MUTUAL EVALUATION REPORT OF THE REPUBLIC OF ECUADOR

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

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EXECUTIVE SUMMARY

1. This report provides a summary of AML/CFT measures in place in the Republic of Ecuador at the date of the on-site visit, which took place between March 28 and April 8, 2022. The report analyses the level of compliance with the FATF 40 Recommendations and the level of effectiveness of the AML/CFT system in the country, and recommends how the system can be strengthened.

Key findings

1. Ecuador has made significant efforts to identify and assess its ML/TF risks. The country developed and approved a national risk assessment (NRA) in 2021, the results of which are generally reasonable, and largely reflect the country's main risks. There are certain areas that were not covered in depth in the NRA, such as in relation to virtual assets, but its key areas were addressed by strategic studies, typologies or other relevant reports.
2. In general, competent authorities have a good understanding of the country's ML/TF risks. However, there is room for deepening the understanding of the modalities that TF can adopt, especially within the Judiciary.
3. At the time of the on-site visit, the country was working on a draft national AML/CFT strategy based on the results of the NRA. It was noted that the goals of competent authorities are generally in line with the main risks identified, and that some relevant mitigating measures have been adopted. However, as the NRA is recent, there is not yet detailed information on the allocation of resources with a RBA and on the adoption of additional measures that effectively mitigate the country's ML/TF risks.
4. There is, in general, good and fluid cooperation and co-ordination among the main key authorities of the system. In addition, the country has an agency in charge of AML/CFT policy development at the national level, which was recently created.
5. The Economic and Financial Analysis Unit (UAFE) is the national authority in charge of receiving suspicious transaction reports (STRs). This agency plays a key role in the AML/CFT system, has specialised staff, and produces high-quality financial intelligence reports (FIRs), executive reports, and strategic intelligence products. These reports are positively valued by law enforcement authorities (LEAs).
6. While the UAFE's work is outstanding, considering the country's risk profile, the number of FIRs disseminated is not commensurate with some of the main threats identified (drug trafficking and smuggling). In addition, and despite the fact that the UAFE analyses to a large extent the highest risk STRs, there are certain limitations in the coverage of the analysis of mid-priority STRs. It is considered that there are limitations and opportunities for improvement to enhance the use of financial intelligence for the investigation of ML/TF.
7. Regarding the criminal investigation and sanction of ML, the country has an appropriate legal regime. The Attorney General’s Office (FGE) and the National Police (PN) have specialised areas in ML, where personnel are trained. The creation of multidisciplinary teams for the substantiation of complex cases is also noteworthy. In addition, there is a fluid and constructive co-operation and co-ordination among law enforcement authorities in general.
8. However, there are limitations in the investigations and convictions for ML. In particular, there are limitations in terms of available human and technological resources, lack of sufficient parallel financial investigations, lack of appropriate formal mechanisms to prioritise ML cases, and limitations in the understanding by some sentencing judges of the judiciary of the autonomy of the ML offence. Nevertheless, the country has secured convictions in high-impact cases, and proportionate and dissuasive sanctions have been

applied to both natural and legal persons. There is a lack of consistency between the cases sanctioned and the country's risk profile.

9. As for confiscation, it is a criminal policy objective in the country, and authorities conduct measures to deprive criminals of the proceeds of crime. The country also has an agency in charge of the administration and disposal of seized and confiscated property. However, the limited resources of the FGE and PN also have an impact in this area, and no detailed statistics are kept on confiscations in the country, which makes it difficult to obtain an accurate diagnosis of the extent to which criminals are definitively deprived of their property.
10. With regard to the detection of TF, the creation of working groups between the UAFE, the Strategic Intelligence Centre (CIES) and other relevant agencies that monitor and exchange information on this crime is noteworthy. There is little history of TF investigations, which is consistent with its level of risk. There is good co-ordination among LEAs and officials are trained to act, but there are resource limitations and no formal mechanisms for prioritizing cases.
11. Ecuador has a system of TFSs for TF and FP of a judicial nature, which is triggered by the reporting of matches with the lists of the United Nations Security Council (UNSC) to the UAFE by reporting institutions (RIs), and is materialized through freezing measures ordered by the Judiciary. Although the country has carried out TFSs mock implementation drills with positive results, and there is a history of freezing for FP that turned out to be a false positive, the stages and characteristics of the process do not allow for its implementation without delay (in less than 24 hours).
12. The level of understanding of ML/TF risks and the implementation of preventive measures by reporting institutions varies depending on each sector. Financial RIs present a higher level of understanding of their ML risks and greater maturity in the implementation of mitigation measures, while DNFBPs in general present greater limitations and challenges. It is worth mentioning that lawyers, accountants and virtual asset service providers (VASPs) were recently incorporated into the AML/CFT system.
13. The AML/CFT supervisory system is composed of several competent authorities. With regard to the supervision of financial institutions, supervisors have generally inspected the sectors under their purview, and their supervisions have reviewed the ML/TF prevention component and considered certain elements of ML/TF risk. The application of the RBA was limited in its early days, although it has evolved through process improvements and has been strengthened by recent methodological reforms. As for DNFBPs, supervisors do not have sufficient resources to adequately cover the various subjects under their purview, and are in an initial phase of implementation of the RBA. There are, in all cases, limitations in the application of effective, proportionate, and dissuasive sanctions, but the SB and SEPS apply remedial measures and monitor compliance with supervised entities' action plans.
14. In terms of beneficial ownership (BO), the country does not have a ML/TF risk assessment specific to legal persons and arrangements, although certain strategic studies have been carried out that contribute to the understanding of their risks. The obligation to identify the BO is the responsibility of RIs and companies themselves. In the case of RIs, sectoral regulations present some inconsistencies in the scope of the definition of BO. The country has two BO registries with different scope and coverage (one is public and falls under the Superintendence of Companies and the other is restricted, under the Internal Revenue Service), which collect information on legal persons and provide relevant and timely information to competent authorities. Sanctions have been applied for certain non-compliances with formal duties, although no sanctions related to the quality of BO's information have been verified.

15. In general, Ecuador provides mutual legal assistance (MLA), extraditions, and international co-operation in a constructive and timely manner.

Risks and general situation

2. The Republic of Ecuador is exposed to a series of threats and vulnerabilities that determine its risk of money laundering and terrorist financing (ML/TF) and that were identified by the competent authorities in the National Risk Assessment of April 2021. Among the most significant threats detected are drug trafficking (particularly transnational), corruption, tax evasion, smuggling, and vehicle theft. The NRA also identified environmental crimes and human trafficking as emerging threats.

3. With regard to the vulnerabilities of the AML/CFT system, in the first place the country's geographic position and its proximity to jurisdictions related to drug production, which make Ecuador a "transit country", were identified. Challenges are also identified in the co-ordination of AML/CFT policies and regulations at the national level, limitations in terms of competent authorities' human, financial, and technological resources (aggravated by the Covid-19 pandemic), and the lack of maturity in the risk-based supervisory approach, among other important aspects.

4. These elements determine a medium-high level of overall money laundering risk, while TF risk has been defined by the country as being of a medium level. It is important to mention that the findings and conclusions of the NRA are reasonable, and reflect to a good extent the ML/TF risks faced by the country.

5. Notwithstanding, the NRA has not addressed risks such as those associated with virtual assets and certain threats with a presence in the country, such as illegal fundraising, fraud, and migrant smuggling, but the country has developed several sectoral assessments, strategic studies, typologies and reports on particular activities that contribute greatly to competent authorities' understanding of their risks.

Overall Level of Effectiveness and Technical Compliance

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

6. Ecuador has made a significant effort in the identification and assessment of its ML/TF risks. The main instrument developed in this regard is the 2021 NRA, which was led by the UAFE and benefited from the contributions of all the key players in the AML/CFT system, both in the public and private sectors. The findings of the NRA are reasonable and reflect to a good extent the country's main risks.

7. Notwithstanding the above, the NRA did not address the risks associated with virtual assets and some of the threats identified by the assessment team, but was complemented by several sectoral assessments, strategic studies, typologies and reports on particular activities that contribute greatly to the competent authorities' understanding of their risks. These tools have been disseminated to key players in the AML/CFT system.

8. Competent authorities' level of understanding of ML/TF risks is generally high, although some limitations are noted with respect to the detailed understanding of TF risks by the Judiciary.

9. Regarding National co-ordination in AML/CFT matters, Ecuador has the National co-ordination Committee against ML/TF/FP (CONALAFT), which was established in April 2022 and is the body in charge of developing national policies and whose Executive Secretariat is held by the UAFE. To the date of the on-site visit the country had not adopted a national AML/CFT strategy based on its NRA, and there was no evidence of the application or allocation of resources based on this assessment. Notwithstanding, competent authorities have already implemented some actions and measures to mitigate the main ML/TF risks.

10. In general, there is good co-ordination between the UAFE and the competent authorities. With regard to law enforcement authorities, there is a good level of synergy and co-ordination for the performance of their functions. Likewise, there is widespread willingness on the part of competent authorities to co-operate with the requirements of the FGE. However, there are challenges in the co-ordination between key competent authorities and the registration area of non-profit organizations (NPOs) of the Ministry of Economic and Social Inclusion (MIES), as well as between the Comptroller General's Office (CGE) and the FGE.

11. Finally, the country has largely implemented measures and actions to communicate the results of the NRA, typologies, and relevant strategic studies to key actors in the public sector and to reporting institutions.

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

12. The UAFE is the national authority in charge of receiving suspicious transaction reports (STRs). The agency has duly specialised personnel, direct and indirect access to multiple sources of information and has technological and security systems that enable it to protect the confidentiality of the information.

13. In general, the UAFE produces quality financial intelligence reports, which are positively valued by law enforcement authorities. The UAFE also produces executive reports at the request of the FGE, which contain information on persons under investigation, and develops strategic analysis products.

14. The UAFE has a weighting matrix that classifies STRs according to their risk level, which may be high, medium or low. High-risk STRs, in general, are analysed. However, there are certain limitations in terms of the scope of the analysis of medium priority STRs.

15. UAFE reports have been of great relevance for the development of money laundering cases and have been used to secure convictions. It should also be noted that there is fluid co-operation and support between the UAFE and competent authorities. Notwithstanding, there are few FIRs associated with smuggling and drug trafficking, which are relevant threats identified in the NRA, which means that there is no consistency between the country's risk profile and the spontaneous reports disseminated. In addition, the use of UAFE products by the FGE shows limitations and could be further enhanced.

16. Regarding the criminal investigation and sanction of ML, the country has an appropriate legal regime. Investigations are conducted by the Attorney General's Office with the support of the National Police and other authorities as required. The FGE and the PN have specialised areas in ML, with qualified personnel who understand to a great extent the risks of ML. The existence of specialised units for high-impact predicate offences and the creation of multidisciplinary teams for the prosecution of complex cases are also noteworthy. In addition, there is a fluid and

constructive co-operation and co-ordination among law enforcement authorities in general within the framework of ongoing cases.

17. However, there are important limitations in relation to the outcomes of the investigations and in securing convictions for ML. In particular, there are limitations in terms of available human and technological resources, lack of sufficient parallel financial investigations, lack of appropriate formal mechanisms to prioritise ML cases, and limitations in the understanding by the judiciary of the autonomy of the ML offence. Notwithstanding this, convictions have been secured in high-impact cases of significant weight, which demonstrates a certain effectiveness in this area and the quality of the investigation.

18. Moreover, ML investigations and prosecutions are mainly associated with drug trafficking and corruption crimes and, to a lesser extent, with other important threats. Sanctions applied in cases of ML are proportionate, and sanctions have been applied to legal persons.

19. Confiscation is a criminal policy objective in the country, and the authorities carry out measures to deprive criminals of the proceeds of crime. The country also has an agency in charge of the administration and disposal of seized and confiscated property. Based on the information analysed, property is seized and confiscated in the framework of investigations. However, there are limited resources in the FGE and PN, and no detailed statistics are kept on confiscations in the country, which makes it difficult to obtain an accurate diagnosis of the extent to which criminals are definitively deprived of their assets.

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

20. In general, competent authorities have a good understanding of TF risks, although there are some limitations in the understanding of the types of TF by the Judiciary. The creation of working groups between the UAFE and the CIES, among other agencies that monitor and exchange information on this crime is noteworthy. There is little history of TF investigations in the country, which is consistent with its level of risk. In case of occurrence, it is considered that there is good co-ordination and officials are trained to act. However, there are limitations in terms of resources and there are no formal mechanisms for prioritizing cases.

21. In terms of targeted financial sanctions (TFS), Ecuador has regulations that allow it to freeze the property of persons and entities listed under United Nations Security Council Resolutions (UNSCR) on TF and FP. The asset freezing system is of a judicial nature. The mechanism is triggered by the UAFE from a match report submitted by reporting institutions, with the participation of the FGE. The Judiciary orders the measure, after a hearing is held. It should be noted that competent authorities, mainly the UAFE, have developed tools, training and mechanisms to assist RIs in complying with their obligations arising from the implementation of TFSs.

22. Although the country has a framework for implementing TFSs, the characteristics and stages of the process provided for in the regulations exceed 24 hours, so it cannot be considered that the measures can be applied without delay. Nevertheless, the country has carried out simulations to test the system in practice, with satisfactory results. There is also a record of a freezing of assets for FP, which turned out to be a "false positive", but which demonstrated the co-ordination between the different authorities involved and resulted in the freezing of assets with a certain degree of promptness from the moment of detection of the match by the reporting institution.

23. Regarding non-profit organizations (NPOs), Ecuador concluded that the sector is of "medium-low" TF risk. The use of NPOs has not been detected in the potential cases of TF analysed, nor have any reports been received, but because of their characteristics they may be vulnerable to such conduct.

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

24. Ecuador has a diverse number of FIs and DNFBPs, and covers almost all categories required by the international standard. Only the leasing or financial leasing sector remains to be incorporated, although the sector has a very low materiality, therefore this circumstance does not represent a significant impact in the AML/CFT system. Additionally, it is worth mentioning that lawyers, accountants and virtual asset service providers sectors were recently incorporated into the AML/CFT system.

25. The level of understanding of ML/TF risks and the implementation of preventive measures varies depending on each sector. Generally speaking, financial RIs have a higher level of understanding of their ML/TF risks and a better implementation of mitigation measures than DNFBPs. Particularly, understanding the risk of TF presents great challenges, which also reflects opportunities for improvement in the detection of TF suspicious transactions.

26. As for the financial sector, in general, they implement measures that are proportionate to the risks they assess. In particular, the remittance sector presents certain limitations in the implementation of measures, especially due to the thresholds and customers that carry out multiple operations and transactions.

27. Regarding DNFBPs, the real estate and automotive sectors present an adequate level of risk awareness and mitigation, while the rest of the sectors show weaknesses derived from their lower level of risk understanding. It is important to mention that some RIs were recently incorporated (lawyers, accountants, professional service providers and VASPs) and therefore were not applying preventive measures at the time of the on-site visit.

28. Specifically, with regard to the obligation to file STRs, the statistics shown by the competent authorities generally reflect a constant annual increase in the filing of reports, both in the financial sector and in the DNFBP sectors. However, the quality of STRs, especially in the DNFBP sector, still presents significant opportunities for improvement.

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

29. The AML/CFT supervisory system is composed of several competent authorities. The Superintendence of Banks (SB) and Superintendence of Popular and Solidarity Economy (SEPS) supervise the ML/TF component through its specific AML/CFT units, within the framework of comprehensive supervisions to banks and popular and solidarity economy entities, respectively. Meanwhile, the Superintendence of Companies, Securities and Insurance (SCVS) conducts AML/CFT supervisions to the sectors of securities, insurance, and DNFBPs that are legal persons. Finally, the UAFE supervises reporting institutions that do not have a specific supervisory body and DNFBPs that are natural persons.

30. The SB, SEPS, and SCVS have procedures for licensing the operations of entities under their prudential regulation. Likewise, all RIs (natural or legal persons) must register with the UAFE. However, there are still limitations with respect to licensing of the non-financial sector and registration by the UAFE because the mechanism used to prevent criminals, their associates

or beneficial owners from controlling or occupying a managerial position in the entity does not appear to be fully effective.

31. The supervisors of the banking and popular and solidarity financial systems show a higher level of understanding of ML/TF risks, followed by the UAFE with respect to non-financial entities, although due to the recent incorporation of lawyers, accountants, VASPs, they still do not understand the specific risks of these sectors. For its part, although the SCVS is developing actions to improve its understanding of risks and integrate the RBA in its actions, it still faces challenges in this regard.

32. The ML/TF prevention component has been reviewed as an additional element of prudential supervision in the framework of banking and popular and solidarity sector supervision. The application of the RBA was limited in its early days, although it has evolved through process improvements and has been strengthened by recent methodological reforms. In terms of the UAFE and the SCVS, there is a paradigm shift in the supervision model, which, in general, is migrating towards a risk-based system. With respect to DNFBP supervision, there were few supervisions by the SCVS and none by the UAFE. In the latter case, this was due to the recent implementation of its supervisory framework. In that sense, in general, considerable improvements are required in terms of the full application of a risk-based approach to AML/CFT supervisions.

33. In terms of sanctions, financial supervisors—particularly the SB and SEPS—apply remedial measures and follow up on compliance with the action plans of the supervised entities, which has increased the degree of implementation of the supervised entities' internal controls. Notwithstanding, there are limitations in the application of effective, proportionate, and dissuasive sanctions.

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

34. Ecuador has not developed yet a ML/TF risk assessment specific to the different types of legal persons and arrangements. However, the country has developed certain strategic studies that, while not a substitute for a risk analysis, present reasonable findings and contribute to the understanding of the potential risks associated with legal persons.

35. The country has a system on basic information of legal persons and arrangements that is consistent with the FATF standard, and has a multi-pronged approach to obtaining BO information, which includes the possibility of obtaining information collected by RIs (collected in the framework of CDD), as well as information contained in SCVS and SRI registries. Regarding the identification made by RIs, there are technical deficiencies in the definition of the BO, except for the banking sector.

36. Having BO registries is an advantage and a positive aspect for the country, especially for the investigative authorities who can have timely access to this information. Notwithstanding the above, with respect to the adequacy of the BO's information, although certain controls are carried out on the updating and consistency of the reports, the existence of sufficient controls on the quality of the information has not yet been ascertained.

37. The SCVS and the SRI are in charge of the sanctioning regime for companies' failure to update basic and BO information. Meanwhile, non-compliance with measures related to the identification of the holders and the BO by the reporting institutions is under the responsibility of their supervisors in AML/CFT matters.

38. Although sanctions have been applied for non-compliance with formal obligations or those related to basic information of legal persons, there is still no evidence of the application of proportionate and dissuasive sanctions in relation to the quality of the BO information submitted to the SRI registry.

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

39. Ecuador has a legal framework that allows it to provide a wide range of mutual legal assistance (MLA) and extraditions to their foreign counterparts. In general, it is noted that this formal assistance is constructive and timely, although there are no formal systems for prioritizing cases.

40. The country also receives and provides other forms of international co-operation. The UAFE, FGE, PN, SRI, National Customs Service (SENAE), and CIES, among others, are part of informal information exchange networks. Financial supervisors also have agreements with foreign counterparts, and exchange information and co-operate within the framework of their competencies.

41. In general, competent authorities have procedures and measures in place to safeguard information and protect its use and confidentiality. Meanwhile, with regard to co-operation related to the identification of beneficial owners, the limitations identified in the domestic regime may impact the quality of the information available.

Priority Actions

1. Approve the national strategy and strategic action plan based on the NRA, and continue implementing the necessary measures to achieve its timely and effective implementation.
2. Increase and strengthen the human and technological resources of the anti-money laundering units of the FGE and the PN, so that they can adequately address ML investigations and prosecutions; strengthen and increase the development of parallel financial investigations; improve co-ordination and co-operation between the various specialised units of the FGE; and strengthen the Judiciary's understanding of the autonomy of ML.
3. Increase the resources of the supervisory areas of the UAFE and the SCVS so that they can increase the scope, depth, and frequency of supervision of DNFBPs. Strengthen the application of corrective measures and effective, proportionate, and dissuasive sanctions.
4. Strengthen risk-based supervision and improve the application of effective, proportionate, and dissuasive sanctions for entities that do not adequately comply with AML/CFT measures.
5. Strengthen the resources of the UAFE in order to increase the number of FIRs disseminated and their consistency with the country's risk profile, and expand the analysis of medium priority STRs.
6. Reform the regulatory and procedural framework for the application of TFSs so that freezing measures can be implemented without delay.
7. Develop a risk assessment of legal persons and arrangements, establish definitions of BO consistent with sectoral regulations, and strengthen mechanisms for verification of the adequacy of BO information by the BO registries of the SCVS and the SRI.
8. Strengthen the knowledge of AML/CFT obligations and implementation of preventive measures by RIs, particularly remittance companies, notaries, lawyers, accountants, and VASPs.

9. Continue working on the identification of ML/TF risks in the country, so as to deepen the understanding of the risks associated with virtual assets, TF, and threats and vulnerabilities not covered by the NRA.
10. Establish a consistent statistical system on investigations, prosecutions, and convictions for money laundering and predicate offences, and on seized and confiscated property.

Effectiveness & Technical Compliance Ratings

Effectiveness ratings

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

Technical compliance ratings

AML/CFT National Policies and co-ordination

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

Money laundering and confiscation

R. 3	**R. 4**
C	C

Terrorist financing and financing of proliferation

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

Preventive measures

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

Transparency and beneficial ownership of legal persons and arrangements

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

Powers and responsibilities of competent authorities, and other institutional measures

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

International co-operation

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

MUTUAL EVALUATION REPORT

Preface

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

2. This evaluation was based on the 2012 FATF Recommendations, and was prepared using the 2013 FATF Methodology, considering all reforms in effect at the date of the assessment. The evaluation was based on information provided by the country, and information obtained by the assessment team during its on-site visit to the country on March 28 through April 8, 2022.

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

- Diana Lucía Yon Véliz, Inspector of the Administrative Department, Strategic Analysis and Technology at the Special Verification Office of Guatemala, legal expert;
- Néstor López, Manager of the Information and Financial Analysis Unit of the Central Bank of Uruguay, operational expert;
- Sergio Lázaro Medina Basso, Director of Strategic Analysis, General Directorate of Investigation of Financial Operations of Cuba, operational expert;
- Cindy Guadalupe Mendoza Pérez, Director of International Affairs at the Financial Intelligence Unit of Mexico, operational expert;
- Isabel Payo Alcázar, Inspector at the Bank of Spain, financial expert: and
- Hernán Ricardo Galeano Bogado, Criminal Prosecutor at the Public Prosecutor's Office of Paraguay, legal expert.

4. Regarding the GAFILAT Executive Secretariat, the process was coordinated by the Deputy Executive Secretary, Juan Cruz Ponce, with the support of the Technical Experts Gabriela Rodríguez and Guillermo Hernández and the Head of Cooperation and Projects, Guido Ferrari. The report was reviewed by the FATF Secretariat and by officials Diego Miguel Gamba (Director of International Relations at the Financial Information Unit of the Republic of Argentina), Eylin Madrigal Orozco (Head of Projects at the Financial Intelligence Unit of Costa Rica) and Ana María Morales Amonzabel (General Executive Director of the Financial Investigations Unit of the Plurinational State of Bolivia).

5. The Republic of Ecuador was previously subjected to a mutual evaluation of GAFISUD (now GAFILAT) in 2011, and was carried out in accordance with the 2004 FATF Methodology. This December 2011 assessment has been published on the GAFILAT website and is available at https://www.gafilat.org/index.php/es/biblioteca-virtual/miembros/ecuador/evaluaciones-mutuas-7/131-ecuador-3era-ronda-2011.

6. The mutual evaluation concluded that the country had complied with 1 Recommendation; mostly complied with 12 Recommendations; partially complied with 23 Recommendations; and not complied with 4 Recommendations. Ecuador was rated PC/NC on 5 of the 6 Key Recommendations.

7. Ecuador was placed under the enhanced follow-up process following the adoption of its Third Round Mutual Evaluation Report in December 2011. In compliance with GAFISUD (now GAFILAT) procedures, Ecuador submitted semi-annual follow-up reports regarding progress on

these Recommendations. In July 2015, it was decided that Ecuador had made significant progress, sufficient to exit the enhanced follow-up.

CHAPTER 1. ML/TF RISKS AND CONTEXT

8. The Republic of Ecuador has an area of 248,513.68 km², bordered to the north by Colombia, to the south and east by Peru and to the west by the Pacific Ocean. It has an estimated population of 17,643,060 (2020).1 It is politically divided into 24 provinces and its capital is Quito.

9. The State is made up of five branches: executive, legislative, judicial, electoral, and transparency and social control. The latter, in turn, is made up of the Council for Citizen Participation and Social Control, the Ombudsman's Office, the Comptroller General's Office, and the Superintendencies.

ML/TF Risks and Scoping of Higher-Risk Issues

Overview of ML/TF Risks

10. The Republic of Ecuador is exposed to a series of threats and vulnerabilities that determine its risk of money laundering and terrorist financing (ML/TF) and that were identified by the country in the National Risk Assessment (NRA) and other strategic analysis products.

11. Among the most significant threats detected in the NRA are drug trafficking (particularly transnational), corruption, tax evasion, smuggling, and vehicle theft. The NRA also identified environmental crimes and human trafficking as emerging threats. During the on-site visit, the above-mentioned emerging threats were confirmed, and others were identified, such as cybercrime, illegal fund raising, fraud, and migrant smuggling.

12. Further details on the scope of the main threats affecting the country are provided below:

- **Drug trafficking:** Ecuador's NRA was approved in April 2021. This instrument recognizes drug trafficking as the main and most proliferating threat, given the country's geographic location—which places it next to countries with high cocaine production, such as Colombia and Peru—and the increase in the incidence of crime at the domestic level.
  Historically, the country has been considered a transit country. However, in recent years the country has become increasingly important for transnational criminal organizations in terms of logistics and narcotic drugs distribution chains, especially in coastal and port areas.
  Furthermore, drug trafficking and micro-trafficking in the country has boosted the emergence of national and international criminal organizations, which have strong links with foreign organizations. In this context, drug trafficking has been identified as the main threat for the commission of the ML offence both in the country and in the region, as reflected in different typologies and in the vulnerability of different sectors of the economy. The approximate estimate of the amount of ML associated with this threat for the period 2014 to 2018 amounts to USD 4,504,333,393.
- **Corruption:** Public corruption has been identified as another major threat in terms of ML. In this sense, there have been cases of large-scale corruption in the country, some of transnational nature (Odebrecht) and others related to state-owned companies

[1] https://datos.bancomundial.org/indicador/sp.pop.totl?locations=EC

(Petroecuador). The approximate estimate of the amount of ML associated with this threat for the period 2014 to 2018 amounts to USD 3,552,195,696

- **Tax Evasion:** The NRA states that there is a growing trend in the country of tax crimes, both as regards domestic taxes (VAT) and those applicable to foreign trade (ISD), so that the phenomenon acquires an important dimension. The approximate estimate of the amount of ML associated with this threat for the period 2014 to 2018 amounts to USD 2,841,550,995

In relation to this matter, there are cases of evasion through undeclared and unpaid withholdings by withholding agents, the use of processors who do not use legal supports for tax refund requests; inconsistencies between values registered in the Internal Revenue Service (SRI) databases and the values presented by taxpayers; companies without economic soundness request credits in the financial system, and the legalization of smuggled vehicles under acquisitive prescription of domain.

- **Smuggling:** Illegal trade generates significant annual losses in taxes that are not declared due to the smuggling of products such as clothing, liquor, household appliances, cigarettes, among others, that enter the country—especially through the northern border, as well as from the Asian continent—resulting in unfair competition and the potential destruction of certain national industries.

The smuggling networks that operate especially on the border, in addition to merchandise, trade fuels illicitly; this is a threat that the country faces due to the subsidies on fuels, resulting in a serious damage to the treasury. Fuels leave the country through the border provinces of Esmeraldas, Carchi and Sucumbíos (Colombia) and El Oro, Loja and Zamora Chinchipe (Peru). The approximate estimate of the amount of ML associated with this threat for the period 2014 to 2018 amounts to USD 102,845,498.

- **Environmental crimes:** Environmental crimes in Ecuador have been experiencing a significant increase, mainly related to illegal mining. It is noted that these crimes are carried out by criminal organizations that also engage in other criminal activities (such as drug trafficking or trafficking in persons). Additional details on the main environmental crimes are provided below:

(i) Illegal mining: This illegal activity occupies areas that are difficult to access, such as rural areas, specifically in highlands, thus hindering its detection and making regulation and control by the State difficult. In addition, the provinces of Imbabura, Carchi, Loja and Zamora Chinchipe have been identified as areas where illegal mining has reached an alarming level, which have also been affected by the actions of criminal groups.

This crime also leads to other types of illicit activities such as corruption through the payment of bribes in cash and/or gold to public officials, or through front men so as not to leave a trace. Public officials, such as regional directors, technicians, police and military officers, and former officials receive payments for information related to possible locations of operations or areas where gold is presumed to exist, environmental licenses, for not reporting areas where illegal mining is taking place, or for issuing illegal safe-conducts for transporting mineralized material.

Also, due to the fact that illegal mining in recent years has increased considerably, it is causing great demand for national and neighbouring countries' explosive material, so reselling explosive material to illegal miners is more profitable than employing them in legal mining activities, thus causing the prices of these products to double on the black market.

Illegal fishing: Nationally there are 21 marine species with fishing restrictions, however, the issue of shark fins has gained momentum for several reasons, such as the commercial price at the international level, which motivates national and international illegal fishermen to seek this marine resource. Between 2014 – 2017, 18 boats have been caught in the Galapagos Marine Reserve carrying protected marine species inside, mostly sharks. The number of cases and the number of fins exported indicates that illegal fishing exists, especially in the Galapagos area and the provinces of Manabí and Santa Elena.

Illegal timber trafficking: In the country, 40% of the timber lacks justification of its legal origin. The commercialization of illegal timber for the rural population can represent between 10% and 30% of their income. The most common relevant activities carried out by individuals are the following: the purchase and sale of restricted timber species (mahogany and cedar) stored in clandestine warehouses; and the sale of timber (any species) in cash or bank transfers without records of originators, which are not reflected in the invoices submitted to the SRI.

Trafficking of flora and fauna species: Ecuador is the second country worldwide with the highest number of endangered mammal species. In addition, 28% of endemic plants are found within protected areas. A total of 56.6% of the country's fauna and flora is endangered. It is evident that 1% of live animals rescued or confiscated return to their natural habitat and for every ten animals extracted, only one makes it back to its final place of captivity alive.

- **Terrorist Financing:** With regard to terrorism, there are no domestic terrorist organizations in Ecuadorian territory. The threat of terrorism to which the country is prone are illegal groups from Colombia, which have an impact in border provinces, due to the location of clandestine laboratories for the production of cocaine, as well as the attack on the police station in the San Lorenzo canton. In terms of TF, some migratory movements of risk profiles (associated with conflict zones) have been noted, but there is no history of the use of Ecuador's financial system for TF purposes.

13. In terms of vulnerabilities, the country's geographical position, its proximity to jurisdictions related to drug production, challenges in the co-ordination of AML/CFT policies and regulations at the national level, limitations in terms of resources (human, financial and technological) of the competent authorities (aggravated by the Covid-19 pandemic), and the lack of a mature risk-based supervisory approach are identified.

14. These elements, according to the information analysed in the NRA, determine a medium-high level of general money laundering risk.

15. Meanwhile, the country has defined the TF risk as medium level, mainly due to the fact that there is no evidence of the presence of domestic terrorist organizations within Ecuadorian territory. Some migratory movements of risk profiles (associated with conflict zones) have been noted, but there is no history of the use of Ecuador's financial system for TF purposes. TF risks are mainly associated with illegal groups from a neighbouring country.

Country's risk assessment & Scoping of Higher Risk Issues

16. Ecuador has identified and assessed its ML/TF risks. In this regard, it has a National Risk Assessment, which was approved in April 2021, and whose results are reasonable.

17. In relation to the methodology, the NRA was prepared based on an analytical tool provided by the World Bank and was enriched by the contributions of key public and private sector actors, and 6 working groups were formed for the national threat and vulnerability modules (economy, corruption, environmental crimes, criminality, drug trafficking and institutional analysis).

18. Objective and quantifiable information of the period between 2014-2018 was analysed and complemented with qualitative components in cases where there were difficulties in obtaining accurate data. The tool consists of 9 modules: 7 modules deal with ML risk assessment, one module assesses TF risk, and another module assesses the risks of financial inclusion products.

19. Twenty-five public agencies participated from the public sector: Mining Regulation and Control Agency, Central Bank of Ecuador (BCE), Strategic Intelligence Centre (CIES), Council of the Judiciary (CJ), Office of the Comptroller General of the State (CJE), National Directorate of Public Registries, National Mining Company (ENAMI EP), Attorney General's Office (FGE), National Institute of Statistics and Census, Ministry of National Defence, Ministry of Economy and Finance (MEF), Ministry of Government (MINGOB), Ministry of Production, Foreign Trade, Investment and Fisheries, Ministry of Foreign Affairs and Human Mobility (MREMH), Ministry of Environment, Water and Ecological Transition, National Police of Ecuador (NP), Presidency of the Republic of Ecuador, Office of the Public Prosecutor of the State (PGE), Technical Secretariat for Public Sector Real Estate Management (INMOBILIAR), Internal Revenue Service (SRI), National Customs Service of Ecuador (SENAE), Superintendence of Banks (SB), Superintendence of Companies, Securities and Insurance (SCVS), Superintendence of Popular and Solidarity Economy (SEPS), Financial and Economic Analysis Unit (UAFE).

20. The private sector participants were: banking, insurance, securities (stock exchanges, securities firms and fund and trust management), popular and solidarity (savings and credit cooperatives), remittance, real estate and construction, automotive, notary, property and commercial registry, and non-profit organisations (NPOs).

