series of measures that do not involve the use of armed forces for the purpose of maintaining international peace and security. These measures include sanctions regimes to prevent TF and FPWMD, among which Resolutions 1373 and 2396 include measures related to CTM.

25. The objectives of Resolution 1373 of the United Nations Security Council are to identify nationals linked to terrorism and its financing, as well as to promote international cooperation related to terrorism and its financing. This resolution allows the existence of bilateral cooperation in which a country requests another country not to provide funds or other assets to a natural or legal person that, according to the applicant, meets the criteria for designation as a terrorist as defined in the resolutions of the Council. In this regard, it mandates member States to prevent and suppress the financing of terrorist acts and requires states to prevent the movement of terrorist groups through *effective border controls*.

26. The 1999 International Convention for the Suppression of the Financing of Terrorism requires States Parties to consider introducing measures to detect or monitor the physical cross-border transportation of cash and bearer negotiable instruments, subject to strict safeguards to ensure appropriate use of information and without impeding in any way the free movement of capital.

27. In Resolution 2396, Member States are urged to strengthen their efforts to curb the threat posed by foreign terrorist fighters through border control measures, criminal justice and information sharing, and countering extremism. In this regard, it is noted that the use of passenger name record systems in accordance with International Civil Aviation Organisation (ICAO) recommendations can supplement advance passenger information and help inform decisions regarding potential foreign terrorist fighters. However, such systems require considerable technical capacity, expertise, and skills, as well as sufficient resources. Passenger name record data is generated from information provided by passengers when they book their tickets and check-in for their flights. This information is maintained in airline reservation and

departure control systems and can include a wide range of information, such as passenger name, travel dates, ticket information, contact details, travel agent name, form of payment, seat number and baggage information.

2.2.2. International recommendations

28. The Financial Action Task Force (FATF), an intergovernmental body whose mission is to establish recommendations and promote the effective implementation of legal, policy, regulatory and operational measures to combat ML/TF and other related threats to the integrity of the international financial system, issues the 40 Recommendations that are internationally recognised as the standard for combating ML/TF/FPWMD.

29. The original 1990 FATF 40 Recommendations were an initiative to combat the misuse of financial systems by persons laundering the proceeds of illicit drug trafficking. In 1996, the recommendations were revised for the first time to reflect changing trends and techniques in ML and to broaden their scope beyond the laundering of drug proceeds. In October 2001, the FATF expanded its mandate to include the financing of terrorist acts and organisations and created the important 9 Special Recommendations (SR) on TF.

30. In 2003, the FATF Recommendations were revised for the second time and together with the Special Recommendations were endorsed by more than 180 countries and are universally recognised as the international standard against money laundering and terrorist financing (AML/CFT).

31. In 2012, the FATF updated its recommendations to keep pace with the evolution of latent risks and strengthen global safeguards. With this latest revision, the 9 SRs were integrated as part of the 40 existing Recommendations against ML/TF. Thus, new measures were introduced to combat the financing of proliferation of weapons of mass destruction (FPWMD), the problem of ML derived from corruption and tax crimes was detected on a larger scale, and the guidelines for high-risk situations were reinforced, allowing countries to apply a risk-based approach. Its purposes continue to be to protect the integrity of the financial system by providing governments with the updated tools necessary to take action against financial crimes.

32. In this regard, with specific regard to cash couriers, the former SR. IX is being extended by Recommendation 32 (R.32), which was developed with the objective of ensuring that terrorists and other criminals cannot finance their activities or launder the proceeds of their crimes through the physical cross-border transportation of currency and BNIs.

2.2.3. Recommendation 32 - Cash Couriers

33. Recommendation 32 is specifically aimed at ensuring that countries have measures in place to:

- a) Detect the physical cross-border transportation of currency and BNIs.



- b) Stop or restrain currency or BNIs that are suspected to be related to TF or ML.
- c) Stop or restrain currency or BNIs that are falsely declared or disclosed.
- d) Apply appropriate sanctions for making false declaration(s) or disclosure(s).
- e) Enable the confiscation of currency or BNIs related to TF or ML.

34. In compliance with R.32 and its Interpretive Note (IN), countries may implement the following types of systems³:

SYSTEM	TYPE	DESCRIPTION
DECLARATION SYSTEM All persons making a physical cross-border transportation of currency or BNIs, which are of value exceeding a pre-set, maximum threshold of USD/EUR 15,000, are required to submit a truthful declaration to the designated competent authorities.	i. A written declaration system for all travellers.	All travellers are required to complete a written declaration before entering the country. This would include questions contained on common or customs declaration forms. In practice, travellers have to make a declaration whether or not they are carrying currency or BNIs (e.g., ticking a “yes” or “no” box).
	ii. A written declaration system for those travellers carrying an amount of currency or BNIs above a threshold.	All travellers carrying an amount of currency or BNIs above a pre-set designated threshold are required to complete a written declaration form. In practice, the traveller is not required to fill out any forms if they are not carrying currency or BNIs over the designated threshold.
	iii. Oral declaration.	All travellers are required to orally declare if they carry an amount of currency or BNIs above a prescribed threshold. Usually, this is done at customs entry points by requiring travellers to choose between the “red channel” (goods to declare) and the “green channel” (nothing to declare). The choice of channel that the traveller makes is the oral declaration. In practice, travellers do not declare in writing, but are required to actively report to a customs official.

³ Countries do not have to use the same type of system for incoming and outgoing, cross-border transportation of money or BNIs.

<p>DISCLOSURE SYSTEM</p>	<p>iv. Oral disclosure.</p>	<p>Countries may opt for a system whereby travellers are required to provide the authorities with appropriate information upon request. In such systems, there is no requirement for travellers to make an upfront written or oral declaration. In practice, travellers need to be required to give a truthful answer to competent authorities upon request.</p>
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Table 1. Disclosure System

35. Whichever system is implemented, countries should ensure that their system incorporates the following elements:

- a) The declaration/disclosure system should apply to both **in-bound and out-bound** transportation of currency and BNIs.
- b) Upon discovery of a false declaration/disclosure of currency or BNIs or a failure to declare/disclose them, designated competent authorities should **have the authority to request and obtain further information** from the carrier regarding the origin of the currency or BNIs and their intended use.
- c) Information obtained through the declaration/disclosure process **should be available to the FIU**, either through a system whereby the FIU is notified about suspicious cross-border transportation incidents, or by making the declaration/disclosure information directly available to the FIU in some other way.
- d) At the domestic level, countries should ensure that there is **adequate coordination among customs, immigration and other related authorities** on issues related to the implementation of Recommendation 32.
- e) In the following two cases, competent authorities should **be able to stop or restrain cash or BNIs for a reasonable time**, in order to ascertain whether evidence of money laundering or terrorist financing may be found: (i) where there is a suspicion of money laundering or terrorist financing; or (ii) where there is a false declaration or false disclosure.
- f) The declaration/disclosure system should allow for the greatest possible measure of **international cooperation and assistance** in accordance with Recommendations 36 to 40. To facilitate such cooperation, in instances when: (i) a declaration or disclosure which exceeds the maximum threshold of USD/EUR 15,000 is made; or (ii) where there is a false declaration or false disclosure; or (iii) where there is a suspicion of money laundering or terrorist financing, this information shall be retained for use by competent authorities. At a minimum, this information will cover: (i) the amount of

currency or BNIs declared, disclosed, or otherwise detected; and (ii) the identification data of the bearer(s).

- g) Countries should implement Recommendation 32 subject to strict safeguards to ensure proper use of information and **without restricting either**: (i) trade payments between countries for goods and services; or (ii) the freedom of capital movements, in any way.

SANCTIONS

36. Persons who make a false declaration or disclosure should be subject to effective, proportionate, and dissuasive sanctions, whether criminal civil or administrative. Persons who are carrying out a physical cross-border transportation of currency or BNIs that is related to terrorist financing, money laundering or predicate offences should also be subject to effective, proportionate, and dissuasive sanctions, whether criminal, civil, or administrative, and should be subject to measures, consistent with Recommendation 4, which would enable the confiscation of such currency or BNIs.

37. Authorities responsible for implementation of Recommendation 32 should have adequate financial, human, and technical resources. Countries should have in place processes to ensure that the staff of these authorities maintain high professional standards, including standards concerning confidentiality, and should be of high integrity and be appropriately skilled.

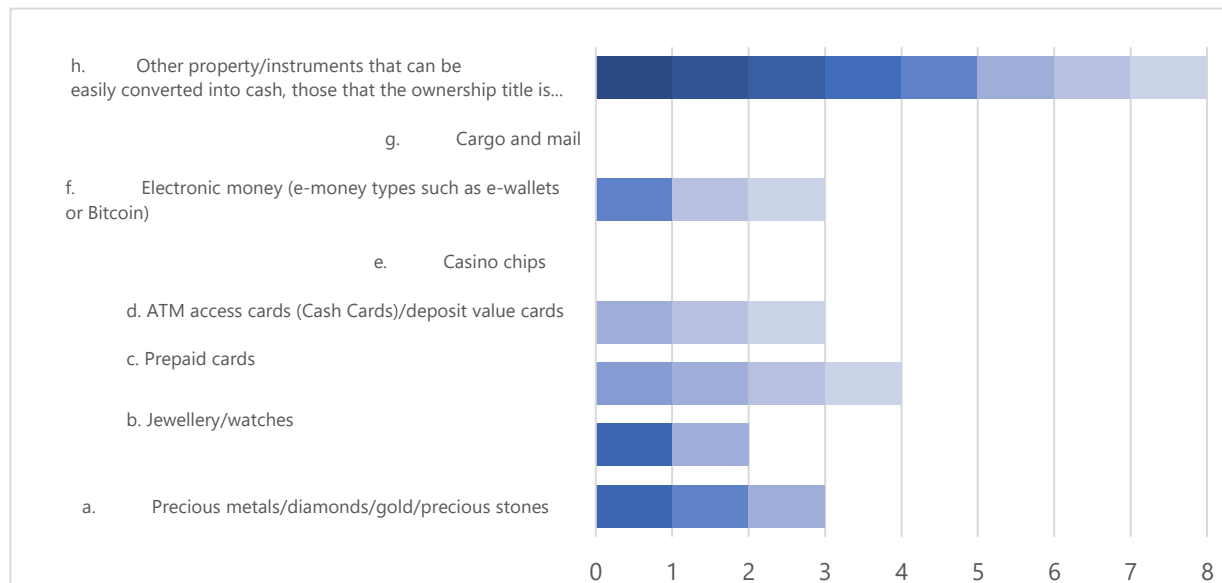
GOLD, PRECIOUS METALS AND PRECIOUS STONES

38. For the purposes of R.32, gold, precious metals, and precious stones are not included, despite their high liquidity and use in certain situations as a means of exchange or transmitting value. These items may be otherwise covered under customs laws and regulations. If a country discovers an unusual cross-border movement of gold, precious metals, or precious stones, it should consider notifying, as appropriate, the Customs Service or other competent authorities of the countries from which these items originated and/or to which they are destined and should cooperate with a view toward establishing the source, destination, and purpose of the movement of such items, and toward the taking of appropriate action.

2.3. COMPARATIVE REGULATORY FRAMEWORK IN THE REGION

(ii) As a starting point to begin this analysis, countries were consulted on the scope of their regulations for “Currency and BNIs,” and it was found that the majority (70%) include in their definition: other goods/instruments that can be easily converted into cash/transferrable instruments in such a way that ownership of title can be transferred to one or more persons; 40% include the use of prepaid cards; followed with 30% that include: (i) ATM access cards (Cash Cards)/deposit value cards, (ii) electronic money (e-money types such as e-wallets or Bitcoin), and (iii) precious metals/diamonds/gold/precious stones; only 20% considers: jewellery/watches; and none includes: casino chips, cargo and mail.





Graph 1. Definition of “currency and bearer negotiable instruments”

39. The following is the regulatory scheme of the countries in the region based on the details of technical compliance recorded in the MERs of the third and fourth round, as well as the responses given by the countries to the questionnaire and other open sources of information, such as institutional pages of the Customs, FIU and Migration authorities:

COUNTRY	REGULATION	TO DECLARE	AMOUNT	MAX. THRESHOLD	SANCTION	DISSEMINATION
ARGENTINA	<ul style="list-style-type: none"> • General Resolution 2704 of 2009 (inbound) • Resolution 631/91. • Customs Code, Article 905. 	<ul style="list-style-type: none"> • Travelers of any category and crew members who bring into Argentine territory, as luggage or baggage, cash and/or monetary instruments, in foreign or national currency of legal tender, for a value equal to or greater than the equivalent to USD 10,000 must declare it to the customs service, at the time of entering the country, by means of form OM-2249-A. • In the case of non-emancipated minors under sixteen (16) years of age, such amount shall be equal to or greater than the equivalent to USD 5,000. • There are no provisions related to the entry of money or BNIs through mail or containerized cargo. • They do not include negotiable instruments (bearer or not). • There is a prohibition on the outflow of more than USD 10,000 by physical means. Amounts exceeding this threshold may only be transferred through the financial system (see AFIP General Resolution No. 2705/2009 November 05, 2009). 	USD 10,000	No	<ul style="list-style-type: none"> • If the customs authority verifies the falsehood of the declaration made by the traveller or crew member, he shall be liable to the penalties and precautionary measures provided for in the Customs Code and complementary regulations, proceeding to the seizure of the excess money and the filing of the summary, infraction or preventive proceedings, as appropriate. • Imprisonment of two (2) to eight (8) years shall be imposed upon anyone who, by any act or omission, prevents or hinders, by means of trickery or deceit, the proper exercise of the functions provided for in the Customs Code and complementary regulations. • In addition to the penalty of imprisonment, article 876(1) authorizes additional penalties such as: confiscation of the goods, a fine of 4 to 20 times the value of the object, and the prohibition for three (3) to fifteen (15) years to engage in import or export activities. 	<ul style="list-style-type: none"> • For the integration and issuance of the sworn declaration form OM-2249-A, the customs service shall register, in the Value Entry and Exit System, the data declared by each traveller or crew member. • The information recorded in the Value Entry and Exit System, in relation to the declared data, shall be provided by this agency to the Financial Information Unit, an agency under the scope of the Ministry of Justice, Security and Human Rights.
	<ul style="list-style-type: none"> • General Resolution 2705 (outbound). 	<ul style="list-style-type: none"> • The outflow of banknotes, coins and precious metals from the country is regulated by General Resolution (AFIP) 2705. 				
BOLIVIA	<ul style="list-style-type: none"> • Executive Decree No. 29681 of 2008. 	All natural or legal persons, public, private, and mixed, national or foreign, are obliged to report between USD 10,000 and USD 50,000, with a permit from the Central Bank of Bolivia (BCB).	USD 10,000	No	A fine of 30% of the difference between the amount established from the review of the physical size of the baggage and the amount declared, without prejudice to the corresponding legal action.	<ul style="list-style-type: none"> • Not described.

COUNTRY	REGULATION	TO DECLARE	AMOUNT	MAX. THRESHOLD	SANCTION	DISSEMINATION
		<ul style="list-style-type: none"> Between USD 50,000 and USD 500,000 it requires an authorisation from the Ministry of Economy and Public Finance. The physical transportation of currency abroad or the introduction into the national territory for amounts between USD 50,000 and USD 500,000 will require authorization from the BCB. For larger amounts, the authorization will be issued by the Ministry of Economy and Public Finance. The transportation of cash as cargo is only authorized for the Central Bank of Bolivia through the Declaration of Goods. 				
BRAZIL	<ul style="list-style-type: none"> RFB No. 1385 AUGUST 15, 2013. 	<ul style="list-style-type: none"> Individuals entering or leaving the country with funds in local or foreign currency, in an amount exceeding R\$ 10,000 (ten thousand reais), must present, at the customs control having jurisdiction over the place of entry or exit of the country, the declaration of the values in currency, cheques and traveller's cheques being carried. 	Equivalent to R\$ 10,000	No	<ul style="list-style-type: none"> Failure to comply with the provisions contained in articles 7 to 9 shall entail, in addition to the criminal penalties provided for in the specific legislation, the loss of the excess value, under the terms of article 65 of Law 9.069 of June 29, 1995, and articles 700 and 777 to 780 of Decree 6.759, of 2009 (RA/2009). 	<ul style="list-style-type: none"> Not described.
COLOMBIA	<ul style="list-style-type: none"> Resolution 63 and 87 of DIAN (2016). 	<ul style="list-style-type: none"> For exchange purposes, they are natural persons or family groups formed by travellers, who enter or leave the country through any airport, river or seaport or land border crossing, with an amount in cash exceeding USD 10,000 or its equivalent in other currencies, or with securities representing money in 	USD 10,000	No	<ul style="list-style-type: none"> Proportionate administrative sanctions. In addition to the authority of the Attorney General's Office to seize the foreign currency or BNIs wrongly declared, there is a fine of 30% of the value of the assets in question for the transportation of incoming 	<ul style="list-style-type: none"> The DIAN is required to submit quarterly reports with information on investigations conducted under its authority to the UIAF.

COUNTRY	REGULATION	TO DECLARE	AMOUNT	MAX. THRESHOLD	SANCTION	DISSEMINATION
		<p>excess of such amount, with the obligation to submit the form to the customs authority.</p> <ul style="list-style-type: none"> All natural and legal persons, whether by air, mail, and cargo. 			<p>currency and BNIs, and 40% of the value of the assets for the transportation of outgoing currency or BNIs.</p>	
COSTA RICA	<ul style="list-style-type: none"> Central American Customs Code. Law 8204. Legislative Decree 021-2014: communicate to the FIU. 	<ul style="list-style-type: none"> Obligation to declare the transportation of money in amounts equal to or greater than USD 10,000 or its equivalent in another currency, when leaving or entering the country. 	USD 10,000	No	<ul style="list-style-type: none"> Objective liability and immediate loss of money or securities in favour of the Costa Rican Institute on Drugs (ICD). 	<ul style="list-style-type: none"> Referred directly to the FIU within five (5) working days of the following month.
CUBA	<ul style="list-style-type: none"> Legislative Decree 162 of 1996, Customs Control Regulations. Resolution 17 of 2012, of the BCC Resolution No. 439: Declaration Format. 	<ul style="list-style-type: none"> Natural persons who upon their entry into the national territory carry an amount greater than five thousand U.S. dollars (USD 5,000) or its equivalent in other freely convertible currencies (FCC) in cash, are obliged to declare it before the officials of the General Customs of the Republic. Natural persons upon leaving the country may freely export up to five thousand U.S. dollars (USD 5,000) or its equivalent in other FCC in cash or by means of cheques or other means of payment used in international banking practice. 	USD 5,000	No	<ul style="list-style-type: none"> Customs carries out the administrative seizure of imported products in the following cases: When their entry is prohibited, when the products are brought or shipped by means of fraudulent declaration or when the products are brought or shipped in violation of the provisions of the legislation in force. In addition to the above, if there is a connection with a possible crime, convictions and forfeiture measures may be applied according to the Criminal Code. 	<ul style="list-style-type: none"> Customs notifies or provides information to the DGIOF regarding suspicious cross-border transportation incidents. Customs may impose forfeiture on travellers who attempt to remove goods from the country without declaring them to Customs or in any way circumventing Customs controls. All the above is without prejudice to criminal liability; therefore, when ML/FT and ML predicate offenses occur, Customs notifies the relevant agencies to investigate.
CHILE	<ul style="list-style-type: none"> Law 19.913 Circular No. 561/2006 National Customs Directorate (DNA). 	<p>Anyone carrying or transporting currency in cash or bearer negotiable instruments from abroad to the country, for an amount exceeding USD 10,000 or its equivalent in other currencies, are obliged to inform Customs for their registration and entry directly into the Internet application.</p>	USD 10,000	No	<p>Failure to comply with the obligation to report upon entering or leaving the country is considered a less serious infraction and may be sanctioned with a reprimand and a fine for the benefit of the tax authorities of up to the equivalent of 3,000 Development Units.</p>	<p>The information entered in the respective form will be sent online to the FAU. In case of doubt, the user's manual, called "Manual for the Declaration of Entry for Carrying and Transportation of Cash - DPTE (Entrance and exit)" may be consulted on the website of the National Customs Service. www.aduana.cl</p>

COUNTRY	REGULATION	TO DECLARE	AMOUNT	MAX. THRESHOLD	SANCTION	DISSEMINATION
		<ul style="list-style-type: none"> In the case of cash or BNIs sent by mail, courier or other means, the information must be entered directly into the Internet application developed by the FAU, at the time of entry or effective departure from the country, and a copy of the certificate issued must be given to the person declaring, which must be signed by the Customs official and the declarant. 			<p>The amount of the undeclared amount will be taken into special consideration for the application of the sanction, and the fine, in any case, may not exceed 30% of such amount.</p>	
ECUADOR	<ul style="list-style-type: none"> The Organic Law for the Prevention, Detection and Eradication of the Money Laundering and Terrorist Financing Crimes. 	<ul style="list-style-type: none"> Any passenger who enters or leaves the country with cash, for an amount equal to or greater than USD 10,000 or its equivalent in other currencies, is obliged to declare it before the corresponding authorities. For this purpose, upon arrival in Ecuadorian territory, the passenger must fill out the Customs Registration Form (FRA), which is delivered by the airlines during the flight, and must then be delivered to the customs authority. However, the legality of the funds for money to be exported is verified. 	USD 10,000 0	No	<ul style="list-style-type: none"> The customs authority shall impose a fine equivalent to 30% of the total of the values not declared or declared erroneously or falsely, without prejudice to the continuation of criminal proceedings in the event of a crime. 	
GUATEMALA	<ul style="list-style-type: none"> Law Against Laundering of Money or Other Assets. Decree No 67-2001. Central American Customs Code 	<ul style="list-style-type: none"> Any person, whether natural or legal, national or foreign, who transports cash or documents to or from abroad. 	USD 10,000 0	No		<ul style="list-style-type: none"> The Superintendency of Tax Administration (SAT) must prepare a monthly report on the sworn declarations of entry or exit, including the date, the name of the passenger and the amount declared, which must be sent to the Special Verification Office (IVE) within the month following the corresponding month.

COUNTRY	REGULATION	TO DECLARE	AMOUNT	MAX. THRESHOLD	SANCTION	DISSEMINATION
HONDURAS	<ul style="list-style-type: none"> Special Law against Money Laundering, Art. 34. Law against Terrorist Financing, article 63. Central American Customs Code. 	<ul style="list-style-type: none"> Any national or foreign person entering or leaving the country, through the Air, Maritime and Land Customs, is obliged to file the Single Affidavit for the International Transportation of Cash or Securities of immediate convertibility equal to or greater than (USD 10,000) or its equivalent in national currency or any foreign currency (money, e-wallets, securities or negotiable instruments, bearer travellers' cheques or any other security of immediate convertibility) must declare them. 	USD 10,00 0	No	<ul style="list-style-type: none"> In case of failure to do so, the Customs Authority shall apply an administrative sanction of one third (1/3) of the undeclared value, without prejudice to the criminal liability that may be incurred in accordance with the provisions of the Law and other applicable laws. 	<ul style="list-style-type: none"> The declarations corresponding to the month shall be sent to the DEI, either electronically, photostatically, microfilm or by any other mechanism, and the necessary support shall be submitted within the first ten (10) days of the following month.
MEXICO	<ul style="list-style-type: none"> Customs Code, Article 9. Federal Fiscal Code of supplementary application, Art. 105 I. Customs Law Regulations, Art. 8. General Rules for Foreign Trade 2020. Rule 2.1.3. 	<ul style="list-style-type: none"> The system applies to the entry and exit of cash, national or foreign cheques, payment orders, or any other document or any combination thereof. It also extends to mail and cargo. 	USD 10,00 0	No	<ul style="list-style-type: none"> It is not an offence to make a false declaration, there is no clear procedure by the Customs to deal with cross-border transportation of funds related to TF. Customs does not have the power to request information on the origin and the intended use of cash and BNIs. 	<ul style="list-style-type: none"> Information on amounts exceeding USD 10,000 is processed by Customs officials in the Money Declarations Capture System (SICADED), which was integrated to the FIU database.
NICARAGUA	<ul style="list-style-type: none"> Central American Customs Code. Law 793, Article 11. Technical Circular CT/117/2013, item 1, as amended partially by CT 22/2015. 	<ul style="list-style-type: none"> Carried cash, securities, objects, precious metals, and merchandise equal to or greater than USD 10,000. 	USD 10,00 0	No	<ul style="list-style-type: none"> Fine of 500 Central American pesos or its equivalent in national currency. Cases of customs fraud and smuggling are sanctioned with 3 to 6 years of imprisonment and 4 to 8 years of imprisonment respectively, and in both cases with a fine equivalent to twice the value of the goods or merchandise involved. 	<ul style="list-style-type: none"> The UAF receives customs declarations directly through a computer system created by the DGA (article 793, article 11, Cooperation Agreement between the DGA and the UAF).

COUNTRY	REGULATION	TO DECLARE	AMOUNT	MAX. THRESHOLD	SANCTION	DISSEMINATION
PANAMA	<ul style="list-style-type: none"> • Law 26 of April 17, 2013. • Law 23 of 2015 for the Prevention of Money Laundering. • Executive Decree 472 of August 18, 2017, Customs. • Resolution 69 of Feb 21, 2014. • Resolution 393 of 2017 COMIECO LXXXII. • Resolution 602 of Dec. 11, 2019, Art. 10. 	<ul style="list-style-type: none"> • Goods, persons and means of transportation through the country's borders, ports and airports, written declaration system for all travellers, who must declare if they carry more than ten thousand balboas (USD 10,000). 	<p>USD</p> <p>10,00</p> <p>0</p>	No	<ul style="list-style-type: none"> • In connection with the possibilities of seizure, retention and confiscation, the rules regarding smuggling apply. 	<ul style="list-style-type: none"> • The National Customs Authority (ANA) will send a daily report to the FAU with the information contained in the declarations. The information obtained is shared with the FAU, and there is adequate coordination with other related authorities, as well as for purposes of international cooperation and assistance.
PARAGUAY	<ul style="list-style-type: none"> • Law No. 1015 of 97. 	<ul style="list-style-type: none"> • All travellers entering or leaving the country carrying more than USD 10,000, or its equivalent in other currencies, will be obliged to declare it to Customs. 	<p>USD</p> <p>10,00</p> <p>0</p>	No		
PERU	<ul style="list-style-type: none"> • Law 29306, Written declaration system, under oath. • Executive Decree 195-2013-EF communicate to the FIU. 	<ul style="list-style-type: none"> • It establishes the obligation for any person, whether national or foreign, entering or leaving the country, to declare under oath the bearer negotiable financial instruments or cash carried by him/her for an amount greater than USD 10,000. • Prohibition to carry, upon entering or leaving the country, amounts more than USD 30,000. • In case you need to transport more through companies legally authorised by the Superintendency of Banking, Insurance and PFM (SBS). 	<p>USD</p> <p>10,00</p> <p>0</p>	Max. threshold: USD 30,000	<ul style="list-style-type: none"> • In case of failure to comply with the truthful declaration, the temporary withholding of the money or bearer financial instruments falsely declared or omitted, and a sanction of 30% of the undeclared amount shall be imposed; moreover, any amount more than USD 30,000, even if declared, shall be retained. 	<ul style="list-style-type: none"> • They must be sent in electronic format to the FIU within the first five (5) days of the month following the reporting month, in addition to a hard copy within the first fifteen (15) days of the calendar month.

COUNTRY	REGULATION	TO DECLARE	AMOUNT	MAX. THRESHOLD	SANCTION	DISSEMINATION
DOMINICAN REPUBLIC	<ul style="list-style-type: none"> • Law 155-17, Article 65. 	<ul style="list-style-type: none"> • Any natural person, national or foreign, entering or leaving its national territory by air, sea, or land, is required to submit the DGA form, a declaration in which he/she notifies whether he/she is transporting money, e-wallets, securities or BNIs. There are no regulatory standards in this regard for cargo and mail. 	USD 10,000	No	<ul style="list-style-type: none"> • Failure to declare or a false declaration in relation to the amount upon entering or exiting the Dominican territory is sanctioned with a penalty of 6 months to 1 year's imprisonment, the seizure of the money or securities falsely declared or undisclosed, and a fine of forty to sixty minimum wages. 	<ul style="list-style-type: none"> • The General Customs Directorate (DGA) must send to the FAU, in editable format directly or by secure email attachment, the following information: 1) Within the first 15 days of the month: The forms of the previous month, and 2) Within the first 24 hours: The minutes drafted upon the performance of the seizure.
URUGUAY	<ul style="list-style-type: none"> • Law 19574 and amending decrees. • Art. 29 of AML Law • Art. 317 of the RNRCFS and the procedure provided for in Communication 2013/069, which establishes an electronic declaration system. • Decree 379/018, which in Art. 100 	<ul style="list-style-type: none"> • Obligation to declare the transportation of cash, precious metals, or other monetary instruments across the border more than USD 10,000 or its equivalent in other currencies, both upon entry into and exit from the national territory. In the case of natural and legal persons subject to the control of the BCU, regardless of the modality involved, the declaration must be made before the BCU itself. • Natural or legal persons not subject to the control of the BCU who transport cash, precious metals, or other monetary instruments across the border in an amount exceeding USD 10,000 must declare it to the DNA. In the case of accompanying luggage, it must be declared in the Accompanying Luggage Declaration Form, which on this regard shall be established by the Executing Unit. In the case of luggage arriving in cargo condition, it must be declared in the corresponding cargo guides or documentation. 	USD 10,000	No	<ul style="list-style-type: none"> • The competent authority shall immediately request the judicial order of seizure when there are well-founded suspicions that the undeclared funds or values come from any of the crimes typified in the AML Law. 	<ul style="list-style-type: none"> • The computer system that receives the declarations made by persons subject to the control of the Central Bank of Uruguay (BCU) is managed directly by the UIAF. In addition, the DNA sends to the UIAF files with the information of the declarations made by the rest of the natural and legal persons.

Table 2. Schematic summary of the regulatory framework for CTM in the region

2.4. RESULTS FROM THE REGION IN THE FOURTH ROUND

40. As an important part of the context analysis, the results of the Fourth Round of Mutual Evaluations in force as of December 2020 were considered, and as a reference regarding the countries that have not yet been evaluated, the results described in the MER of the Third Round of Mutual Evaluations were taken into account.

COUNTRY	THIRD ROUND (SR IX)	FOURTH ROUND (R.32)
Argentina	PC	
Bolivia	PC	
Brazil	PC	
Colombia	LC	LC
Costa Rica	NC	C
Cuba	-	C
Chile	PC	
Ecuador	PC	
Guatemala	PC	C
Honduras	PC	C
Mexico	PC	PC
Nicaragua	NC	LC
Panama	-	C
Paraguay	NC	
Peru	PC	LC
Dominican Republic	-	PC
Uruguay	LC	C

Table 3. Rating summary of R.32

41. In general terms, the results of technical compliance with R.32 in the fourth round of Mutual Evaluations show a notable improvement compared to the third round. When consulting the Mutual Evaluation Reports (MERs) of the countries that have been evaluated in the region, 55% of the countries evaluated obtained a “Compliant” rating for R.32, 27% “Largely Compliant,” and 18% “Partially Compliant,” and the following aspects can be highlighted.

- a) There is evidence of compliance by the countries in the establishment of the declaration system, by means of a certain threshold, mostly at (USD 10,000).
- b) It is observed that all countries comply with the obligation to communicate information, when required, in terms of national and international cooperation.

42. There is also some room for improvement:

- a) It was evidenced that the measures on declarations do not cover all the means of transportation of currency indicated by the standard, enunciatively mail and cargo. In some jurisdictions, further work is needed: Include in the regulations the registration and control of the cross-border transportation of cash through cargo and mail.
- b) There are still some deficiencies associated with the mechanisms to allow access to information obtained through the declaration system and not only to that related to ongoing investigations.
- c) Improve or systematise communication in a timely manner to the FIU.
- d) The implementation of coordination mechanisms between Customs, Financial Intelligence Units, immigration authorities and other relevant authorities linked to the implementation of this Recommendation.

43. Likewise, compliance with R.32 has an impact on the effectiveness of the following Immediate Outcomes⁴:

- a) IO.2 International cooperation.
- b) IO.6 Financial intelligence and all other relevant information are appropriately used for money laundering and terrorist financing investigations, as well as in immediate outcome.
- c) IO.7 Money laundering offences and activities are investigated, and offenders are prosecuted and subject to effective, proportionate, and dissuasive sanctions.
- d) IO.8 Proceeds, and instrumentalities of crime are confiscated.
- e) IO.9 Terrorist financing offences are investigated and persons who finance terrorism are prosecuted.

IO:	Cuba	Costa Rica	Honduras	Guatemala	Nicaragua	Mexico	Panama	Peru	Colombia	Dominican Republic	Uruguay
IO. 2	M	S	S	S	M	S	M	S	S	S	M
IO. 6	M	M	M	S	M	M	L	S	S	M	M

⁴ This section considers only the ratings of the countries evaluated in the Fourth Round of Mutual Evaluations.

IO. 7	M	M	M	S	M	L	M	L	L	M	M
IO. 8	S	M	H	S	S	L	M	M	S	M	M
IO. 9	S	M	S	M	M	M	M	M	L	S	M

Table 4. Summary rating of IOs in the 4th Round of MEs, related to R.32

3. ANALYSIS OF THE CURRENT SITUATION

3.1. USE OF CASH

45. Cash is still the most widely used payment option in the world. However, more and more opportunities and initiatives are being created to gradually eliminate the use of cash in order to protect transactions and formalise the economy of countries. Here are the advantages and disadvantages of using cash.

3.1.1. Advantages

46. **Ease and availability:** All establishments welcome this method of payment, while some are still reluctant to accept credit/debit cards. You always know how much money you have and can only spend that much, so there is no danger of overspending.

47. **It helps with budgeting:** When you pay with a card you hardly remember how much money you have left. When you pay with cash, you stick to a budget without throwing your finances out of balance.

48. **Savings on bank fees:** The existing cost of maintaining financial products through fees, instalments, or interest. Even in some savings accounts, the money may not remain constant due to account maintenance fees.

49. **Discounts on goods:** In many countries it is possible to negotiate a lower price when paying for goods and services with cash, because some financial institutions charge a fee for processing credit and debit cards, as well as for cheque transactions. Some establishments offer discounts on the value of the item or purchase when paid in cash.

50. **Cash is reliable when there is a crisis:** Large-scale natural disasters, such as floods or earthquakes, can cause widespread disruption to critical infrastructure, such as transportation networks, buildings, and power supplies, which in turn affects the operation of the financial services industry. In these circumstances, cash can often be the only method of conducting any form of financial transaction.



3.1.2. Disadvantages

51. **Insecurity:** One of the disadvantages of cash that people are most concerned about is the exposure or risk of insecurity due to robbery or assault. In these situations, the main targets are valuables and cash. In the case of electronic transactions, credit cards, there is support from the financial institution and the card can be reported as stolen or lost.
52. **There is no financial history:** In case you want to apply for credit or loans in financial institutions, there are no behavioural references that allow you to verify how financially responsible you are. This can be an obstacle when you want to save, invest income, or apply for another financial product.
53. **Large amounts of cash are heavy and bulky:** In countries where high denomination local currency bills are not printed or widely available, the amount of cash required to make a purchase is significant. This has obvious disadvantages in terms of storage and transportation to where they are needed.
54. **The use of cash can limit purchasing options:** It is not possible to use cash to purchase goods in certain circumstances, such as when using online portals and, in some countries, governments have set limits on the maximum value of transactions that can be carried out with cash.
55. **It is costly to process cash:** For businesses, counting and processing cash efficiently requires additional investment in security, distribution, staffing, training, and equipment. For businesses and financial institutions, these costs cannot always be passed on to the customer. Large banks and other financial institutions often find it more economical to outsource specialised companies for cash handling systems, which may be more cost effective for them, but creates additional requirements with respect to contractual agreements, etc.

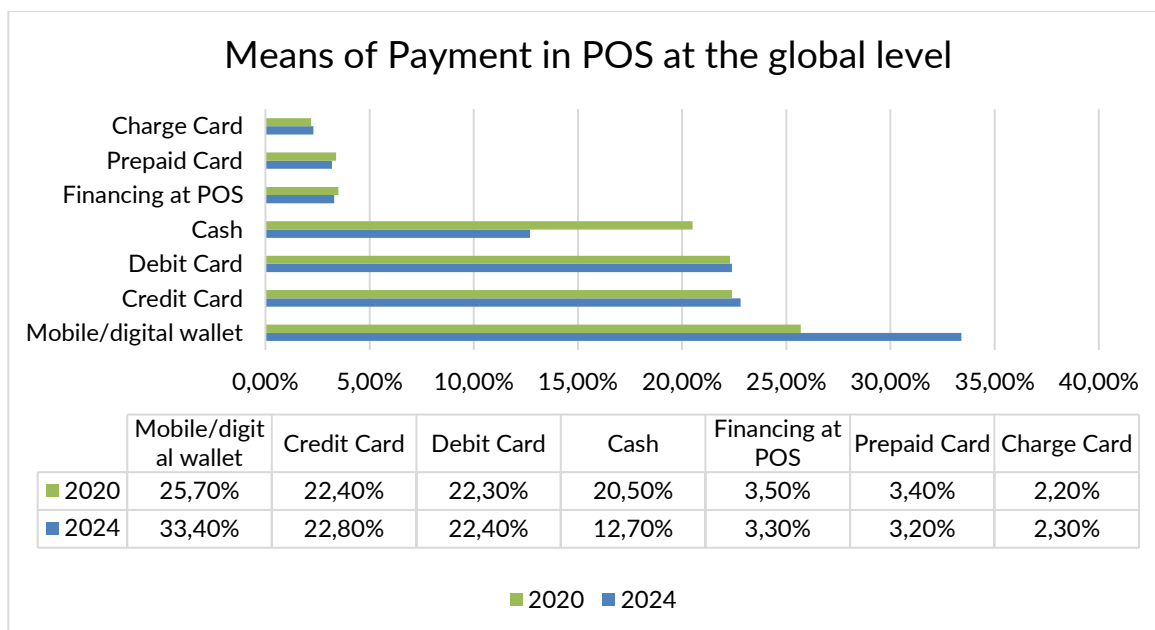
3.2. TREND IN THE USE OF LEGITIMATE CASH

56. We are the protagonists of the fourth industrial revolution and technology is a fundamental factor in these changes. Financial services are also part of this trend and are part of the next revolution, the digital economy.
57. Reducing the use of cash based on digital transactions is one of the objectives pursued in the world: Sweden, for example, where only 5% of retail purchases are made with banknotes; or India, which reduced the issuance of paper money.
58. The use of cash, which was the overwhelmingly dominant form of payment in the region before the pandemic, has declined in recent months due to health security measures and social distancing.
59. While the influx of tens of millions of previously unbanked Latin Americans who now have accounts is certainly a step forward for financial inclusion in the region, there is still work

to be done to keep them digitally engaged in the long term, as many of them opened bank accounts out of sheer necessity rather than a change in mindset regarding digital banking.

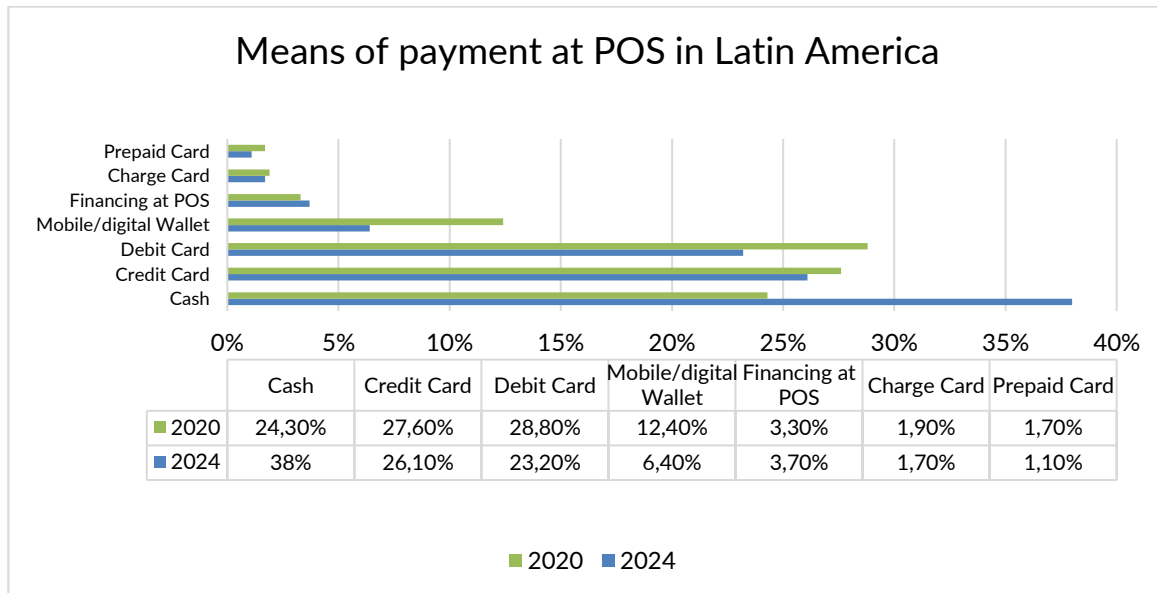
60. The way the COVID-19 outbreak accelerated the shift away from cash exceeded even the best predictions. The pandemic caused the drop in cash usage to leap forward by more than three years and surpass in 2020 forecasts for 2023. Cash was used in 20.5% of the volume of point-of-sale (POS) transactions during 2020, a decrease of 32.1% from 2019.

61. In 2020, cash transaction values fell sharply globally: 21.9 % in North America, 33.6 % in Europe, 34.7 % in Latin America, and 36.6 % in Asia-Pacific (APAC). Worldwide cash usage reached an unprecedented low point to represent just 5.4% of POS transaction volume in Canada, 4.5% in Norway, 11.9% in the U.S., and less than 10% in markets as diverse as Australia, Hong Kong, and Sweden⁵.



⁵ The Global Payments Report 2021 by Worldpay from FIS.



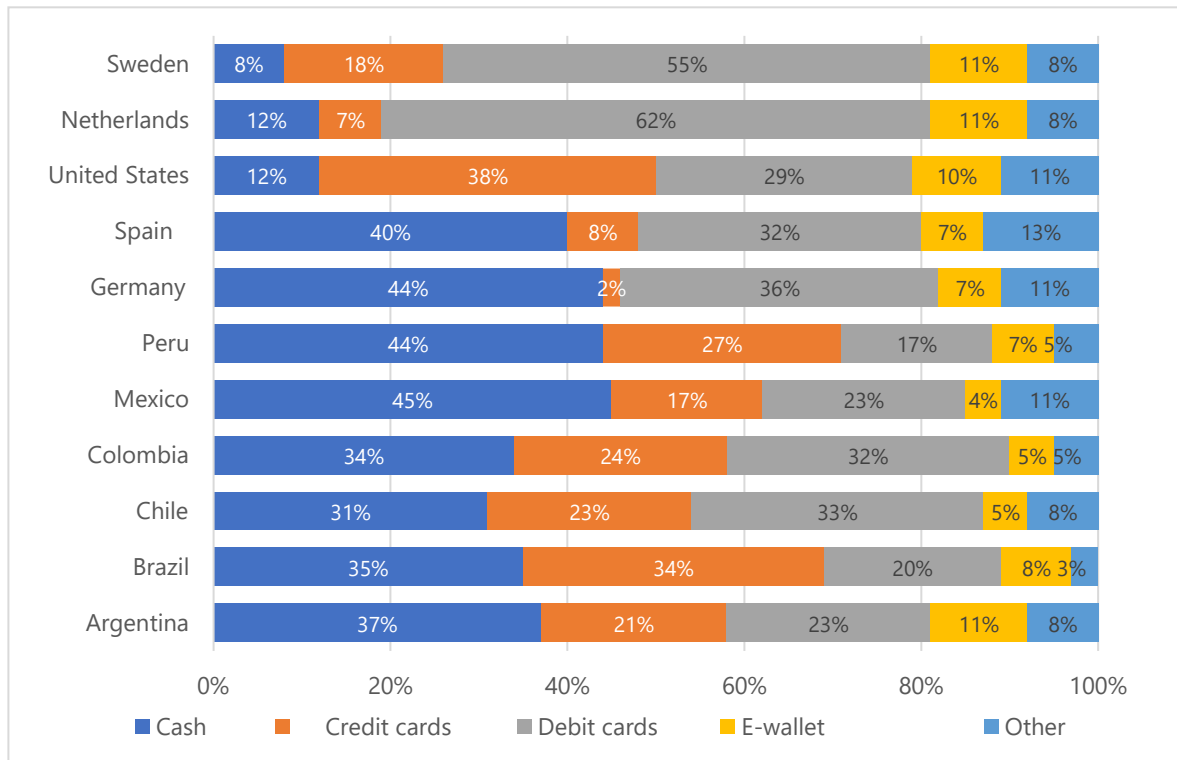


Graph 2. Means of payment at POS globally

62. Cash remains one of the predominant means of payment throughout Latin America, and the level of cash usage among regional consumers is second only to that of the Middle East and Africa. However, the undeniable prominence of cash is changing dramatically. Consumers are opting for an increase in the use of debit cards and mobile/digital wallets.

63. As shown in the following graph, the use of cash in Latin America has a high participation (between 30% to 45%), being the means with the highest participation, a similar situation is observed in countries such as the United States, Germany, and Spain. Moreover, Sweden and Netherlands are presented as examples of countries whose policy objectives are to reduce the use of cash, and their resulting behaviours.





Graph 3. Most used means of payment

Source: The Global Payments Report 2021 by Worldpay from FIS.