Materiality

21. The country has had a dollarized economy since 2000. In terms of its production structure, in 2020 the commercial sector comprised 42.7% of the GDP (including exports and imports of goods and services), while industry accounted for 32% (includes oil production, manufacturing, construction and others), and agriculture for approximately 10.5% (aquaculture and fishing, in addition to crop cultivation and livestock breeding). The country is characterized by being an exporter of commodities, especially oil at present.

22. Ecuador has average indicators of formality in its economy. According to the calculation made through the methodology accepted by the economic authority, the size of the informal economy in the country as of 2018, was around 36.4% of the GDP.

23. Ecuador has a sound financial system with moderate transaction volumes. The system is integrated by the banking, popular and solidarity economy, securities and insurance sectors. Total banking assets as of August 2021 amounted to USD 65,888.20 million. With respect to the securities market, its participation and growth has not had a prominent development; it has remained at similar levels as in the previous decade. Financial services activities represent 3.7% of the country's real GDP.

24. In terms of materiality with respect to the financial sector, a greater relative weight was identified for the banking and popular and solidarity sectors; followed by a medium materiality of the securities and remittances sector; in third place, with less materiality, by the insurance sector, exchange houses, and, finally, by the remaining sectors.

25. Regarding the sectors of designated non-financial businesses and professions (DNFBPs) with the highest materiality, notaries are mentioned first, followed by real estate and VASPs. Lawyers[2] and dealers in precious metals and stones presented a medium materiality; and accountants and trust and company service providers a low materiality.

[2] The assessment team understands in principle that lawyers present a medium materiality, based on the information provided by the country. However, there was no opportunity to interview the sector or to have more information from the private sector itself that would allow for a more detailed analysis in this regard.

Structural Elements

26. In 2020, Ecuador obtained a governance index of 34.43/100 for political stability.[3] This is also reflected in the government efficiency indicator, which gives a rating of 37.02/100. Regarding the judicial function, in 2019, the country ranked 90th out of 144 countries according to the indicator that measures the level of independence of the World Economic Forum.[4]

27. The country is divided into different branches of government, with clear and well-defined roles. It is also made up of various competent authorities that interact in the areas of detection, prevention, investigation, and sanction. Notwithstanding, as analysed in the report, there are significant challenges in terms of effectiveness, especially with regard to the investigation and sanctioning of ML/TF.

Background and other Contextual Factors

28. The country's financial inclusion rates are below the average for the region. According to studies from the Superintendence of Banks, 50% of the economically active population has access to some type of financial product. Within the financial inclusion mechanisms related to assets, these are derived through portfolio placements, evidenced in the growth of credit with special relevance to commercial and priority consumer credit, noting that part of the latter is formalized through the use of credit cards. As for liabilities, the structure of deposits is mostly concentrated in demand deposits, which constitute savings books, checking accounts and deposits in basic accounts.

29. According to the National Institute of Statistics and Census, in 2020 the country registered an unemployment rate of 4.9% and an employment rate of 95.1%; however, in terms of employment, 51.6% corresponds to the informal sector. Consequently, there are challenges in terms of both financial inclusion and informality in the economy.

30. In terms of corruption, in 2020 Ecuador scored 32.21/100 in terms of corruption control according to the global governance index, placing it below the average for Latin America.

31. Regarding the maturity and sophistication of the country's AML/CFT measures, it is in the process of implementing important preventive and supervisory reforms. In particular, as discussed in detail throughout the report, the country recently formed a national AML/CFT co-ordination system and is moving towards a risk-based approach. New reporting institutions have also been incorporated into the preventive framework. Although all these reforms are of great importance and are aimed at strengthening the system, they are still in an initial implementation process.

Overview of AML/CFT strategy

32. With regard to national AML/CFT co-ordination, at the date of the on-site visit, this function was largely exercised in practice by the UAFE. However, a Decree was adopted in March 2022 that establishes a National AML/CFT Council (CONALAFT) which is in charge of approving the national strategy and action plan, as well as the co-ordination and development of national AML/CFT policies and against the financing of the proliferation of weapons of mass destruction (CFP).

[3] Source: World Bank, https://info.worldbank.org/governance/wgi/Home/Reports.
[4] Source: World Economic Forum, The Global Competitiveness Report 2019: http://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2019.pdf

33. CONALAFT is chaired by the Ministry of Economy and Finance and the technical secretariat is held by the UAFE. It is made up of regular and guest institutions that play a key role in shaping the AML/CFT system.

34. At the time of the on-site visit the country had not formally adopted a national AML/CFT strategy based on the National Risk Assessment, although it was working on a project that covers various key activities and measures set out in an action plan. Although the strategy and action plan have not been approved yet, the competent authorities have already begun to implement some of the measures envisaged therein.

35. Finally, it should be noted that, at the operational level, there is generally good co-ordination between the UAFE and the competent authorities. With regard to law enforcement authorities, there is a good level of synergy and co-ordination for the performance of their functions. There is widespread willingness on the part of competent authorities to co-operate with the requirements of the FGE. Finally, there are challenges in the co-ordination between the key competent authorities and the NPO registration area of the Ministry of Economic and Social Inclusion, as well as between the Comptroller General's Office and the FGE.

Overview of the legal & institutional framework

36. The Organic Law on the Prevention, Detection and Eradication of the Money Laundering and Crime Financing (AML/CFT Law) (Official Gazette 802, 21-VII-2016), aims at preventing, detecting, and eradicating money laundering and crime financing, under different modalities. Likewise, the Regulations of the Law (Supplement to the Official Gazette No. 966, 20-III-2017) regulate the application of the Law and establish general procedures for the fulfilment of the purposes of the Law, as well as regulate the relationship of RIs and public and private persons with the UAFE. Similarly, the Organic Monetary and Financial Code (Official Gazette No. 332 Second Supplement, 12-IX-2014) establishes certain obligations for the control and prevention of ML in national financial system’s entities.

37. In criminal matters, the Comprehensive Criminal Organic Code (COIP) (Official Gazette Supplement 180, 10-II-2014) criminalizes ML, TF, and predicate offences.

38. Ecuador has created the National Co-ordination Committee against Money Laundering and its Predicate Offences, Terrorist Financing and the Proliferation of Weapons of Mass Destruction (CONALAFT) by Decree 371 of March 23, 2022. The purpose of this Committee is to propose public policies to prevent, detect and eradicate money laundering and its predicate offences, the financing of terrorism and of the proliferation of weapons of mass destruction, in accordance with the action plan established for such purposes, co-ordinating with other public or private entities for such purpose. It is composed of:

- Ministry of Economy and Finance (which chairs it);
- Financial and Economic Analysis Unit (which holds the technical secretariat);
- Financial Policy and Regulation Board;
- Internal Revenue Service;
- National Customs Service of Ecuador.

39. The president of CONALAFT may invite the most senior authorities—or their delegates—from the Superintendence of Companies, Securities and Insurance, Superintendence of Popular

and Solidarity Economy, National Court of Justice and the Attorney General's Office to join the Committee.

40. In addition to the entities that make up CONALAFT and that may be invited to join the Committee, there are other competent entities that assist in preventing and combating ML/TF/FP and predicate offences. These include:

- Strategic Intelligence Centre that exercises the steering role of the National Intelligence System and produces strategic intelligence to generate warnings and advise in a timely manner for decision making at the highest level.
- Judiciary Council that defines and executes policies for the improvement of the judicial system and ensures the transparency and efficiency of the judicial function.
- Comptroller General's Office, which is in charge of controlling the use of State resources.
- Ministry of Government, which guarantees citizen security.
- Ministry of Foreign Affairs and Human Mobility, which is in charge of foreign policy.
- National Police that fight organised crime, identifies and seizes assets of illicit origin.
- Technical Secretariat for Public Sector Real Estate Management which administers, safeguards, guards and receives in deposit the personal property and real estate that have been seized.

41. The SB, SCVS, SEPTS, and the UAFE are mainly responsible for establishing the preventive framework that all RIs must comply with in carrying out adequate customer due diligence (CDD), maintaining special records and carrying out specific controls on certain customers, services or products. It should be pointed out that dissemination and training activities complement and reaffirm the preventive scope of the National AML/CFT System.

42. With regard to detection, when any of the institutions or persons regulated by the AML/CFT Law detects, in the exercise of its activities, some event, operation, or transaction which, in accordance with the regulations and anti-money laundering practices, meets the criteria of "suspicion" of ML/TF, it has the legal obligation to forward this information immediately to the UAFE, by means of a STR. The UAFE is the authority responsible for developing financial intelligence processes on such records, in order to detect whether there are indications of transactions that may constitute ML/TF, in which case it provides for their immediate referral to the FGE.

43. Finally, the criminal investigation and prosecution of ML/TF offences is directed exclusively by the FGE with the remarkable support of the National Police. In the investigations for ML/TF carried out by the prosecutors, they can always request from the UAFE whatever background information they deem necessary for the investigations they carry out.

Overview of financial sector and DNFBPs

44. The private financial system is made up of 24 banks, while as of September 2021 the financial sector of the popular and solidarity economy was made up of 38 cooperatives (segment 1) and 4 mutuals. By December 2021, private banks concentrated the largest share of assets with 74% (USD 52,398.6 million), segment 1 cooperatives 24.3% (USD 17,169.2 million) and mutuals 1.7% (USD 1,194.2 million), according to what was registered by the Central Bank of Ecuador.[5]

[5] Source: Central Bank of Ecuador, Monitoring of the main monetary and financial indicators of the Ecuadorian economy https://contenido.bce.fin.ec/documentos/PublicacionesNotas/Presentacion_Ene22.pdf

45. As for the public financial sector, the BCE records that, as of December 2021, total assets amount to USD 8,070.8 million. The National Financial Corporation (CFN) concentrates the largest share of assets with 37.5% (USD 3,029.7 million), followed by the Development Bank of Ecuador - BDE with 29.5% (USD 2,383.9 million), BanEcuador with 25.6% (USD 2,068.8 million) and the National Corporation of Popular and Solidarity Finances (CONAFIS) with 7.3% (USD 588.4 million).

46. As for the capital market, there are two stock exchanges in the country, the Guayaquil Stock Exchange (BVG) and the Quito Stock Exchange (BVQ), within which as of September 2021 there are a total of 31 registered stock exchanges, of which 18 are in the city of Guayaquil and 14 in Quito. As of November 2021, [6] the amount traded on the stock exchanges was USD 13,762 million in fixed income and USD 38 million in equities

47. Regarding the insurance sector, as of September 2021 there were 29 domestic insurers, 1 domestic reinsurer, and 137 foreign reinsurers. The insurance sector reached USD 1,518 million of nominal net written premium for November 2021, presenting a decrease of 1.13% compared to the same period of the previous year (USD 1,696 million).[7]

48. Regarding remittances, as of 2021 there are 33 companies authorised by the Central Bank of Ecuador to carry out their operations.[8] During the first half of 2021 the flow of remittances entering the country amounted to USD 2,008.68 million, 3.58% higher than that recorded in the previous six months (USD 1,939.18 million) and 43.62% higher than that observed in the first half of 2021 (USD 1,398.62 million).[9]

49. In the first half of 2021, 49.03% of remittance flows were handled by private banks with credit on account and cash payment, through auxiliary financial services companies. Remittance companies made payments with credit on account through correspondent financial entities and cash payment in their offices and bonded agents, with a share of 48.73%; and, savings and credit cooperatives and mutual associations, made credit on savings accounts in 2.24%.

50. Regarding the flow of remittances sent from Ecuador abroad, during the first half of 2021 it amounted to USD 300.76 million, 8.62% higher than that recorded in the second half of 2020 (USD 276.88 million) and 30.26% higher than that observed in the same period of 2020 (USD 230.88 million).

51. Casinos are not allowed in Ecuador, so this sector does not formally exist. In the AML/CFT area, the country has included the real estate sector, notaries, property registrars, dealers in

[6] Source: Superintendence of Companies, Securities and Insurance, Monthly indicators' report, https://portal.supercias.gob.ec/wps/wcm/connect/e2136557-27e1-462d-b1b7-8b6018ef1248/Informe+Mensual+de+Indicadores+DNIYE+Final+%28Noviembre+2021%29.pdf?MOD=AJPERES&CACHEID=e2136557-27e1-462d-b1b7-8b6018ef1248

[7] Source: Superintendence of Companies, Securities and Insurance, Monthly indicators' report, https://portal.supercias.gob.ec/wps/wcm/connect/e2136557-27e1-462d-b1b7-8b6018ef1248/Informe+Mensual+de+Indicadores+DNIYE+Final+%28Noviembre+2021%29.pdf?MOD=AJPERES&CACHEID=e2136557-27e1-462d-b1b7-8b6018ef1248

[8] Source: Central Bank of Ecuador, Cadastre of Authorised Auxiliary Payment Systems, https://www.bce.fin.ec/images/riesgos-operaciones/SAP_AUTORIZADOS_CATASTRO.pdf

[9] Source: Central Bank of Ecuador, Evolution of Remittance Flow, https://contenido.bce.fin.ec/documentos/Estadisticas/SectorExterno/BalanzaPagos/Remesas/ere20211S.pdf

jewellery, precious metals and stones. lawyers, accountants, trust company service providers, and virtual asset service providers, in addition to other additional sectors.[10]

52. Regarding the real estate sector, between 2010 and 2020 the average share of gross value added (GVA) of construction in the national GDP was 8.9%. The construction sector has been experiencing a deep recession since 2015 and in 2020 has been affected by the stoppages generated by the fight against the Covid-19 pandemic. In 2020, the GVA of the construction sector was approximately USD 4,719 million.

53. The notary's office, meanwhile, is an auxiliary body of the Judicial Function. Admission to the notarial service is by means of a public exam and merit-based competition, subject to contestation and social control. Its natural supervisor is the Judiciary Council, while AML/CFT supervision is carried out by the UAFE.

54. In this sense and in general terms, for the real estate sector, dealers in precious metals and stones and trust service providers, the natural and AML/CFT supervisor for legal persons is the SCVS, while for natural persons engaged in these activities their AML/CFT supervisor is the UAFE.

Overview of preventive measures

55. The AML/CFT Law, its regulations and the various legal instruments issued by regulators and supervisors contain the preventive measures to be applied by all RIs. These instruments establish the country's AML/CFT Prevention System. The SB, SEPS, and SCVS in their role as prudential regulators develop supervisory processes with an AML/CFT approach and have sanctioning powers in this regard. The UAFE, since 2005 is the governing body in this area, receiving STRs and reporting cash transactions above the threshold (RESU) of all reporting institution and is responsible for the regulation and supervision of those entities that do not have a prudential regulator.

56. RIs must apply a range of preventive measures that include customer due diligence, record keeping, enhanced CDD measures, specific measures relating to politically exposed persons, identification and reporting of ML/TF suspicious transactions, RESU reporting, among others. These obligations are mainly regulated by SB regulations (Resolution No. SB-2020-0550), SEPS (Resolution No. 637-2020-F), SCVS (No. SCVS-INC-DNCDN-2021-0002 applicable to remittance companies, RJPM Codification 385 applicable to insurance and securities).

57. In terms of implementation, while FIs have more effective internal systems and experience, DNFBPs present greater operational challenges. Also, in general, FIs show a higher level of understanding of ML risks and implementation of AML/CFT preventive measures than DNFBPs. It is important to mention that some RIs were recently incorporated and therefore, at the time of the on-site visit, they were not applying these preventive measures. Moreover, entities engaged in financial leasing have not yet been included as RIs (although their impact is lower due to the low materiality of these sectors).

[10] Vehicle dealers, national political parties and national political movements, national and international money transport, tourism agencies and tour operators, racetracks, pawnshops and pawnbrokers, antiques and works of art dealers, art promoters and raffle organisers.

Overview of legal persons and arrangements

58. In Ecuador, the Companies Law establishes that there are six types of business companies constituted as legal entities and establishes the requirements for their creation and registration: General partnerships, limited partnerships and limited partnerships issuing shares, limited liability partnerships, public limited partnership, mixed economy company, and joint stock companies. Also, by means of Decree 193, NPOs (corporations and foundations) may be created; on the one hand, domestic ones must be registered before the Ministry of Economic and Social Inclusion, while foreign ones before the Ministry of Foreign Affairs and Human Mobility. In addition, the Organic Law of the Popular and Solidarity Economy establishes the requirements for the creation and registration of organisations in the cooperative sector. The SCVS has a registry of 258,109 companies.

Table 1.1. Number of LP by type of company

TYPE OF COMPANY	2021
Public limited company	163,110
Agricultural development public limited company	5
Public limited company in rustic lands	234
Andean multinational public limited company	34
Association or consortium	235
Limited joint-stock company	7
Mixed-economy company	140
Limited liability partnership	75,946
Joint-stock company	15,605
Foreign branch	2,011
Insurance companies	30
Insurance intermediaries companies	195
Stock exchanges	34
Fund management companies	29
External auditors	83
Securities issuing companies	371
Representative of bondholders	21
Others	19
Total	**258,109**

59. With respect to legal arrangements, the Organic Monetary and Financial Code establishes that through the commercial trust agreement, one or more persons called incorporators or settlors transfer the ownership of personal or real, tangible or intangible property to an autonomous patrimony, endowed with legal personality so that the trust and fund management company, which is its trustee and in such capacity its legal representative, may comply with the specific purposes set forth in the incorporation agreement. It should be noted that trust administrators can only be legal persons, specifically public limited companies that must be registered with the Company Register and consequently with the SCVS.

60. Ecuador has highlighted in its NRA that one of the main challenges to be faced is the use of legal persons as a screen for corruption and bribery, as well as for contributing to other acts of concealment of the identity of owners or beneficial owners. The country has not yet developed a ML/TF risk assessment of the different types of legal persons and arrangements operating in the territory and their use for illicit purposes. However, the SRI has managed to identify 629 non-

existent taxpayers or shell companies, as well as companies or individuals with non-existent transactions. This information is published periodically on its web page.

61. The SB, SEPS, SCVS and UAFE are the entities in charge of supervising the corresponding RIs, regarding compliance with measures associated with the identification of the BO. However, there are technical deficiencies with regard to the definition of BO and it is not clear whether RIs use the definition contained in the AML/CFT Regulations or the one found in their special rules, since these are different provisions in each regulatory framework.

62. At present, the country has 2 BO registries, one under the SCVS of a public nature and the other under the SRI available only to the UAFE and FGE. During the on-site visit it was not possible to verify that there is a control of consistency between the information contained in both registries.

63. Between 2017 and 2021, the UAFE has shared information on legal persons through 2,922 executive reports to the FGE, while Egmont Group member countries have sent (and received) 361 information requests on legal persons in the same period. Likewise, 15 passive international criminal assistance requests have been responded to, which include information requests on Ecuadorian companies.

Overview of supervisory arrangements

64. The AML/CFT supervisory system is made up of the prudential regulators that have the possibility of supervising the AML/CFT component within the framework of prudential supervision and the UAFE. In terms of its supervisory function and applicable to all supervisory authorities, there is a paradigm shift in the supervisory model that, in general, is migrating towards a risk-based system. However, this process is at an early stage of design and implementation. Likewise, there is a generalised, and sometimes marked decrease in human and budgetary resources in this area.

65. With regard to the financial sector in general, the SB is in charge of the regulation and supervision of the banking sector; the SCVS is in charge of remittances, securities, insurance, and fund and trust management companies; and savings and credit cooperatives (CACs) and mutuals are supervised by the SEPS.

66. As for DNFBPs, real estate companies and dealers in precious metals and stones, they are under the purview of the SCVS when they operate as legal persons, but are under the authority of the UAFE when they operate as natural persons. Notaries are also under the responsibility of the UAFE, as are other categories of RIs which, although not part of the international standard, contribute to the mitigation of certain risks (e.g., the automotive sector).

67. In terms of the most material sectors (banks, savings and credit cooperatives, mutuals), there is a greater number of supervisions, although they are largely carried out off-site and only to verify regulatory actions. With respect to DNFBP supervision, there were few supervisions by the SCVS and none by the UAFE due to the recent implementation of its supervisory framework.

68. It is important to note that during the period of the on-site visit the country incorporated as reporting institutions the sectors of virtual asset service providers, lawyers, and accountants. These sectors are under the supervision of the UAFE. Considering their recent inclusion in the AML/CFT system, these sectors have not been supervised.

Overview of international co-operation

69. The country has a Central Authority designated to deal with mutual legal assistance requests through the FGE, which manages requests for international criminal assistance. Likewise, there is an established procedure for active and passive extraditions that seems to be adequate. However, some stages of the process do not have specific deadlines, which could lead to possible delays in co-operation and lack of timeliness.

70. The main means or instrument for providing international co-operation are the agreements entered into with other countries, but the principle of reciprocity also prevails. In the area of supervision, the SB, SEPS, and SCVS, specifically in the securities and insurance sector, have signed international co-operation agreements with counterpart entities for sharing information.

71. The exchange of financial intelligence information between the UAFE and its counterparts is also observed. In addition, the UAFE has a leadership role in international AML/CFT forums or organisations such as the Egmont Group, GAFILAT, and others. Additional co-operation mechanisms are being sought, including bilateral agreements with Colombia and Peru, with whom working groups have been set up on issues related to identified threats (drug trafficking, illegal mining, smuggling, among others), co-ordinated controlled delivery procedures and joint operations.

72. With regard to institutions such as the UAFE, CIES, PN, SENAE and the Migration Authority, it should be noted that they belong to international information exchange networks that promote international co-operation.

CHAPTER 2. NATIONAL AML/CFT POLICIES AND CO-ORDINATION

Key Findings and Recommended Actions

Key findings

1. Ecuador has made a significant effort in the identification and assessment of its ML/TF risks. The main instrument developed in this regard is the NRA (2021), which was led by the UAFE and included contributions from all the key players in the AML/CFT system in both the public and private sectors, and whose results reasonably reflect the country's main risks.
2. The NRA did not address the risks associated with virtual assets and some of the threats identified by the assessment team, but was complemented by several sectoral assessments, strategic studies, typologies and reports on particular activities that contribute greatly to the competent authorities' understanding of their risks. These tools have been disseminated to key players in the AML/CFT system.
3. As regards the UAFE, FGE, CIES, SENAE, SRI, Ministry of Government, National Police, Migration Authority, and MREMH, there is a good degree of understanding of ML/TF risks. In the judicial sphere, a good level of understanding of the risks by the CNJ and the CJ is recognised. However, there are certain limitations in the level of understanding of TF by some authorities, especially trial judges. As regards supervisory bodies (UAFE, SB, SEPS, SCVS), there is also a good understanding of ML/TF risks.
4. Regarding national AML/CFT co-ordination, Ecuador recently created CONALAFT, which will be in charge of approving the national strategy, the action plan, and the co-

ordination and development of national AML/CFT/CFP policies. Prior to the on-site visit, co-ordination of the system was largely led by the UAFE.

5. At the time of the on-site visit, the country was working on a draft national AML/CFT strategy and action plan based on the NRA. While this national strategy had not been approved at the time of the on-site visit, the competent authorities had initiated the implementation of some measures envisaged in the draft action plan, which will eventually allow the development and implementation of such a strategy. In addition, the country has two national security plans related to the fight against threats and predicate offences identified in the NRA.
6. The competent authorities have objectives in line with the country's risk profile and have adopted certain measures to prevent or mitigate them, which, despite being a positive aspect due to the fact that the NRA is recent, this very condition limits to a certain extent the capacity of the AT to comprehensively assess the effectiveness of the implementation of such measures. In addition, there is no detailed information on the allocation of resources with RBA.
7. In general, there is good co-ordination between the UAFE and the competent authorities. With regard to law enforcement authorities, there is a good level of synergy and co-ordination for the performance of their functions. Likewise, there is widespread willingness on the part of competent authorities to co-operate with the requirements of the FGE. However, challenges are noted in the co-ordination between key competent authorities and the NPO registration area of the Ministry of Economic and Social Inclusion, as well as between the Comptroller General's Office and the FGE.
8. It is noted that the country has largely adopted measures and actions to communicate the results of the NRA, typologies, and relevant strategic studies to the RIs.

Recommended Actions

1. Continue working on the identification of ML/TF risks in the country, so as to deepen the knowledge about the risks associated with virtual assets and threats and vulnerabilities not covered in depth by the NRA.
2. Continue strengthening training and awareness actions to improve the understanding of ML/TF risks by the relevant sectors of the AML/CFT system, especially the recently incorporated reporting institutions and the Judiciary.
3. Approve and effectively implement the national AML/CFT/CFP strategy and its action plan.
4. Increase the allocation of resources to AML/CFT competent authorities in line with the findings of the NRA and with a risk-based approach.
5. Strengthen co-operation and co-ordination of measures between the UAFE and competent NPO authorities, as well as between the FGE and the Comptroller General's Office.

The relevant Immediate Outcome considered and assessed in this chapter is IO. 1. The Recommendations relevant for the assessment of effectiveness under this section are R. 1-2.

Immediate Outcome 1 (Risk, Policy and Co-ordination)

Country's understanding of its ML/TF risks

73. Mainly through the UAFE, Ecuador has made a significant effort in the identification and assessment of its ML/TF risks. In this regard, the development of the National AML/CFT Risk

Assessment approved in April 2021, based on information obtained in the period 2014-2018 is noteworthy and, in accordance with its provisions, it is expected to be updated every three years.

74. The NRA was developed based on the analytical tool provided by the World Bank and was informed by the participation and contributions of the actors that make up the AML/CFT system from both the public11 and private12 sectors, which was verified during the on-site visit. Six working groups were formed for the national threat and vulnerability modules (economy, corruption, environmental crimes, criminality, drug trafficking, and institutional analysis), with the participation of technical specialists from the aforementioned sectors. Objective and quantifiable information was analysed and complemented with qualitative components in cases where there were difficulties in obtaining accurate data. The tool consisted of 9 modules that addressed the ML/TF risk assessment: 7 modules addressed ML risk assessment, 1 module assessed TF risk, and another module assessed the risks of financial inclusion products.

75. Prior to the training workshops given by the World Bank specialists on the methodology used, UAFE co-ordinated and led meetings prior to and throughout the process in which the country's threats, vulnerabilities, and risks were analysed. In addition, prior to the completion of the process, meetings were held with the World Bank for the final review of the document.

76. Regarding the risk of ML in Ecuador, the NRA determined that Ecuador has a "medium-high" threat level for this crime, while the vulnerability level is also at a "medium-high" level, concluding that Ecuador's overall risk is "medium-high", with a stable trend. Regarding the main threats, it is established that the country is affected by transnational organised crime, mainly related to illicit trafficking in narcotic drugs and psychotropic substances, which, although it does not have permanent production bases in the jurisdiction, is considered the greatest threat for the nation, given its geographical location, sharing borders with the largest cocaine producers in the world (Colombia and Peru), according to the UNODC World Drug Report 2019. At the local level, there are collaborators who are responsible for domestic distribution tasks and logistical storage and support services.

77. Other important threats include public corruption, mainly related to fraud and bribery in public procurement processes, with the highest incidence of embezzlement and illicit enrichment; tax evasion; smuggling; and vehicle theft.

78. Additionally, other emerging threats have been identified, such as environmental crimes (mainly illegal mining that has been developed by criminal organisations that also engage in other criminal activities such as drug trafficking, trafficking in persons, arms trafficking, tax evasion, among others), and trafficking in persons.

79. In terms of vulnerabilities, the NRA identifies a notorious deficit in the area of DNFBPs and NPOs, as well as in supervision issues that do not have an effective risk-based approach, the absence of a coordinating body at the national level in AML/CFT matters that has hierarchy and

[11] Twenty-five public agencies participated from the public sector: Mining Regulation and Control Agency, Central Bank of Ecuador, Strategic Intelligence Center, Council of the Judiciary, Office of the Comptroller General of the State, National Directorate of Public Registries, National Mining Company ENAMI EP, Attorney General's Office, National Institute of Statistics and Census, Ministry of National Defense, Ministry of Economy and Finance, Ministry of Government, Ministry of Production, Foreign Trade, Investment and Fisheries, Ministry of Foreign Affairs and Human Mobility, Ministry of Environment, Water and Ecological Transition, National Police of Ecuador, Presidency of the Republic of Ecuador, Office of the Public Prosecutor of the State, Technical Secretariat for Public Sector Real Estate Management, Internal Revenue Service, National Customs Service of Ecuador, Superintendence of Banks, Superintendence of Companies, Securities and Insurance, Superintendence of Popular and Solidarity Economy, Financial and Economic Analysis Unit.

[12] The following participated on behalf of the private sector: Banking Sector, Insurance Sector, Securities Sector, NPO Sector, Popular and Solidarity Sector (Savings and Credit Cooperatives), Real Estate and Construction Sector, Remittance Sector, Notary and Company Register Sector, Fund and Trust Administrators Sector and Automotive Sector.

strength to establish lines of action and issue policies, and the lack of legislation on non-conviction based and third party confiscation.

80. With regard to TF, the threat was determined to be at the medium-low level and vulnerability at the medium-high level, concluding that the risk is "medium level". The country is prone to threats from irregular groups from a neighbouring country, which have an impact in border provinces. Additionally, there have been migratory movements of risk profiles from countries in conflict located in the Middle East.

81. In terms of vulnerabilities, the NRA mentions poor knowledge and understanding of the definition of the crime of TF on the part of officials and investigation and prosecution authorities, as well as RIs. In addition, geographical conditions and border porosity have an impact and facilitate the entry of illegal groups into the national territory to commit crimes.

82. In addition to the NRA, the country has developed several studies that have contributed to the understanding of the ML/TF risks affecting the country, among which the following stand out:

Table 2.1 – Strategic products

Product	Description	Contribution to the AML/CFT system
Money Laundering Typologies Document	This document was prepared as a product of the systematic analysis of the Unusual and Unjustified Transaction Reports (ROII), currently Suspicious Transaction Reports (STR), received in the period 2019-2020, with the objective of providing tools based on the different modalities used for ML that were identified in behavioural patterns, in which 11 relevant typologies for the actors of the AML/CFT system are described. The document will be periodically updated with information from financial intelligence conducted by the UAFE.	This document was shared with all RIs registered with the UAFE and is a substantial input for the management and administration of their risks, improvement of their monitoring and control systems, and implementation and supervision of their procedures and control instruments to mitigate ML risks. In turn, it helps supervisors to recalibrate their risk matrices and, therefore, improve the effectiveness of their supervisory processes under a risk-based approach. Updates to this document will contribute to the AML/CFT system by detecting new types of ML.
Analysis of Highly Reporting Institutions	It was prepared in May 2021 by the UAFE with the specialised technical collaboration of the Department against Transnational Organised Crime (DDOT) of the Secretariat for Multidimensional Security (SSM) belonging to the Organisation of American States (OAS). It includes a descriptive and comprehensive detail of the participation of each entity within its reporting sector and its purpose has been to examine and identify the entities that have made the greatest quantitative contribution in the delivery of information to the UAFE, as well as to determine reporting patterns of each of the institutions in each of the reporting sectors.	This analysis was the first stage of a comprehensive analysis of the level of reporting and quality of the information submitted by the reporting institutions, as well as an input to provide feedback to the reporting institutions and sectors on the main findings. From this analysis, the supervisory bodies have been able to identify those controlled entities that had not reported or that had a deficient level in terms of the number of reports sent. This has allowed them to feed their risk matrices in relation to the components and subcomponents of the ROII; in other words, these entities were assigned a higher risk level and a targeted supervision process was applied.
Report on the Quality of Unusual and Unjustified Transaction Reports	This report was completed in November 2021 and includes the methodological description and the evaluation procedure of a selected representative sample based on the three quality principles of comprehensiveness, accuracy, and timeliness. In addition, the report details the results of the quality of the STRs in general for the National Financial System and	This report develops UAFE's own methodology and is the starting point towards the improvement of the quality of the reports, which represent the most important input for the elaboration of intelligence reports, considering that it allows the elaboration of a Guide of good practices for the elaboration of STRs.

	DNFBPs, for the 13 reporting sectors, and for each of the institutions evaluated. As part of a process of automatization of information quality evaluation, the methodology developed in this analysis will be implemented for all STRs received by the UAFE.	Therefore, once the rating results of the selected reports were obtained, the supervisory bodies have maintained constant feedback with the RIs involved and which submitted more than 80% of the reports, where the areas and opportunities for improvement were highlighted, guaranteeing favourable changes in the process. As a result of the two-way feedback process that took place with the RIs on their recommendation, the UAFE incorporated the identified typologies into the STR. Likewise, an improvement has been observed in the quality of the STR reports sent by RIs.
High Denomination Banknotes Report	This report is a specific analysis of cash deposits and deposits in high denomination banknotes (USD 50 y USD 100), both in the National Financial System and in Savings and Credit Cooperatives of segment 1 and mutuals, corresponding to the year 2020. The purpose of this report is to provide a timely alert to regulatory or supervisory bodies empowered to combat ML/TF. At the same time, it aims to contribute to the evaluation, analysis, and mitigation of ML risk and other risks associated with the use of high denomination banknotes and cash deposits, considering that high denomination banknotes (HDB) enter Ecuador through remittances. The report will be periodically updated with inter-institutional information and shared with supervisory agencies.	This document has made it possible to identify those geographic areas and financial institutions with the greatest use of HDBs, which results in obtaining a better perspective on the commission of possible ML predicate offences, such as drug trafficking, trafficking in persons, corruption, and illegal mining, which, in turn, were identified as threats and emerging threats in the NRA. In addition, this report has helped the banks and cooperatives that record the largest movements of HDBs to strengthen their CDD, monitoring, and associated risk control processes, using a RBA. This document has also helped financial institutions and other RIs to determine behavioural patterns and relationships between variables, such as the use of HDB vs. the economic activity of their customers to measure higher risk activities. Finally, this analysis helps the country's customs control authorities to reinforce the control of Cross Border Cash Transportation, especially in the border areas identified as having the highest concentration of HDB handling.
Technical report of the Lawyers and Accountants sector for their incorporation as reporting institutions	The report was issued with the objective of analysing the incorporation of lawyers and accountants as RIs to the UAFE, through an evaluation of those activities vulnerable to the commission of crimes that may be related to these professions. It is a study of the two sectors, red flags and general risks, analysed according to the particularities of Ecuador. Cases are described at the regional level, related to the incorporation of these sectors as RIs, as well as related crimes.	As a result of this report, both lawyers and accountants were included as RIs before the UAFE, with the publication of two resolutions on April 8, 2022. This means that these sectors should be subject to effective monitoring systems and ensure compliance with national AML/CFT requirements. Also, it helps the control body to establish supervisory mechanisms, which will ensure that transactions or operations coming from these sectors are constantly monitored. In this line, RIs have the duty to establish CDD processes.
Good Practice Guide for Reporting Unusual and Unjustified Transactions submitted by reporting institutions	This Guide was prepared by the UAFE and published in March 2022, and contains good practices in terms of fundamental aspects, accuracy, and timeliness in filing STRs; it was made available to RIs, supervisory bodies, and citizens in general through the institutional website of the UAFE.	Since STRs are one of the most important inputs within the financial and economic intelligence process carried out by the UAFE, this guide provides general guidelines by presenting good practices and characteristics with questions that compliance team officials of each RI must answer, based on the three quality principles that a report must contain, in order to improve its quality and the review times incurred by the UAFE; and, therefore, generate a more accurate and timely report to the FGE.
Analysis of patterns and red flags on withdrawals made with foreign cards at domestic ATMs	Document prepared by UAFE with the support of the Association of Private Banks of Ecuador (Asobanca) in December 2021, which aims to determine patterns or unusual signs of cases detected in atypical withdrawals made with foreign cards.	The contribution of this analysis, at the beginning of 2022, made it possible to alert neighbouring FIUs, such as the Peruvian FIU, given that certain cards with atypical behaviour were coming from that country, as well as being a key input in the Operations

		Analysis area of the UAFE for further investigation.
Relevant tools for the identification of risks by reporting institutions	The UAFE developed a monitoring matrix for the NPO sector and a prioritisation matrix for the notary sector, which consist of an IT tool that allows these sectors to strengthen the identification, evaluation, control, mitigation, and monitoring of risks.	The monitoring matrix for the NPO sector has contributed to the identification of NPOs with a higher risk of TF abuse, thus facilitating the monitoring and follow-up process of the activities carried out by NPOs. The results of the prioritisation matrix of the notary sector have allowed the UAFE's supervisory team to carry out a targeted supervision process. The results of these supervisions have shown the importance of implementing improvements in the due diligence processes of the notaries and in risk management and administration.
Analysis on the VASP sector	The report was prepared with the objective of evaluating the incorporation of the VASP sector as RIs before the UAFE, based on threats and vulnerabilities. This document shows red flags and risks associated to the use of VAs and an analysis of typologies linked to VAs, commercial activities, and geographic areas prone to greater use of these assets. Finally, the document also presents cases for analysis.	As a result of this report, a Resolution was issued to incorporate VASPs as RIs before the UAFE, which means that the control body establishes supervision mechanisms, that transactions or operations coming from this sector are monitored, and that those providers that are operating in the country are identified to strengthen the AML/CFT system. The report also contributes to improve the operational understanding of this sector. In addition, it allowed to determine typologies, vulnerable commercial activities and geographic zones, which will help the UAFE to direct its financial analysis to the identification of possible cases. However, given their issuance on the last day of the on-site visit, it was not possible to corroborate the effectiveness of these contributions.
Money Laundering Risk Analysis of the Microfinance Sector	Published by the UAFE in April 2022, it is a sectoral analysis document with the main objective of providing reasonable information and knowledge on ML/TF risks in Ecuador, detailing the main threats and vulnerabilities of the microfinance sector. It received technical assistance from the Department against Transnational Organised Crime (DDOT) and the collaboration of governmental control entities, as well as the support of compliance officers.	The study has contributed to deepen the knowledge of the risks of specific sectors, for use by both public agencies and the assessed sectors themselves. In addition, it served as a recommendation to control agencies for the incorporation of new threats identified in the SRA into their annual supervision plan and/or their Risk Based Approach. It also served as an alert for the new threat identified for the incorporation of VASP as new RIs. However, given their issuance on the last day of the on-site visit, it was not possible to corroborate the effectiveness of these contributions.

83. Other studies that, at the date of the completion of the on-site visit, were still in the process of being prepared, are the Analysis Reports on Red Flags and Behavioural Patterns of Unusual Cash Movements in the Real Estate and Construction Sector, and in the Automotive Sector. The purpose of these reports is to identify the main geographical areas with unusual cash movements, as well as to determine unusualities in economic activities, nationality, type of cash transactions, type of product traded, in order to recognise possible red flags and behavioural patterns with respect to unusual cash movements.

84. Likewise, the SB, SEPS, and SCVS developed various sectoral risk studies, strategic studies, red flags, risk matrices and technological tools, as detailed under Immediate Outcome 3, which have contributed to a generalised understanding of the risks affecting the country.

85. In addition, as part of the understanding of TF risk, the UAFE conducted a sectoral risk assessment to identify the categories of NPOs at risk of misuse for TF purposes, according to the FATF definition, using the methodology provided by the World Bank, as part of the technical assistance program. As a result, the level of exposure to TF risk by NPOs in Ecuador was found to be medium-low. The TF threat faced by NPOs is due to the incidence of illegal groups in a

neighbouring country that, in order to maintain their operations and logistics, commit crimes such as drug trafficking, smuggling of goods and weapons. Likewise, the study clarifies that there is no domestic terrorism in Ecuador.

86. Moreover, the UAFE has developed a monitoring system for the most exposed NPOs. However, there are limitations in the understanding of the TF risk of these organisations by the Ministry of Economic and Social Inclusion (MIES), which could benefit from greater interaction with the UAFE and other key authorities in this area.

87. In this sense, the NRA methodology and the results obtained are largely reasonable and reflect the main AML/CFT risks faced by the country. However, this document did not assess in depth the risks related to certain threats with potential impact on the country's ML risks, such as fraud, illegal money collection, physical transportation of cash, usury and computer crimes, although illegal money collection, pyramid fraud, computer crimes, and usury have been assessed as threats corresponding to the microfinance sector, a study that was concluded in April 2022.

88. With respect to the sectors recently covered by the AML/CFT system, incorporated on April 8—the last day of the on-site visit—it is observed that the VASP sector is applying certain measures of customer identification and knowledge, although there is concern about the services and products offered by the sector, as they may be high-risk and lack adequate mitigation measures. Although the UAFE has carried out various outreach measures with lawyers and accountants, during the on-site visit it was not possible to identify the application of measures by these sectors.

89. Also, in general terms, most of the system's key authorities have a good understanding of ML/TF risks, although there are opportunities for improvement as described below.

90. As regards the UAFE, FGE, CIES, SENAE, SRI, Ministry of Government, PN, Migration Authority, and MREMH, there is a good degree of understanding of ML risks. In the judicial sphere, a good level of understanding of the risks by the National Court of Justice and the Council of the Judiciary is recognised. However, there are certain limitations in the level of understanding of ML and, especially TF, by trial judges. Notwithstanding this, the efforts made by the UAFE in training matters should be recognised, not only for the Judiciary, but for all agencies within the AML/CFT system.

91. As regards supervisory bodies (UAFE, SB, SEPS, SCVS), there is also a good understanding of ML risks. The development of matrices for the banking sector, savings and credit cooperatives, securities firms, and notaries is noteworthy, allowing for a broader understanding of the risk profile of these sectors. Matrices for other sectors are also under development.

92. In the case of ML/TF risk, the competent authorities generally have a reasonable level of understanding (with the exception of the Judiciary, which has limitations as detailed in IO.9), although knowledge of the characteristics, alerts and modalities represented by this phenomenon could be deepened.

93. Similarly, there are certain challenges in understanding the risks associated with virtual assets, although during the on-site visit it was noted that the country had initiated a rapprochement with the VASP sector to understand the associated risks, as well as certain threats related to cybercrime; during the on-site visit it was noted that the country is forming working groups and developing studies in this area.

94. Considering the elements analysed, it can be seen that the country has a good understanding of its ML risks. In the case of TF risks, on the other hand, there are some opportunities for improvement (for further details, please refer to the development of IO.9).

National policies to address ML/TF risks identified

95. The co-ordination of AML policy and strategy in Ecuador was conducted by the National Anti-Money Laundering Council (CONCLA) until July 2016, where the institutions and agencies that make up the AML/CFT regime participated. The role carried out by CONCLA was of a guiding nature. Monthly meetings of authorities were held, at which policies and strategies were designed to strengthen the regime and their execution was monitored through the operational body, which at the time was the Financial Analysis Unit (UAF).

96. During the existence of CONCLA, Ecuador issued in 2013 a document called "National Policy for the Prevention of Money Laundering Crimes", which governed the AML/CFT regime, under co-ordination and execution by the UAF, which was in force until 2017.

97. Since then and up to the date of the on-site visit, mainly due to the dismantling of CONCLA, the country has not updated its national AML/CFT policy. However, the country indicated that it is working on the development of a national strategy based on the findings of the NRA and additional draft regulations.

98. In this regard, it should be noted that once the NRA was completed, the country developed a draft Strategic Action Plan based on its results, which will eventually allow the development and implementation of a National AML/CFT Policy, based on a diagnosis of national and sectoral threats, vulnerabilities and risks, and which proposes mitigation measures. Such proposal presents 4 preliminary categories to be addressed: 14 high priority actions, 4 medium priority actions, actions to be executed promptly (3 actions), and other actions to be executed based on availability of resources, as well as the 12 authorities responsible for their execution within a given period of time.

Table 2.2 - Strategic Action Plan

Priority level	Key actions
High prioritisation;	• National co-ordination. • National AML/CFT policy and strategy • Assets Forfeiture Law. • Implementation of RBA regulations. • Beneficial Ownership. • Financial, technological and human resources to the institutions of the AML/CFT regime. • Training programs for reporting institutions in the preventive and detection areas. • Formalisation of the economy. • Securities cross-border control. • Review of the judicial process of the Money Laundering crime. • Understanding of the crime of Terrorism and Terrorist Financing.
Medium priority	• Regulatory implementation with Risk Based Approach. • Develop sectoral risk assessments. • Centralise beneficial owner information. • Review of the criminalisation of the offence for the enforcement of financial sanctions aimed at the proliferation of weapons of mass destruction and their financing.

Early wins.	• Implementation of ARLAFD regulations – banking sector. • Issuance of ML/TF prevention regulations with a RBA for reporting institutions without a supervisory body. • Strategic Analysis Department.
Other actions	• Creation of the Ongoing Training School. • Implementation of the Risk Management and Due Diligence Methodology for reporting institutions. • Implementation of a system for cross-referencing restrictive and binding lists for reporting institutions. • Implementation of an interconnected system to have real-time information for the profiling of persons and passengers for the control of cross-border transportation of cash and securities.

99. Previously, the Action Plan was expected to be approved by the Monetary and Financial Policy and Regulation Board (JPRMF);13 however, with the creation of the National Co-ordination Committee against Money Laundering and its predecessors, the financing of terrorism and the proliferation of weapons of mass destruction (CONALAFT)—see CI 1.4—, it was established that this Committee will be in charge of carrying out this task.

100. The development of the Action Plan foresees a process similar to that of the NRA, i.e., working groups will be formed with the institutions involved in order to implement the actions; objectives, visions, budgets, and timelines. At the national level, the following institutions will participate in executing the Action Plan: The UAFE, CJ, FGE, Ministry of National Defence, Ministry of Economy and Finance, PN, SRI, SENAE, SB, SEPS and SCVS.

101. It should be noted that although the Action Plan has not been formally approved, competent authorities have initiated the implementation of a set of measures to address the ML/TF vulnerabilities foreseen in the document, which have been gradually implemented since January 2021. These actions include, among others:

- Legislative and regulatory amendments for the creation of CONALAFT (March 2022).
- Incorporation of lawyers, accountants, and VASPs as RIs of the AML/CFT regime (April 2022).
- Expansion of the obligation to report suspicious transactions by RIs.
- Reform of current procedures to apply asset freezing measures to persons and entities listed in the UNSCRs (March 2022).
- Adoption of supervision methodology with a RBA by the SB (April 2021).
- Creation of the National Department for the Prevention of Money Laundering within the SEPS (February 2022).
- Updating of the regulatory framework of the sectors under supervision of the SCVS (March 2022).
- Creation of a specialised judicial court to judge crimes of corruption, money laundering, and other complex crimes and the call for competition to appoint judges for such positions (March 2022).
- Commencement of merit-based and competitive examinations to form the court in charge of the proceedings for asset forfeiture.

[13] According to the AML/CFT Law, the JPRMF was to be the body empowered to exercise the steering role and issue public policies, monetary, credit, exchange, financial, insurance and securities regulation and supervision in the prevention of ML/TF at the national level. However, this entity did not develop the function of national co-ordination entity. Now, according to the Organic Law Amending the Organic Monetary and Financial Code for the Defense of Dollarization, published in May 2021, the JPRMF was divided into a Monetary Policy and Regulation Board (JPRM), in charge of formulating the monetary policy to be implemented by the Central Bank of Ecuador, and a Financial Policy and Regulation Board (JPRF), in charge of establishing the policy in the credit, financial, insurance, and securities areas.

- Reformulation of the supervision models towards the risk-based approach (RBA).
- Subscription of interoperability agreement between UAFE and CIES (January 2022).
- Creation of the Technical Roundtable called "analysis and structure of the illegal economy in detention centres", formed by CIES, UAFE, SRI, National Police.
- Creation, within the FGE, of the Select Unit (August 2021), with the purpose of combating ML resulting from drug trafficking on an international scale, and the Specialised Unit for the Investigation of Crimes against the Environment and Nature (November 2021).
- Restructuring and strengthening of the management of the Risk and Tax Information Department of the SRI (May 2021).
- Establishment of the Technical Roundtable on Trade Security by SENAE, with the participation of the Ministry of Production, Ministry of Government, CIES, Ministry of Transportation and Public Works, Ministry of Agriculture and Livestock, Port Authority, National Police, Armed Forces, UAFE, Prosecutor's Office and SRI, which addresses aspects of supervision of warehouses, ports, airports and border crossings (August 2021).
- The official creation of the UAFE's Directorate of Strategic Analysis (DAE) (October 2021) and the Continuous Training School.

102. Similarly, some institutional actions, such as increased co-operation and co-ordination among competent authorities; the institutionalisation of multidisciplinary groups in high impact cases; feedback processes between competent authorities and RIs; increased training programs in AML/CFT; the development of technological tools by the UAFE to facilitate compliance with AML/CFT measures for RIs, among others.

103. However, there is no detailed information on the allocation of resources with a RBA and on the adoption of additional measures that effectively mitigate the country's ML/TF risks.

104. In addition, it should be noted that committees and other specialised groups have been created in which national strategies related to combating the threats and predicate offences detected in the NRA have been defined.

105. In this regard, the National Comprehensive Security Plan 2019-2030 was developed (published by means of Decree No. 1331 in the Fourth Supplement to Official Gazette No. 458, dated May 25, 2021), which is framed within national and international regulations and is the cornerstone that allows for the rational articulation of the security strategy of all the institutions involved. The scope and dimension of this plan includes dealing with transnational criminal threats; administering and enforcing immigration laws; preventing ML; keeping strategic areas secure; intercepting drug and arms trafficking; preventing trafficking in humans; and protecting important flora, fauna, and natural resources.

106. Additionally, the country has a 2019-2030 National Plan for Citizen Security and Peaceful Social Coexistence that addresses the constant dynamization of threats to citizen security, such as transnational organised crime (drug and arms trafficking, smuggling, trafficking in humans, illegal mining), and the recent incurrence of terrorist acts linked mainly to drug trafficking.

107. In the case of illegal mining, which has been identified as an emerging threat, the country also has a Special Commission for the Control of Illegal Mining (CECMI) made up of several institutions and agencies.

108. Furthermore, the Strategic Intelligence Centre (CIES) within its 2019-2030 Intelligence Plan includes organised crime and the generation of illicit financial flows as a threat to the State, which

is why it analyses the phenomenon of ML and its evolution. Its reports are shared with strategic government institutions, as well as with intelligence subsystems, including the UAFE.

109. During the on-site visit it was noted that in Ecuador there is a high-level commitment and political will from the highest authorities of the AML/CFT institutions to prevent and combat ML/TF and predicate offences in general.

110. In this context, although the national AML/CFT strategy has not yet been adopted, the country has developed various national measures and policies that are in line with the main ML/TF risks faced by the country. There are, however, limitations in terms of resources with a RBA.

Exemptions, enhanced and simplified measures

111. With respect to the financial sector, in principle, no exemptions have been identified in terms of the application of the FATF Recommendations. However, leasing or financial leasing companies have not been established as RIs, although it is a sector of low materiality.

112. In particular, with respect to the banking sector, the regulations establish that the entities shall apply enhanced CDD procedures according to the risk profile defined for each customer, and also in the face of certain high-risk circumstances. In the case of popular and solidarity economy institutions, the application of enhanced CDD measures is provided for based on the transactionality and behaviour of the counterparties, and 19 high-risk cases are foreseen in which, at a minimum, these measures must be applied. In the case of the insurance sector, the regulations include a list of high-risk scenarios in which enhanced CDD measures must be applied. With respect to stock exchanges, brokerage firms and fund administrators, provisions for enhanced CDD measures are also included.

113. As for remittance companies and DNFBPs regulated by the SCVS (including legal persons in the real estate and precious metals and stones sectors), the need to apply enhanced CDD measures to higher risk scenarios is provided for. Meanwhile, DNFBPs regulated by the UAFE must apply enhanced CDD measures when the customer profile represents a high risk.

114. In addition, RIs within the ML/TF prevention regulations must comply with enhanced CDD processes based on the risks detected in each organisation.

115. Notwithstanding the above, exemptions from AML/CFT measures for leasing or financial leasing companies are not based on a demonstrated low risk of ML/TF, nor on the occurrence of strictly limited and justified circumstances, or based on the fact that transactions falling under the standard are carried out by a natural or legal person on an occasional or very limited basis.

116. In addition, it should be noted that the country was able to identify higher risk activities based on the NRA, which has served as a basis for the establishment of appropriate mitigation measures, such as the presence of unregulated money exchangers and informal money exchangers in border cities. The country reported that their formalization as RIs is in process; registries have been established and there are plans to reach out to associations.

117. In the case of lower risk sectors, with the results of the NPO module report to identify the categories of NPOs at risk of misuse for TF purposes, a project is underway to exclude NPOs from the list of RIs. In addition, the UAFE is preparing a risk matrix to monitor them based on their level of risk.

Objectives and activities of competent authorities

118. As mentioned above, the coordinating body for the development and implementation of the Strategic Action Plan and other actions in the prevention, detection, and sanctioning of ML/TF is the newly created CONALAFT, by Decree No. 371 published on March 23, 2022. It is composed of both permanent public entities (JPRF, SRI and SENAE) and invited entities (SB, SCVS, SEPS, CNJ, and FGE, as well as other related institutions), which have a key role in shaping the AML/CFT system. It is chaired by the Ministry of Economy and Finance and the technical secretariat is held by the UAFE (executive body).

119. The purpose of CONALAFT is to propose public policies to prevent, detect, and eradicate ML and its predicate offences, TF and FP, in accordance with the action plan established for this effect, for which purpose it will co-ordinate with other public or private entities. Likewise, this Committee will be in charge of developing, among others, the following activities:

- *To establish an inter-institutional co-ordination mechanism for the elaboration of the ML/TF/FP NRA, as well as to know, approve, and implement the methodology to carry out such study.*
- *To prepare and approve a ML and a TF/FP NRA Report for subsequent dissemination to the competent public and private sector agencies;*
- *To develop and approve the Strategic Action Plan to mitigate the risks identified in the ML/TF NRA, as well as to monitor and evaluate the results of its execution;*
- *To co-ordinate the necessary actions for the mutual evaluation process and for the follow-up of the international organisation issuing the corresponding standards;*
- *To design and recommend public policies to the corresponding entities regarding ML/TF/FP;*
- *To create the specialised subcommittees necessary for the execution of the*
- *objectives of the Strategic Action Plan;*
- *To generate policies and awareness campaigns to create a culture of ML/TF/FP prevention in society;*
- *To promote the updating of the legal framework and the necessary regulatory reforms;*
- *To promote inter-institutional co-operation mechanisms among existing or future organisations;*
- *To promote co-ordination alliances and exchange of public-private information;*
- *To promote the development of financial sanction mechanisms directed against TF and FP;*
- *To promote the creation of mechanisms for the administration of confiscated, forfeited and recovered assets in the framework of ML/TF criminal proceedings;*
- *To co-ordinate the development and implementation of training and awareness programs on the subject for public and private sector entities.*

120. In this context, the objectives and activities of CONALAFT are, in general, consistent with the ML/TF risks identified by the country. However, due to its recent creation, it was not possible to verify its performance during the on-site visit.

121. With regard to the UAFE, its work in operational and strategic analysis and training is noteworthy. It also has direct or on-demand access to extensive sources of information, and has computer systems and tools to perform its work adequately. The UAFE also has highly specialised and trained personnel in AML/CFT matters. Likewise, the UAFE produces and disseminates financial intelligence reports and executive reports both spontaneously and upon request. It is also

noted that the UAFE responds to the FGE's requests for information to a good extent and in a timely manner. However, there are opportunities for improvement that are analysed in depth in IO.6.

122. In addition, as regards the ML/TF enforcement regime (PN, FGE, CJ), there is a good level of synergy and co-ordination in the performance of their functions. Regarding the PN, there are specific areas for the investigation of ML/TF and other high-impact predicate offences, with specialised personnel who understand ML/TF risks to a great extent. Similarly, the investigative and operational capacities of the Specialised Units of the PN and its co-ordination with other authorities stand out, although there are limitations in terms of human and technological resources given the demand of tasks and responsibilities.

123. The FGE, for its part, has specific areas for ML, organised crime and the main threats (drug trafficking, corruption, environmental crimes, among others), made up of specialised personnel, who have the capacity to investigate ML and complex crimes. The main predicate offences investigated by the Anti-Money Laundering Unit of the FGE are drug trafficking, tax fraud, corruption, and illegal mining, which is consistent with the main threats identified in the NRA.

124. It is also noted that the FGE receives and uses to a good extent the financial intelligence and executive reports of the UAFE. In addition, the FGE values these instruments and considers them to be of high quality. Good practice can be observed in this area, given that there are meetings and feedback between the FGE and the UAFE, in addition to a liaison officer between both agencies, which results in better inter-institutional co-ordination. The FGE promotes the integration of inter-institutional roundtables where the UAFE, the PN, and other relevant authorities participate, in which information conducive to the development of investigations is exchanged.

125. There are no judges specialising in financial crimes, or in ML, which hinders the prosecution of cases. However, at the date of the on-site visit, the public competition for the selection and appointment of judges to the judicial units with jurisdiction over corruption and organized crime was underway.

126. With regard to TF, as mentioned above, it was not possible to appreciate a common view and understanding of the phenomenon of TF. During the on-site visit some of the authorities still identify the crime of TF with terrorism, as a predicate offence for ML, and relate it only to the UNSC lists. As such, it is noted that this prevents actions to mitigate the risks of TF, particularly from the point of view of law enforcement.

127. In general, competent authorities' objectives and activities are aligned with the ML/TF risks present in the country. However, due to the fact that the NRA and various measures have been recently implemented, there is not yet detailed information on a RBA allocation of resources and regarding the adoption and impact of additional AML/CFT mitigating measures.

National Cooperation and Co-ordination

128. As mentioned above, Ecuador recently created CONALAFT, which is the inter-institutional co-ordination body for AML/CFT policies. However, this organisation is in an initial phase of implementation, so it is not possible to evaluate the effectiveness of its operation and results at this stage.

129. However, it is important to note that, at the date of the on-site visit, this co-ordinating function was largely carried out in practice by the UAFE, which exercised several of the responsibilities that CONALAFT now has, such as the preparation of the NRA and dissemination of its results, co-ordination of the actions necessary for the mutual evaluation process, creation of policies to raise awareness, and a culture of prevention in society through the members of the AML/CFT system, among others.

130. Similarly, Ecuador's regulatory framework enables co-operation among the competent authorities and, where appropriate, co-ordination and information sharing at the national level regarding the development and implementation of AML/CFT policies and activities, both at the policy and operational levels. The Constitution of the Republic of Ecuador itself establishes that the various institutions of the State and society must act in a co-ordinated manner to increase security and face threats and risks (Art. 393). Likewise, the AML/CFT Law establishes a regulatory framework that provides for co-operation and exchange of information necessary for the investigation, prosecution, and trial of ML/TF crimes between the UAFE, supervisors and law enforcement authorities, among other relevant authorities (Art. 11.3).

131. For its part, Art. 16 of the AML/CFT Law provides that the SB, SCVS, SEPS, SRI, SENAE, FGE, PN and all those that within the scope of their competence consider it necessary to do so, shall create complementary AML units responsible for co-ordinating, promoting, and implementing co-operation and information exchange programs with the UAFE and the FGE. In this regard, several institutions have specialised areas in AML/CFT matters.

132. Additionally, the institutions that make up the AML/CFT regime have signed various agreements to facilitate such inter-institutional co-operation. From 2018 to 2021, 18 collaboration agreements have been signed.

133. In this regard, the Inter-institutional Co-operation Agreement for the formation of the Inter-institutional Asset Recovery Liaison Group (Geira) stands out, signed in September 2019 by 11 public institutions: the PGE, FGE, National Court of Justice, Council for Citizen Participation and Social Control (CPCCS), CJ, SRI, INMOBILIAR, MREMH, CIES and UAFE. The purpose of Geira is to co-ordinate efforts and capacities for inter-institutional co-ordination and co-operation in the creation of policies, actions, and strategies for the location and recovery of assets. Since its creation, the group has held 32 meetings.

134. At the operational level, there is generally good co-ordination between the UAFE and the competent authorities of the AML/CFT regime. The UAFE and the FGE hold regular work and feedback meetings. In addition, the creation of technical roundtables, select units and specialised inter-institutional committees, such as the Select Unit in the Republic of Ecuador—which was created in August 2021—and within its organisational structure there is a Specialised Multidisciplinary Team (SMT), integrated by the Ministry of the Interior, the UAFE and the FGE; the aforementioned GEIRA; a Technical Committee for the Analysis and Structure of the Illegal Economy, made up of the UAFE, SRI, CIES and PN; as well as a Technical Roundtable on Trade Security, made up of the UAFE, SRI, the SENAE, CIES, and the Ministry of the Interior

135. Likewise, with regard to law enforcement authorities, there is a good level of synergy and co-ordination for the performance of their functions. The FGE promotes the integration of inter-institutional roundtables where the UAFE, the PN, and other relevant authorities participate, in which information conducive to the development of investigations is exchanged. During the on-site visit a widespread willingness on the part of competent authorities to co-operate with the requirements of the FGE was noted.

136. As regards supervisors, there is good collaboration with the UAFE through various communication channels, work meetings and training sessions, and there is a broad willingness to co-operate with the FGE's requirements, there are certain challenges with respect to resources available for the effective development of supervisions. Likewise, challenges are noted in the co-ordination between key competent authorities and the NPO registration area of the Ministry of Economic and Social Inclusion, as well as between the CGE and the FGE.

137. Finally, it is important to point out that although the Strategic Action Plan has not been approved, and a National AML/CFT Policy has not been developed, the competent authorities of the institutions of the AML/CFT regime have participated in the processes of identification, evaluation, and mitigation of ML/TF risks through different co-ordination and inter-institutional co-operation mechanisms, as well as in the development or reform of regulations to strengthen the regime.

138. As a result, it is considered that the competent authorities generally co-operate with each other and develop operational co-ordination to a large extent.

Private sector risk awareness

139. Regarding ML/TF risk awareness by the private sector, as analysed in greater detail in IO.4, it is considered that the country has adopted to a good extent actions to raise RIs' awareness in this respect. During the on-site visit it was verified that the NRA and its findings were widely disseminated by the UAFE to FIs and DNFBPs through various mechanisms.

140. The participation of RIs in the NRA process included several preparation workshops, delivery of information, completion of technical questionnaires, and analysis of the vulnerability of their products within the inherent risk assessment process. The NRA Executive Report, in addition to being shared with the key actors of the AML/CFT system through the channels used by the UAFE, is published on the website of this institution, available to public officials, compliance officers, and citizens in general.14

141. In addition, once the NRA report and its Executive Summary were officially published, the UAFE made presentations of the results to the various financial sectors and DNFBPs through virtual dissemination and training workshops to present the results obtained in the NRA. It also held training meetings with the delegates of the institutions that participated throughout the evaluation process.

142. In addition, strategic products such as typologies, sectoral assessments, and other relevant documents have been disseminated to key actors in the AML/CFT system. Moreover, the UAFE carried out different trainings to disseminate the strategic analysis studies with RIs. These efforts have had a positive impact on the sectors, as they have enabled them to become aware and conscious of the main ML/TF risks the country faces and to adopt measures to mitigate them.

143. Likewise, as regards FIs, it was observed that the banking, securities, insurance, popular and solidarity sectors understand to a great extent their main ML/TF risks. In particular, a moderate understanding of ML/TF risks is perceived among interviewed entities, especially in relation to customers operating in border areas. With regard to exchange offices, which is a sector of low materiality, it is observed that they are aware to a certain extent of ML/TF risks.

[14] https://www.uafe.gob.ec/wp-content/uploads/downloads/2021/ENR_Informe_Ejecutivo.pdf

144. With regard to DNFBPs, the level of understanding of the risks is asymmetric and varies by sector. Thus, the real estate and automotive sectors maintain a good understanding of ML/TF risks. The precious metals and stones dealers sector, however, is a recently incorporated sector, so it is in the process of understanding its risks and of designing and starting to implement AML/CFT measures. The notary sector has a low understanding of ML/TF risks. Notwithstanding this, the initiatives undertaken by the UAFE in terms of training for DNFBPs are noteworthy, as well as the development of the Risk Management System (SAR) for the notary sector, which at the date of the visit was about to be implemented.

Table 2.3 – AML/CFT Trainings

AML/CFT Trainings (2018-2022)			
Sector	Year	No. of courses	No. of trained personnel
Banks	2019	2	101
	2020	11	685
	2021	4	104
	2022	3	90
Popular and solidarity economy	2019	1	295
	2020	4	1361
	2021	2	1142
	2022	3	887
Securities and insurance companies	2019	26	772
	2020	61	3791
	2021	32	4572
	2022	6	594
Notaries	2019	4	195
	2020	3	1104
	2021	9	2986
	2022	10	3860
Construction and real estate	2019	9	222
	2020	16	1202
	2021	7	2753
	2022	2	680
Car dealers	2019	4	46
	2020	15	2625
	2021	1	41
	2022	2	140
NPOs Foundations	2019	1	23
	2020	4	121
	2021	5	284
	2022	2	58
Stock exchanges and brokerage firms	2019	6	147
	2021	4	204
	2022	2	19
Property and Commercial Registries	2020	1	57
	2021	3	125
	2022	2	29
Funds and Trust Management Companies	2021	5	73
	2020	1	17
Couriers and remittances	2020	3	51
	2022	1	26
Postal companies	2020	1	545
	2021	3	32

Political parties and national political movements	2021	6	233
Natural and legal persons engaged in the transportation of money, monetary species and securities	2021	2	91
Dealers in jewellery, precious metals and stones	2020	18	481
	2021	1	264
	2022	3	487
Microfinance	2022	1	913
Accountants	2022	1	615
TOTAL			35.143

Source: Superintendence of Banks, Superintendence of Popular and Solidarity Economy, Superintendence of Companies, Securities and Insurance, Financial and Economic Analysis Unit

145. Consequently, given the wide dissemination of the NRA and strategic products, both among key players in the public and private sector, it is considered that the country has adopted different measures to ensure that FIs, DNFBPs, and other relevant subjects are aware of the ML/TF risks faced by the country.

Conclusions on Immediate Outcome 1

146. Ecuador has made significant efforts in the identification, understanding, and assessment of its ML/TF risks. In particular, special mention should be made of the development of a NRA (2021), which received contributions from all the key players in the AML/CFT system in both the public and private sectors and, in general, reflects to a large extent the ML/TF threats, vulnerabilities, and risks that affect the country. In addition, the country has developed strategic studies, typologies, red flags, risk matrices, and technological tools that benefit the generalised understanding of such risks. Moreover, the country has carried out important actions to raise RIs' awareness, especially through sectoral training and dissemination of the NRA.

147. However, some weaknesses are noted, such as the lack of effective application of a RBA for the allocation of resources; room for improvement of the level of understanding of TF in some authorities; and the fact that the risks associated with virtual assets and certain threats and vulnerabilities not covered by the NRA have not been evaluated in full depth (although they are addressed to some extent by strategic studies, typologies, among others).

148. Although it should be noted that Ecuador is in the process of approving its national strategy and action plan based on the NRA, the country does not currently have national AML/CFT policies, although authorities' objective in general are aligned with the AML/CFT risks faced by the country and have adopted measures to mitigate them (which, in general, are at an early stage of implementation). Likewise, although in general terms there is good co-ordination and co-operation among public sector institutions for the proper performance of their functions, there are challenges among some competent authorities.

149. Thus, considering the strengths and opportunities identified, it is concluded that the system still requires considerable measures to improve its identification and understanding of risks, and to co-ordinate and implement the necessary actions to mitigate them effectively. Based on the above, it is concluded that the Republic of **Ecuador shows a moderate level of effectiveness in Immediate Outcome 1.**

CHAPTER 3. LEGAL SYSTEM AND OPERATIONAL ISSUES

Key Findings and Recommended Actions

Key findings

Immediate Outcome 6

1. The UAFE has duly specialised personnel, direct and indirect access to multiple sources of information, and technological and security systems that allow it to protect the confidentiality of the information.
2. The structure of the UAFE allows for the analysis necessary to generate quality FIRs that are disseminated to the investigative authorities.
3. In addition to the spontaneous FIRs (ROII and reports on suspicious transactions, IOS), the UAFE produces numerous executive reports at the request of the FGE, which contain information on persons under investigation.
4. The work conducted by the UAFE (both in the ROIIs and in the working groups with the FGE) is valuable for investigative authorities. Some convictions have been obtained in high impact ML cases in which UAFE's information has been useful.
5. There is a cooperative and collaborative attitude in terms of information exchange and training support with national authorities, as well as with counterpart authorities abroad.
6. Considering the country's risk profile, the number of spontaneously produced and communicated FIRs (ROII and IOS) is somewhat adequate. However, there are few FIRs associated with smuggling and drug trafficking, which are relevant threats identified in the NRA. Consequently, there is no consistency between the disseminations and the country's risk profile.
7. Despite the recent formal creation of the Strategic Analysis Directorate, evidence has been obtained of several strategic analyses in recent years.
8. It is noted that the FGE uses to some extent the FIRs and the executive reports sent by the UAFE, and these are considered to support its operational needs. However, the use of UAFE products is limited and could be enhanced by the FGE to increase the number of ML investigations.
9. The UAFE has a weighting matrix that classifies STRs according to their risk level. In this sense, there are certain limitations in terms of the analysis coverage of STRs classified as medium priority.