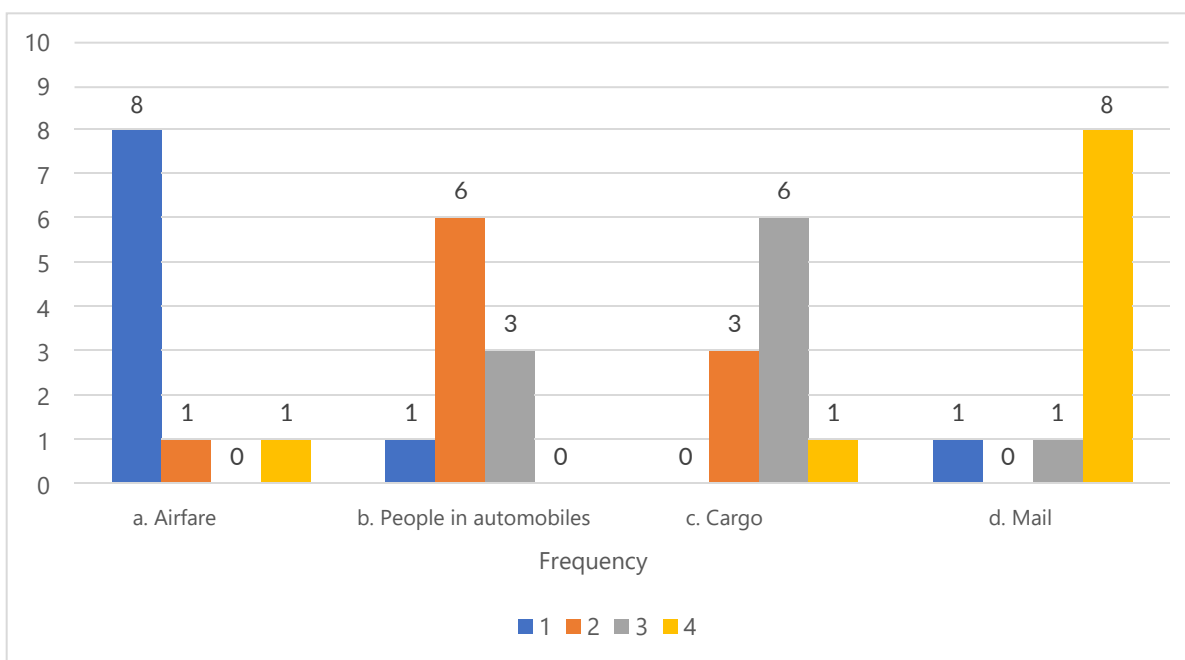
3.3. CTM IN THE REGION

64. The information and analysis presented in this chapter seeks to describe the techniques and methods of CTM and BNIs in the Latin American region, both licit and illicit, as well as the measures implemented by the authorities in each country in the event of anomalies or violations of their regulations. This analysis was conducted based on the answers provided by member countries to the questionnaire sent to them.

3.3.1. Methods of legitimate transportation of money

65. Countries were asked about the methods and techniques most frequently used for the legitimate transportation of money. According to the responses, the majority (80%) said that the means of transportation used to move the greatest amount of cash is by air by individuals - airline tickets; the second most frequent option was the transportation of cash by individuals in automobiles across borders (60%); the third most frequently used method of transportation is through cargo shipments by carriers (60%), and the fourth most frequently used method for transporting cash was mail (80%).





Graph 4. Methods and techniques for transporting legitimate shipment

3.3.2. Declaration of CTM in cash

66. The cash declaration systems described in the Interpretive Note to R.32 establish, among other things, that all countries should implement a system requiring either all travellers to declare or disclose any currency they are taking in or out of a country, either orally or in writing, or only those carrying in excess of a certain value (this value is established to be USD or EUR 15,000 or its equivalent; however, countries in the region specify a lower amount (USD 10,000).

67. In addition, the interpretive note establishes that travellers should be required to make truthful declarations, that effective, proportionate, and dissuasive sanctions should apply for false or non-declaration, and that the relevant authorities should have powers to detain cash and conduct enquiries in such cases.

68. Considering the provisions of R.32 and according to the responses given in the questionnaire, 58% of the countries in the region have a system of written declaration of cash for all travellers carrying amounts exceeding USD 10,000 or its equivalent in another currency.

69. However, these systems only record amounts above the established threshold; those carrying less than this amount are not required to declare cash and, therefore, it is not possible to know what the value of the CTM is.

70. Additionally, it should be noted that Bolivia, Brazil, and Uruguay currently have an online system, where people can directly fill in the information on the form through an application or web page.





BRASIL CORONAVÍRUS (COVID-19) Simplifique! Participe Acesso à informação Legislação Canais

Ir para o conteúdo Ir para o menu Ir para a busca Ir para o rodapé

SECRETARIA DA
Receita Federal do Brasil
MINISTÉRIO DA FAZENDA

ACESSIBILIDADE ALTO CONTRASTE MAPA DO SITE

Buscar no portal

Perguntas Frequentes Contato Serviços Dados Abertos Área de Imprensa



Português English Español

e-DBV - Declaração Eletrônica de Bens do Viajante

-  ENTRANDO NO BRASIL
-  SAINDO DO BRASIL
-  OUTRAS OPÇÕES



Português English Español

e-DBV - Declaración Electrónica de Bienes del Viajero

Informaciones sobre equipaje Datos del Viajero y del Viaje Extracto de la Declaración

1 - ¿Cual es la vía de transporte?

Aéreo Fluvial Lacustre Marítimo Terrestre

2 - ¿En qué país Usted Vive?

Brasil Otro País

3 - ¿Lleva objetos de valor total de más de US\$ 3.000,00 para la entrada temporal en Brasil?
Sólo deben considerarse sujetos a lo régimen los artículos de uso personal o profesional del viajero, incluidos los vehículos, tales como automóviles, aeronaves y embarcaciones.

Si No

Avanzar

Regresar

Source: <https://www.edbv.receita.fazenda.gov.br/edbv-iajante/pages/selecionarAcao/selecionarAcao.jsf>

DECLARACION JURADA DE INGRESO Y SALIDA DE DIVISAS
ENTRE USD 50,000.- A USD 500,000.-

BANCO CENTRAL DE BOLIVIA

Fecha: 30/03/2021

Recomendaciones:

Tome en cuenta las siguientes recomendaciones para llenar la información de Declaración Jurada de Ingreso y Salida de Divisas, por vía electrónica:

1. Escriba la información requerida en los espacios indicados en el formulario. TODOS los datos solicitados son obligatorios.
2. Asegúrese de que la información que declare en el formulario sea exacta.
3. El formulario no considerará las tildes (´) que pueda tener su(s) nombre(s) y/o apellido(s), todos los caracteres serán transformados a letras mayúsculas.
4. Pulse el botón "Guardar datos" para que la información se registre en el sistema cuando haya concluido el llenado de la información solicitada en el formulario.
5. No olvide su Usuario y su Contraseña en caso que requiera cambiar sus datos y reimprimir el formulario.

[Regresar](#) [Ocultar/Mostrar recomendaciones](#)

DATOS GENERALES

Nombre de usuario:

Contraseña:

Repetir contraseña:

1. DATOS PERSONALES DEL PASAJERO


Apellidos:

Nombres:

Tipo de documento: C.I.: Pasaporte: Otro:

Número de documento:

Nacionalidad:

Fecha de nacimiento: 

Género: Masculino: Femenino:

Pais de procedencia:

Pais de destino:

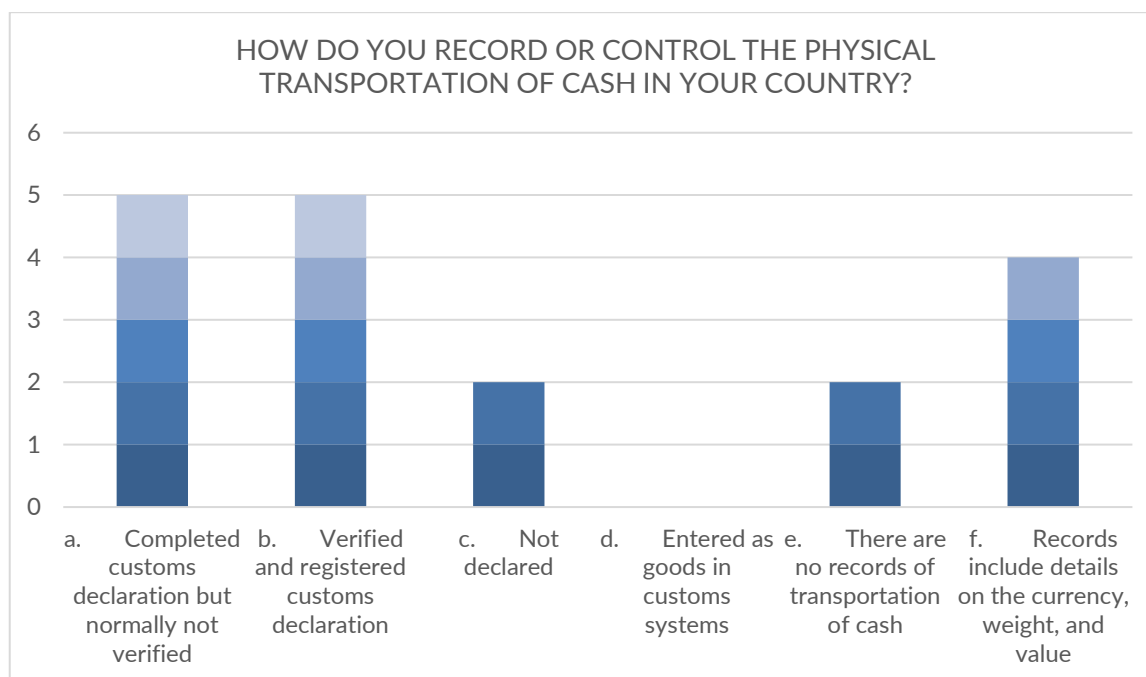
Domicilio en Bolivia:

Source: <http://ddivisas.bcb.gob.bo/registro.php>

71. In general terms, countries of the region do not apply restrictions or limitations for the cross-border transportation of money. There are cases such as in Peru, where transfers of amounts equal to or greater than USD 30,000 must be made through companies authorised by the Superintendency of Banking, Insurance and PFM (SBS), for such purposes there is a limitation of USD 30,000 or its equivalent in another currency. In Bolivia, depending on the amount, special authorisations are required, for example, if the physical transportation of currency is less than USD 50,000, it would require a registration provided by the Central Bank of Bolivia; in the case of amounts between USD 50,000 and USD 500,000, authorisation from the Central Bank of Bolivia is required; and for larger amounts, authorisation from the Ministry of Economy is required. Likewise, in Argentina there is a prohibition on the outflow of more than USD 10,000 by physical means. Amounts exceeding this threshold may only be transferred through the financial system.



72. According to the answers given in the questionnaires, the countries have a method or system for declaring the physical transportation of money entering or leaving the country; most of them have a completed customs declaration, but it is not normally verified. It should be noted that countries such as Chile, Costa Rica, Uruguay, and Mexico have customs records that include details of weight, currency, and value.



Graph 5. How do you record or control the physical transportation of cash in your country?

3.3.3. Declaration of CTM on cash in cargo and mail

73. As members of the United Nations, countries must join the Universal Postal Union (UPU), an international intergovernmental agency of the United Nations family, specialising in postal services. It was founded in 1874. The UPU plays a key role in promoting and developing communication among all states through the improvement of postal services.

74. The UPU is the second oldest international organisation in the world with 192 member countries and sets the rules for international mail exchanges for member countries, which provide the group with the name and address of the officially designated operator or operators to provide postal services and to fulfil the obligations arising from the acts of the union in their territory.

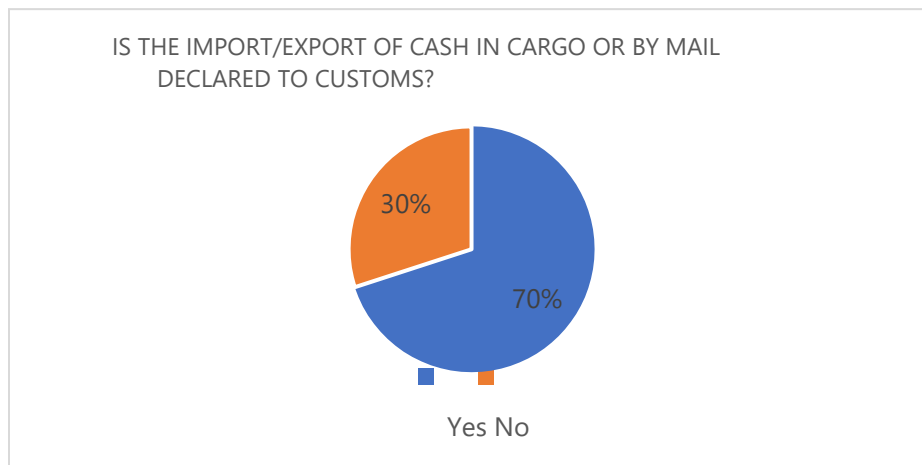
75. Countries ensure that their designated operators: accept, handle, communicate and deliver a) postal mail items such as priority and non-priority items up to 2 kg, b) printed postal letters and c) small parcels up to 2 kg, this means that other shipments that are not part of the





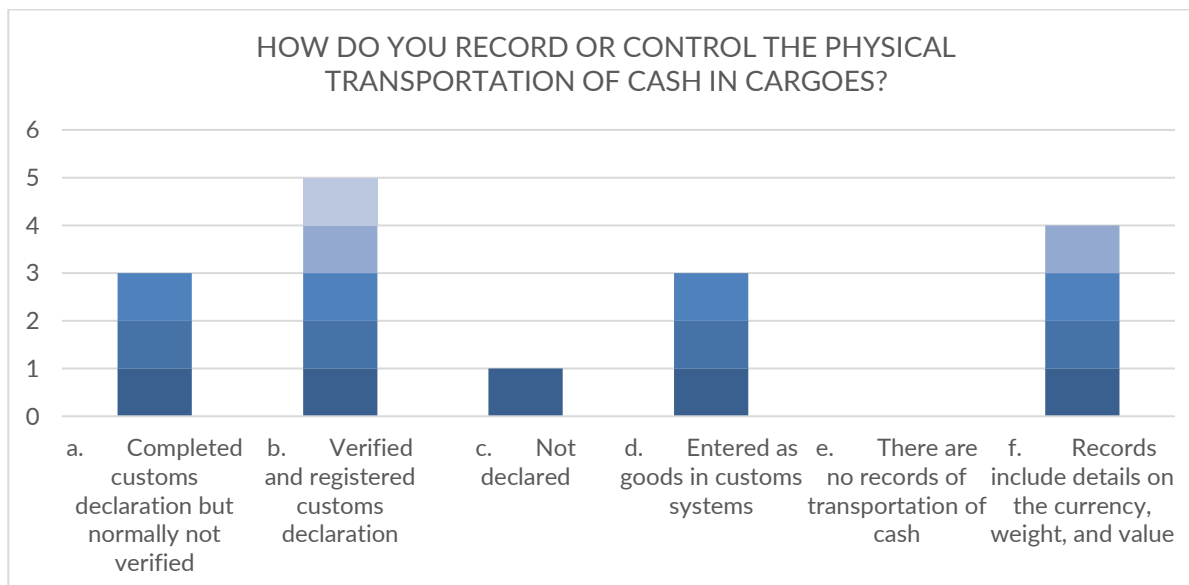
definition is to be considered as cargo and therefore all cargo procedures apply.

76. Now, in relation to the declaration of CTM for cargo and mail, in 70% of the cases a declaration is made at customs regarding the import/export of cash sent in cargo or by mail.



Graph 6. Is the import/export of cash in cargo or by mail declared to customs?

77. In accordance with FATF R.32, as mentioned above, countries currently have some form of cash declaration system in place as a legal requirement for individuals entering or leaving a country to declare cash above a certain value. However, only a few countries have implemented such a system for the transportation of cash in cargo and by mail. Most rely on customs procedures that apply to the general movement of goods.

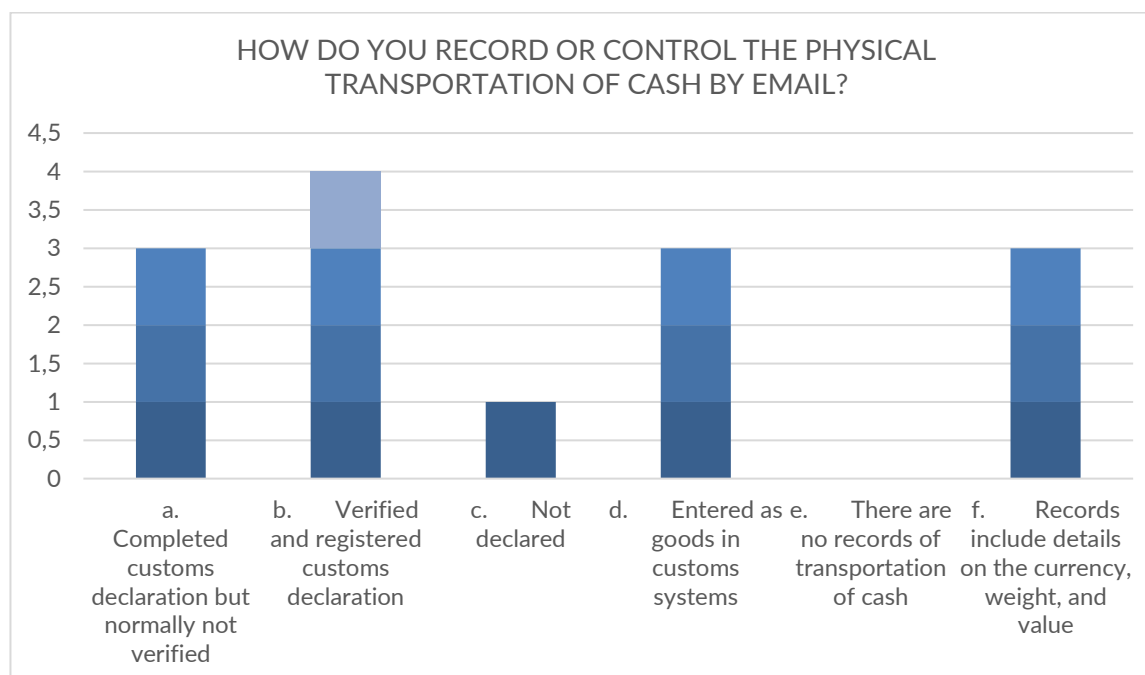


Graph 7. How do you record or control the physical transportation of cash in cargoes?

78. Regarding the registration, declaration or control of cash transported by mail, 50% have a verified and registered customs declaration; on the other hand, in 30% the customs declaration is not normally verified. Thirty percent have customs records that include details of



currency, weight, and value.



Graph 8. How do you record or control the physical transportation of cash by mail?

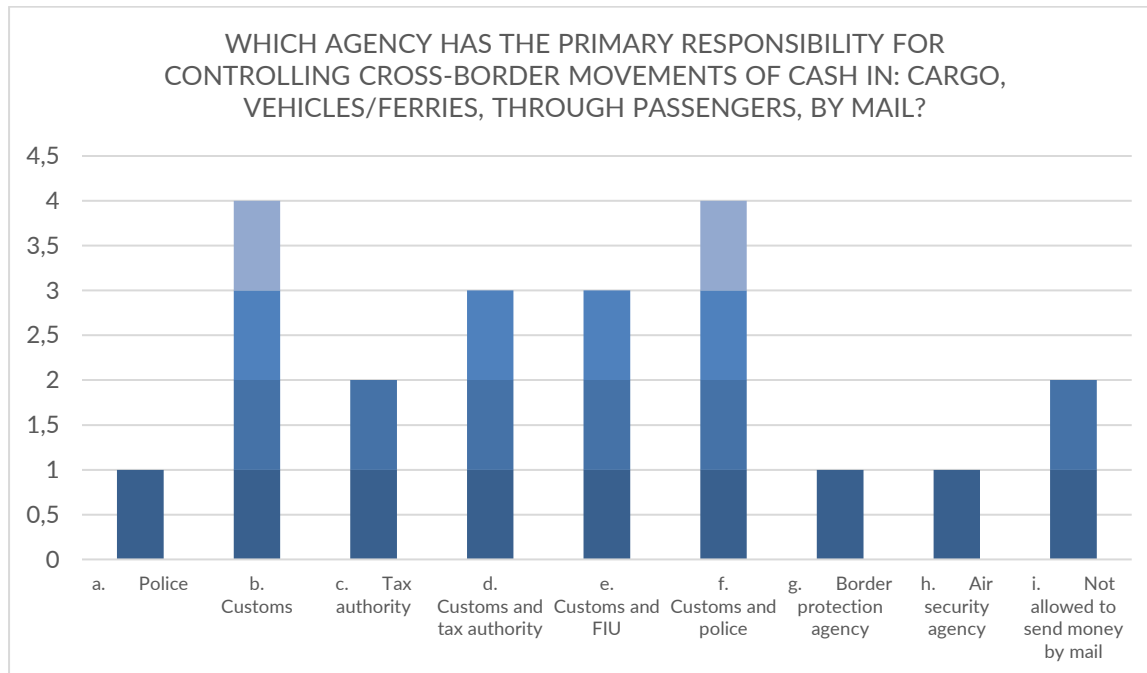
79. In the case of Bolivia, the transportation of cash as cargo is only authorised for the Central Bank of Bolivia through the Declaration of Goods.

3.3.4. Authorities

80. As indicated in R.32, countries should ensure that their competent authorities have the legal authority to detain or restrict currency or BNIs in case of suspicion of ML/TF, or if they are falsely declared/disclosed. It also requires participation, interaction and cooperation between the different national authorities involved in registration, control, verification, follow-up, and enforcement of sanctions.

81. The national authorities responsible for controlling cross-border cash movements are listed below. According to the answers given in the questionnaire, in most cases (80%) the authority responsible for controlling cross-border movement of cash is Customs, which receives support from the Police, FIU and tax authorities in the event of identifying red flags and requiring inspections or investigations.





Graph 9. Which agency has the primary responsibility for controlling cross-border cash movements in cargo, vehicles or by mail?

3.3.5. Controls and verification

82. Among the actions carried out in the countries of the region to verify the veracity of the transportation of cash and BNIs declarations are: Interviewing passengers about the information provided in the declaration, physical check of the amount declared, an extended interview and electronic record of the declarations, and random checks.

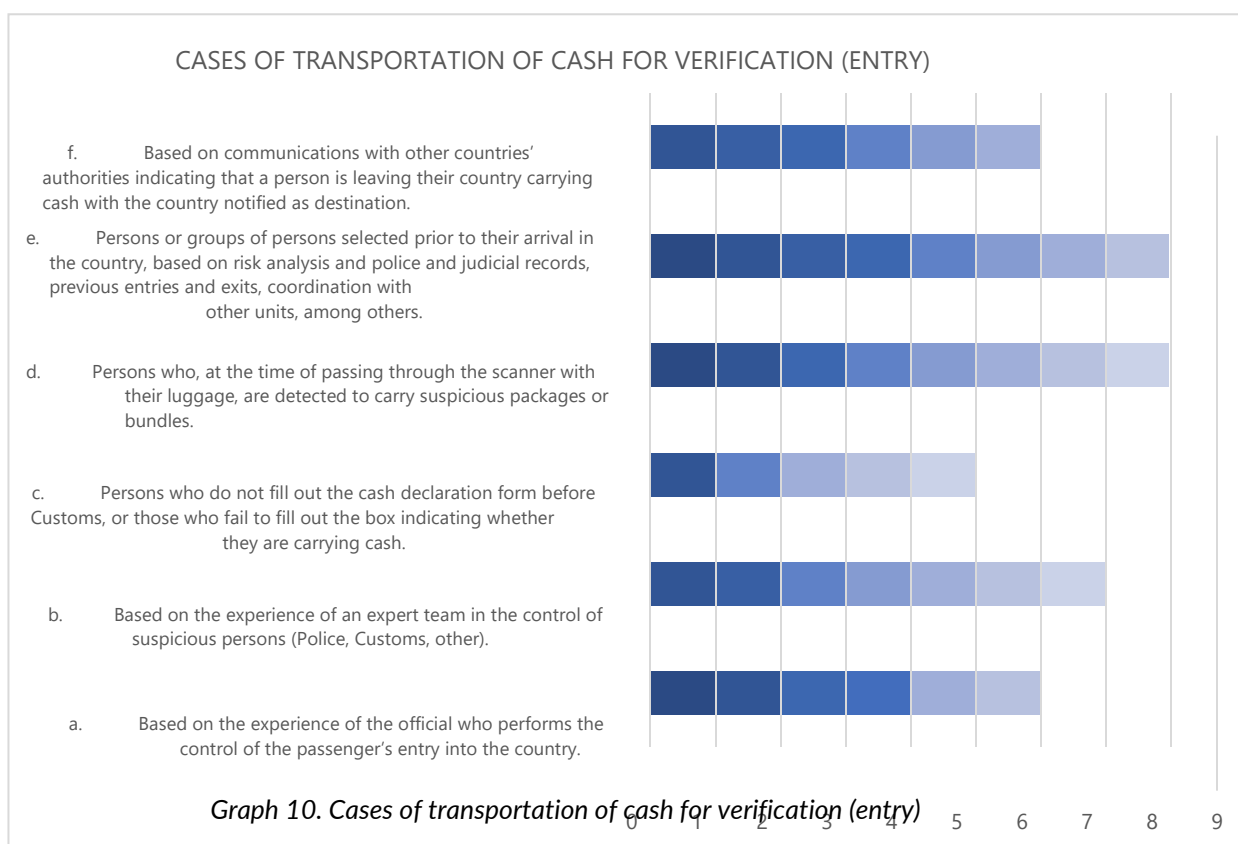
83. In most cases (90%) where cash movements are apparently part of normal activity, the authorities may inspect cargoes and conduct additional investigations to determine whether the movement is suspicious, through searches and interviews of persons carrying cash. In some cases, the customs authority does not have the power to conduct investigations, however, other authorities such as the FIU and the police do.

84. Likewise, based on their experience, countries identify the following reasons for selecting cash transportation cases for verification:

- Persons who, at the time of passing through the scanner with their luggage, are detected to carry suspicious packages or bundles.
- Persons or groups of persons selected prior to their arrival in the country, based on risk analysis and police and judicial records, previous entries and exits, coordination with other units, among others.
- Based on the experience of an expert team in the control of suspicious persons (Police, Customs, other).



- Based on the experience of the official who performs the control of the passenger's entry into the country.
- Based on communications with other countries' authorities indicating that a person is leaving their country carrying cash with the country notified as destination.
- Persons who do not fill out the cash declaration form before Customs, or those who fail to fill out the box indicating whether they are carrying cash.

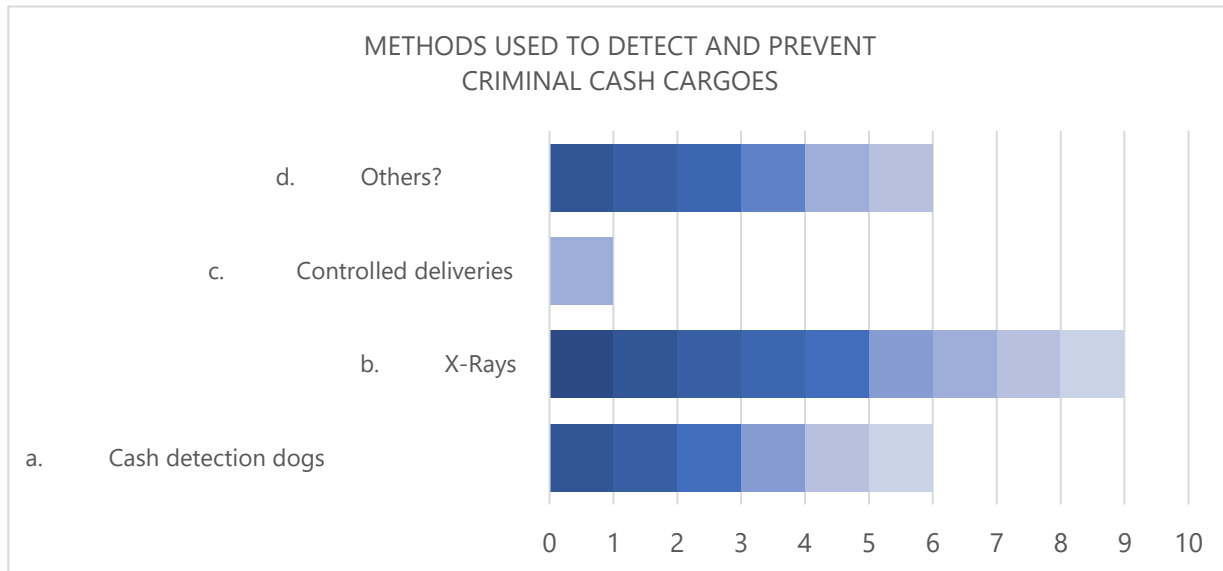


85. Regarding seizures or retention of cash in cargo or mail, if there is no apparent breach of customs regulations or banking rules, in most cases, the relevant agencies have the power to detain a shipment for further inspection and/or review (80%). Both Customs and the Police can inspect any suspicious cargo entering or leaving the country. For some jurisdictions, if there are no indications that allow the tax authority to have elements of judgment, it cannot withhold cash in cargo or mail to carry out a more detailed inspection and/or review.

3.4. METHODS USED TO DETECT AND PREVENT ML/TF

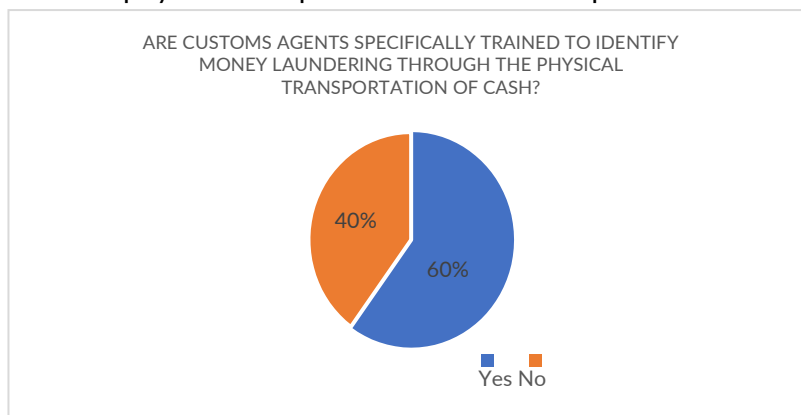
86. When asked about the methods used to detect and prevent cash cargoes from criminal activities in their country, jurisdictions agree on the use of X-rays (90%), use of cash detection dogs (60%). In some countries, controlled deliveries or inspections are carried out, as well as operations by the judicial unit and the Public Prosecutor's Office, Body Scan or intrusive controls in the inspection of accompanying luggage.





Graph 11. Methods used to detect and prevent criminal cash cargoes

87. Regarding the training of customs agents to identify money laundering through the physical transportation of cash, in general (60%) the countries make efforts to train customs personnel in AML/CFT. However, in the event of detecting considerable amounts of money or documents, most of them inform police personnel so that the police can determine, through interviews and other police protocols, the origin of these goods or money. Notwithstanding the above, some jurisdictions express the need for further training of customs personnel in the detection of the physical transportation of cash to improve current capabilities.



Graph 12. Are customs agents specifically trained to identify money laundering through the physical transportation of cash?

3.5. TECHNIQUES FOR HIDING CASH

88. According to the experience of the countries, the methods for concealing the cross-border transportation of cash in their country, in order of highest frequency are cash transported by air passengers, followed by cash in ground cargo and cash transported in vehicles.



89. Moreover, the most frequent methods of how criminal cash is moved are:

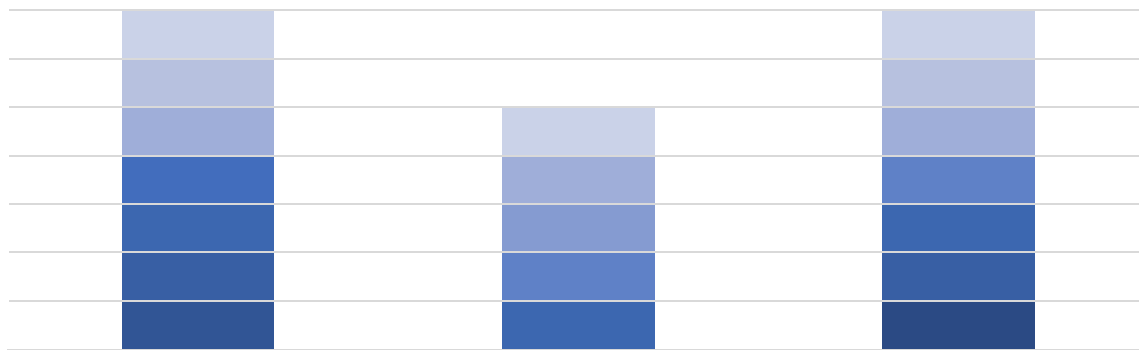
- People who do not declare the cash they bring in or take out of the country hidden in their suitcases or attached to their body.
- Double-bottomed suitcases; backpacks loaded with money wrapped and concealed.
- Hidden in vans.
- Persons traveling and carrying considerable amounts of cash, but below the established threshold.
- Persons linked to the currency exchange activity who travel constantly declaring the maximum amount allowed, carrying one currency, and returning with another.
- Persons traveling to the United States with amounts declared above the established threshold, indicating that they are engaged in the purchase and sale of used vehicles.
- Money entering through low-profile family groups at international arrivals and departures.

90. According to the answers given in the questionnaire, the techniques used by criminals to benefit from the cash declaration system are: cash declarations used to give the appearance of legitimacy to criminal cash, cash declarations used to create a false import or export record, reused cash declarations, cash declared only when leaving one jurisdiction, but not when entering another, and incomplete cash declarations.

91. Furthermore, according to the responses to the questionnaire, the phenomenon of ML through the physical transportation of cash is stable or increasing. However, it is important to clarify that not all countries have the corresponding statistics, so it is not possible to have data to prove this situation.

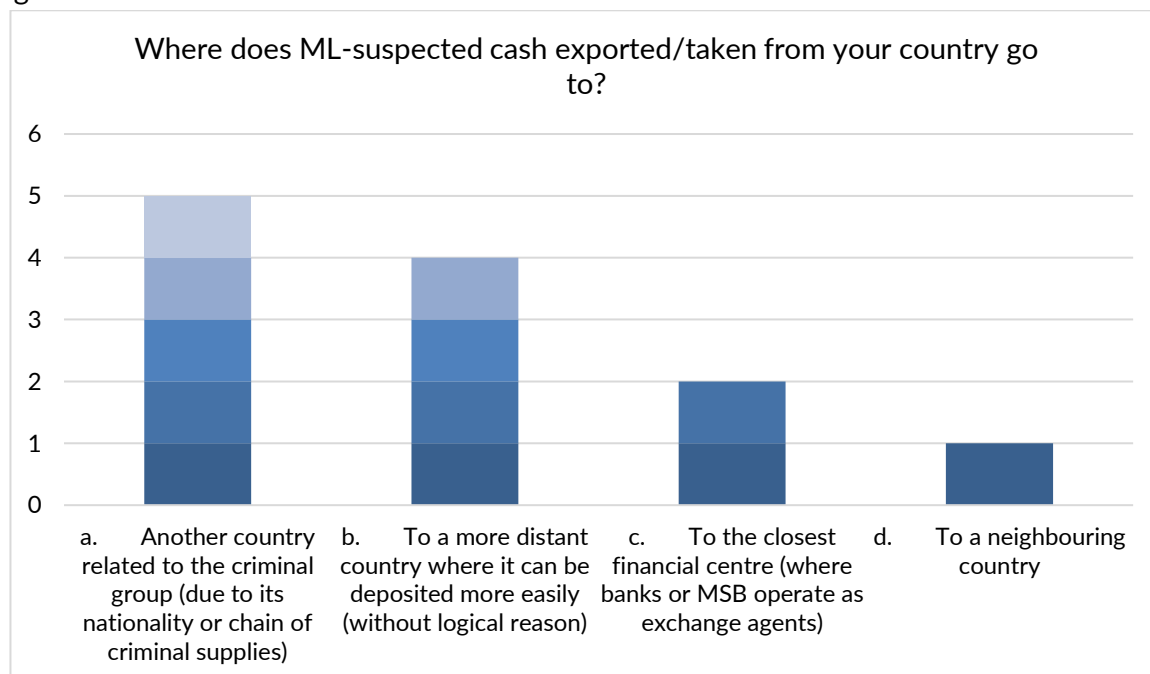
92. In terms of predicate offenses related to CTM, smuggling, drug trafficking, and tax evasion are the most frequent offenses. These offenses are followed by human trafficking, fraud, corruption, arms smuggling, computer crimes and terrorism.

93. In addition to these key crimes related to cash movements, other factors such as evasion of the regulatory regime, capital flight and disruption of the audit trail are also present.



Graph 13. Factors in addition to predicate offenses that are related to cash movements

94. Regarding the destination of the money, the questionnaire asked, based on each country’s experience, where the cash that leaves their country and is suspected of money laundering goes. In this regard, 70% of the countries agreed that it goes to another country related to the criminal group (due to nationality or the criminal supply chain); followed by 40% who indicated that it goes to a more distant country where the cash can be deposited more easily; or to a closer financial centre, where banks or financial entities also function as exchange agents with 20%.

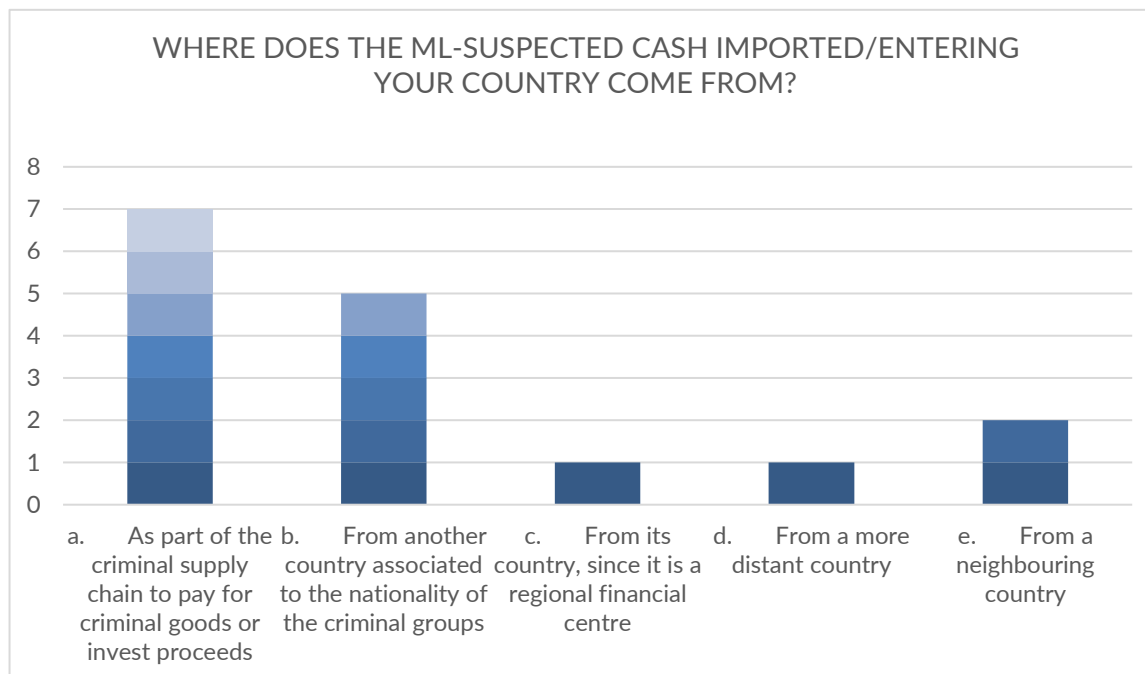


Graph 14. Where does ML-suspected cash exported/taken from your country go to?

95. The countries were also asked about the source of the cash that enters their country and that is suspected of ML. In this regard, the majority (70%) agreed that it enters as part of



the criminal supply chain to pay for goods or to invest the proceeds, followed by 50% who believe that it comes from a country associated with the nationality of the criminal groups.



Graph 15. Where does the cash suspected of ML imported or entering your country come from?

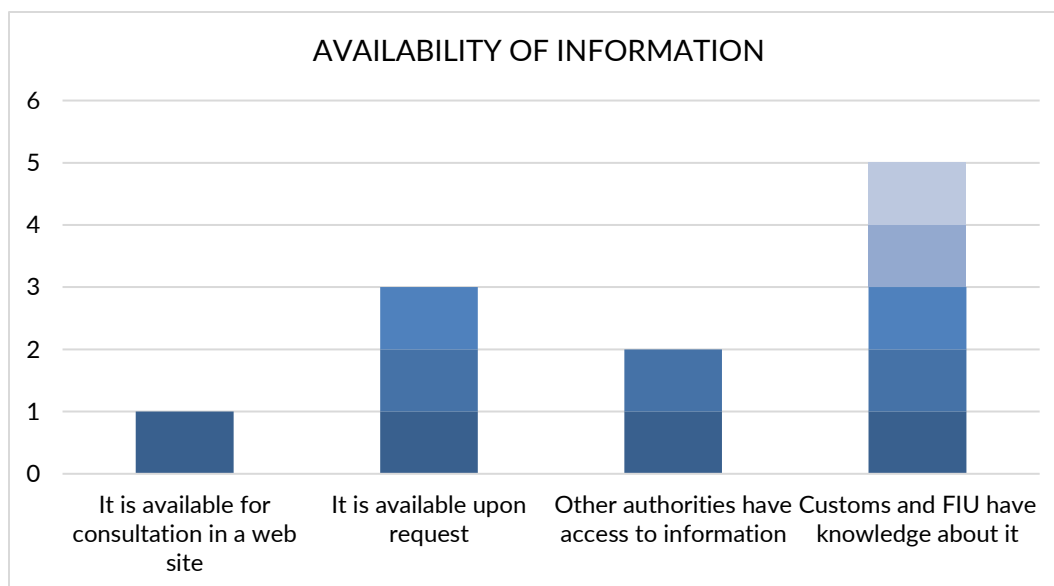
96. In this sense, and according to the responses received, the currency most frequently found in cash remittances, according to the experience of the countries, is the U.S. dollar, which is the most widely used currency. Some identified currencies of their neighbouring countries. The most frequently found denominations in cash shipments with suspicion of ML were the USD 100 and 50 bills.

3.6. ACCESS AND AVAILABILITY OF INFORMATION

97. As mentioned above, one of the most important aspects of R.32 is that the authorities, especially the FIU, have timely access to information. In this regard, according to the responses provided in the questionnaires, in most countries (90%) this criterion is met.

98. In addition, there is a diversity in the modalities for sharing information, for example, the information is entered directly to a website for immediate access, or sent by the customs authorities to the FIU, within a period not exceeding one month. Likewise, CTM information and declared information may be shared with other national authorities through official requests within the framework of their competencies. Among the authorities that may have access to the information through direct request to Customs are: Migration, Anti-Narcotics Directorate, Intelligence entities and authorities in charge of Security. In addition, the competent authorities have the capacity to share information at the international level (90% of the countries that responded).





Graph 16. Availability of information

3.7. CHARACTERISTICS AND IMPACT OF CTM IN CASH AND BNI IN TERMS OF AML/CFT

99. Regarding the analysis of threats and impact of cross-border transportation of cash and BNIs in the region, the following are the main aspects identified by GAFILAT, described in the Second Update of the MLA Regional Threats Report (hereinafter Regional Threats Report), in which CTM can be identified as a present threat⁶:

3.7.1. Regional Threats Report - Illegal cross-border transportation of money

100. Based on the Regional Threats Report, criminal organisations use the financial system to disguise their activities, through the physical movement of cash through couriers, and take advantage of the complexity of foreign trade and business transactions, the co-mingling of legitimate and illicit funds, and the limited resources available to customs authorities.

101. In this way, the transport of illicit money makes it possible to eliminate or complicate the tracing of the origin of the money. This makes control actions implemented by the authorities and financial institutions of the destination country more difficult, and in the absence of the necessary coordination channels, the difficulties may increase.

102. In this sense, the objectives of criminals when transporting money illegally across borders are to collect, move, store, and use the cash in the destination countries. These actions or methods are executed independently of the motivations or scheme of ML.

⁶ <https://www.gafilat.org/index.php/es/biblioteca-virtual/gafilat/documentos-de-interes-17/estudios-estrategicos-17/3861-segunda-actualizacion-del-informe-de-amenazas-regionales-de-la-del-gafilat-1/file>

103. It should be noted that, within the framework of the activities promoted by the Operational Support Working Group (GTAO) of GAFILAT, member countries regularly carry out bilateral or subregional intensified cash and bearer negotiable instruments monitoring exercises, the results of which are presented every six months and discussed by this working group. As a corollary of these exercises, unusual trends and patterns in the movement of cash and other instruments in the region are observed, which result in red flags that are considered and shared among the competent authorities and their foreign counterparts, accounting for the significant volumes of money that are physically moved in the region—often involving potentially illicit funds—as well as inconsistencies between the incoming and outgoing currency declared by passengers.

104. In the intensified monitoring exercise of cross-border transportation of cash and securities of the second half of 2018, it was determined that the border posts continue to be a vulnerability in the region, since they may be used for illicit purposes, such as laundering of money or other assets, and that joint work between counterpart institutions could help to prevent or minimise the above-mentioned crime.

3.7.2. Analysis of convictions

105. Likewise, the Regional Threats Report presents information submitted by the various countries of the region in relation to the convictions of ML formulated by their respective judicial authorities between 2017 and 2018.

106. From the analysis of the convictions presented, it emerges that the main predicate offenses for ML convictions are the illicit cross-border transportation of money (25%), the illicit trafficking in narcotics and psychotropic substances (20%), participation in an organised criminal group (6%), followed by corruption and bribery and fraud with the same percentage (5%).

107. In the convictions that established the illicit cross-border transportation of money as a predicate offense, mainly public institutions were affected. Some countries have specifically established the involvement of customs agents.

108. The convictions are mainly related to unexplained increases in wealth by individuals and the use of front men (27%); secondly, the use of formal and informal remittance and foreign exchange services and physical transfer of cash (13%); and thirdly, the use of foreign trade transactions and smuggling (8%).

109. The study concluded that the main threats in the region are illegal trafficking in narcotics and psychotropic substances, illicit cross-border transportation of money, corruption and bribery, participation in organised criminal groups, and tax crimes (direct and indirect taxes), swindling and smuggling (including taxes and customs fees).

110. It is worth mentioning that, in the rulings, there are two situations that give rise to legal proceedings. The first is when an individual is about to travel and has entered or left the country with cash or its equivalent in monetary instruments without having declared them to

the customs authority, in most cases exceeding the permitted amount (generally USD 10,000). The second is when a security force identifies one or more individuals with money as part of a routine control procedure and seizes the money. Most of the seizures are in cash and in most cases are not in national but in foreign currency, mostly U.S. dollars.

111. In general, the facts are detected at the border or in states, provinces or subregions that border on neighbouring countries. The individuals who hold the sums of money detected do not possess elements or an economic profile that would allow the justification of the legitimate possession of the funds or, during the process, even indicate that they were transporting the money for a third party.

112. In the rulings that established the illicit cross-border transportation of money as a predicate offense, mainly public institutions were affected, and cash was mainly used.

3.7.3. National Risk Assessments

113. To carry out this analysis, information presented by the GAFILAT member countries themselves, public information regarding the National Risk Assessments (NRAs) and information gathered during the NRA workshop held in Bogota, Colombia in September 2019 have been used.

114. In relation to the analysis, this threat is currently frequent, especially in the ML sanctioning phase, and it occurs largely in the region of Mexico, Central America, and the Caribbean. However, few countries have defined it as a threat in their NRAs.

3.7.4. TYPOLOGIES AND RED FLAGS

115. The following are the main typologies and red flags identified based on the analysis of information from open sources, mainly the typology reports published by the Financial Intelligence Units (FIU) of the region and the GAFILAT Regional Typology Reports.⁷ The typologies that have been presented in the case examples listed by the countries that responded to the questionnaire are also identified. From the analysis of the typologies presented, cases whose predicate offenses were tax crimes, corruption and bribery, illicit trafficking in narcotic drugs and psychotropic substances, participation in an organised criminal group, smuggling (including taxes and customs fees) and cross-border illicit transportation of money, are determined.