Immediate Outcome 7

1. Ecuador has, in general, a legal system in place to combat ML. The country has an accusatory criminal system, in which the FGE directs the criminal investigation, which is operationally carried out by the National Police
2. The FGE and the PN have specialised areas in ML, with qualified personnel who understand to a great extent the risks of ML. The existence of specialised units for high-impact predicate offences is also noteworthy.
3. The country has a system that, to a certain extent, allows it to detect, investigate, and prosecute cases of ML. However, there are significant limitations in the effective prosecution and punishment of this crime.
4. Among the main factors limiting the effectiveness of the criminal prosecution of ML are the lack of sufficient human and technological resources in the LEAs, lack of sufficient parallel financial investigations, lack of appropriate formal mechanisms to prioritise ML

cases, and limitations in the understanding of the autonomy of the ML crime by some sentencing judges of the Judiciary.

5. However, in relation to cases under investigation, there is a fluid and constructive co-operation and co-ordination between the FGE, the PN, and the UAFE. The formation of multidisciplinary investigation groups is especially valued.
6. ML investigations and prosecutions are mainly associated with drug trafficking and corruption offences and, to a lesser extent, with other major threats.
7. From the regulatory point of view, proportionate and dissuasive sanctions are established, and this circumstance has been proven in practice when analysing the sentences applied in convictions reached in high impact cases.
8. There is a limited number of ML sentences. However, convictions have been secured in high-impact cases of significant weight, which demonstrates a certain effectiveness in this area and the quality of the investigation. There have been convictions in cases of money laundering by third parties, self-laundering cases, and cases involving complex manoeuvres. In some cases, sanctions have also been applied to legal entities, which is noteworthy.
9. There are challenges in obtaining reliable statistics regarding prosecuted and convicted ML cases, which makes it difficult to accurately analyse the real outcomes of the ML investigation and sanctioning system.

Immediate Outcome 8

1. The confiscation of assets, instrumentalities and proceeds of crime is an objective for the authorities of Ecuador, although the FGE does not have specific guidelines or instructions to guide the work of prosecutors to ensure the confiscation of the proceeds of crime. It should be noted, however, that the country has an inter-institutional protocol for the recovery of proceeds of corruption.
2. The country's regulatory framework is suitable for asset recovery and law enforcement authorities have demonstrated their awareness of the importance of confiscating the instrumentalities and proceeds of crime.
3. The authorities have developed tools and set up special teams to identify and confiscate assets in high-impact cases, and have trained personnel and good operational co-ordination among the agencies working in this area.
4. The country has experience in the adoption of precautionary measures and seizure of criminal assets. In addition, a sample of money laundering cases showed that confiscation of the proceeds of crime is applied. However, Ecuador does not have detailed statistics system on confiscation, which makes it difficult to make an accurate diagnosis of the extent to which the assets of criminals are definitively confiscated.
5. There are limitations in technical, human, and economic resources for the development of operational activities of the FGE and the PN to effectively identify, seize and confiscate the proceeds of crime.
6. Ecuador has a specialised agency for the administration of seized assets and products, which is a noteworthy aspect. However, this agency does not have sufficient resources to effectively manage seized and confiscated assets.
7. The country has specialised legislation and a specialised prosecutor's office for asset forfeiture and, at the date of the on-site visit, the competent court for such purposes was in the process of being established.

Recommended Actions

Immediate Outcome 6

1. Strengthen the production and dissemination of spontaneous FIRs (ROII) related to the main threats identified in the country.
2. Strengthen and increase the use of UAFE's FIRs by the FGE, particularly in those cases linked to the highest-risk sectors identified in the NRA.
3. Continue with actions aimed at strengthening strategic analyses that feed the AML/CFT system.
4. Revise the weighting matrix and continue efforts to provide feedback to RIs on the quality of STRs in order to reduce the number of low-value reports.
5. Strengthen the operational capabilities of the Operations Analysis Department to increase the analysis coverage of medium priority STRs.

Immediate Outcome 7

1. Increase the human and technological resources of the FGE and PN, so that they can adequately face the challenges and workload they are exposed to, and have greater technical and operational capacity.
2. Promote and increase the development of parallel financial investigations in cases of high-impact predicate offences, and increase co-ordination and information exchange between the different specialised units of the FGE.
3. Establish from the FGE a formal prioritisation mechanism for serious and high-impact ML cases, in line with the country's risk profile.
4. Strengthen the co-ordination of the MP with other public entities with relevant databases for the success of an investigation and criminal process, such as the Attorney General's Office, Customs, Internal Revenue, and especially with the Comptroller General's Office.
5. Increase training jointly with the different operators of the criminal system, at all levels, especially judges who require higher levels of specialisation to achieve more ML prosecutions and more successful convictions. In particular, strengthen training on the autonomy of money laundering.
6. Establish a statistical system that allows capturing with greater accuracy the number and characteristics of ML cases investigated, prosecuted, and sanctioned by year.

Immediate Outcome 8

1. Issue specific guidelines or instructions within the FGE to ensure that investigators achieve greater results in relation to the confiscation of the instrumentalities and proceeds of crime.
2. Strengthen the identification and confiscation of assets that have been moved abroad.
3. Develop training programs for law enforcement authorities and the Judiciary in relation to the recovery of criminal assets.
4. Strengthen the operational capacities of the FGE and the PN in order to increase their effectiveness in the identification, seizure, and confiscation of assets, with a greater provision of technical human resources, training, adequate technology to deprive criminals of their assets.
5. Provide the SENAE with technical and technological tools (scanners, for example) that allow for a more exhaustive control of merchandise entering and leaving the country.
6. Increase INMOBILIAR's resources so that it can effectively manage and dispose of seized and confiscated goods, develop manuals, processes, and instructions to ensure the proper management of the goods under its administration.
7. Establish a centralised and comprehensive statistical system to collect and reflect information on seized and forfeited assets accurately throughout the country.

8. Establish the Specialised Courts on Asset Forfeiture.

The relevant Immediate Outcomes considered and assessed in this chapter are IO. 6-8. The Recommendations relevant for the assessment of effectiveness under this section are R. 3, R. 4 and R. 29-32.

Immediate Outcome 6 (ML/TF financial intelligence)

Use of financial Intelligence and other information.

150. The UAFE is the national authority in charge of receiving suspicious transaction reports (STRs). The UAFE has 100 staff members organised in 13 Departments, with an adequate level of specialisation. The substantive processes are carried out through the Operations Analysis, Strategic Analysis, Prevention and Information Security and Technology Management Departments.

151. The UAFE has access to various databases and information sources, which allow it to carry out its operational, and strategic analysis functions. The UAFE has direct or indirect access to the following databases:

Table 3.1: Databases that the UAFE can access.

DATABASE	CONTAINED INFORMATION	DIRECT OR INDIRECT ACCESS
FINANCIAL AND ECONOMIC ANALYSIS UNIT DATABASES	TRANSACTIONS REPORTED BY THE REPORTING INSTITUTIONS THAT ARE ABOVE THE THRESHOLD ESTABLISHED BY THE LAW (USD 10,000.00), OWN DATABASE. INCLUDES FINANCIAL AND DNFBP INFORMATION	DIRECT ACCESS
ADDITIONAL INFORMATION PROVIDED BY REPORTING INSTITUTIONS.	TRANSACTIONS REQUIRED FOR PROCESSING AND ANALYSIS.	INDIRECT ACCESS
PUBLIC DATA – SECURE DATA	GENERAL CITIZEN DATA (ID NUMBERS, PARENTS, MIGRATORY MOVEMENTS, TRAFFIC LICENSES, WORK HISTORY, REGISTERED PROPERTIES, COMPANY INFORMATION).	DIRECT ACCESS
TAX REPORTING FOR THIRD PARTIES	COMMERCIAL ACTIVITY, BEGINNING OF ACTIVITIES, INCOME STATEMENT, RANKING OF CUSTOMERS AND SUPPLIERS.	DIRECT ACCESS
NATIONAL TRANSIT AGENCY DATABASE.	OWNERS AND SPECIFIC CHARACTERISTICS OF VEHICLES.	DIRECT ACCESS
CENTRAL BANK OF ECUADOR / FINANCIAL AND ECONOMIC ANALYSIS UNIT	REPOSITORY OF PERSONS SANCTIONED BY THE UN, LIST OF POLITICALLY EXPOSED PERSONS AND LIST OF PERSONS CONVICTED IN ECUADOR	DIRECT ACCESS
NATIONAL CUSTOMS SERVICE	IMPORTS AND EXPORTS	INDIRECT ACCESS

152. Among the open sources of information accessed are: SCVS, SRI, Council of the Judiciary, National Public Procurement Service, Comptroller General of the State, Ministry of Government, Property Registries, Secretariat of Human Rights, Secretariat of Higher Education, Science and Technology, Ministry of Education, Interpol, DEA, and OFAC.

153. In addition, it has signed inter-institutional co-operation agreements that allow the exchange of information with the FGE, Ministry of Government, Strategic Intelligence Centre, CGE,

SENAE, SRI, National Court of Justice, Attorney General's Office, Council of the Judiciary, Public Sector Real Estate Management Service, Council for Citizen Participation and Social Control, MREMH, National Transit Agency, SB, National Electoral Council, SEPS, Superintendence of Companies, and Ministry of Economic and Social Inclusion.

154. With regard to the financial intelligence produced by the UAFE, there are no barriers to FGE's access to this information.

155. During the analysed period the UAFE has disseminated 102 ROIIs to the FGE, of which 62 started their analysis as a result of STRs sent by the reporting institutions (which include the information of 180 received STRs). The remaining ROIIs sent to the FGE were initiated by the identification of unusual and unjustified transactions based on the analysis of data handled by the UAFE. Further details on its use are provided below.

156. Of the 102 ROIIs sent by the UAFE to the FGE in the period 2017 to 2021, there are 11 ROII reports that include judgments with enforceable sentence and 9 ROIIs that are in trial in the final procedural stages, while the status of the investigation of the remaining ROII is unknown, according to the following detail:

- There is one ROII report in lower court for the crime of money laundering.
- There are 3 ROIIs in court of appeal for money laundering and criminal association.
- There are 5 reports in appeal.

157. In addition, the UAFE has prepared 532 Reports on Suspicious Transactions (IOSs). The IOS are an intelligence product of the Direction of Operations Analysis that are disclosed to the FGE through the inter-institutional working tables. Although these products are considered financial intelligence products, they have a lower level of analysis than a ROII and are therefore more limited in scope. The number of ROIIs by year is as follows:

Table 3.2 – Number of IOS per year

YEAR	STR	STRs included in IOS
2017	26	36
2018	113	51
2019	141	67
2020	137	14
2021	115	68
TOTAL	**532**	**236**

158. The information included in the IOSs is a financial and patrimonial analysis, information from previous ROIIs sent to the FGE, and also information from STRs received, in order to establish possible links, relationships and, above all, possible typologies already used.

Table 3.3 – Correlation of ROII and IOS with alleged crimes

CRIME	TOTAL ROII	TOTAL IOS
Emerging Threats (environmental crimes)	6	--
Corruption	59	200
Illegal fund raising	1	9

CRIME	TOTAL ROII	TOTAL IOS
Illicit enrichment	--	86
Money laundering	--	38
Smuggling	1	--
Drug trafficking	3	3
Tax fraud	8	12
Unjustified private enrichment	16	17
Organised crime	4	130
Other crimes	4	37
TOTAL	**102**	**532**

159. Of the 532 IOSs submitted to the FGE, 77 are at the prosecutorial investigation stage, 13 have a conviction, and 442 are in the preliminary investigation stage (the current status of these investigations is unknown).

160. Although an analysis of the data shows some consistency with some of the major threats identified in the NRA, particularly corruption, tax fraud, and emerging threats such as environmental crimes, the number of reports related to drug trafficking (3 ROIIs and 3 IOSs) and smuggling (1 ROII) is very low. Considering that drug trafficking is the main threat identified in the NRA, and that smuggling is also relatively important among the main threats, it is considered that ROII disseminations are not consistent with the country's risk profile.

161. Additionally, between 2017 and March 2022, the UAFE sent to the FGE a total of 4,971 executive reports (ERs), which are prepared at the request of the competent judicial authorities and consist of information extracts from the UAFE's databases (they do not contain analysis). The detail of the number and classification of the reports sent is included below, and shows a progressive trend:

Table 3.4 - Executive Reports sent to the FGE

YEAR	EXECUTIVE REPORTS SENT
2017	786
2018	792
2019	812
2020	993
2021	1313
2022	275
TOTAL	**4,971**

Table 3.5 - Classification of Executive Reports sent to the FGE

CRIMES	2017	2018	2019	2020	2021	2022	TOTAL
CORRUPTION	235	234	260	415	480	91	1715
EMBEZZLEMENT	70	63	50	175	159	29	546
ILLICIT ENRICHMENT	33	40	65	35	60	4	237
CRIMINAL ASSOCIATION	24	37	48	54	35	9	207
ORGANISED CRIME	34	16	23	43	62	6	184
UNJUSTIFIED PRIVATE ENRICHMENT	23	27	18	37	54	20	179
TRAFFIC OF INFLUENCE	12	20	16	38	64	12	162

CRIMES	2017	2018	2019	2020	2021	2022	TOTAL
CONCUSSION	19	17	24	25	31	4	120
BRIBERY	6	0	15	6	12	4	43
PUBLIC ACTION	9	5	0	2	1	0	17
USE OF FRONT MEN	5	4	1	0	1	2	13
PREVARICATE	0	5	0	0	1	1	7
MONEY LAUNDERING	181	209	146	118	166	36	856
DRUG TRAFFICKING	214	166	143	113	138	3	777
TAX EVASION	40	71	31	68	106	20	336
TAX FRAUD	40	71	31	68	106	20	336
SMUGGLING	9	8	1	5	5	3	31
SMUGGLING	7	2	0	2	2	0	13
MISAPPROPRIATION OF PROPERTY	0	1	0	1	0	0	2
CUSTOMS CRIME	2	5	1	2	3	0	13
CUSTOMS FRAUD	0	0	0	0	0	2	2
CUSTOMS MISAPPROPRIATION	0	0	0	0	0	1	1
EMERGING THREATS	9	17	18	12	17	3	76
ENVIRONMENTAL CRIMES	0	15	16	12	17	3	63
ILLEGAL ACTIVITY OF MINING RESOURCES	0	13	16	12	13	3	57
CRIME OF ILLICIT EXPLOITATION OF HYDROCARBONS	0	2	0	0	1	0	3
AGAINST WILDLIFE	0	0	0	0	3	0	3
TRAFFICKING IN PERSONS	9	2	2	0	0	0	13
MONEY LAUNDERING PREDICATE OFFENCES	98	87	213	262	401	119	1180
TOTAL	**786**	**792**	**812**	**993**	**1313**	**275**	**4971**

162. The main purpose of these reports is to enable competent authorities to obtain information on the use that persons under investigation have made of the various financial products and other assets, among other elements, in order to support the ongoing investigation. Of the total number of executive reports sent to the FGE, even when all are used in pre-procedural stages, 1,184 were submitted as documentary evidence within judicial proceedings, and 605 were used in sentences, according to the table below:

Table 3.6 – Executive Reports Used in Criminal Proceedings

YEAR	EXECUTIVE REPORTS USED IN CRIMINAL PROCEEDINGS	EXECUTIVE REPORTS USED IN SENTENCES
2017	248	155
2018	200	122
2019	235	137
2020	217	98
2021	242	87
2022	42	6
TOTAL	1,184	605

Table 3.7 - Number of financial intelligence reports

TYPE OF FINANCIAL INTELLIGENCE REPORT	2017	2018	2019	2020	2021	Total
Spontaneous Financial Intelligence Reports - ROII	**30**	**19**	**19**	**19**	**15**	**102**
Number of STRs incorporated in ROIIs	70	15	10	55	30	180
Reports on Suspicious Transactions (IOSs) – spontaneous	**26**	**113**	**141**	**137**	**115**	**532**
Number of STRs incorporated in IOS	36	51	67	14	68	236
Executive Reports – at the request of the FGE	**786**	**792**	**812**	**993**	**1,313**	**4,696**
TOTAL	**842**	**924**	**972**	**1,149**	**1,443**	**5,330**

163. As an element of effectiveness of the use of financial intelligence developed, the following are examples of successful cases, where convictions were achieved from the ROIIs presented by the UAFE.

Table 3.8 - Successful cases initiated from ROIIs that resulted in convictions

No.	CASE	PROCEDURE	SENTENCE/STATUS	ABSTRACT
1	Diacelec ROII 2017 – 026	2017 Case 17294-2017-01686	Fine of 29,204,476.00- the defendant died Wife and child ratified state of innocence. Accomplices 3 years	Columbia Management, located in Panama City, received money from Odebrecht, which was then transferred to the companies DIACELEC and CONACERO in Ecuador, owned by Mr. Edgar Arias, which were transferred by armoured trucks of the company TELCOV to Odebrecht offices in Quito and Guayaquil, for the subsequent payment of bribes to officials.
2	Coop. San Francisco de Asis ROII 2017 - 030	2017 – Case	9 years' imprisonment for Jonny a, and Angelica a 6 years' imprisonment for Johana z, and Maria a. Fine of about 5,753,030	Officials of the Cooperativa de Ahorro y Crédito San Francisco de Asís, through falsification of signatures and smurfing, moved around 5 million dollars, harming the members and increasing their wealth in an unjustified manner.
3	Edy Sanchez ROII 2018 - 002	2018 Case 17 100-2018-00018	6 years' imprisonment Fine: 4'096,22. 46. Confiscation of property	The former councilman of Quito, with the help of his family, acquired assets that could not be justified and that were paid in cash, there were movements and increases in assets not only of the spouses, but also of their family group, between the period from 2010 to 2017.
4	Ivan Espinel ROII 2018 - 004	2018 Case 0933 3-2018-00282	10 years' imprisonment Fine: 535,124.00	While Iván Espinel was a public official, he acquired and administered assets of illicit origin, which he disguisedly delivered to third parties to hide their origin and prevent the real determination of their origin. The assets acquired do not correspond to his economic profile.
5	Hospital de Pederenales ROII 2020 - 008	2020 Case 1328 3-2020-01071	6 years' imprisonment - effective collaborator 18 months Fine: 16,429,512.52 Confiscation of property	In an irregular manner, the contract for the construction of the Basic Hospital of Pedernales was awarded to Consorcio Pedernales- Manabí, the same that used the advance payment money to pay bribes to officials such as Daniel Mendoza, Eliseo Azuero and SECOP officials.
6	Guatemalan Case	Case 13284-2018-01581	Fine in USD 1,072,630.71 and 10 years' imprisonment.	In the process, it was determined that, between 2014 and 2018, the persons under analysis generated profits from the illicit trafficking of scheduled controlled substances, registering income in the national financial system for a total amount of USD 819,170.89, for deposits of less than USD 10,000.00; and, purchases of goods for an approximate amount of USD 2,000,000.00 whose payments were made by third parties, the dates of these movements coincided with the return from trips abroad of the main person under analysis and his/her spouse.

164. It should be noted that the UAFE participates as a private prosecutor since the approval of the Organic Law (July 2016), an aspect that will be addressed in the analysis of IO. 7.

165. The structure of the UAFE allows the analysis work to generate quality FIRs that are disseminated to the authorities of the FGE, both spontaneously and upon request.

166. As stated above, the recipient of the FIRs is the FGE. However, within the framework of the interdisciplinary groups that will be referred to in IO.7 , there is a good practice of sharing financial intelligence information with the PN in the framework of investigations led by the FGE. In this regard, there have been cases in which financial intelligence has been used by its recipients for the prosecution and punishment of criminal conduct.

167. However, based on the data analysed, it is considered that the use of the UAFE's financial intelligence reports is somewhat limited, since no significant number of convictions for the crime of money laundering have been achieved based on the FIRs submitted by the UAFE. In this regard, only 11 convictions for ML have been recorded in which the ROIIs disseminated by the UAFE have been used. Meanwhile, there is no information on the extent to which a large portion of the FIRs disseminated to the FGE and the information requested through executive reports have been used, which leads the AT to consider that the use of the information presents significant opportunities for improvement.

168. The assessment team perceives that FIRs that are shared with the investigative authorities contain relevant and accurate information. Also, cooperation with the authorities is perceived to be fluid. However, the low number of ML convictions achieved from FIRs shows that they are used to a certain extent and that there are important opportunities for improvement to enhance the use of financial intelligence provided by the UAFE in the framework of investigations.

STRs received and requested by competent authorities

169. The UAFE receives STRs from RIs and systematic reports on various financial (and commercial in the case of DNFBPs) transactions above a certain threshold (RESU), as described in R. 29. Table 3.1 describes the information received, accessed, and used by the UAFE to generate financial intelligence.

170. This information is sent electronically through the SISLAFT system, for which the UAFE prepared a handbook for the use of RIs, which represents a guide to access the system, as well as instructions on how to upload the information requested by the UAFE. Exceptionally, paper STRs are received, in which case, they are entered into the system and follow an analysis process similar to the electronic one. The paper support is filed, with adequate protection measures.

171. The SISLAFT system has the necessary safeguards for handling information. The system ensures the traceability of the different reports received and their current status. It also has different user profiles (with varying access to the information depending on the position) in order to ensure the confidentiality of the information.

172. The UAFE received a total of 14,145 STRs from RIs during the period under analysis, broken down as follows:

Table 3.9 – STRs received from RIs

SECTOR	2017	2018	2019	2020	2021	TOTAL
National Financial Sector	1,723	1,652	1,617	1,332	2,537	8,861
Transfer of funds and parallel mailing company	416	590	561	177	59	1,803

Regulated savings and credit cooperatives (SEPS)	109	141	338	193	335	1,116
Car dealers	125	177	283	203	187	975
Property and commercial registries	12	99	246	213	22	592
Notaries	8	23	32	27	112	202
Real estate and construction	46	50	32	31	27	186
Insurance	37	28	34	28	46	173
Analogous organisations (SCVS, SENAE, SRI, SB, SEPS)	24	22	33	26	41	146
Trust businesses	8	5	12	16	21	62
Fund management companies	7	6	4		6	23
Securities firms	1	3			2	6
TOTAL	**2,516**	**2,796**	**3,192**	**2,246**	**3,395**	**14,145**

173. As can be seen, 85.2% of the STRs received correspond to the financial sector (banking sector, money transfer companies, insurance, securities fund managers, and trust businesses) with a significant weight of the banking sector (62.6%), while 13.8% correspond to DNFBPs and 1% come from other sources.

174. The UAFE also receives complaints from the public on transactions that may be unusual or unjustified. These complaints, after being analysed (with the same treatment as a STR), may eventually result in a ROII to be submitted to the FGE. These complaints are received both electronically and physically. Since 2017, 241 electronic complaints and 200 physical complaints have been received.

175. Once the STRs are received, they are reviewed and entered into a prioritisation or weighting matrix, which considers different variables such as the unusual amounts identified, the residence of the natural or legal persons involved, among others. In addition, some special parameters are considered, such as PEP and OFAC lists, the history of previous STRs, and the reporting sector, among other factors, and the incoming STR is rated as Low, Medium or High priority, depending on its risk level.

176. In the case of reports with a Low rating, the analysis is not continued, and they are kept as background because, if there are new reports or new transactions, these reports could become higher-priority reports. Reports with a Medium rating are analysed individually based on available resources and can be prioritised based on specific variables and risks. Reports with a High rating are analysed on a priority basis and if there are sufficient elements, a work order is assigned.

177. According to the information provided, 68% of the STRs received were categorised as Low priority, while 30% were Medium priority, leaving 2% that were classified as High priority. The following table shows these statistics in greater detail:

Table 3.10 – STR Rating

RATING	2017	2018	2019	2020	2021	Total
HIGH	41	41	45	59	81	267
MEDIUM	771	892	977	604	1,001	4,245
LOW	1,704	1,863	2,170	1,583	2,313	9,633
TOTAL	**2,516**	**2,796**	**3,192**	**2,246**	**3,395**	**14,145**

178. As previously mentioned, the STRs analysed with the highest priority are those of high-risk. Regarding the STRs with a Medium rating, of the total of 4,245 reports that received this categorisation, 118 STRs were used as support for 39 ROIIs that were sent to the FGE, and 65 STRs supported the IOS submitted to the FGE, as detailed below:

Table 3.11 – Analysis of STRs of Medium category

Weighting of STRs	Total number of medium Category STRs included in the IOS	Total number of medium category STRs included in the ROII	Total number of ROII sent to the FGE
2017	15	41	15
2018	12	10	5
2019	18	6	5
2020	8	43	10
2021	12	18	4
TOTAL	**65**	**118**	**39**

179. Based on these data and taking into consideration the results presented in Table 3.10, the assessment team considers that the reports received that are rated as Medium Priority are not adequately analysed. In this circumstance, it is noted that there is a very significant number (96%) of medium priority reports that do not result in the production of financial intelligence. Consequently, the capacity to generate financial intelligence products is somewhat limited.

180. The UAFE also requests additional information from the RIs to supplement or broaden its analysis. During the period under analysis, the UAFE has made 3,708 information requests, according to the following detail:

Table 3.12 - Information requests to RIs

YEAR	NUMBER OF INFORMATION REQUESTS
2017	421
2018	898
2019	1,155
2020	625
2021	791
TOTAL	3,890

181. In order to strengthen the quality of STRs, the UAFE has developed an analysis of the reports received, through a report of Highly Reporting Institutions, which analyses the different variables that make up the aforementioned weighting matrix for the most important institutions in terms of number of reports, which has served as a basis for providing feedback to the RIs.

182. It was noted that the UAFE has provided several opportunities for feedback with both supervisors and RIs, in order to establish a continuous improvement in the process of reporting suspicious transactions and improve knowledge in terms of prevention and control of ML/TF by officials of the compliance teams and reporting institutions.

183. The UAFE has also disseminated a guide for the filing of STRs, which establishes the main elements and characteristics that a report to be filed by RIs must contain, and training and dissemination activities have been held for its better implementation.

184. The UAFE has adequate resources, in terms of quantity and quality, and has carried out a technological improvement process that has resulted in better quality of its work, through the automation of processes.

185. The volume of STRs received by the UAFE is considered reasonable, notwithstanding the fact that the DNFBP sector has a limited participation. It should also be noted that there are sectors recently incorporated as RIs that have not yet submitted STRs (virtual asset service providers, lawyers, accountants). Finally, there are limitations in the analysis coverage of medium priority STRs, which impacts on the ability to produce financial intelligence.

Operational needs supported by the analysis and dissemination of FIU

186. The UAFE has managed to work the information contained in the STRs provided by reporting institutions to transform them into FIRs, using information from the databases it accesses to, as well as through all the information from information requests to public and private entities, and from public sources of information, which allows it to add value to the information in the STRs. The main input used for the operational analysis of a STR is the information from the RESU reports (information on transactions above the legal threshold of USD 10,000 for the financial sector and information on commercial operations in the area of DNFBPs), submitted by the various reporting institutions, which is then cross-checked with the open source and direct access information mentioned above.

187. To analyse the STRs received, the UAFE has created a procedures manual, which includes the steps that lead to the Financial Intelligence Report ROII and subsequently, to its dissemination to the investigative authorities or its filing in the database.

188. The process begins with a preliminary analysis of all STRs filed, for which all available information is used, and based on this, it is decided whether or not to proceed with the preparation of a ROII. If not, the case awaits new information to broaden the analysis and, if appropriate, additional requirements are made to RIs to complement the analysis for its disclosure to the FGE.

189. Regarding the operational analysis, the UAFE has, for the preliminary analysis, a risk matrix and systems that allow a rapid approach to the operations. In particular, it has the "I2" tool, which through graphical visualization, allows to quickly discover connections and patterns that cannot be seen with the naked eye in the financial information obtained from the UAFE's database. The graphic scheme also allows to visualize the financial transactions and interactions that the investigated subjects make in a certain period of time.

190. The DAO also works with Macros. In particular, the SISLAFT Macro stands out, which allows joining several files as RESU obtained from the UAFE database, validating the names of the originators and beneficiaries, having only IDs. With this tool it is possible to retrieve the name of each one of them. This macro also consolidates a large number of tax reports from the SRI. There is also a "Transaction Macro," which indicates whether a person has been the beneficiary of checks cashed over the counter and drawn by natural or legal persons not considered in the initial analysis. This information is complemented with the information requested to the Technology Department, a process called "sweep," which allows obtaining information from the entire database. These Macros have facilitated the use of the I2 graphic tool mentioned above.

191. The Strategic Analysis Department (DAE) was recently officially created (October 2021), notwithstanding the fact that this function had already been developed since August 2020 through a delegation of the General Direction to an Advisory Office (Res. UAFE –DG-2020–0065). The UAFE has managed to develop several strategic intelligence products, including a document on money laundering typologies (2020), a report on highly reporting institutions (October 2021) and

a report on the quality rating of unusual and unjustified transaction reports, which was used as a basis for providing feedback to reporting institutions.

192. Through the DAE, the UAFE has also developed additional strategic studies, such as:

- Analysis of patterns and red flags on withdrawals made with foreign cards at domestic ATMs (December 2021), which aims to determine unusual patterns or signals of cases detected in atypical withdrawals made with foreign cards.
- Report on high denomination banknotes contains an analysis corresponding to total cash deposits and deposits in high denomination banknotes made in the National Financial System, whose main purpose is to prevent, detect and mitigate ML risks associated with the circulation of high denomination banknotes in the national territory and to establish strategies to determine their origin.
- Analysis of the VASP sector: the document details risks associated with virtual assets and red flags, and defines the activities with virtual assets and VASPs identified in Ecuador. It also details an analysis of typologies linked to virtual assets (VAs), commercial activities, and geographic areas prone to greater use of these assets and, finally, presents a case analysis.
- Strategic Alert Survey related to the use of debit cards: Report conducted by UAFE in October 2019 due to the high transaction rate of cash withdrawals through debit cards in neighbouring countries. It contains the description of modalities used by criminal organizations in this matter.
- Document with red flags presented by state suppliers dedicated to the sale of medical supplies in the context of the Covid-19 pandemic: Prepared in May 2020, it contains alerts on unusual transactions such as the diversion of resources.
- Typologies presented in online gaming and betting sites: Prepared by UAFE in May 2021.
- Technical report of the Lawyers and Accountants sector for their incorporation as reporting institutions Lawyers and accountants' technical report aims at analysing the incorporation of these sectors as Reporting Institutions to the UAFE, through an evaluation of those activities vulnerable to the commission of crimes that may be related to these professions.
- Report on the Quality of Unusual and Unjustified Transaction Reports (ROII): This analysis allows to maintain a methodology and is the starting point towards the improvement of the quality of the reports, which represent the most important input for the elaboration of intelligence reports.
- Good Practice Guide for Reporting Suspicious Transactions submitted by reporting institutions: This guide provides general guidelines through the presentation of good practices and features with questions to be answered by the compliance teams of each reporting institution.
- Risk Management System (SAR) for the notarial sector: The UAFE developed the SAR initially for the notary sector, which represents an IT tool focused on facilitating the management and administration of ML/TF risks by reporting organisations.
- Analysis of Reporting Institutions in the Parcel Post, Mail and Parallel Mail Transport Sector, including their Operators, Agents, and Agencies.

193. Among the products developed by the DAE, the "Non-Profit Organisations Monitoring Matrix" also stands out, which aims to identify those NPOs that must undergo CFT monitoring, under a risk-based approach. This matrix identified high-risk NPOs, and this information was shared with the Operations Analysis Department (DAO) for the development of the corresponding financial analysis. The results of this work were shared with the CIES in the Working Group against Terrorist Financing.

194. Regarding the operational analysis work, the UAFE produces financial intelligence reports (FIR) spontaneously, as well as at the request of the FGE. In the first case, the UAFE, after receiving a STR, giving it a priority level, carrying out the analysis and verifying that there are sufficient elements of conviction to consider that there has been an illicit behaviour, the UAFE disseminates the FIRs produced (under the name of Unusual and Unjustified Operations Reports - ROII) to the FGE, the sole receiving authority for these intelligence products. Once the FGE receives a ROII, a preliminary investigation is opened in all cases.

195. The UAFE submits ROIIs in physical form to the Attorney General, who allocates the case to a prosecutor, a mechanism that allows to properly prioritise and act with immediacy.

196. The UAFE follows the good practice of holding meetings with the FGE at the time of submitting a ROII, in order to deepen the explanation of the case presented, as well as to clarify any doubts that may arise from the FGE's analysis. The FGE values this instance positively, considering that the ROII represents a good working guide for the investigation. Likewise, through the inter-institutional working groups, the IOS are presented, from which investigations are also initiated. In general, it is perceived that there are fluid communication channels between the FGE and the UAFE.

197. Recently, inter-institutional working group meetings have been institutionalised, called SMT groups (specialised multidisciplinary teams) for the analysis of complex cases, with the participation of other actors such as the FGE, the Ministry of Government (on which the National Police depends), the CIES, and the SRI. The continuous collaboration between the UAFE and the FGE and the cooperation that has existed in certain emblematic cases such as the so-called "FIFA-gate" or the "Odebrecht" case, among others, are highlighted. In addition to the FGE, the National Police has also highlighted the value and usefulness of UAFE's contributions within the framework of these working groups.