⁷ <https://www.gafilat.org/index.php/es/biblioteca-virtual/gafilat/documentos-de-interes-17/tipologias-17/3126-informe-tipologias-regionales-gafilat-2018/file>

Payment of illicit activities with smuggled goods

Source: OAS

Description:

- This typology highlights the interaction between organised crime groups and goods smuggling networks.
- One criminal organisation needs to transfer illegal proceeds of crime from country A to a home country B. Another criminal smuggling organisation needs money abroad to pay for goods that are smuggled into the country where the network operates, which needs the money in local currency (country B).
- In this way, the criminal organisation pays for the smuggled goods to a supplier and the goods are shipped along the established routes.
- Once it arrives in country B, the goods are sold through distributors and the money passes to the criminal organisation for the value of the goods in cash.

Figure:



International Foreign Exchange Arbitration through the transport of illicit money

Source: UIAF Colombia Typology 3.5 UIAF 2013

Description

- International currency arbitrage consists of using “the difference in price that exists between the Representative Market Rate (RMR) and the price of the dollar in the free market, for which purpose checking or savings accounts are opened in other countries and withdrawals are made in local currency through the different ATM networks.”
- It is important to note that international currency arbitrage can be licit or illicit. Licit arbitrage is carried out by individuals or companies that declare all their operations, comply with all legal customs, exchange, and tax obligations, both national and international, and use licit currencies and working capital.
- It is illicit when the foreign currency acquired, or the initial capital, comes from any criminal activity. It is also illicit when all the established exchange, tax and customs requirements are not complied with or when the operations carried out are not declared.

This typology can be developed in the following stages:

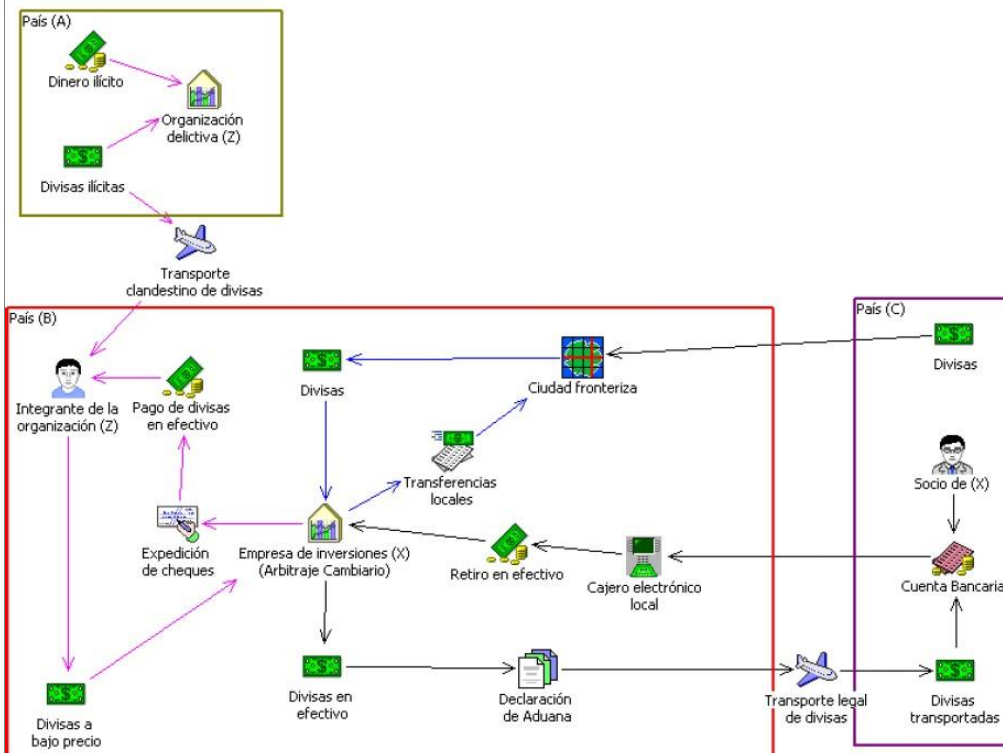
- Entry of foreign currency into the local country: the foreign currency in cash comes from a criminal activity and generally enters the country in a clandestine manner, in breach of all legal obligations or not fully declared.
- Acquisition of foreign currency in the domestic country: foreign currency may be purchased by individuals, businesses, or companies (whose economic activities may be legitimate or illegitimate) with local currency, which may be of licit or illicit origin.
- Transportation of foreign currency to a foreign country: foreign currency in cash is transported to another country. For this purpose, they may be declared and comply with all legal customs, exchange, and tax obligations or, on the contrary, they may be transported in a clandestine manner and outside the law.
- Consignment of the foreign currency in the foreign country: the foreign currency in cash is deposited in a bank in another country (it may be a third country involved). These deposits may be in accordance with the law or may be made in a clandestine and illegal manner, depending on the way the foreign currency entered the foreign country.
- Availability of the money in the local country: the foreign currency deposited in the bank accounts of the foreign country (third country) is converted into local currency. This can be done in a legal manner, channelled through the intermediaries of the foreign exchange market, and using legitimate mechanisms of both the regulated and free markets. Another way may be using ATMs with multiple debit cards, whose holders are possibly being impersonated or have “borrowed” their names to make the cash withdrawal.
- Once the cash is in local currency, the foreign currency is acquired in the local country and the cycle can be restarted.

Red Flags

- Purchase and sale of foreign currency in cash, frequently carried out by persons or businesses that are not authorised to carry out this activity.
- Purchase and sale of foreign currency in cash with local currency that shows signs of fractioning.
- Persons who frequently leave the country with the same destination, declaring the exit of foreign currency in cash. This activity does not correspond to their economic profile.
- Persons making numerous and frequent transactions in electronic teller machines charged to bank accounts abroad.
- Frequent transfer of cash (physical or through bank transfers) to border areas of the country.

Figure

Esquema de operación



- **Example:** Local investment company performing foreign exchange arbitrage.

An investment advisory company X recently created by a group of young people in the interior of the country, knowing the advantages of the exchange rate differential, decides to carry out foreign exchange arbitrage operations. To do so, it makes local money transfers to acquire foreign currency in cash in a neighbouring city. In order to obtain the highest possible profitability, company X contacts a criminal organisation Z that offers them foreign currency in cash, in the local country, at a very good price. Criminal organisation Z brings the foreign currency into the local country in a clandestine manner. Company X buys the foreign currency with local currency, exchanging cheques in cash from the company's bank accounts. The foreign currency in cash is declared to the customs authority and transported by air to another country by company X. There they are deposited in a bank account in the name of one of the company's partners, who resides in that country. The money is withdrawn a few days later by the local company X, through multiple and frequent transactions in electronic teller machines with the debit card that the company's partner had previously remitted. With the money converted into local currency, illicit currency is again purchased in cash from organisation Z and the practice described above is repeated. In order to distract the attention of the authorities, part of the foreign currency in cash was purchased through some Exchange Market Intermediaries (EMI) at the market price.

Use of the authorised channel of money orders for the transfer of money of illicit origin to another country.

Source: UIAF. Typology identified by the money order sector (2020). Reporting sector: postal money order operators.

Description

The national money order system has extensive connectivity; therefore, companies engaged in this business, thanks to technological advances, facilitate the rapid and efficient delivery of large volumes of money.

In terms of appropriation of use, capillarity and geographical presence, money order networks represent a channel that is easily accessible to the entire population and therefore also to criminal groups seeking to use the service to move the proceeds of their illicit activities to different areas of the country.

Thus, criminal organisations send large sums of money from the interior of the country to border areas, where their third parties receive large amounts of cash to transfer it to the neighbouring country because of their illicit activities or for the purchase of technical smuggling through under-invoicing.

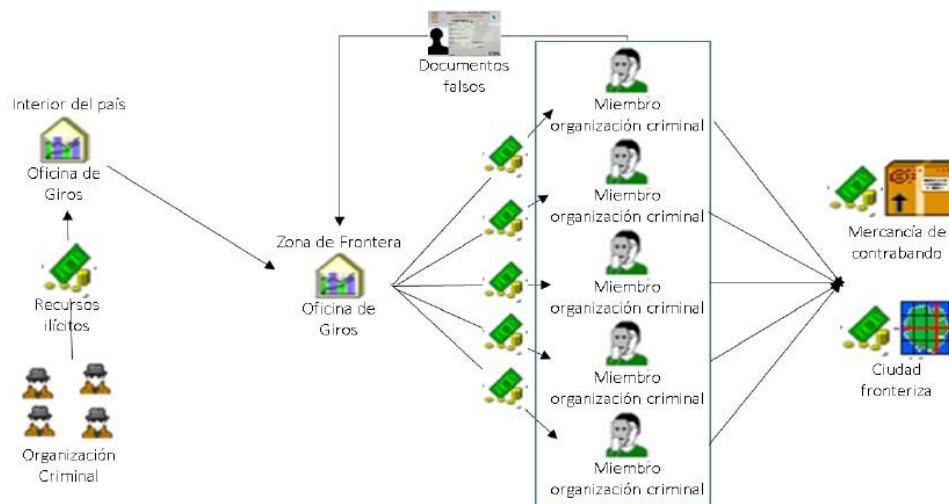
Red Flags

- Money orders from the interior of the country to neighbouring cities were recurrently sent.
- Remittance of money orders to recurrent persons on several occasions on the same day.
- Persons who register different addresses and inconsistent data when carrying out domestic money order transactions.
- Persons at border posts who charge a large amount of money at the same domestic money order service points.
- Persons who, when asked security questions, feel insecure or evade the situation.
- Domestic money order transactions over the transaction caps on all transactions made in the day.
- Transactions that are not consistent with the customer's economic capacity or profile.
- Remitter sends domestic money orders to several addressees.
- Remitter sends money orders for amounts below the established limits to avoid controls.
- Beneficiaries with a foreigner's identity card or special residence permit (SRP) making a high number of transactions or for high amounts.
- Remitters or beneficiaries with special residence permit (SRP) that do not exist or whose information, upon validation with Colombia Migration, turns out to be false.
- Remitters and beneficiaries who make national money orders with a foreigner's

- identification card or special residence permit (SRP) for high amounts of money.
- Several remitters send money orders to a single beneficiary.

Figure

Esquema de operación



Example:

The XYZ criminal organisation sends, through money order offices, large sums of money from its illicit activities from the interior of the country to members of the same organisation located in border areas, who present false identification documents in order to claim the cash from the money transfers. Once the criminals gain access to the money, they move it to the neighbouring country to purchase smuggled goods or carry out the illicit transfer.



Buying and selling of currency

Source: UIAF

Reporting Sector: Financial

Description:

The buying and selling of currencies are a common movement that can occur on a small and large scale. This movement takes place in the foreign exchange market, through which both businessmen and investors buy and sell currencies to make various financial movements.

There are two types of participants who are allowed to operate in this market, the foreign exchange market intermediaries (EMIs) who are allowed to buy and sell foreign exchange in cash or travellers' cheques, and to send and receive international money orders in other currencies, and the foreign exchange professionals who can only engage in the purchase and sale of foreign exchange in cash or travellers' cheques through the counters in their establishments.

Red Flags

- Purchase and sale of foreign currency in cash frequently carried out by persons or businesses that are not authorised to carry out this activity.
- Purchase and sale of foreign currency in cash with local currency that shows signs of fractioning.
- Persons who frequently leave the country with the same destination, declaring the exit of foreign currency in cash. This activity does not correspond to their economic profile.
- Frequent transfer of cash (physical or through bank transfers) to border areas of the country.
- Inconsistencies in the information provided by the person performing the exchange operation at the border.
- Physical entry of money in containers, suitcases, or mail delivery.
- Groups of people who make money transfers on similar dates with the same telephone number.
- Foreign currency purchase and sale professionals who in a short period of time handle amounts higher than those traded historically.
- Purchase and sale of foreign currency associated with citizenship cards of deceased persons or identity documents whose characteristics (consecutive numbering, places of issuance, among others) do not coincide with those established by the corresponding authorities.
- Unusual exchange transactions carried out by persons who do not have economic support, or which do not match the economic activity.

Fractioned transfers of illicit money through international money orders

Source: UIAF

Reporting Sector: Financial, Customs, Securities

Description:

The international money transfer system and the connectivity of the systems used by companies engaged in this business, thanks to technological advances, facilitate the fast and efficient transfer of large volumes of money. This system makes it possible, among other things, to send remittances (legal money transfers) from people abroad to their relatives. However, on some occasions, it allows the movement of illicit funds from criminal organisations or for the financing of terrorist activities.

Criminal organisations use this modality to transfer the money, product of their illicit activities, to another country by means of money transfers whose amounts are typical of fractioning⁸ and include many beneficiaries, commonly known as “smurfs,”⁹ who in some cases provide false identifications.

The money laundering operation consists of splitting large sums of money into several remittances. This is done between one or several remitters in favour of one or several beneficiaries, in order to evade existing controls both in the country of origin of the funds and in the country of destination.

The money is sent through an EMI or unauthorised intermediaries and collected locally by each beneficiary. Payment of the money transfer can be made in cash, either in foreign currency or legal tender, or by cheque.

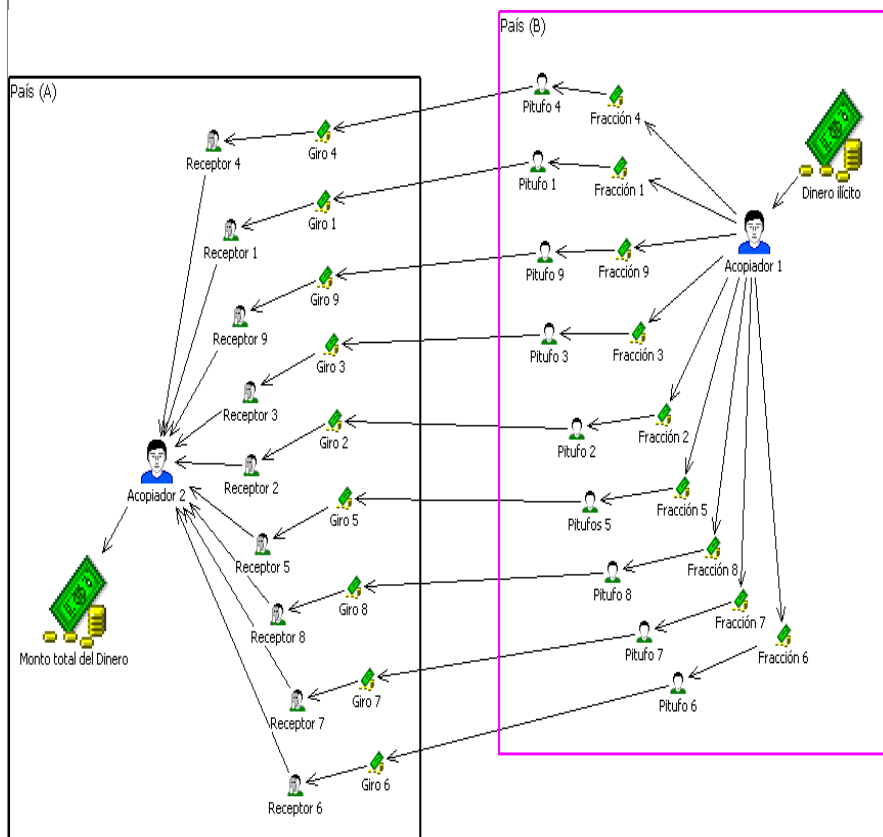
Once the false beneficiary of the money order has received the payment, he/she delivers it to a third party or beneficial owner and receives a commission in exchange.

⁸ The fractioning or structuring of operations consists of dividing a considerable sum of money into small amounts, generally less than the individual amount established as control. It is common for these operations to be carried out for the same or similar amounts, on the same date or on nearby days and with the use of different operators.

⁹ “Smurf” is the person who is used to receive money orders or transfers in his favor from abroad, generally with fractioning characteristics.

Red Flags

- Receipt of money orders from several remitters, in different countries, in favour of the same beneficiary.
- The same remitter sends money orders to several beneficiaries with no apparent relationship.
- Money orders are sent in favour of a group of people, with no apparent relationship, with the same telephone number or address to contact them.
- Beneficiaries who provide several telephone numbers and addresses in the same city for the collection of money orders.
- Groups of beneficiaries of money orders that provide the same telephone number and/or address for the collection of the transfers.
- Individuals who cash or send money orders using different EMI offices in the same geographic area or who send or receive money orders in places other than where they reside.
- Individuals who have cashed different money orders and have reported various economic activities that are not related to the amounts received.
- Beneficiaries of money orders who do not know the name of the sender, the origin, the amount, and the purpose of the money.
- Use of identity documents, apparently false or adulterated for the collection of money orders.



Example: Group of “smurfs” collecting remittances from abroad.

A criminal organisation needs to transfer part of the proceeds of its illicit activities from abroad (country B).

One of the members of the criminal organisation in country A contacts a group of persons (“smurfs”) to receive a series of money transfers from abroad in exchange for a commission of \$30,000 for each operation.

The names, identifications and contact telephone numbers of the persons used to collect the money transfers are sent to a member of the criminal organisation in country B.

This member in country B makes, for three days and through four operators abroad, 50 money orders for USD 900 each, to 35 different beneficiaries located in two (nearby) cities in country A, using three different local EMIs.

Of the 35 individuals, most are located in the slums of both cities, and carry out activities such as “housewife,” “student,” and “pensioner.” In addition, some of them have family ties.

Once the EMIs receive the money order, they contact each of the beneficiaries by telephone.

The member of the criminal organisation in country A coordinates the 35 persons to cash the money transfers in local currency, for which purpose he provides in writing the information on the sender of the money transfer, which must be supplied to the EMIs. This same member of the criminal organisation in country A, collects the money from each of the “smurfs” used and pays them the agreed commission.

Simulation of foreign exchange transactions involving the purchase and sale of foreign currency with money of illicit origin.

Source: UIAF

Reporting Sector: Financial, Customs, Securities

Description:

The objective of this typology is to simulate operations of purchase and sale of currency of illicit origin, through the irregular use of identification documents by professionals in the purchase and sale of currency (photocopies of documents obtained irregularly, documents of deceased persons, of persons who lend their names, among others), in this typology the money remains in a hole or cove¹⁰ and only in the last operation the money is moved.

This operation begins with the transfer of the money from abroad to country A, which is stored in a cove located in a city near a high-risk border zone (with the presence of terrorist groups or illegal armed groups). Subsequently, the currency is bought by a professional currency trader contacted by the criminal organisation, such transactions are simulated with original documents or copies of irregularly obtained identity documents.

Subsequently, the professional foreign exchange trader simulates multiple transactions with other foreign exchange traders in order to hide the origin of the fictitious transactions initially

¹⁰ A place or safe deposit that is hidden or concealed in a public or private place, which is used by criminal organisations to store elements necessary for the organisation in case of need or emergency (money, securities, gold bullion, jewellery, weapons, and ammunition, among others).

carried out. Then, these companies sell the foreign currency to an exchange house, which in turn contacts a securities transport company to physically transfer the money from country A to a foreign country, which is deposited in the correspondent bank with which the exchange house has an account. This bank transfers the funds to a bank in country A, to the account of the exchange house, and then the money physically returns to the foreign exchange professional who initiated the operation, who in turn sells it to various natural persons who serve as a bridge between the professional and the criminal organisation.

Red Flags:

- Foreign currency buying and selling professionals who in a short period of time handle amounts higher than those traded historically.
- Individuals who sell and buy high amounts of foreign currency not consistent with their economic profile.
- Professionals in the purchase and sale of foreign currency that, due to their location and characteristics, show a high turnover, but there is evidence of a scarce flow of people entering the establishment.
- Professionals in purchase and sale of foreign currency with companies that develop the same commercial activity whose partners and legal representatives are the same.
- Purchase and sale of foreign currency associated with citizenship cards of deceased persons or identity documents whose characteristics (consecutive numbering, places of issuance, among others) do not coincide with those established by the corresponding authorities.
- Multiple exchange declarations with the same handwriting and sometimes illegible.
- Individuals whose operations register addresses located in high-risk areas.
- Groups of people who appear making money transfers on similar dates with the same telephone number.
- Customers appearing as beneficiaries of multiple transactions who, when contacted, claim not to have made them or to have no knowledge of them.

Example:

A criminal organisation dedicated to drug trafficking in country “A” has the proceeds of illicit activities in country “B” and needs to bring them into country “A” in order to merge them into the national economy. The money is brought in through an illicit air transport, which is left in a cove near the place where the criminal organisation is located.

The criminal organisation contacts a professional in the purchase and sale of foreign currency (who may belong to the organisation or act under pressure or for convenience), located in a border or high-risk area, in order to simulate documentary operations for the purchase of foreign currency. To do so, this company relies on several mechanisms:

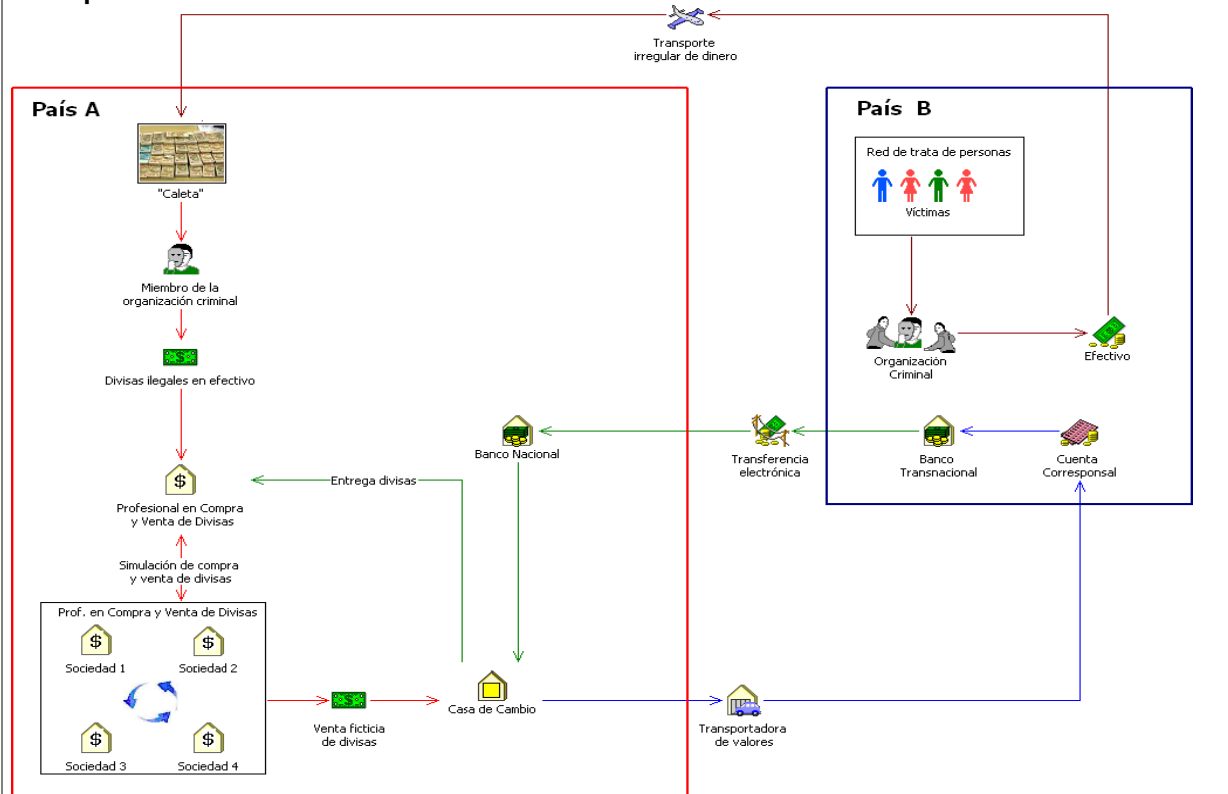
- It contacts persons who lend their name.
- It acquires in an irregular manner photocopies of citizenship cards and passports in copy centres near consulates, embassies, notary offices, Registrar’s Office and other public offices, and in the archives of the company itself (these persons are not aware of the fraudulent use of their identity documents).
- Citizenship cards of deceased persons.