198. In the period under analysis, the UAFE has also participated in 74 hearings with the presentation of the results of the executive reports prepared by it.

199. Moreover, the UAFE began to share with the FGE reports of strategic alerts, disclosing 15 reports since 2021. These alerts have been useful for the FGE to support requests for precautionary measures in the framework of investigations of ML or predicate offences, as occurred in the "Hospital Básico del Durán" case, where manoeuvres associated with corruption were investigated.

200. According to the interviews held, the FGE values positively the quality of the reports submitted (both ROIIs, IOSs and Executive Reports) and the collaboration provided by the UAFE. Additionally, UAFE's strategic intelligence products are useful, as reported by the authorities interviewed during the on-site visit.

201. The UAFE also participates in different working groups: one related to drug trafficking issues (with the support of the U.S. DEA), as well as others related to corruption and illegal mining.

202. Regarding TF, the UAFE participates in the National Intelligence System co-ordinated by the CIES, which also involves agencies such as the SRI, the SENAE, military intelligence, among others. As of 2022, the CONALAFT will begin to operate, which will have, among other objectives, the analysis of TF risks and the definition of policies. In this regard, it should be noted that the UAFE is the Executive Secretariat of CONALAFT.

203. It should also be mentioned that the results of the Non-Profit Organisations monitoring matrix were shared with the CIES in the inter-institutional working groups so that within the scope of their competencies they can carry out the respective investigations.

204. As reflected in the NRA, the FGE has received 158 cases of Terrorism and Financing of Terrorism, which are being analysed and that in general, the typification of the files has been modified, which is analysed in more detail in IO 9.

205. In view of the above, it is considered that the products developed by the UAFE support to a large extent the operational needs of the competent authorities. It is also noted that the FIRs and executive reports are used and useful for the FGE. However, considering the country's risk profile, the use of FIRs by the FGE presents important opportunities for improvement.

Cooperation and exchange of information/financial intelligence

206. The UAFE co-operates and exchanges financial intelligence information with the competent authorities such as the FGE, the Superintendences of Banks, Popular and Solidarity Economy and Companies, Securities and Insurance, SENAE, National Police, SRI, among others. Twenty-four inter-institutional co-operation agreements have been signed to strengthen the AML/CFT system.

207. Additionally, 25 Memorandums of Understanding have been signed with other Financial Intelligence Units in order to facilitate the exchange and analysis of information. It is worth mentioning that the UAFE has been part of the Egmont Group since 2016. Since that date, 115 information requests have been answered with an average response time of 42 days. All requests for information received have been answered.

208. Ecuador also participates as a member in the RRAG and a total of 8 requests have been answered by the UAFE with all available information. In order to co-operate with its counterparts, the UAFE has the possibility to provide information from its own databases and also to request data from the relevant competent authorities.

209. Likewise, the UAFE has signed a Regional Memorandum of Understanding on AML/CFT to strengthen the exchange of strategic and timely information with respect to cross-border money control, whereby information is obtained through SENAE to feed the SICORE platform implemented at the regional level. This platform contains information on cross-border cash movements from 12 countries in the region, which can be used for strategic and operational analysis.

210. With regard to information security, the UAFE has established security protocols and mechanisms to ensure the confidential handling of information. In this regard, UAFE officials must sign confidentiality agreements, and there are sanctions established in the legal framework for any breach of this obligation.

211. Controls have also been implemented to ensure the confidentiality and protection of information, such as the prohibition to bring cell phones or storage devices into the facilities, with controls upon entry and exit of personnel. Likewise, with regard to technological resources, profiles are allocated based on the function performed by each staff member, so that only the information required for his or her duties can be accessed. There is also a thematic index which indicates the confidentiality of each document sent, received or generated in the UAFE. These

measures are set out in an information security management manual, which addresses in detail all the measures to be taken.

212. The area in charge of ensuring information security is the Information Security and Technology Management Department, which permanently monitors potential security incidents that may affect the agency (computer attacks, information leaks, etc.), and adopts risk mitigation strategies and actions.

213. The Operations Analysis Department has restricted access, so that only personnel belonging to that department may access it, and has a biometric access control with facial or fingerprint recognition. Within this area, a specific area has been assigned to manage the Egmont secure platform, where the information received from, and sent to other FIUs is managed, and which can only be accessed with authorisation.

214. STRs are received through the SISLAFT system, as mentioned above, which has the security required for this type of information. ROIIs submitted to the FGE are in printed form and are delivered in sealed envelopes to the Attorney General's Office.

215. The UAFE maintains a constructive and collaborative attitude at the national level, which is reflected in its willingness to exchange information, as well as to provide training to national entities that require it. At the international level, Ecuador participates in regional initiatives and cooperates with counterpart entities abroad, within reasonable time frames.

216. Furthermore, there are adequate mechanisms and controls to ensure the confidentiality and secrecy of the information handled by the UAFE.

Conclusions on Immediate Outcome 6

217. From the above analysis it can be concluded that the UAFE has human, technological, information, and other resources that allow it to develop good quality intelligence products, including spontaneous financial intelligence reports (ROII and IOS), as well as executive reports at the request of the FGE, which can be considered valuable for the investigative authorities, since they support their operational needs. Likewise, it has been identified that the UAFE is open to co-operate and collaborate with other national and foreign authorities for the achievement of its core objectives.

218. Notwithstanding the above, it is considered that the number of FIRs linked to some relevant threats identified in the NRA is somewhat limited. Limitations have been identified related to the analysis of suspicious transaction reports categorised as medium priority, which impacts the capacity to produce financial intelligence. Likewise, although the products provided by the UAFE to the FGE are well valued, their use is somehow limited, and the team considers that it could be enhanced to increase the number of ML investigations resulting from the analysis of the UAFE. Consequently, it is understood that the country requires considerable improvements in this area.

219. Based on the above, it is concluded that Ecuador **shows a Moderate level of effectiveness in Immediate Outcome 6.**

Immediate Outcome 7 (ML investigation and prosecution)

ML identification and investigation

220. Ecuador has a system that to a certain extent allows detecting, investigating, and prosecuting cases of ML, although there are challenges in terms of capacity and resources to develop investigations and convictions, including parallel financial investigations, as will be discussed below. In this regard, it is clarified that this conclusion has been the result of the analysis of statistics, witness cases, supporting information and interviews carried out with competent and law enforcement authorities.

221. The judicial system is made up of the FGE, the National Court of Justice, the Council of the Judiciary, the judges of the different instances, and the Public Defender's Office. The country is governed by an accusatory criminal system, in which the FGE is the body in charge of public criminal action. In this sense, the FGE directs the criminal investigation, which is operationally carried out by the National Police, through its different specialised areas. The procedure is regulated by Art. 865 of the COIP, which provides for a period of 2 years for the preliminary investigation and 3 months for the investigative phase of ML cases.

222. The FGE has 3,757 officials, of which 849 are prosecutors, with presence in the 24 provinces of the country. The FGE is also made up of specialised prosecutors' offices, which are located in the city of Quito and have jurisdiction over specific matters.

223. Regarding the crime of money laundering, in 2017 the Anti-Money Laundering Unit (UA-FGE) was created, which at the date of the on-site visit was made up of 5 prosecutor's offices. Each of these prosecutor's offices is composed of 1 prosecutor, 2 assistant prosecutors, 1 secretary and 1 financial analyst, all trained and specialised in relation to this crime. The UA-FGE is the unit to which the UAFE's ROIIs are assigned, which are attributed directly by the Attorney General depending on the seriousness and impact of the case. The UA-FGE also has a point of contact in the GAFILAT Asset Recovery Network (RRAG).

224. Within the FGE there is also the "Specialised Investigation Unit against the Laundering of Proceeds from the Illicit Trafficking of Controlled Substances". This unit is composed of 1 prosecutor and was created in 2020 as part of an agreement signed between the FGE, the Ministry of Government, the UAFE and the Drug Enforcement Agency (DEA) of the United States of America.

225. The Specialised Unit has specialised personnel and the UAFE has a permanent specialist, who has direct access to the entire database and can access accounts, assets, etc. in real time. It should be noted that this co-ordination between several specialists, in which there are also specialists from the National Police, a prosecutor, specialists from the DEA, allows for a co-ordinated work that leads to better results.

226. Additionally, it should be noted that the FGE has prosecutors' offices with competence in serious predicate offences, such as the National Specialised Unit against Organised Crime (UNIDOT), which deals with investigation and criminal prosecution of crimes related to organised crime, terrorism and its financing, large-scale illicit trafficking of controlled substances, whether national or transnational; the Anti-Corruption Unit, the Computer Crimes Unit and the Environmental Crimes Unit. All these specialised units are under the supervision of the Attorney General's Office.

227. Another key authority for the detection and investigation of money laundering is the National Police. With regard to the investigation of ML, the PN has the National Unit for Investigation of Crimes against the Financial and Economic System (UNDECOF), which investigates individuals or criminal organisations, related to crimes against the financial and economic system, through investigative actions and operations, in co-ordination and in compliance with the competent authority. This Unit is under the organisational structure of the National Directorate for the Investigation of Crimes against Corruption.

228. The Unit has 64 police officers nationwide, distributed in its two bases: 51 in the city of Quito and 13 in the city of Guayaquil. The Unit has police officers accredited as financial experts in ML, which is a noteworthy aspect and is very useful for investigations. During the on-site visit interviews, it was possible to confirm the high level of specialisation of the respective officers.

229. As regards ML investigations, it should be mentioned that the UA-FGE initiates its ML investigations on the basis of the UAFE's ROIIs, complaints, police reports, official letters of delegation, reports from competent authorities or other reasons. Regarding the ROIIs, it should be mentioned that they are assigned directly by the Prosecutor General, who makes a prior assessment of the seriousness and impact of the matter,[15] but there is no formal procedure for prioritising and assigning cases based on objective parameters.

230. During the evaluated period, the Anti-Money Laundering Unit of the FGE initiated a total of 343 preliminary investigations. Most of the investigations are initiated on the basis of a police report (28% of the cases), followed by written or oral complaints (17% of the cases) and then the financial intelligence reports of the UAFE (16% of the cases). The following table shows the number of investigations opened by the prosecutor's office by year, with an indication of the origin of the investigation:

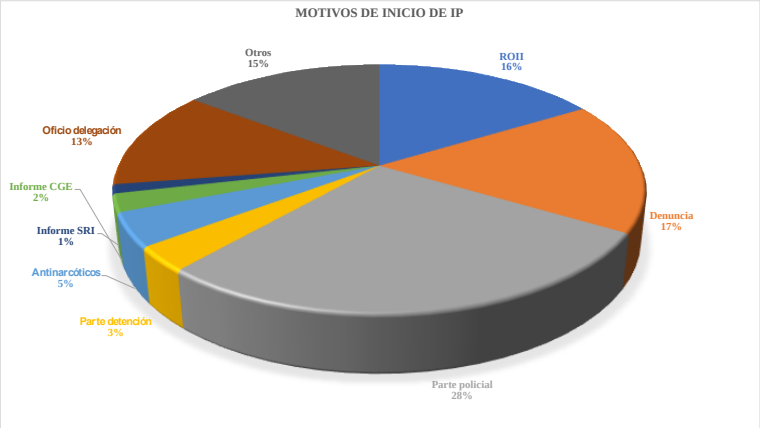
Table 3.13 - Preliminary Investigations initiated by the UA-FGE by year and origin.

Year	ROII	Complaint	Police report	Detention report	Anti-narcotics	CGE report	SRI report	Official letter delegation	Others	Total PI
2017	6	9	15	1	10	0	0	16	13	70
2018	11	19	35	1	4	0	4	11	14	99
2019	10	6	22	3	1	1	0	7	2	52
2020	14	14	10	3	0	2	0	6	11	60
2021	15	11	14	3	0	5	0	4	10	62
Total	56	59	96	11	15	8	4	44	50	343

Source: Own elaboration based on FGE statistics.

[15] According to the information provided by the country, once the ROII enters the FGE, the following parameters are taken into account: That it has elements of conviction, especially the possibility of asset recovery, the social connotation, if it already has a prior investigation process open, if it has a prosecutorial instruction process.

Graph 3.1 - Reasons for initiating PIs



Source: Own elaboration based on FGE statistics.

231. As can be seen, through its specialised anti-money laundering unit, the FGE has the capacity to initiate ML investigations as a result of the dissemination of the UAFE and incoming complaints. In addition, there is an important role of the PN in the opening of cases, given that the initiation of investigations originating in police reports shows a relevant incidence.

232. A good practice observed in the country is the creation of multidisciplinary investigation teams. These teams are under the direction of the FGE and include officials from the UAFE, PN and other competent authorities to assist in the investigation of complex cases. An example of this is the creation of "Group EME", in which 11 institutions with relevance in the AML/CFT system signed an agreement to work together and carry out multidisciplinary investigations.

233. It should be noted that there are also other relevant groups, such as the Inter-institutional Asset Recovery Liaison Group (GEIRA), which is made up of the National Court of Justice, the Attorney General's Office, and the Internal Revenue Service, among others. In addition, working groups are held between the CIES and the UAFE, which, through the experiences of each institution, allows to strengthen the various information analyses.

234. Cooperation and coordination between these authorities—especially between the FGE, the PNE and the UAFE—is fluid and constructive. However, there are challenges in the co-ordination or interaction between the specialised units within the FGE, or between the FGE and the CGE.

235. The country provided information on 4 cases for predicate offences in which 10 parallel financial investigations were conducted, resulting in the opening of ML cases.

236. Based on the above, although ML investigations are initiated based on ROIIs and police reports, considering the country's risk profile, there are not enough parallel financial investigations associated with investigations for high-impact predicate offences. This aspect has an impact on the number of ML investigations.

237. Regarding the application of special investigative techniques (SIT), the country provided information on several precedents in which these measures were successfully applied by UNIDOT, especially in cases related to serious predicate offences. In some cases, the SITs

involved joint operations with other jurisdictions, such as Chile, Colombia, Spain, the United States of America, Guatemala, Mexico, and Peru. Among the SITs, cases of controlled deliveries and undercover agents stand out.

Table 3.14 – Statistics on SIT in ML cases

SIT	2017	2018	2019	2020	2021	Total
Communications interception	2	3		2	1	8
Joint investigations		1		1	1	3
Undercover operations	1					1
Investigative techniques (follow-ups)	6	5	4	3	1	19
Total	9	9	4	6	3	**31**

Source: Attorney General's Office

238. Based on the data submitted by the country, it can be seen that joint procedures are carried out with other jurisdictions and SIT is used in complex cases. Regarding the investigation of ML, the most frequently used technique is tracing (19 cases), followed by interception of communications (8 cases). Considering the number of investigations opened for ML, it is considered that the use of SIT presents opportunities for improvement.

239. Based on the above, and despite the level of specialisation and expertise of prosecutors and police officers, there are limitations in the identification and investigation of ML cases, particularly with regard to the development of parallel financial investigations. Likewise, the use of SIT for ML investigations could be enhanced.

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

240. Ecuador developed a NRA whose results, which are reasonable, establish a "medium-high" risk of ML, and identifies transnational organised crime, mainly related to international drug trafficking, as the main threat.

241. Regarding the domestic sphere, the NRA also identifies local drug trafficking, public corruption in its modalities of fraud and bribery, tax evasion, smuggling, environmental crimes—especially illegal mining and fishing—and vehicle theft. While they are not reflected in the NRA (although they are covered directly or indirectly by other strategic studies), the country is also affected by computer crimes and illegal fund raising, among others.

242. In principle, the organisational structures of the LEAs are consistent with the main threats identified and with the country's risk profile. This is due to the fact that the FGE and the PN have specialised units for the highest impact predicate offences. It is also noted that officials of law enforcement institutions know and understand the risks of ML faced by the country.

243. However, as noted, there are challenges in terms of available resources to carry out ML investigations related to all these threats. In this regard, in the evaluated period, the FGE initiated 343 investigations for ML, while prosecutions for predicate offences amounted to 107,389, of which 37,235 correspond to drug trafficking, 15,346 to corruption, 4,792 to fraud, 1,810 to environmental crimes, 564 to smuggling, 331 to organised crime, among others. There are also

certain limitations in the consistency between sanctioned money laundering cases and the threats and risks present in the country.

Table 3.15 - Prosecutions for predicate offences by year (2017 to 2021)

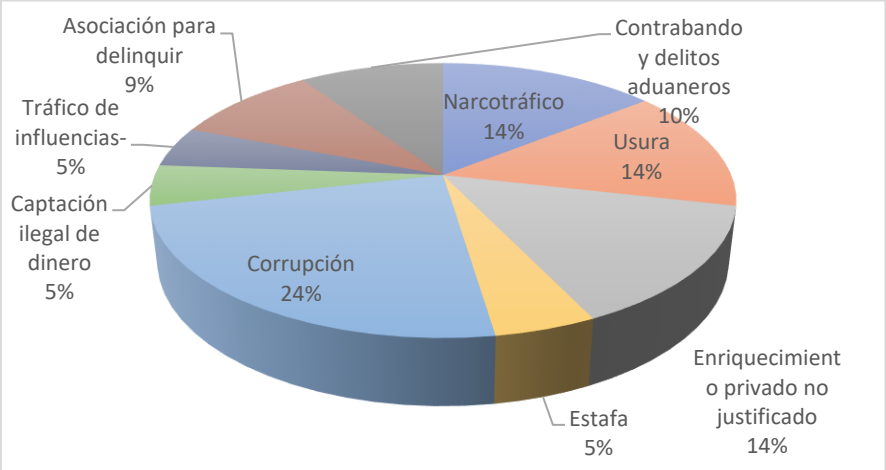
Predicate Offences	2017	2018	2019	2020	2021	Total
Robbery	8133	7493	8573	5652	3523	33374
Illicit drug trafficking	8357	8846	7529	7399	5104	37235
Corruption and bribery (public and private)	2962	3170	3173	3544	2497	15346
Trafficking and sale of stolen goods	2876	2638	2270	1489	977	10250
Fraud	1299	1123	1254	697	419	4792
Adulteration of documents	468	442	427	305	318	1960
Environmental crimes	383	509	378	304	236	1810
Extortion	177	167	201	155	68	768
Smuggling	204	162	80	97	21	564
Kidnapping	96	94	112	57	35	394
Organised crime	85	91	75	42	38	331
Illicit arms trafficking;	39	40	34	48	33	194
Traffic of migrants	25	17	21	15	11	89
Currency counterfeiting	12	18	18	12	2	62
Murder	8	12	18	9	17	64
Tax evasion	16	11	23	9	7	66
Illegal gambling	12	14	7	3	0	36
Trafficking in persons for sexual exploitation purposes	14	7	5	2	1	29
Terrorism	1	4	8	0	0	13
Counterfeiting and piracy	2	1	4	1	0	8
Trafficking in persons for sexual exploitation purposes	2	0	1	1	0	4
Grand Total	**25171**	**24859**	**24211**	**19841**	**13307**	**107389**

Source: Council of the Judiciary Statistics

244. In this regard, the analysis of the information shared with the assessment team shows that investigations and prosecutions for ML are linked to a greater extent to drug trafficking and public corruption, which are the two most significant crimes in terms of risk, and, to a lesser extent, to other relevant threats such as illegal mining, trafficking in persons, theft, tax evasion.

245. Meanwhile, most of ML convictions have been achieved in cases related to corruption (24%), drug trafficking (14%), unjustified private enrichment (14%), usury (14%), and smuggling and customs offences (10%). These data reveal that the results of crime sanctioning are not entirely consistent with the country's main risks.

Figure 3.2 - Predicate offences present in ML convictions



246. Consequently, it can be seen that to a certain extent the crime of ML is prosecuted in a way that is consistent with the most important threats identified in the country.

Types of ML cases prosecuted

247. Convictions have been handed down in the country in high impact cases in the area of ML, which is an aspect to be highlighted and speaks of the quality of the investigations. However, when analysing the number of prosecutions and convictions of ML in terms of the country's risk profile and, in contrast to investigations and convictions in cases of predicate offences, certain limitations are noted. The statistics related to ML prosecutions and convictions for the period under evaluation are presented below.

248. In the period evaluated, 56,505 convictions for predicate offences were handed down, compared to 107,389 prosecutions in the same period. This is equivalent to 53% of convicted cases versus prosecuted cases. In terms of threats, the figure may vary, but in most cases, there are still significant conviction rates (for example, in cases of drug trafficking or organised crime there were 7 convictions for every 10 prosecutions, in environmental crimes 6 convictions for every 10 prosecutions, in smuggling 5 sentences for every 10 prosecutions, among others).

Table 3.16 - Convictions for predicate offences by year (2017 to 2021)

Predicate offences	2017	2018	2019	2020	2021	Total
Robbery	4215	4101	4209	3024	1660	17209
Illicit drug trafficking	6543	6956	5574	5014	2862	26949
Corruption and bribery (public and private)	838	1000	1099	988	450	4375
Trafficking and sale of stolen goods	1428	1181	853	524	302	4288
Fraud	405	318	252	99	32	1106
Adulteration of documents	136	114	74	51	17	392
Environmental crimes	199	335	210	163	125	1032
Extortion	85	60	81	63	24	313
Smuggling	114	96	35	42	1	288

Kidnapping	29	24	29	16	0	98
Organised crime	65	69	48	20	9	211
Illicit arms trafficking;	23	23	15	17	17	95
Traffic of migrants	18	8	17	8	3	54
Currency counterfeiting	3	2	1	0	0	6
Murder	4	2	6	6	2	20
Tax evasion	8	2	7	0	0	17
Illegal gambling	9	12	5	3	0	29
Trafficking in persons for sexual exploitation purposes	11	3	0	2	0	16
Terrorism	1	1	1	0	0	3
Counterfeiting and piracy	0	0	0	1	0	1
Trafficking in persons for sexual exploitation purposes	2	0	0	1	0	3
Grand Total	**14136**	**14307**	**12516**	**10042**	**5504**	**56505**

Source: Council of the Judiciary Statistics

249. However, when comparing the overall results in the criminal prosecution of high-impact predicate offences with money laundering cases, the results present important limitations. In this regard, according to statistical data provided by the Council of the Judiciary and the FGE, the number of convictions reached in money laundering cases amounted to 29 during the period evaluated.

250. Of this total, 16 convictions have been executed (final) with 38 persons convicted, and 13 convictions are under appeal. According to these data, an average of 6 convictions are handed down per year, which is somewhat limited given the country's risk profile and context. However, it should be noted that convictions have been achieved in high-impact cases, such as the "FIFA Gate" case and the "Iván Espinel" case, “Petroecuador case”, among others.

Table 3.17 - ML Convictions executed by year (2017 to 2021)

No.	Trial ID	Case name	Predicate offence	People convicted:	Imprisonment	Laundered amount
1	01283202006905g	Gutama F. Case	Drug trafficking	2	2 years and 6 months	37,500.00
2	03283201600355	Campoverde F. Case	Usury	2	1 year	466,900.00
3	06282201501261	Hermosa G. Case	Unjustified private enrichment, fraud	4	16 years and 9 months (2 individuals), 5 years and 7 months (2 individuals)	32,625,147.59
4	'09333201800282	ESPINEL CASE	Illicit enrichment	4	10 years; 3 years, and 4 (3 individuals)	267,563.00
5	'09915201700036	Petroecuador Case	Bribery	1and 2. Legal Persons	17 years and 4 months, dissolution of legal persons	547,000.00
6	'09915201700087	Castro Donoso Case	Drug trafficking	1	5 years	1,150,361.77
7	11282201702163g	Jaramillo E. Case	Usury	1	3 years	6,329,187.26
8	13282201600119	Cuasquer Pinchao Luis Armando Case	Illegal fund raising	1	10 years	25,620.00
9	17282201505549	FIFA Gate	Unjustified private enrichment	3	6 years/ 2 years/ 6 years	6,119,565.00
10	17721201700212	Odebrecht – Alecsey Mosquera Case	Embezzlement, traffic of influence,	3	5 years/ 3 years/ 3 years	1,000,000.00

No.	Trial ID	Case name	Predicate offence	People convicted:	Imprisonment	Laundered amount
			association to commit a crime			
11	23281201801103	Vallejo Case	Usury	1and 2 Legal Persons	10 years and dissolution of legal persons	312,460,924.00
12	13284201501812	Milenio Operation	Drug trafficking	4	17 years 4 months / 10 years / 10 years / 10 years	ND
13	04281201601248	Orozco j. Case	Smuggling	3	6 years	644,670.94
14	'08282201700441	Tuarez Case	Unjustified private enrichment	1	10 years	380,000.00
15	17100201800018	Eddys Case	Criminal Association, corruption, embezzlement	5	6 years	2,022,228.75
16	1726820140290	Pifogarden	Customs crime	2	2 years 9 years	N/A

Source: Council of the Judiciary Statistics

Table 3.18 - ML Convictions under appeal by year (2017 to 2021)

No.	Case ID	Providence Date	Case name	Status/Conviction
1	17721201700213	2017	Merizalde Case	Waiting for cassation
2	17294201701686	2017	Diacelec Case	Appeal
3	17282201701734	2017	Aleksey Mosquera Case	Appeal
4	17721201700214	2017	Capaya	Appeal in cassation
5	07710201900564	2019	Sornoza	Appeal
6	23281201906651	2019	Valencia Case	Appeal
7	17294201901720	2019	Dialisis Case	Appeal
8	17295201900144	2019	Bravo Case	Appeal in cassation
9	17282202001257	2020	San Francisco de Asís Case	Appeal
10	13283202001071	2020	Pedernales Case	Appeal in cassation
11	12283202001001	2020	Andrade Case	Appeal
12	17282202102502	2021	Rusos Case	abbreviated procedure /sentenced parties acknowledge responsibility
13	13284201801581	2021	Luargas Case	Appeal in cassation

251. One aspect that should be mentioned is that there is no consistency between the statistics kept by the CJ and the FGE, and in principle some convictions have been identified that are not reflected in these statistical systems. This circumstance makes it difficult to achieve certainty as to the number of ML cases actually prosecuted and sentenced.

252. As can be seen, and always based on the data collected, when comparing the number of convictions for predicate offences obtained in the period evaluated with the convictions for ML, it can be observed that the results present important limitations. In this sense, convictions for money laundering represent a very small percentage in contrast to convictions obtained for the main threats.

253. This conclusion is also reached if we consider that, in the case of predicate offences, convictions are obtained in 53% of the cases prosecuted. Meanwhile, in money laundering cases, while the FGE initiates approximately 69 ML investigations per year (343 in the period evaluated), only an average of 6 convictions are achieved per year.

254. Regarding the types of ML sanctioned, there is no statistical data available to obtain accurate data. However, based on the data provided by the CJ and the FGE, in addition to the analysis of convictions, the assessment team was able to confirm that cases of self-laundering and laundering by third parties have been sanctioned, as well as cases associated with complex and transnational schemes.

255. According to the results of the assessment team's analysis, the limitations identified appear to be associated with factors such as the lack of necessary resources (mainly the deficit of officials in the FGE in relation to the workload they are responsible for), limitations in the development of parallel financial investigations and difficulties in the understanding of the autonomy of the crime by some sentencing judges. In some cases analysed, even at the appeals level, acquittals were based on the fact that a predicate offence had not been reliably established, although this is not a generalized criterion.

256. Although Ecuador has 5 specialised prosecutorial units for ML cases, there is a perceived lack of human resources to cope with the workload faced by each of these units, where each prosecutor has approximately 100 open cases under his/her responsibility, while having only two assistants and 1 secretary. Additionally, although the Police has highly specialised personnel and is willing to co-operate and carry out the corresponding investigations, it also faces a significant deficit in the number of personnel and technological resources, which prevents it from carrying out an number of investigations in accordance with the country's risk profile.

257. Notwithstanding the foregoing, it should be noted that efforts by the competent authorities to increase effectiveness in this area are observed, based on the formation of multidisciplinary teams, the search for budget to increase resources of the prosecution, the establishment of a specialised court in anti-corruption and complex crimes (as mentioned in IO. 1), and the work to adopt a national AML/CFT strategy, which once approved will focus the allocation of resources on a risk-based approach, which would allow strengthening the results in these areas.

258. Also, there have been convictions in the country for ML in high impact cases or for serious predicate offences. The following are some examples:

Box 3.1 - Iván Espinel Case

Case initiated as a result of a ROII by the UAFE, where the accused was sentenced to 10 years' imprisonment and a fine of USD 535,124. The related predicate offence is public corruption. It could be demonstrated that the convicted person, who was a public official, acquired and administered assets of illicit origin, which he disguisedly delivered to third parties to hide their origin and prevent the real determination of their origin. The assets acquired did not correspond to his economic profile.

Box 3.2 –Alecksey Mosquera (Odebrecht) case

Former Minister of Electricity Alecksey Mosquera received around USD 1,000,000 from Odebrecht through an offshore company used by the construction company's bribery department. This money coincided with Hidrotoapi's disbursement schedule to the Brazilian construction company for the Toachi-Pilaton hydroelectric power plant.

The following conducts were identified: Constitution of offshore companies and use of the national financial system through bank transfers. Three persons were convicted and the

shares, participations and other rights of the accused in legal entities that have been used for the commission of the crime were confiscated. The perpetual prohibition to exercise public employment or position or to perform management functions in the national financial system and insurance was also established. There was a fine of USD 2,000,000.

Box 3.3 - Petroecuador Case

Through international cooperation with two foreign FIUs, it was possible to identify a legal arrangement owned by an Ecuadorian company, which was a supplier of the state and which, through bribes, was awarded contracts for a total amount of USD 5.953.152,00. Of this amount, approximately USD 2,400,000.00 were transferred to companies in tax havens, which registered as owners members of the family circle of the officials of the contracting state company, who were directly related to the contracting decisions and approval of the disbursements made. Additionally, the purchase of a real estate property was identified for USD 226,036.00, where a house was built for an amount of USD 560,000.00; however, only USD 306,000.00 was cancelled. It is important to point out that the construction company was also listed as a supplier of the same public company, with a total invoicing of USD 35,165,976,00. In criminal proceeding No. 17282201604457, a prison sentence of 5 years was imposed for 11 individuals, identified as directly responsible and 2 and a half years for 2 individuals classified as accomplices; the seizure of the assets generated from the crime; and a fine of USD 50,418,866.16 between material and immaterial damages.

259. Based on the above, it is noted that the results obtained in the criminal prosecution of ML present important challenges. In this regard, the number of investigations and convictions for this crime is somehow limited, especially if compared with the available data regarding the main threats present in the country. Likewise, there are challenges in obtaining reliable statistics, which makes it somehow difficult to arrive at accurate conclusions regarding the real results of the repressive system in this area.

260. However, it should be noted that convictions have been achieved in cases of high impact and significant weight, which reflects the quality of the investigations. These cases have had a positive effect on improving the criminal investigation and prosecution system. For example, after the Odebrecht case, the Transparency and Anti-Corruption Unit was created within the FGE, dedicated to investigating cases linked to corruption schemes of national connotation at the national level. Similarly, the good practice of creating multidisciplinary teams from various institutions was consolidated, as evidenced by the creation of the Select Anti-Money Laundering Unit, which is made up of personnel from the FGE, UAFE and the PN.

261. Regarding the types of ML investigated, there are cases in which self-laundering, laundering by third parties, and laundering with predicate offences committed both in the country and abroad have been sanctioned. However, the limitations in terms of statistics do not allow determining the extent or proportion to which all types of money laundering are sanctioned.

Effectiveness, proportionality and dissuasiveness of sanctions

262. The crime of ML can be sanctioned with the following criminal scales:

- *1 to 3 years' imprisonment when the amount of assets is less than 100 basic salaries.*
- *5 to 7 years' imprisonment when the commission of the crime does not imply association to commit a crime.*
- *7 to 10 years' imprisonment in the following cases: When the amount of the assets is equal to or greater than one hundred basic salaries; if the commission of the crime implies association to commit a crime, without making use of the incorporation of companies or enterprises, or the use of those that are legally constituted; when it is committed using institutions of the financial or insurance system; public institutions or offices; or, in the performance of managerial positions, functions or jobs in such systems.*
- *10 to 13 years' imprisonment in the following cases: When the amount of the assets exceeds two hundred basic salaries; if the commission of the crime implies association to commit a crime, through the incorporation of companies or enterprises, or the use of those that are legally constituted; when it is committed using public institutions or offices, positions or public employments. In these cases, it is also punished with a fine equivalent to twice the amount of the assets object of the crime, confiscation, dissolution and liquidation of the legal person created for the commission of the crime, if applicable.*
- *Regarding legal persons, the COIP establishes that they are criminally liable for crimes committed for their own benefit or that of their associates, by the action or failure to act of those who exercise their ownership or control, their governing or administrative bodies, attorneys-in-fact, governors, legal or conventional representatives, agents, operators, factors delegates, third parties that contractually or not participate in a management activity, main executives or those who perform administration, management and supervision activities and, in general, by those who act under orders or instructions of the aforementioned natural persons.*

263. From a sample of cases analysed by the assessment team, it was observed that, in general, the sentences applied in cases of ML are consistent with the regime of criminal sanctions established in the country. In this regard, of the 11 convictions analysed, 1 person was convicted and sentenced to 18 months' imprisonment, 11 convicted persons were sentenced to between 3- and 5-years' imprisonment, 19 convicted persons were sentenced to between 5 and 10 years, and 3 convicted persons were sentenced to more than 10 years' imprisonment.

264. In addition, the sample analysed shows that in 4 of the 11 cases, legal persons were sanctioned, since they had been incorporated for the purpose of committing the crime or benefited from it. In these cases, the companies were dissolved and liquidated.

265. From the regulatory point of view, proportionate and dissuasive penalties are established. Despite the low number of ML convictions, there were convictions in high impact cases where it was possible to prove that the sanctions have been dissuasive and effective within the context of general prevention. It is also noteworthy that in some cases legal persons have been convicted.