Once the purchase of these currencies is simulated, the professional of purchase and sale of currencies contacts other companies that carry out the same corporate purpose, who simulate the sale and purchase of these currencies. Likewise, multiple operations of the same nature are carried out among all these companies.

Subsequently, these resources are sold to an exchange house, which in turn uses the services of a securities transport company to transfer the physical money coming from the “cove” and consigns it to a correspondent bank in country “B” where the exchange house has its account. The bank in turn transfers the funds to a bank in country “A” to the exchange house’s account.

Then, this money physically returns to the foreign exchange professional, who sells it to various natural persons who serve as a bridge between the professional and the criminal organisation.

Example scheme:



3.7.5. Cases

116. Countries were requested to submit cases in terms of CTM; the information provided is detailed below:

- i. In 2018, a case was presented that began with a declaration of money and triggered a series of investigations at the judicial level, which resulted in the successful seizure of a sum close to USD 4 million dollars, and the identification of an entire criminal organisation. The case is currently being prosecuted.
- ii. A PEP of a regional government was intercepted at the Lima airport with USD 85,860 while he was trying to take them to England undeclared. It was determined that his income did not correspond to his purchases, so he would have incurred in tax fraud by concealment of income.
- iii. Between 2010 and 2012, a company in a TID risk zone registered deposits in its accounts in the amount of USD 3,000,000, an amount higher than the amount reported in its tax returns. Some of the depositors had records of transportation of cash from Peru to Mexico, with a frequency of at least once a week, submitting the respective affidavits.
- iv. A Peruvian citizen received money via transfer, and through the physical entry of money to Peru, from Spain, the Netherlands, Bolivia, and Brazil, and made investments in a property that was previously purchased by a person with no profile. The total amount moved was USD 2,000,000, which showed no relation with the commercial activities declared before the tax authority.
- v. According to the analysis of the information of the affidavit forms for the entry and exit of foreign currency, a 21-year-old young man was found to travel frequently by land to Chile, who indicated that he had no permanent address and declared amounts of less than USD 50,000, and on some occasions, he travels with family members who also make this type of declarations. This family group transported a total of USD 2.5 million in a period of 4 years. In addition, the forms identify “bank loan” as the origin of the foreign currency and “purchase of cars” as the destination, a fact that is striking since, from the circulation in the financial system and the review of the customs records, these persons do not record such operations within the periods analysed.

3.7.6. News

Mexico - February 7, 2020, EL ECONOMISTA
<p>TREASURY DEPARTMENT FINDS LINKS TO CHINESE MAFIAS Cartels in Mexico linked to money laundering in the United States</p> <p>In a report, Donald Trump’s government outlines some cases that are identified as major threats in its territory. The US government has identified recent typologies used for money laundering in that country, some of which are directly related to Mexico, for example, in the links of Mexican cartels with mafias in China to launder funds; in the bulk transfer of dollars across the border between both countries, and in the use of Mexican exchange houses to launder resources obtained from illicit activities.</p> <p>In the 2020 National Strategy to Combat Terrorist Financing and Illicit Finance in the United States, presented this Thursday by the Treasury Department, the government of Donald Trump outlines some cases related to Mexico, which are identified as the “most important threats,” which allow the entry of illicit income to the number one economy in the world.</p> <p>Cash Trafficking The report describes the case of Cesar Hernandez Martinez, who pleaded guilty, in April 2019, to laundering around USD 13 million for the Sinaloa Cartel, through his currency exchange houses in Tijuana.</p> <p>“Bulk cash smuggling in and out of the United States continues to be one of the most predominant ways in which Mexican drug cartels move illicit drug proceeds,” the report states.</p> <p>https://www.economista.com.mx/economia/Carteles-en-Mexico-relacionados-con-el-lavado-de-dinero-en-Estados-Unidos-20200207-0013.html</p>

Argentina, August 12, 2020	insight crime
<p>Origin of cash shipments a mystery to Argentine officials</p> <p>Several trucks smuggling large amounts of cash of unknown origin have been intercepted on Argentina’s northern border, leading to suspicions that restrictions on the movement of goods due to the coronavirus have encouraged the large-scale transport of cash.</p> <p>Since the beginning of June, authorities have seized over 60 million pesos (over USD 830,000) hidden in trucks heading from Argentina’s northern provinces to Buenos Aires, reported La Nacion. Argentine pesos, US dollars, Paraguayan guaranies, and even gold bars have been found hidden in the trucks, which were carrying sugar, clothing, and other goods.</p> <p>According to Todo Noticias, none of the truck drivers transporting the cash have had the required documentation or receipts to account for the money. The drivers have been arrested on suspicion of money laundering, while authorities continue to investigate the origin and destination of the huge cash shipments.</p> <p>According to La Nacion, authorities have stopped the vehicles in several provinces close to the</p>	



Paraguayan border, including Corrientes, Chaco, Santiago del Estero and, recently, Formosa.

Within 15 days, authorities discovered two vehicles carrying \$30,000 and \$50,000 in cash in Colinda, a border town in Formosa. The National Gendarmerie also reported the seizure of two gold bars worth some USD 80,000.

InSight Crime Analysis

Although the origin of the money is unknown, it is known that there is increasing movement of contraband through northern Argentina, where border closures due to the coronavirus have created new opportunities for smugglers.

In an interview with La Nacion, Guillermo Molinari, federal judge of Santiago del Estero, the province where the first seizure was made, said that the cash could be related to drug trafficking or money laundering. This would be in line with recent seizures of millions of dollars in drug money along the US-Mexico border. U.S. authorities believe that traffickers have reverted to old methods of cash smuggling, as the pandemic has made it impossible to do typical money laundering through trade.

Recent seizures of large amounts of cash have taken place near the border town of Clorinda in Formosa, a province that has a large swath of arid land on the border with Paraguay.

InSight Crime investigators looking into smuggling in Formosa received information that there is a regular movement of contraband along the Argentina-Paraguay border, generally carried out by organised groups. Some of these are dedicated exclusively to transporting marijuana into Paraguay, Latin America's largest producer of illegal cannabis.

Contraband cigarettes are also trafficked in the border region. Given the shortage of cigarettes in Argentina due to the closure of factories because of the coronavirus pandemic, cigarette smuggling has increased in order to supply the black-market trade.

A journalist from the region interviewed by InSight Crime claims there are entire areas in Formosa that live almost exclusively off contraband.

<https://es.insightcrime.org/noticias/noticias-del-dia/origen-cargamentos-efectivo-misterio-funcionarios-argentina/>

3.8. ACTIONS IMPLEMENTED IN THE REGION

3.8.1. Control Exercises

117. Since 2008, as a practical measure for the implementation of R.32, the GTA0 has organised half-yearly control exercises of the CTM and securities at airports and land border crossings agreed with the competent authorities of GAFILAT member.

118. The purpose of the intensified monitoring exercises is to address the phenomenon of cross-border physical transportation of currency in the region, with the aim of strengthening control measures, technical capacities, and cooperation in AML/CFT matters between the FIU and customs.

119. Within the framework of these exercises, it has been identified, by way of example and according to statistics from the customs authorities, and the experience of the authorities of each country for the control of transportation of cash, that the following parameters can be used for screening a passenger:

120. For entry:

- Based on the experience of the official who performs the control of the passenger's entry into the country.
- Based on the experience of an expert team in the control of suspicious persons (Police, Customs, other).
- Persons who do not fill out the cash declaration form before Customs, or those who fail to fill out the box indicating whether they are carrying cash.
- Persons who, at the time of passing through the scanner with their luggage, have suspicious packages or bundles detected.
- Persons or groups of persons selected prior to their arrival in the country, according to risk analysis and police and judicial records, previous entries and exits, coordination with other units, among others.
- Based on communications from authorities in other countries indicating that a person is leaving their country carrying cash and is headed for the country being notified.

121. For exit:

- Based on the experience of the International Police Officer who performs the exit control of the country.

- Based on the experience of an expert team in the control of suspicious persons.
- Persons who do not fill out the cash declaration form before Customs upon leaving the country, or those who fail to fill out the box indicating whether they are carrying cash.
- Persons who, according to the preliminary analysis, need to be controlled, as is the case of those citizens who enter early in the morning and leave the same day to another country.
- Persons whose luggage, at the time of passing through Customs or any other entity, is found to contain a suspicious package or bundle.

3.8.2. SICORE Network

122. The Cross Border Transportation Network (SICORE Network) aims to strengthen the control of cross-border transportation of money, securities, and high-value luxury goods. Through international cooperation, it seeks to help identify possible patterns and red flags that can help each country combat the cross-border transportation of illicit money and related crimes.

123. The Network was created in 2018, is currently comprised of 11 Latin American countries¹¹ and relies on the Consultation and Registration System (SICORE) to capture information and generate statistics. Each member country of the network designates a point of contact responsible for collecting and uploading the information from the declarations into the system.

124. Over the years, this platform has collected and stored a wealth of information on the movements and flows of cross-border transportation of money. From the cross-checking of this information, it has been possible to obtain inputs to feed risk matrices, develop joint cases between the jurisdictions that make up the CTM Network and detect inconsistencies between inbound and outbound declarations, among other actions aimed at combating organised crime.

125. As for the technical characteristics of the system, it is worth highlighting that an option has been added that allows the country to identify alerts of recurring passengers who declare money, with the possibility of showing all the passenger's information or, for confidentiality reasons, only essential data of the passenger and the related country, so that the country that generates the alert can communicate with the country of interest and request the cooperation with information and joint work to follow up on the objective.

126. The platform has proven to be very useful for the work of FIUs, since it allows understanding the phenomenon of money transfer in the region and strengthening international

¹¹ Bolivia, Chile, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Panama, Peru, and Dominican Republic.



cooperation, while allowing to jointly address cases of interest between countries based on the alerts that the same tool can generate.

3.9. CHALLENGES

127. Regarding the challenges faced by the countries in developing an effective response to the problem of money laundering and terrorist financing through the physical transportation of cash, the countries agreed that the main opportunities for improvement are:

- Improve the rapid and effective exchange of information at the inter-institutional level.
- Seek to systematise the flow of information contained in the traveller's affidavit.
- Generate digital declaration systems so that the information can be used in a standardised manner by all institutions involved.
- Implement regulatory and customs controls on persons who regularly travel transporting money by presenting affidavits indicating that they are engaged in currency exchange.
- Establish effective controls at border points, mainly on land, which are vulnerable due to the extensive geography of the countries.
- Generate inter-institutional coordination mechanisms and the systematisation of the flow of information contained in the traveller's affidavit.
- Correct the legislative limitations regarding the effective control of postal mail, courier, maritime control, and ports.

4. SICORE NETWORK DATA ANALYSIS

128. Based on the information provided by the SICORE Network, using cluster analysis methodologies, patterns were identified and, from these, atypical behaviours that may be associated with money laundering methodologies. With the anonymised identification of individuals, individual cluster models were developed to identify suspicious cases. Also, a study of the distribution of transactions and their amounts was carried out to define quantities and values from which atypical behaviour of individuals is generated.

129. As a preamble to the study of the data provided, the transaction or individual was taken as the unit of analysis. According to the availability and possibilities of the information, the typification of usual and anomalous situations was sought, the latter being of interest because they could be interpreted as ML risk events. To achieve this, the use of unsupervised data analysis methodologies was considered, represented by cluster analysis, which seeks to generate sets of individuals based on the distance of the values taken by the attributes that define them. For this purpose, different similarity measures and at least two types of algorithms were tested: k-means clustering and hierarchical clustering. The definition of the groups allows us to obtain the typical characteristics of the individuals that compose them, and to locate the individuals that, although belonging to the group, show strange or anomalous values compared to their peers. The aim is to apply this procedure in an aggregated manner and by country to feed the SICORE platform.



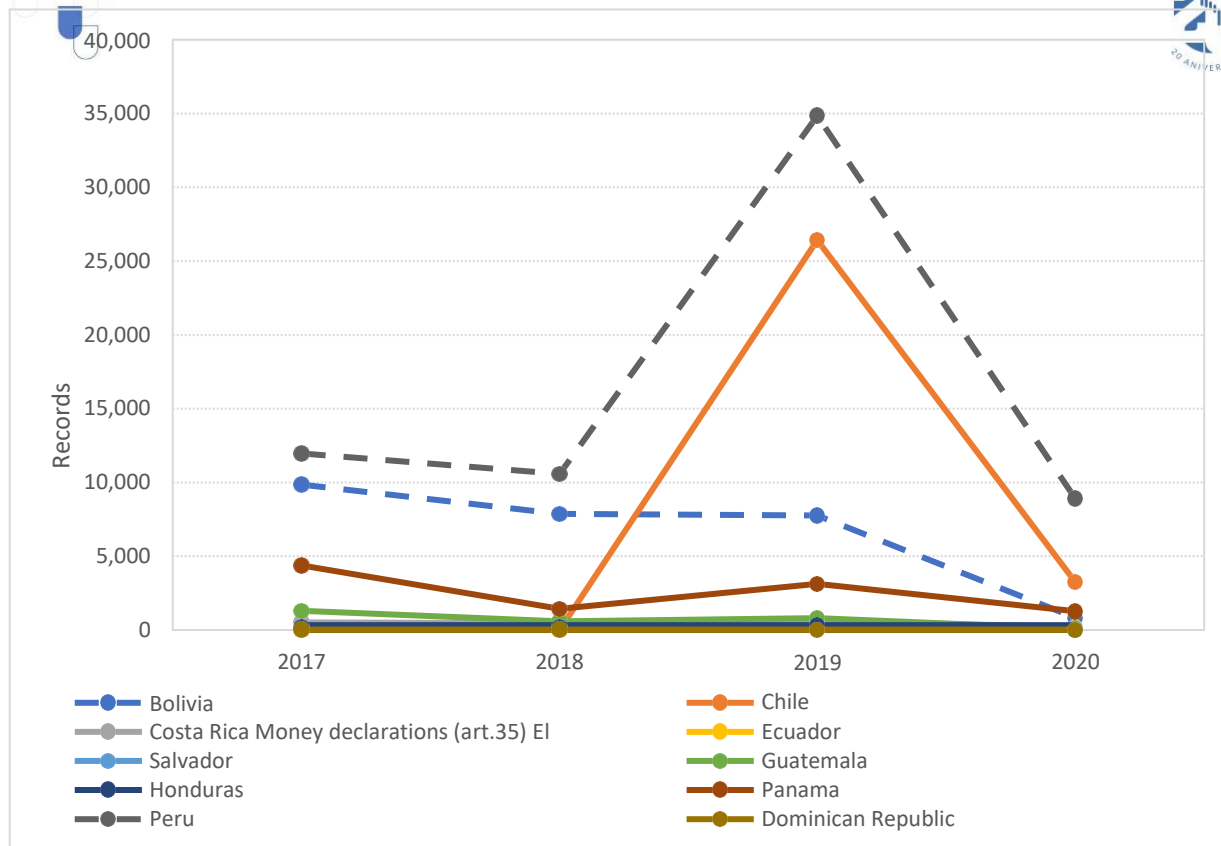
130. The results obtained from the cluster analysis were also processed using a supervised data learning model. In this case, the variable of interest is the anomaly indicator, and the explanatory variables will be all those that can be built on the individual. In this way, the aim is to arrive at a predictive model that can be recurrently applied to the data to continue the process of identifying situations of interest. The use of different algorithms can be validated here, although priority will be given to those with the best possibilities of interpretation and implementation.

4.1. INITIAL DESCRIPTION

131. Information was obtained from SICORE for 2017, 2018, 2019 and 2020. In total, there are 138,571 records reported by 10 Latin American countries, with information on declarations of cross-border movement of resources. By reporting year, there are 28,272 records for 2017, 21,330 records for 2018, 74,271 records for 2019 and 14,698 records for 2020. Table 5 presents the relationship between the number of records by reporting country and reporting year, from which the increase in records for 2019 is mainly due to the entry of Chile and the increase in reports by Peru. For 2020, all countries have dramatically reduced their registrations because of the mobility restrictions that were put in place in response to the COVID-19 pandemic. By country, the largest reporter is Peru, followed by Chile and Bolivia.

REPORTING COUNTRY	2017	2018	2019	2020	TOTAL
Bolivia	9,845	7,878	7,749	830	26,302
Chile	0	0	26,416	3,245	29,661
Costa Rica	521	450	586	222	1,779
Ecuador	0	97	242	129	468
El Salvador	103	145	181	30	459
Guatemala	1,296	580	807	74	2,757
Honduras	150	157	330	0	637
Panama	4,367	1,434	3,122	1,262	10,185
Peru	11,961	10,581	34,838	8,906	66,286
Dominican Republic	29	8	0	0	37
Total	28,272	21,330	74,721	14,698	138,571

Table 5. Records by reporting country and reporting year



Graph 17. Temporary evolution of records by reporting country

132. In addition to the SICORE information, exchange rates were consulted for 59 reported currencies. From this process, one case was identified where the country of migratory origin is Switzerland and the currency recorded is CHE, which is considered an error when relating the Swiss Franc (CHF)¹², with a total of 58 types of currencies recorded. The most frequent currency in the reports is the United States dollar (USD) with 76.3% of the cases. It is followed by the Chilean peso (CLP), which accounts for 11.4% of the records, and the euro (EUR) with a representation of 6.7%. Other currencies account for only 5.5% of entries.

4.2. INFORMATION DISPOSITION

133. Initially, 1,882 records were identified with zero amounts, of which 35 correspond to cash movements and 1,847 to securities. Of them, the vast majority (1,875 records) correspond to Panama. These entries in the data table are eliminated as omissions, resulting in 136,689 records with an amount greater than zero.

134. Subsequently, the exchange rate is added according to the date of the record and the information provided in the currency field, thus making it possible to yield the total amount of the declarations in USD, as the product between the original amount (amount field) and the exchange rate.

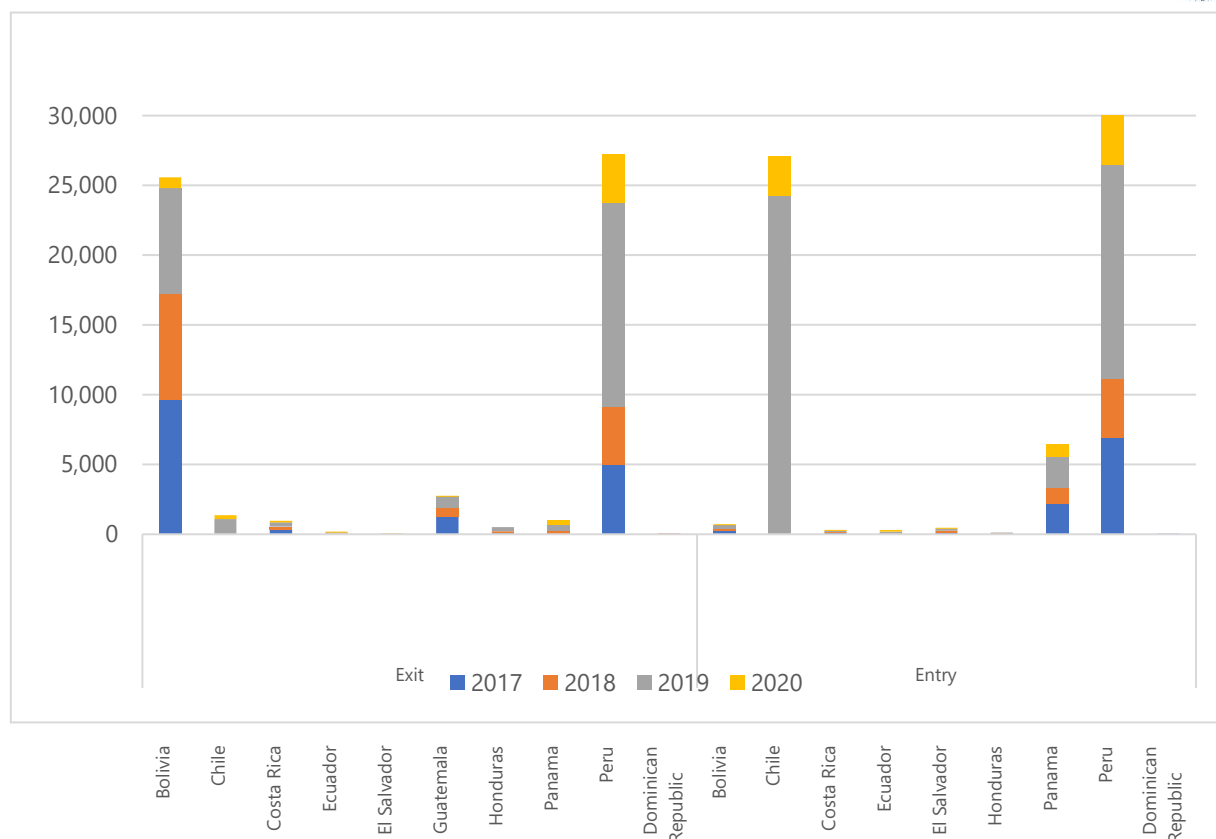
135. At this point, since all the records are already expressed in the same currency (USD), it is possible to aggregate the information by operation to obtain the total amount declared. Thus,

¹² This record is imputed by modifying the Currency field from CHZ to CHF.

discriminating by outbound and inbound declarations, the information presented in Table 6 shows that the number of declarations adds up to 125,162. This figure is lower than the number of records previously observed (136,689) because it adds all the cases where the report contains more than one type of asset, including cheques, cash, jewellery, and securities, expressed in different currencies. For outbound declarations, there is a total of 59,609 operations, while 65,553 inbound declarations are counted. In addition, it is interesting to note that most of the reports from Bolivia correspond to outbound declarations, being the second country that contributes the most to this type of operation. For inbound declarations, the countries that participate most are, in order, Peru and Chile.

TYPE OF DECLARATION	REPORTING COUNTRY	2017	2018	2019	2020	TOTAL
Outbound	Bolivia	9,607	7,661	7,520	777	25,565
	Chile	0	0	1,085	271	1,356
	Costa Rica	336	204	308	115	963
	Ecuador	0	41	108	16	165
	El Salvador	0	0	9	3	12
	Guatemala	1,296	580	807	74	2,757
	Honduras	78	129	313	0	520
	Panama	2	209	491	281	983
	Peru	5,008	4,097	14,679	3,497	27,281
	Dominican Republic	5	2	0	0	7
	Total		16,332	12,923	25,320	5,034
Inbound	Bolivia	233	216	228	50	727
	Chile	0	0	24,273	2,828	27,101
	Costa Rica	93	67	105	43	308
	Ecuador	0	56	134	113	303
	El Salvador	101	145	171	27	444
	Honduras	38	25	17	0	80
	Panama	2,201	1,117	2,256	912	6,486
	Peru	6,953	4,181	15,332	3,614	30,080
	Dominican Republic	24	0	0	0	24
	Total		9,643	5,807	42,516	7,587
Total		25,975	18,730	67,836	12,621	125,162

Table 6. Declarations by type of declaration (outbound, inbound), reporting country and migration year



Graph 18. Declarations by type of declaration (outbound, inbound), reporting country and migration year

136. Due to the shortage of inbound declarations reported by El Salvador and the Dominican Republic, and outbound declarations reported by Honduras and the Dominican Republic, the corresponding transactions are eliminated leaving a total of 59,554 outbound declarations and 65,426 inbound declarations¹³.