Alternative criminal justice measures

266. In the event that a criminal proceeding cannot be concluded with a conviction for ML, Ecuador has the possibility of filing an action for asset forfeiture. In this sense, the purpose of the Organic Law of Asset Forfeiture is to declare in favour of the State assets acquired by actions or

omissions of unlawful or unjustified origin, or of unlawful destination, located in Ecuador and abroad, in favour of the State.

267. This law applies to assets and not to persons, it is governed by an autonomous procedure and independent from any other lawsuit. Considering that it is still a recent law, the jurisdictional system is in the process of conformation of the specific jurisdiction. Notwithstanding the above, the FGE has already created a specialised unit for asset forfeiture, which will be in charge of these proceedings.

Conclusions on Immediate Outcome 7

268. Law enforcement authorities in Ecuador have adequate levels of specialisation and the capacity to develop ML investigations. In this regard, the existence of specialised units in the FGE and the PN, and the close co-ordination and co-operation between the FGE, PN and UAFE, in addition to the interaction between them and other relevant competent authorities are highlighted. Likewise, it is appreciated that to a large extent they understand the risks of ML and use various sources of information upon conducting their investigative work. As a result of the investigations, there have been some ML convictions, some of which of high impact and weight, which are mainly related to ML associated with drug trafficking and public corruption. Proportionate and dissuasive sanctions have been applied to both natural and legal persons, which is noteworthy.

269. However, there are limitations in terms of effectiveness. On the one hand, there is no total consistency between the country's risk profile and its results, since there are no significant cases of ML associated with high impact threats other than drug trafficking and corruption. There is also a significant asymmetry between the number of cases for predicate offences and cases for ML, which is mainly due to the availability of sufficient resources of the FGE and the PN and the need to have a greater number of parallel financial investigations, prosecutions, and convictions. On the other hand, difficulties are also observed regarding the recognition of the autonomy of the crime of ML by some judges of the Judiciary, which impacts the possibility of duly punishing these crimes. Likewise, there are no statistics that would allow us to know precisely the results that are being produced in terms of prosecution and punishment of this crime. In this regard, it is considered that considerable improvements are needed. Based on the above, **Ecuador shows a moderate level of effectiveness in Immediate Outcome 7.**

Immediate Outcome 8 (confiscation)

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

270. In analysing this section, the assessment team considered quantitative and qualitative information, as well as documents, regulations, procedures, guides, and information obtained during interviews with the PN, FGE, CJ and the Judiciary. Ecuador has a regulatory framework that allows depriving criminals of the proceeds and instrumentalities of crime or assets and their equivalent value. This can be achieved through two tools: criminal confiscation and asset forfeiture.

271. Confiscation is established in art 69 of the COIP and can be enforced on the basis of a conviction only in the case of intentional crimes. Thus, in case of conviction, the competent judge may order the confiscation of:

a. Property, funds, or assets, or instrumentalities, equipment, and computer devices used to finance or commit the criminal offence or the punishable preparatory activity.

b. Property, funds or assets, digital content and products originating from the criminal offence.

c. Property, funds or assets and products into which the proceeds of the criminal offence are transformed or converted.

d. Proceeds of crime that are commingled with property acquired from lawful sources; they may be subject to confiscation up to the estimated value of the commingled proceeds.

e. Income or other benefits derived from the property and products originating from the criminal offence.

f. Property, funds or assets and products owned by third parties, when these have been acquired knowing that they originate from the commission of a crime, or to prevent the confiscation of property of the convicted person.

272. The COIP establishes that, when property, funds or assets, products and instrumentalities cannot be confiscated, the judge shall order the payment of a fine of identical value. In the same sense, in the event of an enforceable conviction, in criminal proceedings for ML, bribery, extortion, embezzlement, illicit enrichment, organised crime, obstruction of justice, overpricing in public procurement, acts of corruption in the private sector, front men, trafficking in persons, and smuggling of migrants, terrorism and its financing, and crimes related to listed controlled substances, if such property, funds or assets, products and instrumentalities cannot be confiscated, the judge will order the confiscation of any other property owned by the convicted person, for an equivalent value, even if this property is not linked to the crime.

273. For its part, the institution of AF is regulated in the Organic Law of Asset Forfeiture (LOED). This measure is an autonomous patrimonial action that implies the declaration of ownership in favour of the State by means of a judgment of a judicial authority, without any consideration or compensation, and is applied to assets acquired through actions or omissions contrary to law. AF applies to assets of illicit or unjustified origin or illicit destination, located both in Ecuador and abroad.

274. The Ecuadorian authorities have shown that confiscation is, in general, an objective of the criminal policy at the national level. In this sense, a series of actions carried out by the competent authorities have been identified with a view to deprive criminals of their assets. However, the FGE does not have specific procedures or guidelines to effectively guide the work of prosecutors in relation to the identification and confiscation of assets.

275. Notwithstanding the above, the UAFE developed an Asset Recovery Protocol, which was developed from the inter-institutional co-operation between the National Court of Justice, the Council of the Judiciary, the Council of Citizen Participation and Transitory Social Control (CPCCST), the FGE and the MREMH for the co-ordinated and independent execution of the process of recovery of assets derived from corruption.

276. As a result of the implementation of the LOED, the FGE informed about the recent creation of a specialised unit to deal with aspects related to AF. This unit is composed of 4 prosecutors and 2 auxiliary officers. The development of this initiative is supported by Colombian experts in the field who will accompany its implementation for an initial period of 2 years. It was also reported that the institution is working on the development of a prosecutorial instruction for

dealing with AF, and has developed a training program to strengthen the skills of its officials on this issue.

277. Likewise, the institution is receiving international support from the US INL in the area of technology and IT in order to increase its operational capacity. With respect to asset identification and tracing, the authorities of the FGE showed a high degree of co-ordination and close co-operation with the UAFE and the PN.

278. As for inter-institutional co-ordination, in 2019 the country created the aforementioned GEIRA group, with the support of the WB and UNODC. This group aims to develop and implement policies, actions, and strategies for the identification and recovery of assets. Through its SMT (Specialised Multidisciplinary Team), it carries out ML investigation and the dismantling of transnational criminal organisations.

279. It should be noted that the PN has a specialised accounting and financial experts' team to support the FGE in asset and economic investigations. However, this team is composed of 4 officers, which is limited for the volume of work required. Similarly, the PN is not equipped with adequate technological and computer resources. Notwithstanding the above, the FGE has the possibility of appointing accredited experts before the Judiciary Council. This body of experts is made up of 17 officials.

280. For its part, in 2020, the Attorney General's Office created the Asset Recovery Unit in order to represent the State in the execution of criminal convictions, an aspect that allows executing the confiscation of assets ordered in the ruling and recovering the values for full compensation. The LOED empowers this institution to file a private accusation within a process of AF and to initiate actions in the asset investigation in defence of the public interest.

281. The restructuring of INMOBILIAR is highlighted so that, as of 2019, it is responsible for the reception, deposit, custody, safekeeping, and administration of assets involved in criminal proceedings for the crimes under articles 69 and 557 of the Comprehensive Criminal Organic Code. These powers and competences have been regulated through domestic provisions, thus becoming the depositary of such assets rather than a party to the criminal proceedings for the crimes mentioned. However, the institution is still in the process of adapting to its new functions and has significant limitations in terms of resources, both human and technical.

282. Due to the fact that the LOED has only recently been implemented, the judicial system does not yet have specialised asset forfeiture courts. In addition to the availability of human resources, which, although trained, are insufficient in relation to the workload—especially in key institutions such as the PGE and the PN—the situation results in limited overall outcomes in the area of confiscation.

283. It is worth mentioning that the country developed a draft Strategic Action Plan based on the results of the NRA, which will eventually allow for the development and implementation of a National AML/CFT Policy. This proposal has 14 high priority actions, among which is the strengthening of the AF process.

284. The above shows that the country applies to some extent actions aimed at asset forfeiture, especially in recent years, although the FGE does not have specific guidelines or instructions in this area, which could be useful to guide the work of prosecutors and investigators and strengthen the effectiveness of the system.

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

285. Ecuador has legislation that allows competent authorities to identify and trace property subject to confiscation. These functions fall under the general investigative powers of the FGE, which directs and coordinates the work of the Judicial Police and other relevant investigative authorities.

286. The FGE is in charge of the criminal investigation department and has the power to order the analysis of all evidence that has been collected at the crime scene, ensuring its preservation and proper handling, and the execution of other investigative procedures it deems necessary. The FGE also identifies and locates assets in the context of asset investigations. The Ecuadorian legal framework provides for the option of executing provisional measures with respect to criminal investigation processes such as seizure, confiscation, retention, and prohibition of disposal.

287. It is the judges who order the confiscation of the assets, based on the requests made by the FGE In the case of property located abroad, the process will be handled through an ICA, within the framework of the precautionary measures that may be requested by the FGE in the development of an investigation. Regarding AF, first instance judges specialised in the prosecution of corruption and organised crime-related offences of the place where the property is located will have jurisdiction. When the assets are located in foreign territory, the AF competent judge of the capital of the country will have jurisdiction. It should be noted that at the date of the evaluation, these AF courts had not yet been established.

288. As previously reported, INMOBILIAR is responsible for the deposit, custody, safekeeping, administration, and control of property and other assets seized in any criminal proceeding. This authority has administrative, operational, and financial autonomy, and national jurisdiction. In the process of confiscation and seizure of assets it also conducts appraisal duties. The economic appraisal of the assets will also be a requirement for the AF claim in the process conducted by the FGE.

289. In terms of outcomes, with respect to seizures of narcotic drugs and psychotropic substances, the Ministry of Government and the PN point out that between 2017 and 2021 a total of 81,441.00 kg of cocaine, heroin, and marijuana for domestic use have been seized. This seizure has a monetary estimate of USD 72.8 million.

Table 3.19 - PN seizures – domestic trafficking

Year	Quantity (kg)	Monetary estimate (USD)
2017	14,427.00	13,265,844.00
2018	14,879.00	12,575,657.00
2019	15,847.00	12,839,924.00
2020	18,346.00	17,564,204.00
2021	17,942.00	16,574,052.00
Total	**81,441.00**	**72,819,681.00**

290. Similarly, in terms of seizures of narcotic drugs and psychotropic substances intended for international trafficking, 411,999 kg of cocaine, heroin, and marijuana were seized between 2017 and 2021.

Table 3.20 – PN seizures – international trafficking

Year	Quantity (kg)	Monetary estimate (USD)
2017	65,852.00	123,551,354.00
2018	63,297.00	115,418,519.00
2019	38,482.00	65,306,070.00
2020	89,132.00	143,349,808.00
2021	155,236.00	372,366,846.00
Total	**411,999.00**	**819,992,597.00**

291. In addition, the Ministry of Government and the National Police, in the case of ML, recorded a total of approximately USD 59.2 million in seizures of personal property, real estate, and cash, as shown below.

Table 3.21 – Seizures for ML - PN

Category	Total Amount	Monetary Estimate (USD)
Weapons	3	15,000
Cash		2,155,122
Real Estate Property	146	47,771,711
Vehicles/machinery/vessels and aircraft	441	9,256,918
TOTAL	**590**	**59,198,752**

292. Regarding SENAE's activity, the agency has provided information on apprehensions corresponding to the period 2017-2021. During the period, goods for a total value of USD 247,273,100.57 have been seized. This figure includes, among others, electronic items, medicines, textiles, and vehicles. The following is a breakdown of annual values by Customs Districts:

Table 3.22 – SENAE Apprehensions

Apprehensions by District and Products JAN 2017 - DEC 2021 *in US dollars*					
	Jan-Dec 2017	**Jan-Dec 2018**	**Jan-Dec 2019**	**Jan-Dec 2020**	**Jan-Dec 2021**
TOTAL	**45,830,705**	**36,631,003**	**35,069,895**	**60,046,235**	**69,695,260**

293. SENAE itself, within the scope of its competences, has applied the following sanctions for smuggling and customs fraud during the period in question:

Table 3.23 – SENAE Sanctions

Year	Smuggling		Tax Fraud	
	No. of sanctions	Amount in USD	No. of sanctions	Amount in USD
2017	3367	5,597,891.61	408	2,992,501.93
2018	3518	5,988,578.40	579	39,988,475.74
2019	4237	6,030,888.61	589	3,062,212.78
2020	2422	3,981,791.99	397	1,055,067.00
2021	1558	2,963,651.04	478	1,398,952.58
Total	**15102**	**24,562,801.65**	**2451**	**48,497,210.03**

294. With respect to the evaluation period, in cases investigated and with ML convictions, the country has made the following seizures:

Table 3.24 – Seizures for ML (PN and INMOBILIAR)

Category	Quantity	Monetary Estimate (USD)
Weapons	3	15,000
Cash	-	34,717,825
Real Estate Property	302	82,311,757
Vehicles/machinery/vessels and aircraft	781	13,248,635
TOTAL	**1,086**	**130,293,218**

295. As far as the Attorney General's Office is concerned, it has provided information on the following cases in which criminals were successfully deprived of the proceeds of crime:

Box 3.4 – Example of confiscation in a corruption case

a. Case No. 17282-2016-04457 for the crime of bribery. In this case, the following assets were confiscated in favour of the Ecuadorian State:

- 50% of rights and shares over a two-story house located in the neighbourhood La Concordia, of the parish Simon Plata Torres, of the city of Esmeraldas.
- 50% of the rights and shares of plot No. 010, located in the parish of Simon Plata Torres, in the city of Esmeraldas.
- 50% of rights and shares over a house located on Manuela Cañizares, between Colon and Olmedo streets, in the city of Esmeraldas.
- 50% of rights and shares over house number 48, located in the Balcones de Cumbaya complex.
- 50% of rights and shares of an office located in the Fiorentina Plaza building in the city of Quito.
- 50% of the rights and shares of a Nissan Tiida sedan car
- 50% of the rights and shares of a Honda motorcycle.
- 100% of the rights and shares of a Nissan Tiida sedan car
- USD 37,423.87 were recovered and are in the State's accounts.

Figure 3.5 – Example of compensation in corruption cases

b. Case No. 17721-2019-00029G for the crime of bribery. A total amount of USD 1,925,080.77 is in the account of the National Treasury for full compensation. In the same line, the authorities of the Attorney General's Office informed about the first ongoing case of effective repatriation of assets with the co-operation of Basel, related to case 17.282/2016 for investigation of the crime of bribery.

296. In relation to the confiscation of assets in the country, competent authorities do not have a statistical system to accurately assess the extent to which criminals are deprived of the proceeds of crime. However, the country has provided partial statistics for the period between 2017 and the completion of the on-site visit, which demonstrate the effective application of confiscation of vehicles, weapons, real estate, cash and property of equivalent value.

Table 3.25 – Seizures and confiscations for predicate offences and ML

Period 2017 – 2022 (April 8th)	Seizures		Confiscation	
Type of property	Quantity	Monetary Estimate (USD)	Quantity	Monetary Estimate (USD)
Vehicles/machinery/vessels and aircraft	9,457	165,243,414	1,404	14,446,726
Weapons	3,145	2,164,650	19	6,680
Real Estate Property	310	82,919,583	6	1,937,343
Cash		88,076,367		
Species	107	6,650		
Mineralized Material (kg.)	1,610,392	854,004,800		
TOTAL		**24,066,099,709**	**1,429**	**16,390,749**
Fines Applied				782,169,449

297. In addition, information on confiscations and fines applied was obtained from a sample of ML sentences. The respective references are provided below:

Table 3.26 – ML sentences with confiscation of property

No.	Year	Case	Predicate offence	Confiscation	Fine (USD)
1	2019	09333-2018-00282	Embezzlement and illicit enrichment	Vehicle, corporate shares, real estate and cash.	535,124.00
2	2020	17294-2017-01688	Criminal association	Unidentified	29,204,476.00
3	2020	17100-2018-00018	Criminal association	Real estate property, vehicles, and jewellery.	4,004,457.49
4	2020	13283-2020-01071	Criminal association	Bank accounts Investment policies	16,429,512.52
5	2022	No. 17282-2020-001257	Bank fraud	Property for the commission of the crime	5,832,923.86
6	2018	No. 04281-2016-01248	Smuggling	Personal and real estate property	1,289,341.88

7	2018	No. 17721-2017-00212	Criminal Association - Corruption (Odebrecht)	Shares, participations, and property	1,000,000
8	2017	09915-2017-00087	Illicit trafficking of listed controlled substances	Personal and real estate property	2,300,723
9	2018	13284-2018-01581	Illicit trafficking of listed controlled substances	Real estate property and vehicles	1,811,943.52
10	2021	Pedernales Hospital Case	Corruption	Confiscation of USD 1,500,000.	16,429,512.12
11	2021	17295-2019-00144	Drug trafficking	Vehicles and cash	82,400.00

298. As can be seen from the table above, the country has enforced confiscations in ML cases associated with predicate offences such as drug trafficking, smuggling, illicit association, and corruption. Likewise, sanctions have been applied to different types of assets: real estate, vehicles, securities, jewellery, and cash. Finally, in the above cases, high fines were applied as ancillary sanctions, for a total amount of USD 32,756,102.27.

299. Ecuador has provided the following case example where the enforcement of confiscation based on a sentence for unjustified private enrichment is verified:

Box 3.6 – Example of confiscation in a sentence for unjustified private enrichment

As part of the trial 09286-2018-01310 against Prado Alava Edisson Washington and others, for unjustified private enrichment, the Executive Reports 2017-12-440 and 2017-04-102 sent by the UAFE to the FGE were included, which served to identify credits on account, purchase and sale of personal and real estate property of all those involved in this trial, whose conviction was handed down in the Court of Criminal Guarantees of the district of Guayaquil in the years 2018 and 2019.

Part of the persons identified in this trial were convicted to 5 years' imprisonment each, and assets were confiscated for USD 7,000,000.00.

300. In addition to the above, as mentioned, Ecuador has INMOBILIAR, the entity in charge of the administration and disposition of seized and confiscated assets. This agency is in process of being strengthened. The following data can be extracted from the assets under the administration of INMOBILIAR:

Table 3.27 – Statistics – assets under INMOBILIAR administration.

Type of property		
	Number (unit)	Amount (USD)
Real Estate Property		
Bribery	13	3,994,540
Money laundering	238	45,918,467

Drug trafficking	115	12,433,219
Total Real Estate Property	**366**	**62,346,226**
Personal Property		
Vehicles, motorcycles, boats, and light aircrafts	2,462	7,199,427
Furniture, furnishings, works of art	174,823	8,610,538
Total Personal Property	**177,285**	**15,809,965**
Evidence	**62,617**	-
Value in accounts - Custody National Currency	-	**28,759,496**
GRAND TOTAL	**240,268**	**106,915,688**

301. With respect to auctions, INMOBILIAR presents the following statistics on the seizure of assets for ML/TF offences:

Table 3.28 – INMOBILIAR Statistics. Auction of assets

ASCENDING PUBLIC AUCTION OF PERSONAL PROPERTY (SEIZED VEHICLES, PERSONAL PROPERTY, FISHING BOATS)		
AUCTION YEAR	**NUMBER OF PROPERTY SOLD**	**VALUE SOLD**
2017	95	1,047,690.12
2018	318	2,451,502.53
2019	49	1,592,555.35
2021	545	620,210.44
2022	58	576,672.11
TOTAL SOLD	**1,065**	**6,288,630.55**

302. In this framework, it can be mentioned that Ecuador has a legal framework to deprive criminals of the proceeds of crime. Likewise, the authorities interviewed reveal that they are aware of the importance of confiscating criminal assets and that this is one of the objectives they pursue. Meanwhile, the country demonstrated that seizures are carried out and, from a sample of cases of ML analysed by the assessment team, it is clear that different types of personal and real property have been seized. Additionally, the entity in charge of the administration and disposition of seized and confiscated property submitted data on administered and auctioned property.

303. Notwithstanding the above, the lack of detailed and comprehensive statistical data on confiscations does not allow making an accurate assessment of the true effectiveness of the system. Based on the above, it is concluded that the authorities are confiscating the proceeds of crime to some degree, although it is not possible to determine the specific extent.

Confiscation of cross-border transactions in false or undeclared currencies/negotiable bearer instruments (NBI)

304. In general, the authorities are aware of, and understand the risks associated with the cross-border transportation of cash. In this regard, Ecuador has a declaration regime for the entry and exit of cash by travellers. This regime applies to travellers transporting amounts equal to or greater than USD 10,000 or its equivalent in other currencies. It should be noted that this regime does not cover bearer negotiable instruments. Regarding the transport of cash by other means, the country prohibits the entry and exit of money into and out of the country by mail or cargo. Sending money abroad by postal means is also prohibited.

305. In order to comply with the declaration regime mentioned in the previous paragraph, travellers leaving Ecuador must complete a form called "Andean Migration Card," while those entering the country must do the same with the customs form called "Customs Registration Form". Failure to comply with this obligation must be sanctioned in accordance with the legal framework, as described in the technical compliance analysis of R. 32.

306. SENAE officials are involved in the control process and may detain persons and conduct interviews in case of suspicion of omission or false declaration. If as a consequence of the interview it is detected that the person does not declare or declares erroneously or falsely and, if there are indications of criminal liability, the officer specialised in ML control must detain the alleged responsible person and seize the money. The officer then informs the Prosecutor's Office on duty and immediately submits the corresponding minutes of delivery and receipt of the money to the competent authority.

307. Regarding the monthly information gathered from the declaration and sanctioning processes by the SENAE, the Strategic Director of the Customs Surveillance Corps prepares a document to be signed by the General Director and sent to the UAFE.

308. Regarding the joint work between national authorities, the SENAE has an AML unit that co-ordinates actions with both the FGE and the UAFE. The units of the SENAE send red flags and co-ordinate in the event of suspicions of ML-related crimes. Such units are the Intervention Department, Risk Department, Customs Prosecutor's Investigation Unit, and Intelligence Department. There are also co-operation agreements with various national authorities, including the Armed Forces and the PN. Internationally, it is a member of OMA and shares information with agencies such as the U.S. Department of Homeland Security.

309. In terms of results, during the 2017-2021 period the country has made 152 seizures of cash, jewellery, and precious metals, within the framework of cross-border controls for a value equivalent to USD 3,042,258.85. The following is the detail per year of the information from each district:

Table 3.29 – Seizures in cross-border control procedures

YEAR	Province	Canton / District	No. Seizures	Seized amount (USD)	TOTAL USD
2017	GUAYAS	GUAYAS	25	289,256.30	551,685.10
	PICHINCHA, IMBABURA, SUCUMBIOS	QUITO	20	262,428.80	
2018	GUAYAS	GUAYAS	5	70,650.00	477,562.50
	PICHINCHA, IMBABURA, SUCUMBIOS	QUITO	9	236,296.00	
	EL ORO	HUAQUILLAS	1	105,000.00	
	EL ORO	PUERTO BOLIVAR	1	8,800.00	
	CARCHI	TULCAN	3	56,816.50	
2019	GUAYAS	GUAYAS	2	29,017.00	328,523.34
	PICHINCHA, IMBABURA, SUCUMBIOS	QUITO	18	271,466.34	

	CARCHI	TULCAN	1	28,040.00	
2020	GUAYAS	GUAYAS	3	130,400.00	1,155,783.51
	PICHINCHA, IMBABURA, SUCUMBIOS	QUITO	18	497,740.29	
	CARCHI	TULCAN	1	527,643.22	
2021*	GUAYAS	GUAYAS	19	211,702.00	528,704.40
	PICHINCHA, IMBABURA, SUCUMBIOS	QUITO	25	306,642.40	
	EL ORO	HUAQUILLAS	1	10,360.00	
	Total		**152**	**3,042,258.85**	

310. In terms of sanctions, the SENAE applied a total of 164 sanctions for non-compliance or failure to declare for a value equivalent to USD 744,605.89, among all customs districts in the country.

Table 3.30 – SENAE sanctions for non-compliance with the duty to declare

Frequency (annual)	Province	Non-compliance with cash or securities declarations (Money Laundering)	
		Number of sanctions and fines	Monetary estimate (USD)
2017	CARCHI	3	17,044.95
	GUAYAQUIL	24	83,716.29
	QUITO	23	162,838.84
	SUBTOTAL	**50**	**263,600.08**
2018	CARCHI	1	8,402.00
	GUAYAQUIL	5	21,195.00
	QUITO	9	44,636.40
	SUBTOTAL	**15**	**74,233.40**
2019	GUAYAQUIL	2	8,760.00
	QUITO	19	100,579.74
	SUBTOTAL	**21**	**109,339.74**
2020	GUAYAQUIL	12	53,033.98
	QUITO	16	60,892.48
	SUBTOTAL	**28**	**113,926.46**
2021	GUAYAQUIL	25	76,440.15
	QUITO	25	107,066.06
	SUBTOTAL	**50**	**183,506.21**
	TOTAL	**164**	**744,605.89**

311. The country provides the following statistics on declarations at airports for inflows and outflows of cash or securities, for the 2017-2022 period, with the respective fine:

Table 3.31 – SENAE. Declarations of cross-border movement of cash and securities

CONTROL STATISTICS CROSS-BORDER MOVEMENT OF MONEY 2017 - 2021			
YEAR	**AMOUNT DECLARED**	**UNDECLARED / Falsely DECLARED AMOUNT**	**FINE**
2017	5,816,330.71	575,996.10	263,600.08
2018	6,568,242.80	306,946.05	74,233.40
2019	4,689,240.25	274,700.07	109,339.74
2020	3,663,884.60	379,754.23	113,926.46
2021	6,074,071.32	572,650.00	183,506.21
Total	**26,811,869.68**	**2,110,046.45**	**744,605.89**

312. The country carries out procedures and controls related to cross-border cash movements, as shown. Seizures are also carried out and sanctions applied.

313. The SENAE verifies the non-declaration or false declaration of cross-border transportation of currency and contacts the FGE, where appropriate, who determines whether there is a presumption of ML. If there is no such presumption, the SENAE imposes a fine of 30% of the undeclared or falsely declared value. In principle, these sanctions are considered to be effective. Cases of controls carried out by the SENAE are presented below:

Figure 3.7 – Example of cross-border control by the SENAE and application of fine

On March 17, 2022, as part of the control actions carried out by the SENAE, in the northern border, through the profiling process in the border area of Ecuador with Colombia, a vehicle was stopped, and—after the specific interview of a passenger—the vehicle was inspected and a total value of $52,416.00 was found hidden inside the bag. A fine of $15,724.80—30% of the undeclared value—was imposed.

Box 3.8 - Example of SENAE control with seizure of merchandise

Communiqué of December 28, 2021: The Customs of Ecuador informs that, in a control operation carried out by the Customs Surveillance Corps, in the canton of Tulcan, in the Urbina sector, 3 packages were seized, containing 70,000 common detonating caps.

These goods are considered dangerous and require specialised permits for their use and transportation, and were placed at the disposal of the Logistics Department of the Joint Command of the Armed Forces.

314. However, there are certain challenges in terms of resources, which has an impact on the effectiveness of the control system. For example, the agency has only one scanner to control the cargo volume in the busiest seaports, which does not allow for an exhaustive control of the movement of goods. The authorities of the institution stated that they are working to obtain support from international co-operation agencies in terms of resources.

315. Based on the data analysed, it is noted that the country addresses to some extent the seizure and sanctioning of undeclared or falsely declared cross-border movements of currency. However, it was verified that the SENAE has limited resources to fulfil its duties in terms of cross-border control.

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

316. Ecuador has completed its NRA in April 2021. This document identifies drug trafficking as the main threat the country faces, with a significant degree of dissemination at the national level and linked to its geographic location, between two countries with high cocaine production, and to the increase in domestic crime. The country also recognises corruption, tax evasion, smuggling, and environmental crime as major threats.

317. Despite the measures that have been implemented in recent years to deprive criminals of their assets, the country does not have a comprehensive and detailed statistical system to identify with a high degree of certainty the consistency of confiscation results with those of the NRA, ML/TF risks, and the country's policies.

318. Notwithstanding the above, INMOBILIAR has a large amount of information and records of seized assets under its administration. These data suggest that the seizures made by the country in the 2017-2021 period tend to reflect the main threats identified in the NRA.

319. In this regard, it should be noted that, in terms of personal property, of a total of 19,288 managed by INMOBILIAR to date, 7,577 (39%) are linked to the crime of drug trafficking. In turn, of the 2,288 vehicles under INMOBILIAR administration, 1,989 (87%) come from seizures in drug trafficking cases. In both cases, the second most common predicate offence related to the seizures is bribery. In the same line, Box 3.34 shows the assets seized under the control of INMOBILIAR for ML predicate offences in the period under analysis. All of them correspond to drug trafficking, corruption, and bribery with a significant presence of cases originating in the first of these offences.

320. Meanwhile, the PN provided data related to seizures according to predicate offences, as shown below:

Table 3.32 – PN. Seizures of personal and real property by predicate offence[16]

Frequency (annual)	No. of cases related to money laundering predicate offences				
	Predicate offence	Province	Canton	Quantity	Monetary Estimate
2017	Unjustified private enrichment	GUAYAS	GUAYAQUIL	1	56,600.00
		IMBABURA	IBARRA	1	591,540.00
		MANTA	MANABI	3	148,485.00
2017	Tax evasion	LOJA	LOJA	1	341,804.00
		GUAYAS	GUAYAQUIL	1	
2017	Trafficking in persons for sexual exploitation purposes	PICHINCHA	QUITO	1	1,705,185.16
2017	Illicit trafficking in narcotic drugs and psychotropic substances	TUNGURAHUA	AMBATO	1	560,698.91
		GUAYAS	GUAYAQUIL	1	1,325,874.28
2017	Usury	LOJA	LOJA	1	2,459,807.53
2018	Tax evasion	GUAYAS	GUAYAQUIL	1	7,000.00
2018	Unjustified private enrichment	PICHINCHA	QUITO	3	255,759.00

[16] The data does not represent the total number of seizures of personal and real property by predicate offence. It is a sample that originates from information available to the PN.

2018	Unjustified private enrichment	GUAYAS	GUAYAQUIL	1	51,400.00
2018	Unjustified private enrichment	LOS RIOS	QUEVEDO	1	290,665.31
2018	Unjustified private enrichment	MANABI	MANTA	1	376,600.00
2018	Criminal association	PICHINCHA	QUITO	1	1,611,387.08
2018	Illegal fund raising	PICHINCHA	QUITO	1	1,100,005.48
2018	Usury	TUNGURAHUA	AMBATO	1	5,802,035.84
2018	Usury	SANTO DOMINGO DE LOS TSACHILAS	SANTO DOMINGO	1	5,809,711.93
2018	Illicit trafficking in narcotic drugs and psychotropic substances	GUAYAS	GUAYAQUIL	1	7,016,176.94
2018	Illicit trafficking in narcotic drugs and psychotropic substances	MANABI	MANTA	1	1,348,046.82
2019	Corruption and bribery (public and private)	PICHINCHA	QUITO	1	-
2019	Tax evasion	PICHINCHA	PUERTO QUITO	1	1,481,017.77
		PICHINCHA	QUITO	1	64,900.00
2019	Illicit trafficking in narcotic drugs and psychotropic substances	IMBABURA	IBARRA	1	2,842,804.06
		MANABI	MANTA	1	6,353.00
2019	Usury	AZUAY	GUALACEO	1	21,248,932.17
2020	Corruption and bribery (public and private)	GUAYAS	GUAYAQUIL	2	593,351.40
					398,937.83
		PICHINCHA	QUITO	1	-
2020	Organised crime	MANABI	MANTA	1	3,968,396.92
2020	Illicit trafficking in narcotic drugs and psychotropic substances	AZUAY	CUENCA	1	60,306.41
2021	Organised crime	GUAYAS	GUAYAQUIL	1	2,000,000.00
2021	Money laundering	MANABI	MANTA	1	2,032,595.00
2021	Illicit trafficking in narcotic drugs and psychotropic substances	PICHINCHA	SANGOLQUI	1	3,200.00

321. Table 3.32 shows seizure results linked to the main threats identified by the country: drug trafficking, corruption, tax evasion, and smuggling. As shown, the main threat, which is drug trafficking, accounts for 20% of the seizures made by the PN.

322. Consequently, it can be concluded that, although there is no comprehensive statistical system available that would allow us to specify it accurately, the results in terms of seizures and confiscations are somewhat consistent with the main threats identified in the country.

Conclusions on Immediate Outcome 8

323. Ecuador has an adequate legal system for the identification and recovery of criminal assets, instruments, and products, which is the objective pursued by the competent authorities. In addition, it has the Organic Law on Asset Forfeiture, which is in the process of being implemented. The national authorities have recently implemented measures to consolidate the system for the identification and recovery of criminal assets. These include the creation of special units and the centralisation of the administration of seized assets under INMOBILIAR. The country also applies measures and sanctions in relation to offences detected in cross-border cash

movements. Notwithstanding the above, there are limited resources available to all key authorities for the identification and seizure of assets, as well as for their administration and disposal.

324. Based on the available data, it can be concluded that authorities regularly seize assets, and that confiscation is enforced to some extent. However, the absence of comprehensive and detailed statistics in this area prevents the assessment team from accurately assessing the extent to which effective results are achieved. Similarly, it is noted that, to a certain degree, seizures are consistent with the main threats identified in the country, although the lack of statistics does not allow to corroborate whether such consistency is high-level. In view of the above, Ecuador requires considerable improvements in its asset confiscation system and presents a **moderate level of effectiveness** for Immediate Outcome 8.

CHAPTER 4. TERRORIST FINANCING AND FINANCING OF PROLIFERATION

Key Findings and Recommended Actions

Key findings

Immediate Outcome 9

1. TF risk in Ecuador was rated as medium. Some migratory movements of risk profiles have been noted, but there is no record of the use of Ecuador's financial system for TF purposes. The risks are mainly associated with illegal groups from a neighbouring country.
2. In general, there is a good level of understanding of TF risk on the part of most of the authorities involved in detecting and investigating TF. However, there are certain limitations in the understanding of TF risk by the Judiciary.
3. The country has a regulatory framework suitable for the investigation, prosecution and punishment of TF conducts. There are alternative measures of freezing or deprivation of funds that could be applied when convictions are not possible (for example, through the application of special precautionary measures or asset forfeiture). However, the FGE does not have a formal mechanism for prioritising TF cases.
4. It should be noted that the UAFE and the CIES hold meetings to address aspects related to TF, where information has been exchanged and typologies have been analysed.
5. In the country there are very few cases in which TF investigations have been carried out (which in principle is consistent with its risk profile), and in those cases the hypothesis of the crime was discarded after the corresponding financial investigation was completed.
6. Although the investigative authorities generally have an understanding of the crime of TF, there are limitations in the availability of resources, which may impact the effectiveness of the system.