137. Considering the existence of declarations for very high amounts, for example, an outbound operation to the United States from Chile of a Chilean national, with five cash entries for a total of USD 42,156,353, or two inbound operations to Chile from the United Kingdom of two Chilean nationals, both occurred on August 5, 2019, for USD 250 million in cheque each, it is necessary to make an additional debugging of the information to try to identify cases that may be related to situations such as the transportation of securities through specialised companies.

138. For this purpose, only pairs between outbound and inbound countries (inflows and outflows) that have twenty or more declarations and that accumulate more than 1% of the total value in USD of outflows (inflows) per country will be taken into consideration. For each case, we analyse the number of transactions in USD and try to find natural thresholds for dividing the

¹³ In this item, 36 outbound declarations and 27 inbound declarations identified with Code 1 are additionally eliminated, on the understanding that they correspond to identification errors.

information by means of a univariate cluster analysis¹⁴, using the k-means algorithm with $k = 5$. Thus, for example, for departures from Bolivia to Argentina, there are 1,448 declarations that allow generating 5 groups characterised by the following average amounts: USD 13,187, USD 25,328, USD 50,894, USD 532,500 y USD 2,104,168. Then, the group with the highest average value is taken and the minimum amount in USD of the operations is obtained, which in this case corresponds to USD 1,979,771. Finally, all outbound declarations for the Bolivia-Argentina country pair that have an amount in USD greater than or equal to this threshold will be considered as having been made through the transport of securities and, therefore, will be discarded from the study. Now, this filter will be performed if the coefficient of variation¹⁵ of the average amounts that characterize each of the 5 clusters obtained is greater than 0.75, to avoid discarding declarations whose amount in USD is not significantly higher compared to those of the group that follows.

139. It is important to mention that the complexities of the above process can be avoided by including in SICORE a variable that allows identifying the declarations that correspond to CTM movements through securities transport companies. This not only simplifies the analysis, but also avoids errors that may arise from a procedure such as the one described above.

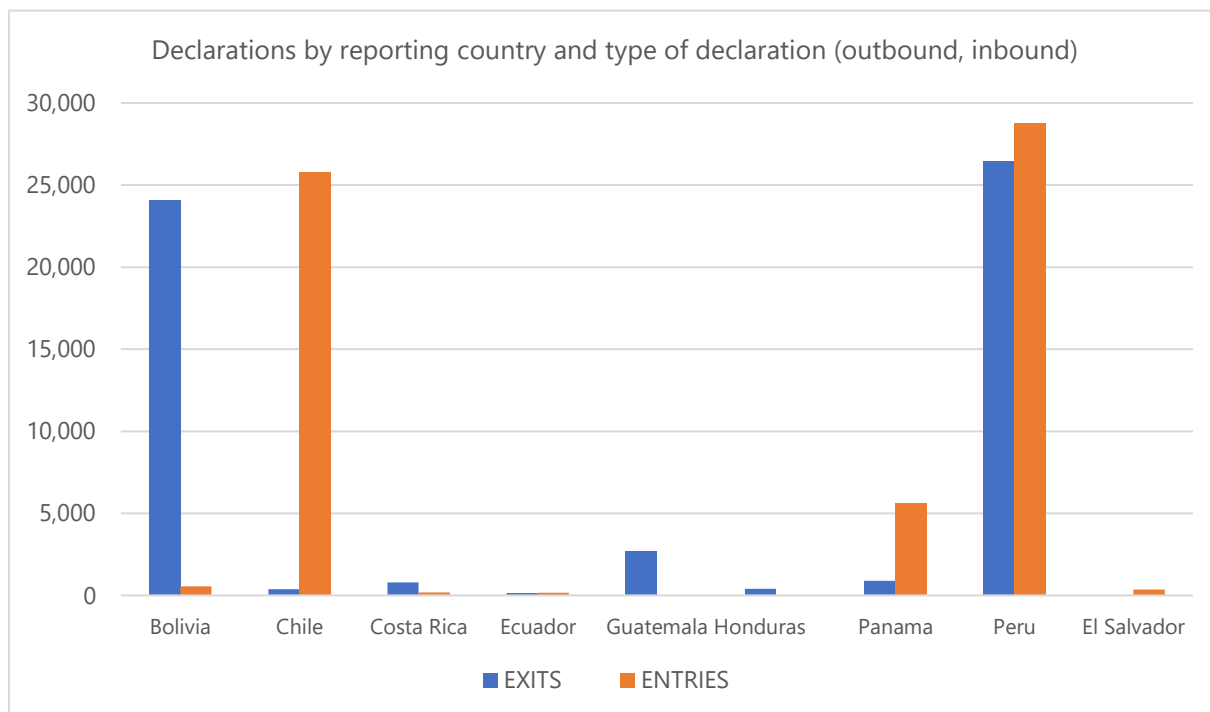
140. Table 7 shows the distribution of the 55,735 outbound declarations and the resulting 61,362 inbound declarations. For outflows, both Bolivia and Peru show a small reduction in the number of operations, from 25,565 to 24,042 and from 27,281 to 26,465, respectively, although in the case of Chile approximately 73% of the reports were omitted. A similar situation was observed for entries, where the main reporting countries, Chile, and Peru, experienced a reduction of less than 5% in their declarations. Finally, the analysis will be carried out in the following section on these 117,097 declarations.

REPORTING COUNTRY	EXITS	ENTRIES
Bolivia	24,042	543
Chile	370	25,772
Costa Rica	780	188
Ecuador	140	157
Guatemala	2,671	0
Honduras	390	0
Panama	877	5,594
Peru	26,465	28,745
El Salvador	0	363
Total	55,735	61,362

Table 7. Declarations by reporting country and type of declaration (outbound, inbound)

¹⁴ Although this type of methodology is useful for the identification of groups based on the concurrent consideration of several characteristics, in this case it will allow us not to rely on subjectively chosen cut-offs or percentiles that may not represent more natural divisions of the information.

¹⁵ This measure is defined as the quotient between the standard deviation and the average of a variable. It is used to obtain an idea of the variation of data in comparable units.



Graph 19. Cases of transportation of cash for verification (entry)

4.3. ANALYSIS OF INFORMATION BY DECLARATION

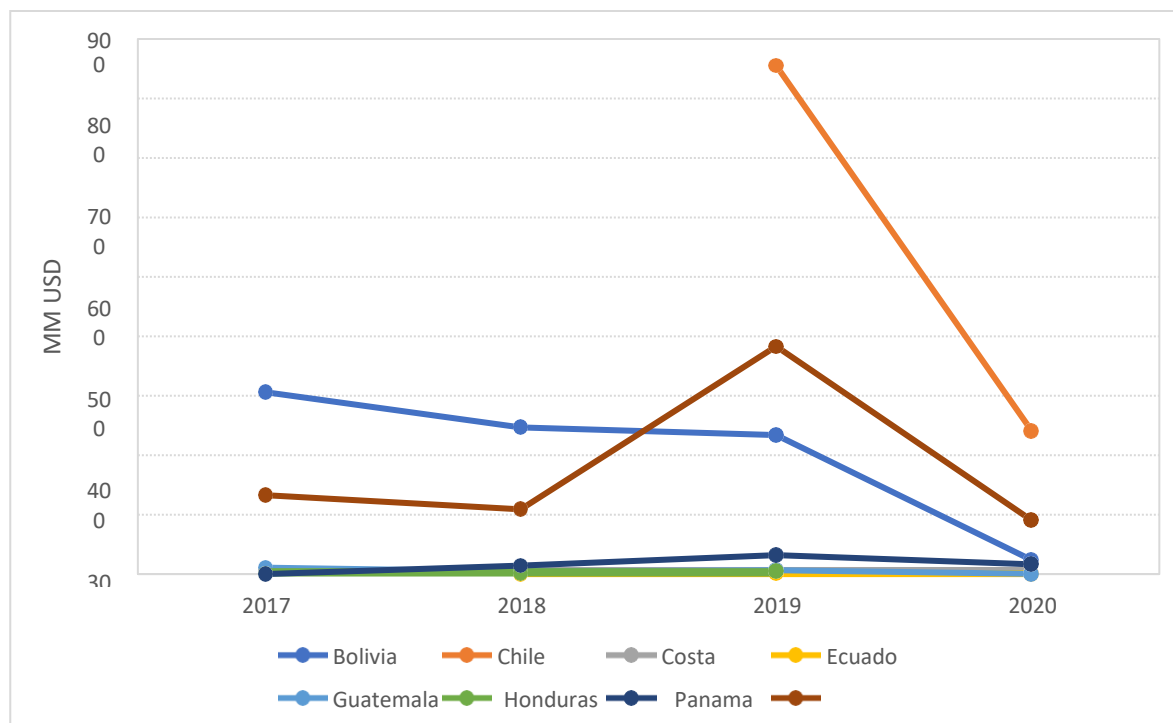
141. With the data selected from the procedures described in the previous section, we proceed to the analysis of the declarations. Thus, Table 8 shows the distribution of the amounts by type of operation, reporting country and year of migration. A total of USD 5,968 million was recorded, of which 46% corresponds to outbound entries and the remaining 54% to inbound operations. The most important country for outbound declarations is Chile, which even entering SICORE only in 2019 records USD 1,097 million, above Bolivia and Peru, which are the second and third most important countries for this type of movement, respectively. A similar situation occurs for inbound declarations, where Chile is again the country with the highest amount reported, reaching USD 2,125 million between 2019 and 2020, almost three times more than Peru, which accumulates USD 792 million between 2017 and 2020. The amounts recorded for the other countries are quite small regardless of whether they are outbound or inbound declarations.

TYPE OF DECLARATION	REPORTING COUNTRY	2017	2018	2019	2020	TOTAL
Outbound	Bolivia	305.92	246.74	234.19	23.81	810.67
	Chile			855.56	241.19	1,096.75
	Costa Rica	6.72	4.49	6.33	1.71	19.24
	Ecuador		0.60	1.61	0.15	2.36
	Guatemala	10.93	4.48	6.42	0.64	22.47



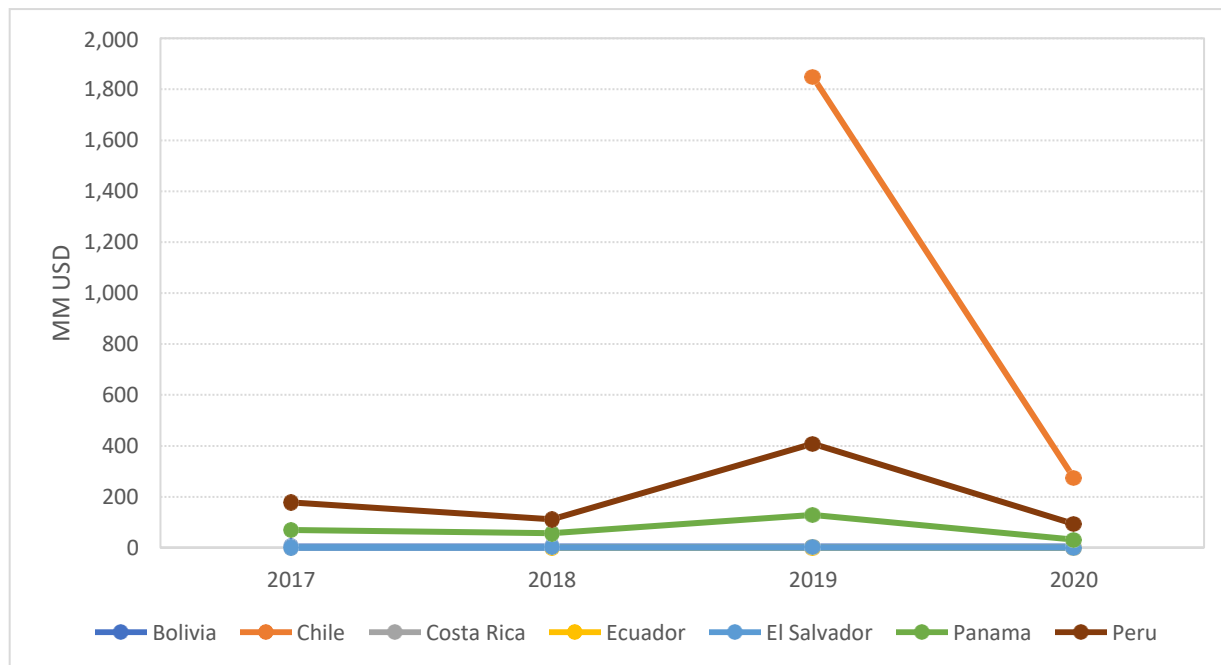
	Honduras	1.23	2.36	5.01		8.59
	Panama	0.15	14.35	31.91	16.63	63.05
	Peru	132.54	108.90	382.96	90.45	714.85
	Total	457.48	381.92	1,523.99	374.58	2,737.97
Inbound	Bolivia	5.10	4.66	3.63	0.66	14.04
	Chile			1,849.56	275.21	2,124.77
	Costa Rica	1.29	0.87	1.84	0.54	4.53
	Ecuador		0.50	1.00	1.14	2.63
	El Salvador	1.55	1.99	2.45	0.45	6.44
	Panama	68.85	56.74	128.65	31.74	285.98
	Peru	178.27	111.49	408.51	93.68	791.95
	Total	255.05	176.24	2,395.64	403.42	3,230.34
	Total	712.53	558.16	3,919.63	777.99	5,968.31

Table 8. Amount declared in millions of USD by type of declaration (outbound, inbound), reporting country and year of migration



Graph 20. Temporal evolution of amounts reported in outbound declarations, by reporting country





Graph 21. Temporal evolution of amounts reported in inbound declarations, by reporting country

142. The amounts declared by type of declaration, reporting country and year are analysed to establish their distribution by currency. Table 9 focuses on the situation in Bolivia, Costa Rica and Peru, as the countries with the greatest variety, and identifies that the U.S. dollar is almost always the most representative currency, participating with more than 90% of the amounts reported, with the exception of outbound declarations from Peru, where the euro and the Chilean peso are much more relevant in the years 2018 to 2020, and Bolivia’s inbound declarations for 2020. The second most important currency is usually the euro, although for entries from Costa Rica, the Costa Rican colon is the second most declared currency. Overall, no atypical trend is observed when comparing the analysed countries with each other.

TYPE OF DECLARATION	REPOSITORY	CURRENCY	2017	2018	2019	2020
Outbound	Bolivia	USD	94.23%	96.46%	94.20%	89.44%
		EUR	2.40%	2.01%	4.08%	8.92%
		ARS	2.41%	1.34%	0.66%	0.33%
		Rest of the country	0.95%	0.18%	1.06%	1.31%
	Costa Rica	USD	98.78%	97.67%	94.09%	92.10%
		EUR	1.08%	1.92%	4.36%	5.29%
		CRC	0.04%	0.40%	1.28%	2.52%
		Rest of the country	0.10%	0.01%	0.26%	0.10%
		USD	100.00%	1.25%	1.03%	5.55%

Inbound	Peru	EUR	0.00%	41.15%	32.05%	18.64%
		CLP	0.00%	50.55%	60.75%	66.55%
		Rest of the country	0.00%	7.05%	6.17%	9.26%
	Bolivia	USD	95.86%	94.85%	95.86%	60.42%
		EUR	3.88%	4.87%	3.73%	19.14%
		BOB	0.26%	0.00%	0.00%	20.44%
		Rest of the country	0.00%	0.28%	0.41%	0.00%
	Costa Rica	USD	99.99%	99.94%	99.13%	96.00%
		CRC	0.00%	0.00%	0.01%	3.91%
		Rest of the country	0.01%	0.06%	0.86%	0.09%
	Peru	USD	100.00%	92.32%	95.05%	91.04%
		EUR	0.00%	6.77%	3.47%	7.21%
Rest of the country		0.00%	0.91%	1.48%	1.75%	

Table 9. Distribution of the amounts declared by currency, by type of declaration, reporting country and year of migration

143. As a result of the information analysed, the following typology could be identified:

Proposed typology: Smurfing in currency declaration.

From the analysis of the SICORE information, declarations were identified where the transportation of cash using several currencies was specified. Here, for each currency, amounts of around USD 8,500 were observed for each currency, which together reach sums of around USD 28,000 and can reach up to USD 60,000.

According to the data, a red flag associated with this typology is the transportation of cash using 3 or more currencies, which occurs in only 1% of the declarations. Additionally, when these currencies are not related to the countries of origin and destination, they are not international exchange currencies such as the U.S. dollar and the euro. Some situations identified correspond to the outbound declarations registered by Peru of three Peruvian nationals, one of them traveling from Peru to Mexico carrying euros, pounds sterling and Peruvian soles; one of them traveling from Peru to Mexico carrying Chilean pesos, Colombian pesos, and Peruvian soles; and one of them traveling from Peru to Chile carrying Colombian pesos, Mexican pesos, and Peruvian soles.

144. The same analysis, but by means of transport used, is presented in Table 10. Here, for both outbound and inbound declarations, the most representative means of transport, in terms of amounts, is by air, and it is even the only one reported for exits through Costa Rica, Ecuador, Guatemala, Honduras and Panama, and for entries through Ecuador and El Salvador. In any case, Bolivia and Peru show an important participation of land in outbound and inbound movements. Here, the inversion in the trend for Peru's entry declarations in 2018, 2019 and 2020 is striking, where the amounts transported by land exceed those declared by air.

TYPE OF DECLARATION	REPOSITORY	CURRENCY	2017	2018	2019	2020
Outbound	Bolivia	Air	62.49%	64.37%	71.56%	96.76%
		Land	37.51%	35.63%	28.44%	3.24%
	Chile	Air			99.95%	99.99%
		Sea			0.00%	0.01%
		Land			0.05%	0.00%
	Costa Rica	Air	100.00%	100.00%	100.00%	100.00%
	Ecuador	Air		100.00%	100.00%	100.00%
	Guatemala	Air	100.00%	100.00%	100.00%	100.00%
	Honduras	Air	100.00%	100.00%	100.00%	0.00%
	Panama	Air	100.00%	100.00%	100.00%	100.00%
	Peru	Air	76.59%	48.78%	37.91%	31.73%
Land		23.41%	51.22%	62.09%	68.27%	
Inbound	Bolivia	Air	76.35%	61.97%	81.04%	74.68%
		Land	23.65%	38.03%	18.96%	25.32%
	Chile	Air			50.76%	56.63%
		Land			49.24%	43.37%
	Costa Rica	Air	100.00%	100.00%	99.24%	100.00%
		Land	0.00%	0.00%	0.76%	0.00%
	Ecuador	Air		100.00%	100.00%	100.00%
	El Salvador	Air	100.00%	100.00%	100.00%	100.00%
	Panama	Air	99.99%	100.00%	100.00%	100.00%
		Land	0.01%	0.00%	0.00%	0.00%
	Peru	Air	59.53%	43.29%	39.52%	32.82%
Land		40.47%	56.71%	60.48%	67.18%	

Table 10. Distribution of the amounts declared by means of transport, by type of declaration, reporting country and year of migration

145. Continuing with the analysis of the amounts declared, Table 11 shows some statistics of the amounts in the outbound declarations, discriminating by reporting country (country of origin) and country of destination. The indicators presented are an average, which can be



interpreted as the mean value among all the amounts in USD declared for each case; the 95th percentile, which is the value that is higher than 95% of the cases with the lowest amount in USD declared for each case; and the maximum amount in USD among all the declarations for each case.

146. The first thing that stands out is the outliers observed for outbound declarations from Chile to the United States. Here we have 163 declarations that accumulate USD 1,074 million in the period considered, for amounts of around USD 4 million, even reaching USD 27 million, even after the procedures implemented in the previous section to remove the records corresponding to the use of securities transportation companies. Taking this into consideration, it is concluded that there may be recording errors in this type of declarations and any further analysis for this source-destination pair is omitted.

147. For the rest of the analysis of outbound declarations, for each pair of countries, the statistic of greatest interest is the 95th percentile, since it represents the aggregate declaration threshold in USD above which the most atypical operations occur, and which can be used as a criterion for a more detailed analysis of the operations in search of suspicious situations. Thus, in Bolivia there are values of around USD 60,000, without considering Sweden as a destination, and USD 95,000 to Sweden. In maximum values, there are cases where USD 850,000 are declared to Argentina (one operation with code 1.17834.1.9.5) or more than USD 500,000 to Chile (four operations with codes 1.19363.1.9.5, 1.19365.1.9.5, 1.19390.1.9.5 and 1.19394.1.9.5). In the other relevant destinations (United States, China, Spain, Panama, Brazil, Peru, and Sweden) the maximum amounts are well below the those described for Argentina and Chile, reaching only up to USD 222,000 in the Bolivia-United States pair.

148. For Chile, the resulting relevant case is with Uruguay, where there is a 95th percentile of USD 290,203 separating 11 declarations (codes 1.1107.4.11.5, 1.1114.4.11.5, 1.12543.3.11.5, 1.13515.3.11.5, 1.13674.3.11.5, 1.29336.3.11.5, 1.32549.3.11.5, 1.33180.3.11.5, 1.33454.3.11.5, 1.6872.3.11.5 and 1.6875.3.11.5) with amounts up to USD 395,672.

149. The analysis for Costa Rica, Ecuador, Guatemala, Honduras, and Peru is done in the same way, concentrating on the calculated 95th percentile, not finding spatially atypical situations to highlight. However, the 52 declarations of departures from Ecuador to Ecuador, which are not explained by the type of information captured by SICORE and which may constitute recording errors that could be corrected, are noteworthy.

150. The last case of analysis is Panama, which shows Panama as the main destination, with 474 declarations for USD 32 million, and Unknown as the second main destination, with 326 entries for USD 24 million. These records must be validated to establish their veracity. The remaining top destinations, the United States and Namibia, reflect 95th percentiles of USD 294,718 and USD 198,084, respectively. The maximum declaration amount for the United States is USD 318,054 (code 1.1168.4.5.5.5) and for Namibia is USD 305,724 (code 1.2364.3.5.5.5).