Immediate Outcome 10

1. Ecuador has regulations that allow it to impose TFSs related to TF. However, regulations have been issued for each of the competent authorities, which in some cases lead to some discrepancy in the procedure to be followed.
2. The prompt implementation of the measures could be affected by the different stages provided for in the respective procedures and by the deficiencies identified in terms of the deadlines for the completion of each stage, although the authorities appear to maintain adequate levels of co-ordination that would allow them to act promptly in potential TF cases.

3. The country has adopted measures to test the capacity of the system to freeze assets of designated persons, with positive results, which shows the capacity of the regime to adopt these measures in short time frames, regardless of the fact that it may not be able to do so in less than 24 hours.
4. The risk of NPOs has been identified as medium low for TF purposes, with practically low threats and no evidence of misuse for terrorism or TF purposes. There are limitations in the approach of the authorities to raise awareness in the sector, although due to the low exposure and low risk, it is considered that this does not have a major impact. Likewise, the UAFE applies a monitoring system for NPOs.
5. The country, through the UAFE, disseminates the UNSC lists and their updates, for which purpose it has made available a specific system for RIs to search for matches (SISLAFT), which allows to conduct a continuous scanning of the lists and to issue immediate alerts. The UAFE has developed two simulations on alleged matches of persons listed by the UNSC.
6. Financial RIs, which present the highest materiality in terms of ML/TF, seem to have a good level of knowledge of the obligations related to the implementation of TFSs in terms of FP. However, the DNFBP sector shows opportunities for improvement.

Immediate Outcome 11

1. Ecuador has regulations that allow it to impose TFSs related to FP. However, regulations have been issued for each of the competent authorities, which in some cases lead to some discrepancy in the procedure to be followed.
2. The prompt implementation of the measures could be affected by the different stages provided for in the respective procedures and by the deficiencies identified in terms of the deadlines for the completion of each stage.
3. The law enforcement authorities and the UAFE maintain adequate levels of co-ordination and co-operation that would allow them to act promptly in potential cases of FP. However, there have been certain delays in requiring the setting of the hearing prior to the issuance of the freezing measure, which has hindered its implementation in periods of less than 24 hours.
4. The country has adopted measures to test the system's capacity to freeze assets of designated persons, with positive results. In addition, there was a case of asset freezing for alleged match with a person listed for FP, which later turned out to be a false positive. This freezing was implemented within a reasonable period of time, which shows the capacity of the regime to adopt these measures.
5. The country, through the UAFE, disseminates the UNSC lists and their updates, for which purpose it has made available a specific system for RIs to search for matches (SISLAFT), which allows to conduct a continuous scanning of the lists and to issue immediate alerts.
6. Financial RIs, which present the highest materiality in terms of ML/TF, have an adequate level of knowledge of the obligations related to the implementation of TFSs in terms of FP. However, the DNFBP sector shows opportunities for improvement.

Recommended Actions

Immediate Outcome 9

1. Increase the resources of the FGE and the PN to ensure that any TF investigations can be carried out effectively and with the necessary urgency in case of occurrence.
2. Strengthen the understanding of TF risks by all key actors in the investigation and sanctioning of TF.

3. Adopt a formal mechanism for prioritisation of TF cases by the FGE.
4. Develop training on TF investigation and sanctioning for all authorities with relevance in these areas, especially for the Judiciary.
5. Issue a specific guide, protocol or instruction on TF to guide prosecutors more clearly on how to carry out investigations into TF in cases where it occurs.
6. Continue to implement measures to detect, investigate and sanction possible TF cases.

Immediate Outcome 10

1. Reform the regulatory framework to ensure the implementation of TFSs for TF without delay. In particular: harmonize existing regulations that establish procedures for each actor within the process and establish clearer deadlines for detecting matches by the RI and communicating them to the UAFE and for the designation of the prosecutor in charge of the case.
2. Harmonize the regulations of the FGE and the Judiciary Council, so that there is clarity regarding the court where the request for the hearing to impose measures is presented.
3. Create training mechanisms for criminal and on-call judges, so that they have a clear knowledge of the procedure to follow in the event that measures for freezing of funds are required in the case of TF.
4. Issue additional guidelines and strengthen awareness and training mechanisms for RIs, especially for DNFBPs, for a better understanding of the procedure to follow for the review of lists and in case of a match.
5. Continue with efforts related to supervision in relation to TFSs linked to TF and ensure a procedure for the establishment of sanctions in case of non-compliance by RIs of their obligations in the matter.
6. Strengthen outreach with the NPO sector, including training and risk awareness initiatives and monitoring actions, particularly with those with the highest level of TF exposure.

Immediate Outcome 11

1. Reform the regulatory framework to ensure the implementation of TFSs for FP without delay. In particular: harmonize existing regulations that establish procedures for each actor within the process and establish clearer deadlines for detecting matches by the RI and communicating them to the UAFE and for the designation of the prosecutor in charge of the case.
2. Harmonize the regulations of the FGE and the Judiciary Council, so that there is clarity regarding the court where the request for the hearing to impose measures is presented.
3. Create training mechanisms for criminal and on-call judges, so that they have a clear knowledge of the procedure to follow in the event that measures for freezing of funds are required in the case of FP.
4. Issue additional guidelines and strengthen awareness and training mechanisms for RIs, especially for DNFBPs, for a better understanding of the procedure to follow for the review of lists and in case of a match.
5. Continue with efforts related to supervision in relation to TFSs linked to TF and ensure a procedure for the establishment of sanctions in case of non-compliance by RIs of their obligations in the matter.

The relevant Immediate Outcomes considered and assessed in this chapter are IO. 9-11. The Recommendations relevant for the assessment of effectiveness under this section are R. 5-8.

Immediate Outcome 9 (TF Investigation and Prosecution)

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

325. Ecuador's TF risk was specifically addressed in the NRA. Based on a methodological analysis involving quantitative and qualitative data, the country's TF risk was defined as medium, mainly because there is no evidence of the presence of domestic terrorist organisations within Ecuadorian territory. Some migratory movements of risk profiles (associated with conflict zones) have been noted, but there is no history of the use of Ecuador's financial system for TF purposes. TF risks are mainly associated with illegal groups from a neighbouring country.

326. With regard to non-profit organisations, the country developed a sectoral risk assessment, in which it identified which subgroup falls within the FATF definition and which characteristics and types of NPOs have the greatest exposure to TF risk. Likewise, the UAFE has developed a system for monitoring the NPOs with the greatest exposure and identified 8 "medium-high" risk international entities, whose information was shared with the CIES for specific monitoring purposes; the proceedings were also sent to the operational analysis area of the UAFE for cross-checking and follow-up of their economic and financial movements.

327. It is important to emphasize that the rating of TF risk as medium in the NRA is mainly due to the weight of the vulnerabilities that existed in the country at that time, rather than the threats themselves.

328. Ecuador has made a efforts in the identification and assessment of its TF risks. In this regard, the NRA was prepared on the basis of multiple inputs provided by the competent authorities, especially the LEAs. The NRA was disseminated and introduced in ML training provided by UAFE for competent authorities, where the TF module is addressed.

329. These elements make up, in general, a good level of understanding of TF risk on the part of most of the key authorities in the system. Only a few areas were identified in which knowledge of the risk of TF could be deepened, but in general all the authorities interviewed showed that they were familiar with the results of the NRA and could distinguish between the different modalities that this crime can adopt (e.g., the difference between terrorism and TF, the difference between domestic and international terrorism, the scope of the criminal offence based on the collection, movement and use of funds, among others).

330. With regard to the areas of potential deepening of knowledge of the risks, the magistrates of the Judiciary are mentioned, since, according to the interviews, TF was mainly assimilated to the matches with the lists of the UNSC. However, the rest of the competent authorities (especially the UAFE, PN, CIES and FGE) seemed to be reasonably aware of the country's risks.

331. In addition to the above, it is important to refer to the activities carried out by the relevant TF authorities. Since 2020, the UAFE and the CIES have been meeting to address aspects related to TF. In particular, as of the date of the on-site visit, 10 working tables had been held, and in the last meeting an official from the Office of Technical Assistance (OTA) of the U.S. Department of the Treasury also participated.

332. The cases resulting from the working groups between the CIES and the UAFE are monitored on an ongoing basis, and at each meeting information is provided on both the financial analysis and the field investigation in accordance with the competencies of each entity. Likewise,

in January 2022 an inter-institutional co-operation agreement was signed between UAFE and CIES, with the purpose of preventing, anticipating and detecting cases related to TF and FP that could represent a risk for the country.

333. It should be noted that officials of the UAFE, FGE, PN and other relevant authorities have received training in TF, some of which was given by the Inter-American Committee against Terrorism (CICTE).

334. As will be seen below, there is very little history of TF investigations in the country and, in those cases, the hypothesis of the crime was discarded after the corresponding financial investigation was completed, which in principle is consistent with the country's risk profile. Consequently, although there are no records to corroborate this in practice, there are elements to conclude that, in the event of a TF case, the co-ordination and capabilities of the investigative authorities could allow for investigative measures to be carried out. It is therefore assumed that the country's activities in this area are consistent with its risk profile.

TF identification and investigation

335. The country has a regulatory framework suitable for the investigation, prosecution and punishment of TF conducts. Criminal investigations for TF are the responsibility of the FGE, through the UNIDOT, which delegates the operational aspects to the specialised unit of the National Police. The FGE may initiate ex officio investigations, based on complaints, or on reports from the UAFE and the CIES. However, the FGE does not have a formal mechanism for prioritisation of TF cases when they occur, and there are no guidelines, protocols or specific instructions on how to carry out such investigations (although there are general guidelines for action).

336. With regard to the identification of possible TF cases, the UAFE has a risk matrix with which it permanently cross-checks the information on the lists of the UNSCR against the information in its databases, in order to detect movements associated with this crime and treat them as a matter of urgency. This system monitors transactions and entities at risk, and produces alerts to deal with possible cases. On that basis, the UAFE has developed analysis of transactions and disseminated reports of unjustified unusual transactions to the FGE.

337. It should be emphasised that RIs must monitor the lists and inform the UAFE about matches. To guide the internal analysis work, the UAFE prepared a guide to analyse cases of terrorism or its financing, detailing the procedure to follow if there is a TF STR. The priority for analysis of these cases is "high" and it is established that the operational analyst to whom a case is assigned must carry out the analysis immediately. This guide sets out the steps and sources of information for the analysis. Among the steps, the following are highlighted:

- Once the reporting institution sends the TF STR, it will communicate with the UAFE's point of contact, which is the General Technical Coordinator or the Operations Analysis Director.
- The General Technical Coordinator or the Operations Analysis Director will inform the reader analyst about the STR and will assign a work order to the operational analyst who is permanently at the CIES terrorism working tables to immediately proceed with the respective financial analysis.
- The designated operational analyst will report the results of the analysis to the General Technical Coordinator and the Operations Analysis Director, who will inform the General Director of the same and if they have sufficient elements, the results will be communicated to the FGE, so that the necessary measures can be taken.

- If the result of the analysis does not have sufficient elements, the case will be shared with the CIES so that, within the scope of its competencies, it can carry out the respective monitoring and follow-up.

338. UAFE also has relevant tools for TF detection purposes. In this regard, UAFE receives information from Customs on declarations of cash movements across the border and participates in GAFILAT's "Cross Border Cash Transport Network", where it exchanges information on cross-border cash movements with 11 countries in the Latin American region, and which is a useful source for information analysis.

339. As mentioned in the previous section, the UAFE and CIES hold periodic working groups to analyse and exchange information on possible TF. Within this framework, there is experience in the development of monitoring and typologies, as mentioned below.

340. In the context of one of these working groups, the authorities felt the need to include the Transnational Intelligence Unit of the National Police of Ecuador as an entity of the country's intelligence subsystem. In December 2020, this institution provided a list of people who could possibly be linked to activities related to the crime of terrorism and its financing. Subsequently, these persons were analysed by the UAFE based on its competences and, as a result of the analysis, a ROII was sent to the FGE.

341. According to intelligence information and field investigations, the initial hypothesis was that the mentioned persons were buying explosives and collaborating with illegal groups located in the border with Colombia. However, the analysis of the UAFE determined that the alleged crime was illegal mining, an emerging threat identified in the NRA.

342. In turn, between 2018 to 2021, the UAFE has responded to 8 requests for Executive Reports by the FGE related to terrorism crimes and their financing, as detailed below:

Table 4.1 - UAFE Executive Reports requested by the FGE in terrorism and TF cases

DATE OF REQUEST FGE	CRIME	RESPONSE	TRIAL	SENTENCE	INSTANCE
6/28/2018	TERRORIST FINANCING	NO INFORMATION IN THE UAFE DATABASE	NO	NO	NA
9/25/2019	TERRORISM	IE No. 2019-10-514	YES	YES	SENTENCE: PRETRIAL DETENTION, APPEAL DENIED
1/15/2020	TERRORISM	NO INFORMATION IN THE UAFE DATABASE	NO	NO	NA
8/19/2020	TERRORISM	IE No. 2020-09-520	NO	NO	NA
9/29/2020	TERRORISM	IE No.2020- 09- 651	NO	NO	NA
1/26/2021	TERRORISM	IE No. 2021-02-153	NO	NO	NA
4/29/2021	TERRORIST FINANCING	IE No. 2021-05-438	NO	NO	NA
6/29/2021	TERRORIST FINANCING	IE No.2021- 07- 000675	NO	NO	NA

343. For its part, the PN has the capacity to investigate TF. There is some history of acts of terrorism in which financial investigations were opened to determine the existence of TF. However, the investigations discarded the TF hypothesis because they did not find a link with acts of financing, which would be consistent with the TF risk profile identified by the assessment team.

344. The FGE has the authority and means to investigate acts of terrorism and TF through its National Specialised Unit Against Organised Crime. This unit is in charge of the investigation and criminal prosecution of offences related to organised crime, terrorism and its financing, among others.

345. Within the UNIDOT, through the prosecutor's offices that compose it, some investigations have been carried out for TF. In this regard, UNIDOT 4, in February 2021, initiated a preliminary investigation, which establishes alleged financing from an irregular armed group in Colombia to finance the activities of political organisations in order to obtain support and thus allegedly extend in the country cells related to this irregular group.

346. Additionally, in the UNIDOT 2 prosecutor's office, a prosecutorial instruction of October 2019 was disclosed for the case of an attack on the facilities of the Teleamazonas television station in the city of Quito, in which 3 detainees were arrested. It was initiated for the crime of terrorism, but after analysing the events, the charges were reformulated for the crime of destruction of private property. In these cases, a financial investigation was initiated to determine the source of funding for the activities.

347. The fluid cooperation that exists between the UAFE, the FGE and the PN should be highlighted, which is materialized through working groups and also, as indicated in IO.7, in the creation of inter-institutional groups to investigate complex crimes.

348. In addition to the above, it should also be mentioned that the country has more than 200 open investigations for alleged terrorism cases, although the authorities indicated that they are in the process of purging and correcting the legal classification of most of them, since they are related to the social disturbances that occurred in 2019 and would be associated with contempt, damages and other crimes, but not with acts of terrorism.

349. In conclusion, although there are no precedents to extract relevant examples of TF prosecutions, it is considered that Ecuador has the capacity to identify and investigate TF. However, as noted in IO. 7, there are resource limitations in the LEAs, and since the FGE does not have a formal mechanism for prioritising cases that establishes the critical importance of prioritising TF cases when they occur, this could have an impact on the effective development of the investigations.

TF investigation integrated with—and supportive of—national strategies

350. As stated in IO. 1, at the time of the on-site visit, the country was working on the approval of a national strategy based on the findings of the NRA, as well as an action plan to implement the resulting strategies. In this regard, although the project cannot be considered for the weighting of the Immediate Outcome because it was not in force at the end of the on-site visit, it is relevant to point out that the national strategy project addresses aspects related to TF. In fact, "understanding the crime of terrorism and terrorist financing" is established as a high priority element, so it will be a priority area for the implementation of the respective action plan.

351. At this point it is also worth mentioning that the country has a 2019–2030 National Plan for Citizen Security and Peaceful Social Coexistence that addresses the constant dynamization of threats to citizen security, such as transnational organised crime (drug and arms trafficking, smuggling, trafficking in persons, illegal mining), and terrorist acts.

352. Furthermore, the CIES within its 2019–2030 Intelligence Plan includes organised crime and the generation of illicit financial flows as a threat to the State, which includes TF. Its reports are shared with strategic government institutions, as well as with intelligence subsystems, including the UAFE.

353. In addition, as mentioned in IO. 7, the country establishes multidisciplinary investigation groups for complex cases, with co-ordination and exchange of information among various relevant authorities, which could be replicated for TF cases in the event of their possible occurrence.

354. In addition, the country has adopted a risk assessment model for NPO sector entities with greater exposure to TF risk, in which communication channels are established between the UAFE and CIES to carry out effective monitoring (for more information refer to IO. 10 and Recommendation 8).

355. Consequently, although there are no specific national strategy governing TF investigation actions, the country has co-ordination mechanisms among the competent authorities that, to a certain extent, would allow investigations to be carried out in an integrated manner. An example of these mechanisms is the permanent Working Group against Terrorist Financing.

Effectiveness, proportionality and dissuasiveness of sanctions

356. Based on the criminal legislation, the crime of TF is sanctioned with 7 to 10 years' imprisonment plus a fine equivalent to twice the amount of the funds and assets involved. Likewise, when the conviction is issued against a public official or servant, it shall be punished with disqualification from holding any public office or position for a period equal to twice the length of the conviction. Meanwhile, when the conviction is issued against an official of the financial or insurance system, it shall be sanctioned with the disqualification to perform management functions in entities of the financial and insurance system for a period equal to twice the length of the conviction.

357. As of the date of the on-site visit, no persons have been convicted for the crime of TF. Therefore, it is not possible to assess the extent to which effective, proportionate, and dissuasive sanctions have been applied for TF. Notwithstanding this, a weighting in the abstract allows concluding that, if there were effective investigations for TF, proportionate and dissuasive sanctions would be applicable to the offenders.

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

358. Since the country does not have a history of TF, there are no concrete situations where alternative measures had to be applied due to the impossibility of passing a sentence. However, there are authorities and mechanisms that could eventually be applied to prevent the movement of funds suspected of TF.

359. In this regard, as developed in IO. 10, the country has a procedure for special precautionary measures for TF, which can be activated urgently and result in the application of freezing measures in short periods of time. The country also has a law on asset forfeiture that could be applied to TF-related assets, since it applies to assets of illicit or unjustified origin or illicit destination (although, at the time of the on-site visit, the court to judge in asset forfeiture proceedings was in the process of being established).

360. Based on the foregoing, it is considered that to a certain extent alternative measures could be applied to interrupt or freeze the assets when a conviction is not possible.

Conclusions on Immediate Outcome 9

361. TF risk in Ecuador is rated as medium level, since although no events associated with persons or entities designated under the UNSCRs have been detected, there are certain vulnerabilities in the country that make monitoring necessary. Law enforcement authorities, in addition to the UAFE, generally understand the TF risk to a good extent. However, there are some limitations in the Judiciary's understanding of TF risk. Additionally, the country did not have a national strategy specifically addressing TF at the time of the on-site visit, although the CIES has a strategic plan that covers terrorism, and the authorities may eventually carry out actions in a co-ordinated manner.

362. The UAFE has important tools to monitor transactions potentially linked to TF, and there is fluid co-operation and co-ordination with the FGE. In the country there are few records of TF investigations, where the criminal hypothesis was discarded after the investigation was carried out. It is considered that the country has the capacity to investigate TF, although there are resource limitations and an absence of formal prioritisation mechanisms that could have an impact on the effective development of TF investigations.

363. The country has more than 200 open investigations for alleged terrorism cases, although the authorities indicated that they are in the process of purging and correcting the legal classification of most of them, since they are related to social disturbances, but not to acts of terrorism. Finally, it is considered that the country has proportionate, and dissuasive sanctions and certain measures that could eventually be used as alternative mechanisms when a TF conviction is not possible.

364. Based on the above it is concluded that Ecuador **shows a Moderate level of effectiveness in Immediate Outcome 9.**

Immediate Outcome 10 (TF preventive measures and financial sanctions)

Implementation of targeted financial sanctions without delay for TF

365. Ecuador has a judicial system to implement targeted financial sanctions (TFS) based on the designations made by the United Nations Security Council under Resolution 1267, as well as a system to implement them upon request of third countries within the framework established by UNSCR 1373. This procedure involves the Financial and Economic Analysis Unit (UAFE), the Attorney General's Office (FGE) and the Council of the Judiciary.

366. The procedure is set forth in Resolution No. UAFE-DG-2022-0095. Said rule provides for the enforcement of Resolutions No. 1267, 1988, 1989, 2253; 1718, 2231, and their successors, or the list to be developed pursuant to Resolution No. 1373 of the United Nations Security Council (UNSC), which applies to measures for the freezing of funds or assets related to TF and FP (in this regard, reference is made to IO. 11).

367. In this regard, the UNSCRs are formally received by the Ministry of Foreign Affairs and Human Mobility (MREMH), who promptly and immediately forwards it to the competent authorities for their knowledge through virtual and physical means. The UAFE, meanwhile, carries out a permanent search of the lists and, upon finding an update or change, updates the

institutional web page and immediately notifies the RIs by e-mail. This procedure is contemplated in the UAFE's Manual for updating restrictive and binding lists, the purpose of which is to provide and inform RIs about access through links to the restrictive and binding lists issued by the UNSC.

368. However, the UAFE has developed the System for the Prevention of Money Laundering and Terrorist Financing (SISLAFT), which recently incorporates a system for searching for matches, made available to RIs, and for use as of March 2022, in which once the UNSCRs or their updates are received, they are loaded into the system and RIs are notified by e-mail so that they can review them immediately, since the system allows them to cross-reference the databases of the FI with the lists uploaded to SISLAFT.

369. In case of matches, RIs will send information to the UAFE through the form designed for this purpose by means of SISLAFT. In this regard, Resolution No. UAFE-DG-2022-0095 provides for immediate compliance by RIs, but does not determine what shall be understood as immediate or the maximum term that RIs have to verify whether or not there is a match and, if so, to notify the UAFE.

370. Once the report from the RI is received, the UAFE verifies the information to determine if the information submitted by the RI is correct and if it is a match; in this case, a sweep is made with the UAFE's databases to gather more information on the person identified as the designated person. If the match is ratified, a report is prepared to be sent immediately to the highest authority of the FGE for the processing of the corresponding special order. In accordance with the Manual of the process of freezing funds for proliferation of weapons of mass destruction issued by the UAFE, the process of verification of information and preparation of the report to the FGE in case of confirmation of the match must be executed immediately (within a maximum of 2 hours).

371. It is worth mentioning that there is also the possibility that, if a citizen becomes aware of any person on the UNSC lists, he/she can report it by e-mail to the UAFE and, once the information is received, the process is carried out as indicated in the previous paragraph.

372. Once the report is received by the highest authority of the FGE, it will instruct the Coordinator of the National Specialised Unit for Investigation against Transnational Organised Crime (UNIDOT) of the FGE to designate the prosecutor who must carry out the procedure for obtaining the special order to freeze the property, funds and other assets linked to a person on the lists of the UNSC.

373. Once the prosecutor has been notified of his designation, he must immediately initiate the relevant investigations to confirm the match and must submit the request for the special order to the Council of the Judiciary in order for the corresponding hearing to be held.

374. It should be noted that the procedure established by the FGE by means of Resolution No. 023 FGE-2022, (Procedure when the adoption of special orders is required for the persons that appear in the list of the United Nations Security Council related to the proliferation of weapons of mass destruction) does not indicate a term for the designation of the prosecutor that will be in charge of the freezing procedure. It only indicates that the prosecutor will have a term of 24 hours from its notice to request the judge to call for an oral hearing.

375. Regarding the request before the Council of the Judiciary to convene the corresponding hearing, there is a discrepancy in the regulations regarding the judge before whom the request must be presented. Resolution 066-2022 of the Council of the Judiciary establishes that such request must be made during normal business hours (Monday to Friday from 8:00 to 17:00 hours)

before a judge with competence in criminal matters, or during extraordinary hours (after working hours, weekends and holidays), before a judge on duty to hear flagrant violations. For its part, Resolution No. 023 GE-2022 of the FGE establishes that it will be filed before the judge of criminal guarantees on duty. This discrepancy was evident during the on-site visit, since not all the actors were clear about who should know.

376. This aspect could lead to a delay in the freezing of funds and assets when a match is found, although it is noted that there is co-operation and fluid communication between the UAFE and the FGE, so it is presumed that, in the event of future matches with UNSC lists, they could co-ordinate measures to act relatively promptly.

377. According to the procedure, once the request is received by the judge, he must convene an oral hearing in which the precautionary measures will be issued or the measure of immobilization or freezing of property, funds or assets will be ordered, and must be resolved within 24 hours (article 551 of the Organic Integral Criminal Code). Such resolution must be notified to the RI and the MREMH so that it notifies the UNSC, as well as the control body of the RI. The precautionary measure ordered must not be notified to the counterpart or published until it has been complied with.

378. Until the freezing order arrives, the regulations recommend RIs to suspend transactions or services with the designated natural or legal persons subject to the match, in order to avoid the risk of a flight of assets or disclosure of information, as indicated in Resolution No. UAFE-DG-2022-0095.

379. From the time limits established it may be indicated that the UAFE has 2 hours for its analysis and referral to the FGE. Meanwhile, once the FGE designates the prosecutor who will hear the case, he has 24 hours to request the corresponding hearing, and the Council of the Judiciary has a term of 24 hours to carry out the hearing for the imposition of measures. Consequently, it is clear from the regulations that the total term could exceed 48 hours from the appointment of the prosecutor, so the freezing would not be carried out without delay.

380. It should be noted that, additionally, two mock sanction implementation drills have been carried out, where the time elapsed between the notification by the RI and the issuance of the special freezing order by the judiciary has been measured, resulting in the application of sanctions in times below those indicated in the regulation.

381. The first drill was carried out in February 2020, where a match was reported by a RI through SISLAFT. In the first drill, response times were measured between the report by the RI, the internal process of the UAFE, the subsequent process carried out by the FGE for the appointment of a prosecutor, and the request for a special freezing order to the Judiciary. The main conclusions of the exercise were the need for specific formats for notifying the FGE, as well as the need for more expeditious screening processes by the UAFE to avoid delays in notifying the relevant authorities.

382. A second drill was carried out in March 2022, where a financial institution simulated finding a positive case and proceeded to report it in the SISLAFT. Upon receipt of the alert from the UAFE, a validation was performed, and information was extracted from the UAFE database to include the information they had for its inclusion in the inputs to be sent to the FGE. From the reception of the simulated alert by the FI until the end of the hearing by means of which the special measure of freezing of funds was granted by the competent judge, 23 hours and 18 minutes

elapsed, which can be considered as "in a matter of hours", in terms of what is established by the standards.

383. The second drill evidences the synergy between the institutions and the fact that the entire process, from the report of the match to the UAFE, to the imposition of the measure by the Council of the Judiciary, was carried out in 23 hours and 18 minutes, which is in line with the term "without delay".

384. During the on-site visit, it was verified that there is a functioning organic procedure, but the deficiency is that it is not universal and that, at the regulatory level, it cannot be guaranteed that the measure can be applied in less than 24 hours, which constitutes a weakness in the effective enforcement of the standard. The parties involved in the process have different deadlines; there is no deadline for the RI to report the match, nor for the highest authority of the FGE to send the prosecutor the designation to be in charge of the case. This could result in the freezing not being carried out without delay, although it could be applied in a period of less than 52 hours (considering the maximum periods indicated in the regulations).

385. In this sense, based on the information analysed and the on-site visit, it was determined that the RIs, mainly FIs, are aware of the obligation of ongoing verification of international lists, including those for FP. However, some DNFBP sectors showed a lower level of awareness and understanding, together with the fact that some DNFBP sectors were recently incorporated as RIs (VASPs, lawyers and accountants), so they are not required to check UNSC lists.

386. As noted, RIs showed awareness of the obligation to immediately inform UAFE in case of a match, as well as familiarity with the updates of the UNSC lists. It is important to mention that, in general, RIs indicated that regardless of the lists' updates, they usually check them in relation to their customers, and some have automated tools that allow instant verification. On the contrary, some of them do not have automated tools, which does not allow instant verification of lists and cross-checking with their databases.

387. Notwithstanding the above, in order to assist RIs in complying with their obligations, the UAFE, in collaboration with the Central Bank of Ecuador, developed a tool for detecting matches of UNSCRs, SISLAFT, which has been made available to RIs.

388. In short, FIs comply with, and understand their obligations to a greater extent than DNFBPs, and check the corresponding lists and understand the procedure to follow in case they are required to report a match. However, some DNFBP sectors present challenges in understanding their obligations.

389. In addition, as indicated, the UAFE has implemented a system to search for matches through SISLAFT, providing RIs with a tool to detect matches between UNSCRs and their databases, as well as a systematised mechanism for reporting matches. The UAFE also has a help desk in case RIs require more personalised guidance in the use of the tool.

390. RIs have also been trained on immediate communication procedures for TF and the reporting system. In this regard, training has been provided on TF content through events such as the Webinar "Good practices to counteract the financing of terrorism and the Central Bank of Ecuador's match search system," through which 899 employees of RIs and public institutions were trained (825 employees of RIs and 74 employees of public institutions competent in the matter).

391. Consequently, the information analysed shows that Ecuador can implement TFSs. Although due to the configuration of its regulations it cannot implement them in less than 24 hours, practice suggests that it would be able to implement them fairly quickly.

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

392. Ecuador conducted an analysis to identify the levels of risk that non-profit organisations (NPOs) represent in terms of their misuse for TF purposes, through technical assistance provided by the World Bank, which also provided a methodological tool for such purposes. This analysis was carried out within the framework of the National Risk Assessment (NRA) and concluded that the NPO sector is "medium low" risk for TF.

393. Of the cases that have been analysed for potential terrorism or TF offences, none has been linked to any NPO; likewise, in the STRs received by the UAFE in which an NPO has been linked, none of the cases have been for potential suspicions of TF. No information was provided on any type of NPO that, because of its characteristics (type of service, organisational structure or other characteristic) could be considered more vulnerable to misuse for terrorist purposes or its financing.

394. The number of NPOs identified in Ecuador is 8,026, most of which are small local organisations with a small number of employees and a modest budget, which limits their capacity to implement personnel hiring controls and could make them vulnerable to misuse for terrorism and its financing. However, according to the results of the analysis carried out, there are eight entities, all of them foreign, which were categorised as "Medium High" risk.

395. Regarding their collection channels, it has been observed that most of them correspond to bank transfers and some smaller cash donations, the latter with the risk that the source of the funds donated is not identified; to a much lesser extent, the use of electronic micro-financing platforms (crowdfunding) was mentioned. In this aspect, no controls are perceived in relation to the collection by the authorities, which implies a vulnerability of the sector.

396. With regard to the execution of resources for the purposes of NPOs, mainly dedicated to providing social services, education, health care or housing to people with scarce resources, this is done with a very low level of use of cash, with practically all operations carried out through the financial system. Thus, it has been indicated that the NPO sector relies on the information and customer due diligence carried out by financial institutions on their customers and users in order to have relevant information on the operations carried out.

397. The NPO sector does not have a natural supervisor. Therefore, the UAFE, as the authority in charge of AML/CFT policies in Ecuador, has developed a monitoring matrix for NPOs, which takes into consideration four main factors, including customer typologies, nature of products and services, geography and use of different channels.

398. As of the date of the on-site visit, there had been no feedback to NPOs regarding typologies, red flags, best practices and other relevant inputs related to the sector's risks for misuse by terrorists and their funders. However, it should be noted that the UAFE has provided training to the sector in relation to procedures for consultation and use of restrictive lists through electronic platforms.

Deprivation of TF property and instrumentalities

399. It is important to note that no matches of designated persons or entities based on TFSs for TF have yet been found. However, the system has been tested on a couple of occasions, through the organisation of general drills in which a RI simulates a match and reports it in SISLAFT, so that the procedure is activated.

400. From the above it can be concluded that, although Ecuador has not identified the presence of funds or other assets linked to terrorism or TF activities in its economy, it has a proven mechanism that allows it to freeze in the event it does. Likewise, the drills carried out have not only allowed testing the system and showing how it works, but have also resulted in analysing potential adjustments and improvements to the system.

401. It should be noted that, considering that the freezing mechanism implemented is similar to that applied to other criminal conducts, RIs have indicated that they have acted promptly upon receiving a freezing request.

402. Likewise, private sector entities have indicated that they have internal mechanisms and procedures by means of which they refrain from carrying out transactions or providing funds to designated subjects or entities from the moment a match is found, so that when the freezing order is received by the Judiciary, it can be implemented immediately, reducing the chances of dissipation of funds or other assets subject to sanction.

Consistency of measures with overall TF risk profile

403. The National Risk Assessment of Ecuador indicates that the exposure of the country to terrorist financing is low, although due to the vulnerabilities of the country, which include porous borders and armed groups from neighbouring countries, the risk has been rated as "medium". Likewise, the risk posed by the misuse of NPOs for terrorist purposes and their financing has been rated as "medium low".

404. It is considered that the absence of matches in the controls related to TFSs by RIs is consistent with the country's risk profile. However, it highlights what has already been pointed out in the analysis of IO. 1, regarding a relatively low understanding of TF risks by RIs, as well as law enforcement authorities, in relation to issues other than the implementation of targeted financial sanctions.

405. The NRA highlights NPOs as a highly vulnerable sector and, although efforts have been initiated to understand the sector and to be able to determine its vulnerabilities and exposure to threats, there is a perceived need for greater synergy among authorities to raise awareness of the risks to NPOs.