COUNTRY OF ORIGIN	COUNTRY OF DESTINATION	DECLARATIONS	TOTAL (MILLIONS OF USD)	AVERAGE (USD)	95TH PERCENTILE	MAXIMUM (USD)
Bolivia	Chile	11,731	441	30,000	65,100	532,650
	United States	3,204	111	30,000	67,530	222,000
	China	3,393	101	28,600	49,644	95,500
	Argentina	1,446	38	20,000	49,500	850,000
	Spain	1,024	33	24,641	94,452	161,248
	Panama	865	27	28,808	53,222	130,571
	Brazil	1,131	27	20,000	49,000	103,700
	Peru	1,104	26	20,309	46,425	98,000
	Sweden	144	7	40,225	95,000	132,965
Chile	United States	163	1,074	4,180,000	21,625,890	27,212,100
	Uruguay	207	22	100,220	290,203	395,672
Costa Rica	United States	399	9	18,120	57,397	91,099
	Panama	257	7	22,712	58,656	124,900
	Nicaragua	38	1	30,675	50,000	75,000
	Spain	31	1	14,692	47,115	54,000
	Colombia	30	1	14,000	35,092	36,300
	Mexico	25	1	18,733	46,800	56,200
	Unknown	68	1	12,577	34,159	65,040
Ecuador	Ecuador	52	1	11,192	41,376	76,000
	United States	20	0	11,810	41,050	61,000
	United States	1,241	11	8,150	15,300	47,726
Guatemala	Panama	579	5	8,600	9,856	27,022
	Mexico	317	2	8,000	9,852	16,242
	Colombia	181	1	8,000	9,820	17,000
	Costa Rica	139	1	8,000	9,950	14,603
	Nicaragua	115	1	8,040	9,972	24,955
	El Salvador	72	1	7,975	9,983	31,000
	Spain	27	0	8,000	9,952	10,000
	United States	304	6	15,402	49,807	200,000
Honduras	Panama	86	2	21,783	61,389	85,561
	Panama	474	32	34,388	275,962	595,179
Panama	Unknown	326	24	36,608	284,203	490,797
	United States	25	4	157,178	294,718	318,054
	Namibia	52	3	24,662	198,084	305,724
	Chile	15,422	412	28,557	30,198	59,224
Peru	Mexico	9,503	263	28,348	29,797	60,150
	Colombia	1,164	30	28,684	30,004	37,250
	Panama	376	10	27,711	29,716	30,787

Table 11. Statistics of the amount declared by country of origin and destination, for outbound transactions

151. Table 12 is equivalent to Table 11 but deals with the analysis of inbound declarations. Here, once again, the Chile - United States pair, with 255 declarations accumulating USD 880 million in the analysis period, has values that bear no relation to any of the other cases



considered. The average declaration is around USD 1.1 million and has a maximum declaration for USD 21 million (three records with code 1.30914.3.11.5 from a Chilean legal entity, for November 22, 2019, in cash for amounts of USD 9,385,000, USD 9,600,000, and USD 2,098,057), which gives indications of inconsistencies in the reporting for this pair of countries. The other main countries of origin for Chile show a 95th percentile ranging from USD 30,512 (Peru) to USD 1,366,530 (United Kingdom), with the largest inbound declarations coming from Bolivia with USD 17 million (code 1.23445.3.11.5) and Peru with USD 7,929,551 (code 1.6219.3.11.5).

152. Another case of interest is Panama, which shows 95th percentiles in the USD number of inbound declarations ranging from USD 45,054 (origin in Haiti) to USD 304,662 (origin in Belize). Here, when the origin is Colombia, there is an inbound declaration for USD 5,718,051, with code 1.2406.3.5.5, which corresponds to a Venezuelan national transporting jewellery for this value. If the origin is the Netherlands, there are 8 declarations that exceed the threshold of USD 255,542, 7 of them for more than USD 1 million. Each of the two cases with the highest amounts indicate movements for more than USD 4 million, from the same Venezuelan national mentioned above, transporting jewellery.

153. For Bolivia, Costa Rica, Ecuador, El Salvador, and Peru, the 95th percentiles are much more consistent, around USD 43,000, and maximum values do not exceed USD 97,000, except for an inbound declaration from Chile to Bolivia for USD 252,582 (code 1.7673.3.9.5).

COUNTRY OF ORIGIN	COUNTRY OF DESTINATION	DECLARATIONS	TOTAL (MILLIONS OF USD)	AVERAGE (USD)	95TH PERCENTILE	MAXIMUM (USD)
Bolivia	Chile	174	6	23,250	83,770	252,582
	United States	77	2	17,100	48,810	68,000
	Paraguay	54	1	25,750	48,350	53,000
	Peru	60	1	20,400	39,050	49,700
	Argentina	74	1	12,945	35,350	48,000
	Spain	45	1	17,762	70,620	97,000
	China	30	1	27,800	54,400	93,000
	Brazil	29	0	14,863	24,642	26,889
Chile	United States	255	880	1,123,217	15,365,700	21,083,057
	Bolivia	14,759	831	38,080	153,509	17,000,000
	Peru	9,081	278	28,249	30,512	7,929,551
	Uruguay	481	64	112,880	388,319	537,356
	Paraguay	1,177	62	40,000	145,000	237,172
	United Kingdom	19	9	220,000	1,366,530	1,680,003
Costa Rica	United States	82	2	18,405	42,480	60,000
	Mexico	46	1	23,130	60,690	81,000
	Colombia	32	1	27,073	57,890	62,755
	Panama	28	1	25,500	49,469	50,350

Ecuador	United States	77	1	10,500	27,946	60,000
	Mexico	38	1	20,186	28,695	29,800
	Chile	23	1	18,800	51,780	64,550
	Aruba	19	0	13,700	21,377	3,122
El Salvador	United States	363	6	14,000	37,450	83,372
Panama	Colombia	1,405	100	26,000	260,730	5,718,051
	Bolivia	973	31	27,476	62,200	200,000
	Netherlands	145	29	32,711	255,542	4,492,722
	Belize	219	25	81,625	304,662	440,000
	Guyana	247	13	42,000	120,203	185,839
	United States	369	10	17,800	97,159	202,803
	Venezuela	191	9	21,300	185,566	390,370
	Costa Rica	337	8	19,000	55,560	330,000
	Paraguay	176	8	34,121	104,779	140,000
	Mexico	128	7	26,490	300,000	612,273
	Chile	123	7	29,000	228,371	331,768
	Ecuador	196	6	24,000	91,998	123,261
	Peru	202	6	19,976	120,043	215,000
	Nicaragua	198	6	23,948	76,157	140,414
	Dominican Republic	185	5	19,960	85,821	137,863
	Trinidad and Tobago	147	5	26,411	90,511	123,313
	El Salvador	152	5	20,711	73,208	202,062
Haiti	201	4	18,698	45,054	97,551	
Peru	Chile	17,711	474	29,100	29,900	88,400
	Mexico	9,324	273	30,000	30,000	35,448
	Colombia	1,334	37	29,646	30,628	31,380
	Bolivia	376	8	20,800	30,000	48,000

Table 12. Statistics of the amount declared by country of destination and origin, for inbound transactions

154. In accordance with the above, the analysis of the amounts declared, both for outflows and inflows, aggregating the records in a single currency (USD) allows the aggregate value for each operation to be known. From this it is possible to obtain measures such as the average, the 95th percentile or the maximum value, which give an idea of different situations and provide red flags to support the countries' efforts to identify suspicious transactions. Outbound declarations with amounts higher than the 95th percentile identified in Table 11, and inbound declarations registering an amount higher than the amount described



in Table 12, for the pairs of countries considered in each case, constitute a red flag that can be used to identify suspicious transactions.

4.4. ANALYSIS OF INFORMATION BY PERSON

155. The number of persons reporting outbound or inbound declarations, by year, is shown in Table 13. Totals are not included here because the same person may be reported for two or more countries and in several years, so aggregating the cells would double count. Taking this into consideration, it is possible to calculate a total of 25,678 individuals. The behaviours observed when studying the declarations are also evident in the case of individuals, with a greater number of individuals registered by Chile, Peru, and Bolivia, especially for inbound declarations, although in the case of Peru the records for outbound declarations are also representative. In general, the year with the highest participation is 2019, especially for Peru and Chile, while the year with the highest number of records for Bolivia is 2017. Two additional cases worth mentioning are Guatemala for inbound declarations, and Panama for outbound declarations.

TYPE OF DECLARATION	REPORTING COUNTRY	2017	2018	2019	2020
Outbound	Bolivia	9,133	7,256	6,969	684
	Chile			301	69
	Costa Rica	273	162	260	85
	Ecuador		36	94	10
	Guatemala	1,245	566	787	73
	Honduras	61	99	230	
	Panama	2	206	475	194
	Peru	4,745	4,002	14,317	3,401
Inbound	Bolivia	179	171	155	38
	Chile			23,038	2,734
	Costa Rica	54	36	75	23
	Ecuador		28	60	69
	El Salvador	82	119	142	20
	Panama	1,916	1,073	1,866	739
	Peru	6,304	4,003	14,908	3,530

Table 13. Persons that have declared by type of declaration (outbound, inbound), reporting country and migration year

156. Relativising the number of people declaring by the population of each country for 2019, the most representative year in terms of declarations, it is identified that for outbound movements the most important countries are Bolivia, Peru, and Panama, with atypically



low values in Ecuador. When analysing the same indicator for inbound declarations, the importance of Chile is evident, well above the other countries considered, and the low reporting level of Ecuador. This confirms what was observed when relativizing amounts declared per GDP, that Bolivia, Chile, and Peru are the most relevant countries for SICORE, and Ecuador seems to have room for improving the incidence of its reports.

157. The following is an analysis of the distribution by year of the number of declarations made by individuals, whether outbound or inbound, and the amounts associated with them. Thus, Table 14 contains values for the number of registered individuals, the number of associated declarations, and the average and 95th percentile values for both the number of declarations and the amounts in USD for both outbound and inbound declarations by year. The 95th percentiles for the number of declarations and the amounts in USD can be interpreted as thresholds above which atypical situations occur and are associated with red flags. Now, it is necessary to define whether a criterion with a low probability of false positives, but a high probability of false negatives is desired, or vice versa. In the first case, it is a matter of choosing a high 95th percentile, such as those occurring in the number of declarations and amounts in USD, of outflows and inflows, for the year 2016. The opposite case takes the 95th percentiles in number of declarations and USD amounts for years such as 2020. As an example, individuals with more than 9 outbound declarations or more than 42 inbound declarations per year are of interest. Likewise, individuals who declare more than USD 315,000 in outbound declarations or more than USD 1,488,000 in inbound declarations per year are of interest.

TYPE OF DECLARATION	YEAR	PERSONS	DEC.	DEC. AVERAGE	DEC. PERCENTILE 95TH	AVERAGE AMOUNT (USD)	AMOUNT PERCENTILE 95TH (USD)
Outbound	2017	8,203	29,986	1	9	32,000	315,565
	2018	6,513	13,603	1	6	29,700	229,218
	2019	7,350	10,755	1	3	23,000	135,932
	2020	1,282	1,391	1	2	25,968	55,718
Inbound	2017	2,816	32,839	3	42	88,004	1,488,791
	2018	1,636	8,124	2	16	66,078	814,116
	2019	7,715	17,418	1	7	34,900	299,576
	2020	2,389	2,981	1	2	27,000	115,867

Table 14. Statistics on the number of declarations and amounts per person, by type of declaration (outbound, inbound) and year of migration.

158. Here, the 95th percentiles for the number of declarations and the amounts in USD are interpreted as thresholds above which atypical situations occur, which may be associated with red flags. Now, it is necessary to define whether a criterion with a low probability of false positives, but a high probability of false negatives is desired, or vice versa. In the first case, it is a



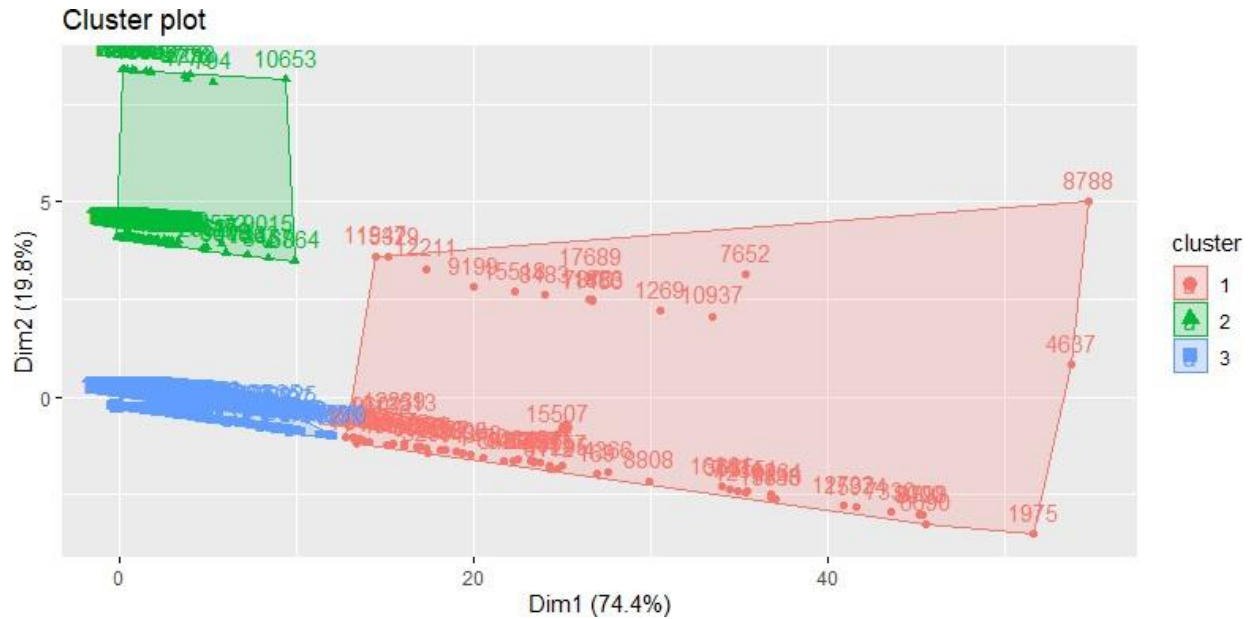
matter of choosing a high 95th percentile, such as those occurring in the number of declarations and amounts in USD, of outflows and inflows, for the year 2017. The opposite case takes the 95th percentiles in number of declarations and USD amounts for years such as 2020. As an example, minimizing false positives, individuals with 9 or more outbound declarations or 42 or more inbound declarations per year are of interest. Likewise, individuals who declare USD 315,000 or more in outbound declarations or USD 1,488,000 or more in inbound declarations per year are of interest. Using these criteria, 10 individuals with more than 200 outbound declarations, totalling more than USD 5 million, and 9 individuals with more than 300 inbound declarations, totalling more than USD 10 million, are identified in 2019. Some of these individuals are the same, as in the case of a Peruvian citizen, registered by Peru, who shows 414 outbound and 633 inbound declarations between 2018 and 2020 (for example, in the declaration with code 1.949.2.8.5), most of them concentrated in 2019, whose movements are all in cash by land, mainly using the Tacna and Chacalluta posts, totalling almost USD 12 million in outbound and USD 18.7 million in inbound. Two additional situations can be identified with respect to this person: on average, departures from Peru are recorded every 1.3 days for amounts between USD 29,000 and USD 30,000, and departures from Peru are made in Chilean pesos, while entries are recorded in U.S. dollars.

159. Next, for outbound declarations (entry), by individual, we obtain the number of nationalities reported, average number of declarations per year, maximum number of declarations in a year, average amount in USD declared per year, and maximum amount in USD declared in a year. This configuration of the data, outputs, and inputs will be used to apply a cluster analysis by means of the k-means algorithm, using Euclidean distances. This procedure seeks to identify heterogeneous groups of homogeneous individuals, some of which may be of interest due to their atypical behaviour.

160. For the case of the output statements $k = 3$ is identified as the number of groups to be calculated¹⁶. In the representation of the results shown in Figure 22, the dimensionality of the data is reduced using the principal components procedure and the first two components are taken. According to the results, the total of 17,949 individuals is organised into three groups: the first (in red) has 73 individuals, the second (in green) has 942 individuals and the third (in blue) has 16,934 individuals. Table 15 shows that cluster 1 is the most interesting because it contains the individuals with the largest number of declarations and the largest amount, with 67 individuals accumulating an average of USD 2.14 million per year.

¹⁶ The value of the parameter is obtained by identifying the “elbow” in the graph that relates the number of clusters and the sum of the squared weighted errors.





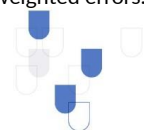
Graph 22. Cluster of individuals by outbound declarations based on the first two main components

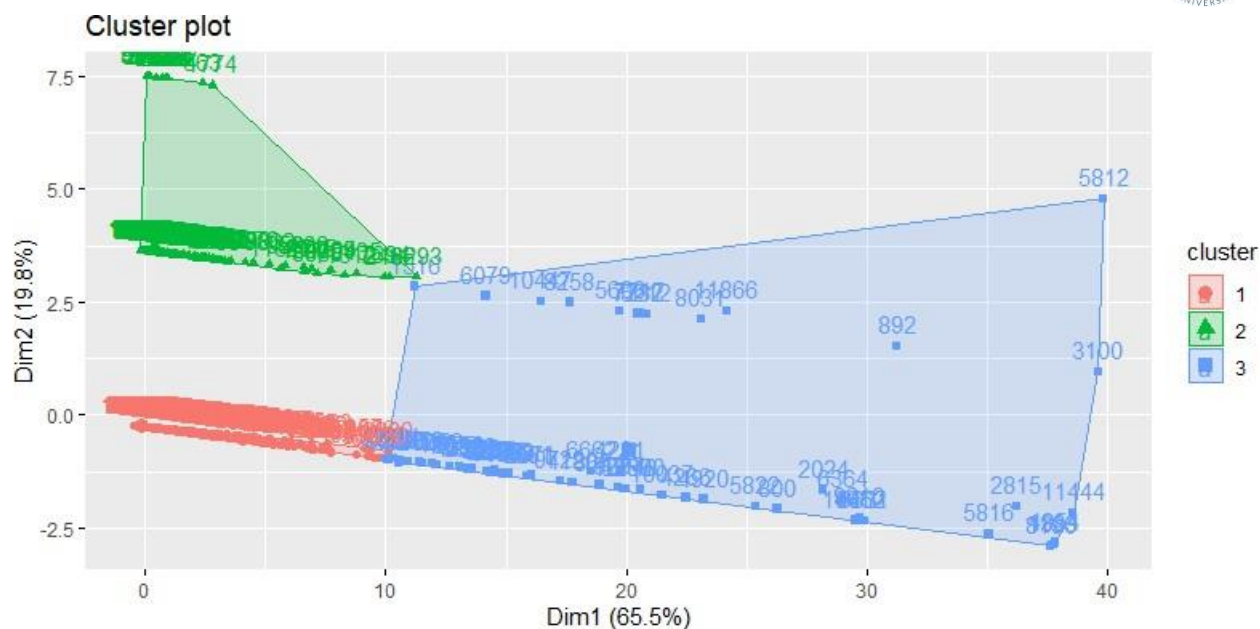
CLUSTER	INDIVIDUALS	NATIONALITIES	AVERAGE NUMBER OF DECLARATIONS PER YEAR	MAXIMUM NUMBER OF DECLARATIONS PER YEAR	AVERAGE AMOUNT IN USD PER YEAR	MAXIMUM AMOUNT IN USD PER YEAR
1	73	1.22	67.00	119.79	2,145,704	3,739,016
2	942	2.02	2.20	2.88	77,339	105,299
3	16,934	1.00	1.64	1.84	45,344	52,760

Table 15. Averages of the variables analysed per cluster, outbound declarations

161. The respective analysis for the inbound declarations again takes $k = 3$ as the number of groups to be generated¹⁷. Figure 23 shows the distribution of individuals in the space generated by the first two principal components. (red) has 11,180 individuals, cluster 2 (green) has 789 individuals and cluster 3 (blue) has 68 individuals. According to Table 16, cluster 3 is of interest because it contains the individuals with the highest number of declarations and the highest amount, reaching 106 that accumulate USD 4.34 million per year, on average.

¹⁷ The value of the parameter is obtained by identifying the “elbow” in the graph that relates the number of clusters and the sum of the squared weighted errors.





Graph 23. Cluster of individuals by inbound declarations based on the first two main components

CLUSTER	INDIVIDUALS	NATIONALITIES	AVERAGE NUMBER OF DECLARATIONS PER YEAR	MAXIMUM NUMBER OF DECLARATIONS PER YEAR	AVERAGE AMOUNT IN USD PER YEAR	MAXIMUM AMOUNT IN USD PER YEAR
1	11,180	1.00	2.45	2.90	93,490	113,668
2	789	2.02	3.54	4.72	179,769	246,728
3	68	1.21	106.14	208.21	4,344,438	7,413,701

Table 16. Averages of the variables analysed per cluster, inbound declarations

5. CONCLUSIONS AND RECOMMENDATIONS

5.1. CONCLUSIONS

162. In general, the results of technical compliance with R.32 in the fourth round of Mutual Evaluations show a notable improvement compared to the third round. There is evidence of compliance by the countries both in the establishment of the declaration system, by means of a certain threshold, mostly at (USD 10,000), and in terms of the availability of information and applicable sanctions.

163. In some countries there is an electronic system for capturing declarations, which at the central level allows consultation of the records kept by customs and the extraction of data for intelligence work.

164. In some jurisdictions, further work is needed to include in the regulations the



registration and control of cross-border transportation of money through cargo and mail, as well as the timely communication of information to the FIU.

165. From the development of the control exercises and within the framework of the workshops and meetings of the SICORE Network, GAFILAT has generated constant training on CTM, which is received both by the administrative authorities that actively participate in the workshops and exercises, as well as by the staff that executes the control exercises in practice at the border points.

166. The importance given to the control of cross-border transportation of money in the countries of the region is evident, not only from the inclusion or development of specific control procedures and policies on the subject, but also due to the inclusion of the analysis of the phenomenon both in the typology reports and in the National Risk Assessments, National Strategies and National Policies against Money Laundering and Terrorist Financing.

167. The exercise of reviewing and analysing the SICORE information made it possible to establish the potential of the system to support the fight against money laundering and terrorist financing.

168. It is important and advisable to have the participation of all GAFILAT member countries in both the cross-border control exercises and the SICORE Network, in order to have a broader analysis of the cross-border movement of cash in the region. Although the data currently contained in the platform is relevant and provides useful results for the system's users, an increase in its membership would be of significant benefit to the region.

169. The analysis by individuals using percentiles of the number of declarations and amounts declared makes it possible to identify atypical situations, which may be related to suspicious transactions.

170. Further analysis of the information collected by SICORE is beneficial, since it allows updating red flags and identifying new candidate cases for detailed analysis.

171. In addition, it is important to promote the development and signing of binational or multilateral agreements or memorandums of understanding to share information related to the CTM.

172. It is important to continue the expert workshop on cross-border transportation of money and bearer monetary instruments in order to strengthen existing mechanisms, promote the exchange of information among counterparts and keep countries updated on the trends and risks posed by this phenomenon.

173. It is advisable to be able to have statistics on movements of cross-border transportation of money that are not above the permitted threshold, in order to have a reference of how much



the movement is and in which cases the so-called "smurfing" may be occurring through persons engaged in these operations. Likewise, it would be advisable for the tool to allow the entry of information on seized or detected money, in order to have statistics related to illicit movement or smuggling.

5.2. OPPORTUNITIES FOR SYSTEM IMPROVEMENT

174. Based on the information received, the following are proposals that may be useful for optimising the SICORE Platform.

175. Although the analysis by currency of the amounts declared in outbound or inbound migratory movements is important, it is complemented by converting all values to a common currency (U.S. dollar). In this way, it is possible to directly analyse the behaviour of declarations and individuals. In addition, this covers cases where there may be a distribution of amounts in different currencies in an attempt to draw attention away from the aggregate transaction (currency reporting smurfing).

176. Declarations and individuals are identified who report capital movements in totally atypical circumstances. It is believed that these operations are associated with the cross-border transportation of resources through specialised companies and are therefore omitted from the analysis. However, the identification of these cases should be done through a variable included in the system to simplify data processing.

177. For outbound and inbound declarations, by pairs of origin and destination or destination and origin, percentiles of declared amount are identified that can be interpreted as thresholds above which records are useful for a detailed analysis. The use of this procedure made it possible to identify several cases that are considered to be suspicious transactions.

178. Cluster analysis frames a group of unsupervised machine learning methodologies used to identify heterogeneous groups of homogeneous individuals. Using the k-means algorithm, we identified groups of outlier individuals that may be candidates for further analysis.

179. Establish mechanisms to determine the origin of the money of a person who mobilises more than a certain amount of money per month.

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