406. Another aspect that is relevant to highlight is that, although the legal framework in force at the time of the on-site visit gave NPOs the status of reporting institutions, the country was working on legislative reforms that would give them a specific status and obligations based on risk.

Conclusions on Immediate Outcome 10

407. Ecuador has a mechanism involving three authorities through which it can implement targeted financial sanctions. While the country has not yet detected matches with the lists, which

is consistent with the identified risk profile, the TF freezing mechanism has been tested in practice through a couple of drills with RIs, in which aspects for improvement have been identified and it has been found that the freezing could be done "without delay". However, the technical compliance deficiencies noted in Recommendation 6 result in a complete implementation of the sanctions regimes not being possible. In addition, the maximum deadlines indicated by law do not guarantee that freezing actions will always be implemented without delay.

408. With respect to the NPO sector, its risk level has been analysed and determined to be "medium low" and no cases of misuse of such entities have been detected. The UAFE has developed a monitoring matrix, through which a small number of entities have been identified as “medium high” risk, on which monitoring and outreach actions should be focused. However, it appears that no guidance, feedback or outreach has yet been provided to the entities to discuss issues related to the TF risk to which they may be exposed. Since the risk of the sector has been characterised as "medium low", this is not considered to have a considerable negative impact on the vulnerability of the sector to be used for terrorism or TF purposes, although it is of utmost importance to concretise actions in relation to the subset of higher risk entities.

409. Based on the above, Ecuador shows a **Moderate level of effectiveness in Immediate Outcome 10.**

Immediate Outcome 11 (FP financial sanctions)

Implementation of targeted financial sanctions without delay related to proliferation

410. The country has a regulatory framework for freezing the assets of persons listed in the United Nations Security Council (UNSC) Resolutions on the financing of proliferation (FP), which is the same as the one implemented for terrorist financing issues. However, as in the case of TF, there are technical deficiencies that may limit the degree of effectiveness of the FP TFS system. The procedure to be followed is developed below.

411. It should be noted at the outset that Ecuador's asset freezing system (TFS) is of a judicial rather than administrative nature. That is, although it is initiated from a report of matches by a RI and involves various administrative steps, it is formally implemented from a court order.

412. With respect to TFS for PF, the COIP establishes the special asset freezing measures that the country may apply (Art. 551), based on the fact that the financing of weapons of mass destruction is typified as a criminal offence (Art. 362). In this sense, it is possible to enable the framework of precautionary measures for the application of TFS for PF.

413. On March 21, 2022, the UAFE issued Resolution No. UAFE-DG-2022-0095 which resolves to issue the Procedure for the application of Resolutions No. 1267, 1988, 1989, 2253; 1718, 2231, and their successors, or the list to be developed pursuant to Resolution No. 1373 of the United Nations Security Council (UNSC), which applies to measures for the freezing of funds or assets related to TF and FP.

414. In this regard, the UNSCRs are formally received by the MREMH, who promptly and immediately forwards it to the competent authorities for their knowledge through virtual and physical means. Notwithstanding the above, the UAFE, carries out a permanent search of the lists and, upon finding an update or change, updates the institutional web page and immediately notifies the RIs by e-mail. This procedure is contemplated in the UAFE's Manual for updating

restrictive and binding lists, the purpose of which is to provide and inform RIs about access through links to the restrictive and binding lists issued by the UNSC.

415. However, the UAFE has developed the System for the Prevention of Money Laundering and Terrorist Financing (SISLAFT), which recently incorporates a system for searching for matches, made available to RIs, and for use as of March 2022, in which once the UNSCRs or their updates are received, they are loaded into the system and RIs are notified by e-mail so that they can review them immediately, since the system allows them to cross-reference the databases of the FI with the lists uploaded to SISLAFT. In addition, RIs should permanently verify the existence of matches with the lists.

416. In case of matches, RIs will send information to the UAFE through the form designed for this purpose by means of SISLAFT. In this regard, Resolution No. UAFE-DG-2022-0095 establishes that RIs must immediately verify if there are matches, but does not determine what shall be understood as immediate or the maximum term that RIs have to verify whether or not there is a match and, if so, to notify the UAFE. Although the referred Resolution provides in its Article 11 the concept of without delay (not immediately as mentioned above), it indicates that it shall be understood in a matter of hours and should be interpreted in the context of the need to prevent the flight or dissipation of funds or assets, but the term that RIs could have for the review and subsequent communication to the UAFE remains ambiguous.

417. Once the report from the RI is received, the UAFE verifies the information to determine if the information submitted by the RI is correct and if it is a match; in this case, a sweep is made with the UAFE's databases to gather more information on the person identified as the designated person. If the match is ratified, a report is prepared to be sent immediately to the highest authority of the FGE for the processing of the corresponding special order. In accordance with the Manual of the process of freezing funds for proliferation of weapons of mass destruction issued by the UAFE, the process of verification of information and preparation of the report to the FGE in case of confirmation of the match must be executed immediately (within a maximum of 2 hours).

418. It is worth mentioning that there is also the possibility that, if a citizen becomes aware of any person on the UNSC lists, he/she can report it by e-mail to the UAFE and, once the information is received, the process is carried out as indicated in the previous paragraph.

419. Once the report is received by the highest authority of the FGE, it will instruct the Coordinator of the National Specialised Unit for Investigation against Transnational Organised Crime (UNIDOT) of the FGE to designate the prosecutor who must carry out the procedure for obtaining the special order to freeze the property, funds and other assets linked to a person on the lists of the UNSC.

420. Once the prosecutor has been notified of his designation, he must immediately initiate the relevant investigations to confirm the match and must submit the request for the special order to the Council of the Judiciary in order for the corresponding hearing to be held.

421. It should be noted that the procedure established by the FGE by means of Resolution No. 023 FGE-2022, Procedure when the adoption of special orders is required for the persons that appear in the list of the United Nations Security Council related to the proliferation of weapons of mass destruction, does not indicate a term for the designation of the prosecutor that will be in charge of the freezing procedure. It only indicates that the prosecutor will have a term of 24 hours from its notice to request the judge to call for an oral hearing.

422. Regarding the request before the Council of the Judiciary to convene the corresponding hearing, there is a discrepancy in the regulations regarding the judge before whom the request must be presented. Resolution 066-2022 of the Council of the Judiciary establishes that such request must be made during normal business hours (Monday to Friday from 8:00 to 17:00 hours) before a judge with competence in criminal matters, or during extraordinary hours (after working hours, weekends and holidays), before a judge on duty to hear flagrant violations. For its part, Resolution No. 022 GE-2022 of the FGE establishes that it will be filed before the judge of criminal guarantees on duty.

423. This discrepancy was evident during the on-site visit, since not all the actors were clear on who should know, which could lead to a delay in the freezing of funds and assets at the time of a match. Although it is noted that there is fluid co-operation and communication between the UAFE and the FGE, it is necessary for the judges to be more aware of their competence to order freezing measures with immediacy in the event of possible coincidences with the lists.

424. According to the procedure, once the request is received by the judge, he must convene an oral hearing in which the precautionary measures will be issued or the measure of immobilization or freezing of property, funds or assets will be ordered, and must be resolved within 24 hours (article 551 of the Organic Integral Criminal Code). Such resolution must be notified to the RI and the MREMH so that it notifies the UNSC, as well as the control body of the RI. The precautionary measure ordered must not be notified to the counterpart or published until it has been complied with.

425. Until the freezing order arrives, the regulations recommend RIs to suspend transactions or services with the designated natural or legal persons subject to the match, in order to avoid the risk of a flight of assets or disclosure of information, as indicated in Resolution No. UAFE-DG-2022-0095, Art. 3. It should be noted that the freezing will depend on the respective court order.

426. It is important to mention that the regulatory framework through which the Council of the Judiciary acts for the imposition of freezing measures corresponds to Resolutions No. 254-2014 and 066-2022, but said regulation does not explicitly cover matters related to FP, but only terrorism and its financing; although it was indicated during the on-site visit that the applicable procedure is the same and in practice it has been extended to FP.

427. From the time limits established in the regulation it may be indicated that the UAFE has 2 hours for its analysis and referral to the FGE. Meanwhile, once the FGE designates the prosecutor who will hear the case (although the regulation does not provide a specific term, in practice it has been designated in approximately 1 hour), he has 24 hours to request the corresponding hearing, and the Council of the Judiciary has a term of 24 hours to carry out the hearing for the imposition of measures. Consequently, it is clear from the regulations that the total term could exceed 48 hours, so that the freezing would not be carried out without delay.

428. Notwithstanding the foregoing, it should be noted that during the on-site visit, information was presented that proved that in the country an alleged match with the UNSC lists on FP was detected by an entity of the popular and solidarity economy sector, detecting the match at the time the person approached to open an account with the RI, which activated the asset freezing mechanism. In this case, the freezing resolution issued by the judge was obtained within 72 hours of detection by the RI. This case was relevant, since the different stages of the process were carried out and the measure was effectively imposed.

429. Although from the subsequent result of the investigation it was determined that the match was a homonym (false positive), it is evident that the different competent authorities—particularly the UAFE, the FGE and the PN—worked in a co-ordinated manner, achieving the imposition of the measures in a time frame that, although not without delay as established by the standard, was effective (however, it should be mentioned that in this case there were certain delays in setting the hearing, meant that the freezing order could not be issued more promptly).

430. One aspect of improvement that stands out in the case presented is the fact that the court on duty rejected the FGE's request for the hearing for the imposition of measures, so that it had to wait until business hours to present the request before a judge of criminal guarantees; this shows the difficulty that arises due to the potential lack of knowledge on the part of the judges with respect to the process. However, it should be noted that in March 2022 the Council of the Judiciary reformed its regulatory framework and expressly provided that these matters must be handled with the utmost urgency and the measure must be processed even outside working days and hours.

431. It is important to highlight that, as a result of the aforementioned case, the country sought to implement improvements in the process, and two simulations of matches with UNSC lists were carried out in February and March 2022, which has allowed testing the system and has generated aspects of improvement that have been implemented to remedy the deficiencies identified. The second simulation evidences the synergy between the institutions and the fact that the entire process, from the report of the match to the UAFE, to the imposition of the measure by the Council of the Judiciary, was carried out in 23 hours and 18 minutes, which is in line with the term "without delay".

432. During the on-site visit it was verified that there is a functioning organic procedure, but the absence of some deadlines in its regulations and the lack of knowledge on the part of all the actors regarding the process is identified as a weakness, meaning that in practice it may not be applied in less than 24 hours, which constitutes a weakness in the effective compliance with the standard. The parties involved in the process have different deadlines; there is no deadline for the RI to report the match, nor for the highest authority of the FGE to send the prosecutor the designation to be in charge of the case. This could result in the freezing not being carried out without delay, although it could be applied in a period of less than 52 hours.

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

433. RIs check the UNSC lists on FP in the SISLAFT, which is updated by the UAFE, as well as the UAFE web page, where they can also find the links to each of the restrictive lists. RIs are required to review them and immediately inform the UAFE of any coincidence with the databases of their customers.

434. As previously stated, there was a case in which a match was found with the databases of a RI whose customer was a person that matched the name of a person designated by the UNSC, the applicable procedure was carried out and the resolution to freeze the funds was issued within approximately 72 hours after detection by the RI.

435. It should be noted that the freezing measures also include the general freezing of assets, and the supervisory bodies of the financial system and other control entities are duly notified.

436. This shows that Ecuador has mechanisms that allow it to identify assets and persons listed in the UNSCR, although the deadlines and some stages of the respective procedure are not clear and could lead to the freezing measure not being carried out without delay.

Understanding of and compliance with obligations by FIs and DNFBPs

437. According to the information analysed and the on-site visit, it was determined that the RIs, mainly FIs, are aware of the obligation of ongoing verification of international lists, including those for FP. However, some DNFBP sectors showed a lower level of awareness and understanding, together with the fact that some DNFBP sectors were recently incorporated as RIs (VASPs, lawyers and accountants), so they are not required to check UNSC lists.

438. As noted, RIs showed awareness of the obligation to immediately inform UAFE in case of a match, as well as familiarity with the updates of the UNSC lists. It is important to mention that, in general, RIs indicated that regardless of the lists' updates, they usually check them in relation to their customers, and some have automated tools that allow instant verification. Some of them do not have automated tools, and cannot conduct the instant checking of lists and cross-checking with their databases.

439. In short, FIs comply with, and understand their obligations to a greater extent than DNFBPs, and check the corresponding lists and understand the procedure to follow in case they are required to report a match. However, some DNFBP sectors present challenges in understanding their obligations. The same applies to VASPs, which were very recently incorporated into the AML/CFT system.

440. In addition, as indicated, the UAFE has implemented a system to search for matches through SISLAFT, providing RIs with a tool to detect matches between UNSCRs and their databases, as well as a systematised mechanism for reporting matches.

441. RIs have also been trained on immediate communication procedures for FP and the reporting system. In this regard, training has been provided on FP content through events such as the Webinar "Good practices to counteract the financing of terrorism and the Central Bank of Ecuador's match search system", through which 899 employees of RIs and public institutions were trained (825 employees of RIs and 74 employees of public institutions competent in the matter).

Competent authorities ensuring and monitoring compliance

442. Several authorities are in charge of ensuring the implementation of the UNSCRs. The MREMH, which receives the notifications from the UNSC and immediately disseminates them to the competent authorities. The UAFE, which has established mechanisms for RIs to search for matches and is the authority that receives the report from RIs when there is a match or a communication from a citizen. The UAFE also performs its own review of the databases in order to counteract any situation that has not been identified by the RIs.

443. Likewise, within the framework of its competencies, the UAFE carries out the monitoring and supervision of RIs' compliance with the obligation to identify matches with the UNSC lists, together with the other supervisory bodies. In order to ensure compliance by RIs, it is verified that in addition to the obligation imposed by the regulations to review the lists, RIs have ML/TF prevention manuals that establish the obligation to review the lists of the UNSC.

444. The UAFE must send the report to the highest authority of the FGE, and the case is assigned to a prosecutor through the lottery mechanism. The designated prosecutor must review the report sent by the UAFE, must conduct the corresponding investigation to ensure that the

individual or entity to be sanctioned is sanctioned and also request the imposition of freezing measures.

445. Finally, the Council of the Judiciary is the entity in charge, through the competent judges, of processing the requests for special orders required by the FGE, analysing the cases, and imposing the freezing measures when applicable. Regarding the processes for unfreezing, in the cases indicated by the legal framework, the judge who issued the measures is also the competent party to lift them.

446. It is important to indicate that, in the case of match, it was stated that when the request for imposing measures was presented to the judge on duty, he did not want to accept it because it was made during non-working hours, and it was necessary to wait for it to be assigned to a judge of criminal guarantees, after the drawing of lots within the Council of the Judiciary for its assignment. The above evidence limitations in the knowledge of the procedure by the competent judges, which may generate difficulties in the immediate imposition of freezing measures.

447. In addition, the SB, SEPS and SCVS have the capacity to supervise RIs in terms of compliance with the review of matches between their customers and persons listed in the UNSCR, and the supervisions carried out by these institutions in this area are presented below:

Table 4.2. SB - Supervisions of compliance with UNSCR lists

Modality	2017	2018	2019	2020	2021
On-site	8	9	14	8	12

Table 4.3. SEPS – Supervisions of compliance with UNSCR lists

Regulatory obligation; CDD; verification of review and checking of UN listings	2017	2018	2019	2020	2021
Permanently review and cross-check customers in the UN lists.	19	14	12	4	10

Table 4.4. SCVS - Supervisions of compliance with UNSCR lists

Year	Sector	On-site	Off-Site	Total
2017	Insurance	1	0	1
	Real Estate Companies	44	1	45
	Courier	3	0	3
	Others	9	1	10
TOTAL 2017		**57**	**2**	**59**
2018	Insurance	8	74	82
	Securities Market	3	85	88
	Real Estate Companies	31	38	69
	Courier	1	-	1
	Others	18	22	40
TOTAL 2018		**61**	**219**	**280**
	Securities Market	6	1	7
	Real Estate Companies	178	42	220

	Courier	34	1	35
	Remitters	4	0	4
	Others	15	13	28
TOTAL 2019		**237**	**57**	**294**
2020	Insurance	3	0	3
	Securities Market	14	0	14
	Real Estate Companies	27	9	36
	Courier	15	1	16
	Remitters	2	0	2
	Others	8	19	27
TOTAL 2020		**69**	**29**	**98**
2021	Insurance	1	0	1
	Securities Market	4	4	8
	Real Estate Companies	21	45	66
	Courier	1	1	2
	Remitters	1	0	1
	Others	1	26	27
	Securities issuing companies	0	4	4
TOTAL 2021		**29**	**80**	**109**

448. For its part, the UAFE has reviewed the use of the matching search system by all RIs and has been able to identify the following results.

Table 4.5. UAFE - Searches in the SISLAFT

YEAR 2022	SEARCHES PERFORMED
JANUARY	124
FEBRUARY	10
MARCH	597
APRIL	375
TOTAL	**1106**

449. It is considered that, for the most part, competent authorities largely monitor and seek compliance by RIs, identifying the important role and competence they play in each phase of the process, although there are difficulties in the judges' knowledge of the procedure.

450. Also, the training efforts that have been developed in this area are recognised and it is expected that the implementation of SISLAFT will allow a more effective implementation of TFSs by RIs.

Conclusions on Immediate Outcome 11

451. Ecuador has made significant efforts to provide all RIs with a tool to search for matches with the UNSC lists, as well as the means for them to report in a timely manner and be aware of their obligations in this area.

452. However, the prompt implementation of the measures could be affected by the characteristics of the planned mechanism and the diversity of regulations applicable to each of the actors involved in the process, as well as the absence of deadlines in some of the stages.

453. Consequently, the procedure established at the regulatory level could affect the mechanism and its implementation without delay. However, it is important to note that, in the face of a presumed match with the FP lists, the country was able to implement the freezing measure with a certain degree of promptness. Exercises have also been carried out to test the responsiveness of the system and the speed with which measures can be implemented.

454. In this regard, Ecuador shows a **Moderate level of effectiveness** in Immediate Outcome 11.

CHAPTER 5. PREVENTIVE MEASURES

Key Findings and Recommended Actions

Key findings

1. Ecuador has a variety of RIs whose level of understanding of risks, knowledge of their AML/CFT obligations, and implementation of preventive measures, varies depending on the sector involved.
2. With respect to FIs, the banking sector has a higher maturity in terms of implementation of preventive measures. The securities, insurance and popular and solidarity sectors have a good level of understanding of their ML risks, and it was verified that they apply preventive measures accordingly. The remittances sector has a moderate understanding; and the exchange offices sector only understands these risks to a certain extent.
3. With regard to DNFBPs, the understanding of risks in the real estate and automotive sectors stands out. In the rest of the sectors, the implementation of CDD measures, record keeping, and identification of BO presents significant opportunities for improvement.
4. In general, the understanding of TF risk presents challenges, as there is not a thorough understanding of the different modalities it can take beyond the operations associated with persons or entities listed under the UNSCRs.
5. The financial sector applies, in general and depending on the risk profile of each customer, enhanced due diligence (EDD) procedures for customers engaged in high-risk activities, or simplified due diligence (SDD) in lower risk scenarios. As for DNFBPs, the effective implementation of CDD measures varies by sector. Moreover, due to recent reforms to the regulatory framework, some entities may not be implementing the specific measures associated with CDD in line with the latest reforms.
6. Given that the country has very recently incorporated lawyers, accountants, and VASPs as RIs, these sectors are not yet applying preventive measures.
7. RIs have, in general, AML/CFT procedures manuals where the concepts of the risk-based approach are well consolidated. However, some RIs may not yet have updated their manuals with this approach and are therefore not applying it accordingly.
8. Notaries and the recently incorporated dealers in jewellery, precious metals and stones as RIs are some of the sectors that present significant ML vulnerabilities, are not well aware of their risks, and present insufficient control and mitigation measures.

Recommended Actions

1. Strengthen knowledge of AML/CFT obligations and implementation of preventive measures by RIs, particularly remittance companies and DNFBPs with greater exposure to risk and materiality.
2. Complete the regulation of the applicable AML/CFT measures and develop outreach activities with the sectors recently incorporated into the AML/CFT system (lawyers, accountants, and VASPs), in order to make them aware of the scope of their AML/CFT obligations so that they start implementing them effectively.
3. Continue to develop training and feedback activities on STRs to improve their quality.
4. Strengthen understanding of the ML risks to which RIs are exposed, mainly DNFBPs, in order to assist in the process of preparing risk matrices for their customers.
5. Expand efforts to improve the level of RIs' understanding of the TF risks, and continue with their training on the subject.

The relevant Immediate Outcome considered and assessed in this chapter is IO. 4. The Recommendations relevant for the assessment of effectiveness under this section are R. 9-23.

Immediate Outcome 4 (Preventive Measures)

455. As of December 2021, Ecuador had 20,177 RIs, composed of 370 from financial sectors, 8,058 DNFBPs, and 11,749 other non-financial economic activities required to report to the UAFE. The financial sectors concentrate most of the resources and investments, presenting a greater exposure to ML/TF risk. However, DNFBPs also have a relevant participation in Ecuador's economy and some of them are among the most critical sectors in terms of the threats faced by the country.

Table 5.1. Financial sectors that are part of the National AML/CFT System[17]

Supervisor	FI Sectors	2017	2018	2019	2020	2021
SB	Domestic private banks	27	0	0	0	0
	Foreign private banks	1	0	0	0	0
	Public Banks	6	0	0	0	0
	Exchange offices	1	0	0	0	0
	Issuance and administration of means of payment/credit cards	0	0	0	0	0
	Representations of foreign banks	0	0	0	0	0
	Total	**35**	**0**	**0**	**0**	**0**
SEPS	Credit unions	91	27	92	13	5
	Total	**91**	**27**	**92**	**13**	**5**
SCVS	Remitters	13	5	9	9	11
	Stock exchanges				2	2
	Securities firms*	1		1	2	
	Funds and trust management companies	8	2	1	3	1
	Domestic insurance and reinsurance companies	39				
	Total	**61**	**7**	**11**	**14**	**14**

[17] Information provided by SISLAFT – UAFE 2017- 2021, the statistics are according to the activation date of the registration code. The year 2017 corresponds to cumulative value of previous years and includes financial institutions under liquidation and active status.

Supervisor	FI Sectors	2017	2018	2019	2020	2021
TOTAL FI		**187**	**34**	**103**	**27**	**19**

*The total number of securities firms as of December 2021 is 32. Active securities firms by year: 2017: 35, 2018:31, 2019:31, 2020: 34, 2021: 32.

Table 5.2 DNFBP Sectors required to report to the UAF[18]

Supervisor	DNFBP Sectors	2017	2018	2019	2020	2021
SCVS	Real estate investment and brokerage	3434	655	1104	448	368
	Precious metals and stones dealers	0	0	0	0	38
	Courier	126	5	9	9	11
	Trust and corporate service providers	16	0	1	1	0
	Total	**3576**	**660**	**1114**	**458**	**417**
UAFE	Notaries	514	44	5	10	18
	Real estate sector (individuals)	9	62	123	42	33
	VASP	0	0	0	0	0
	Lawyers	0	0	0	0	0
	Dealers in precious metals and stones(natural persons)	78	198	277	157	263
	Accountants	0	0	0	0	0
	Total	**601**	**304**	**405**	**209**	**314**
TOTAL DNFBPs		**4177**	**964**	**1519**	**667**	**731**

Table 5.3 Other non-financial economic activities required to report to the UAFE[19]

Supervisor	Other non-financial economic activities	2017	2018	2019	2020	2021
SCVS	Car dealers	310	33	46	25	53
	Transportation of valuables	0	0	0	0	2
	Building Companies	3434	655	1104	448	368
	Total	**3744**	**688**	**1150**	**473**	**423**
UAFE	Property and commercial registrars	210	1048	1656	824	1146
	Foundations and non-governmental organizations	131	49	68	78	48
	Political parties and organizations	0	0	0	0	13
	Total	**341**	**1097**	**1724**	**902**	**1207**
TOTAL OTHER NON-FINANCIAL ACTIVITIES		**4085**	**1785**	**2874**	**1375**	**1630**

456. Based on the aspects of risk, context and materials identified in Chapter 1 of the report, the elements of the Core Issues of this Immediate Outcome were weighted assigning a higher relative weight to the banking, popular and solidarity banking, notaries, real estate, and VASP sectors; followed by a medium materiality of the securities, remittances, lawyers[20] and dealers in precious stones sectors; in third place, with a lower materiality, by the insurance, exchange

[18] Information provided by SISLAFT – UAFE 2017- 2021, the statistics are according to the activation date of the registration code. The year 2017 corresponds to cumulative value of previous years and includes institutions in active status.
[19] Information provided by SISLAFT – UAFE 2017- 2021, the statistics are according to the activation date of the registration code. The year 2017 corresponds to cumulative value of previous years and includes institutions in active status.
[20] The assessment team understands in principle that lawyers have a medium materiality, based on the information provided by the country. However, there was no opportunity to interview the sector or to have more information from the private sector itself that would allow for a more detailed analysis in this regard.

offices, accountants, and providers of corporate and trust services sectors, and finally by the remaining sectors.

457. The findings of Immediate Outcome 4 are based on interviews with a variety of private sector representatives, input from supervisors, information from Ecuadorian authorities regarding the materiality and risks of each sector (including the NRA, a report of highly reporting institutions, and some sectoral risk studies).

458. In summary, the meetings with private sector representatives showed synergies, some between competent authorities and RIs, and mainly to strengthen the understanding of risks and the detection of suspicious transactions. Some of these synergies are recent and therefore present opportunities for improvement.

459. Financial leasing entities have not been designated as RIs, but show a really low materiality, so they do not represent a significant impact on the AML/CFT system.

460. Furthermore, the exchange offices sector is mainly made up of operators not authorised by the SB, which is a major concern for the competent authorities and other RIs, since they are not required to implement AML/CFT prevention measures.

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

461. Ecuador has published its NRA with disclosure to RIs, as well as a 2019-2030 National Comprehensive Security Plan that addresses objectives, strategies, monitoring, and evaluation phases for the prevention and combating of threats such as ML and TF, among others.

462. For its part, the UAFE and some supervisors have provided feedback and massive training programs aimed at reinforcing knowledge on AML/CFT obligations. The UAFE has also prepared a compilation of ML typologies to provide strategic information to the reporting sectors to improve their control and monitoring mechanisms against criminal organisations. It has also prepared an executive report on the analysis of highly reporting institutions to encourage the correction of reporting and an active and responsible participation in the reporting of suspicious transactions. For its part, the SCVS has prepared a compendium of rules for Good Corporate Governance for voluntary subscription, which expressly incorporates measures to mitigate corporate corruption.

463. In general terms, RIs of the main financial sectors present a higher level of understanding of their ML risks than DNFBPs. However, both FIs and DNFBPs present opportunities for improvement in terms of their understanding of TF risks, as it is practically treated in the same way as ML, and they tend to identify TF risk associated with UNSC list matches.

a) FIs

464. The banking, securities, insurance, and popular and solidarity sectors have a good understanding of their main ML risks, and they apply to some extent a risk-based approach. The maturity of the financial sector in the risk management process has led it to adopt mitigation measures to address the identified risks, although during the on-site visit dissimilar criteria were noted among some RIs regarding specific risk events. However, the remittance sector (of medium materiality) and exchange offices (of low materiality) show, by contrast, a lower level of understanding of their risks.

465. In terms of TF risks, the banking sector has a greater understanding of its exposure to crime than the other sectors. However, TF risk is always associated with international lists.

466. The UAFE and sectoral supervisors, together with the private sector, have developed different working groups and training courses with the aim of highlighting the risks identified in the NRA, explaining the preventive framework that applies to them, and orienting the application of ML/TF prevention and detection measures towards the business dynamics most exposed to such risks.

b) DNFBPs

467. DNFBPs generally participate in the training provided by the UAFE and other activities developed by the SCVS to strengthen their understanding of risk and the scope of their AML/CFT obligations. Particularly, the real estate and automotive sectors (with which an AML Prevention Guide is being developed) showed a greater understanding of the risks identified in the NRA and of their obligations. However, the notary sector's understanding of ML risks is low, as is that of the dealers in precious metals and stones sector, which has recently been incorporated as a RI.

468. In relation to TF risk, the understanding of risks is more limited than for ML. In this regard, it was observed that some DNFBPs, particularly the sector of notaries, dealers in precious metals and stones and accountants, treat the risks associated with ML and TF indistinctly.

469. According to the information provided during the on-site visit, the RIs under the supervision of the SCVS are in the process of updating their ML/TF prevention manuals, as well as the qualification of their compliance officers (between May 31 and August 31, 2022).

470. Lawyers, accountants and corporate service providers have been incorporated as RIs once the on-site visit was completed, so it can be presumed that they are beginning a process of awareness and training given that they still have a very limited understanding of risks. Along with these new RIs, VASPs have also been incorporated, and they have anticipated the application of some measures for formal identification and knowledge of their customers.

471. In relation to entities engaged in financial leasing that have not yet been incorporated as RIs, but have a low materiality, the UAFE has developed a sectorial study that concluded that their activities are subject to reporting through the commercial or property registries where they register their contracts, and these may report suspicious transactions associated with this sector.

Implementation of risk-mitigating measures

472. In general, RIs in the financial sector implement measures proportionate to the risks they assess. However, the remittance sector presents certain limitations in their implementation, especially in relation to thresholds and customers performing multiple operations and transactions. Regarding DNFBPs, the real estate and automotive sectors present an adequate level of risk awareness and risk mitigation, while the rest of the sectors show weaknesses derived from their lower level of risk understanding.

a) FIs

473. The applicable regulatory framework has progressed in recent years to deepen the risk-based approach (RBA). In particular, in terms of due diligence, it contemplates 4 steps to be

followed to collect, verify, and update the identity of customers, establish their transactional and behavioural profile and monitor (and report) their transactions. It also establishes that RIs must apply enhanced CDD measures when risks are high. Moreover, due diligence must be applied to all customers, regardless of the threshold of the occasional transaction, as well as to all counterparts (shareholders, employees and market) of the RI.

474. The financial sector applies, in general and depending on the risk profile of each customer, enhanced due diligence (EDD) procedures for customers engaged in high-risk activities, or simplified due diligence (SDD) in lower risk scenarios. SDD lightens the customer information gathering process, and is applied under the RI's responsibility as long as it does not entail a lack of knowledge of the customer, his transactional profile, or prevent its monitoring or reporting. In the banking sector, although the possibility of implementing SDD measures already existed, recent reforms have made it possible to strengthen these procedures.

475. The remittance sector regulations, on the other hand, provide for the application of SDD below a threshold (USD 10,000) rather than risk factors. Although its practical application does not seem to be so strict, it is important to note that the remittance sector, and recently the banking sector, are the only ones required to refrain from initiating or executing transactions when the customer does not provide CDD information. In the remittance sector and FIs regulated by the SB, this provision affects all types of customers. For the rest of the cases, the regulation enables RIs to analyse the opportunity to make a ROII.

476. The banking sector, both private and public, has had to adapt its internal control systems to the updated control standards for the Risk Management of Money Laundering and Financing of Crimes such as Terrorism (ARLAFDT), published on May 29, 2020, with recent amendments on March 9, 2022, and March 24, 2022. Its practical application involves the preparation of a half-yearly inherent risk matrix to be sent to the supervisor, who will use it as input for the preparation of a sectoral risk matrix.

477. Moreover, the private banking sector interviewed stated the application of a risk management model structured in 3 lines of defence, in which the internal audit performs an independent review of the model, verifying compliance and effectiveness of the established policies. However, with regard to financial groups, although the COMF establishes that the legal entities that make up the group must follow the common policies applied by the head of the group (bank), during the interviews it was noted that they do not seem to have approved ML/TF prevention policies and procedures applicable to the entire group, especially when the latest regulatory changes incorporate an optional, and therefore not mandatory, provision on this matter.

478. Ecuador has recently strengthened the banking sector's ML/TF risk governance framework, granting new responsibilities to the board of directors (in defining the entity's risk appetite, tolerance, indicators and limits) and to the control bodies (compliance committee and compliance officer).

b) DNFBPs

479. In comparative terms, the real estate and automotive sectors are implementing ML/TF prevention controls better, especially with respect to customer monitoring and follow-up of the business relationship. However, the real estate sector, which has extended the due diligence process to all its counterparts, applies CDD based on a threshold (USD 10,000) and not on risk factors.

480. The notary sector and the jewellery dealers sector showed significant limitations in their understanding of ML/TF risks and a rather limited knowledge of their obligations in this area, which makes it difficult for them to implement risk mitigation measures. Moreover, the level of understanding of these risks by the precious metals exporting sector is unknown, despite the fact that the use of gold exports to channel illicit money has been included in the list of ML typologies produced by the UAFE.

481. It is important to mention that the UAFE has initiated an approach to the notarial sector, developing through the areas of strategic analysis and supervision, a priority matrix with RBA for customers and a supervision guide to standardise the process of on-site and off-site inspection that it plans to carry out, which includes a risk matrix.

Implementation of specific and enhanced CDD and record keeping requirements

482. For CDD purposes, RIs use Ecuador's national identity system, which is based on the passport and a mandatory identity card for all Ecuadorian citizens over 18 years of age and for foreign citizens residing in the country. In addition, this information must be complemented with a) a unique taxpayer registration number—RUC—, which is issued by the SRI, coincides with the identity card number in the case of natural persons, and is used to carry out economic activities in Ecuador; and b) Certificates of compliance with obligations issued by the SB and SCVS in relation to the institutions of their corresponding sector, and which enable the execution of procedures inherent to activities of the sector, under the regulatory framework in force.

483. The UAFE, for its part, does the same with the RIs under its control and within the scope of its obligations. This last number, in addition to other data, is required by all RIs for the initiation of the commercial relationship.

484. Access to these and other data through publicly accessible databases, such as: 1) the information portal/corporate sector, stock market and insurance of the SCVS (for commercial legal persons); 2) the Single Taxpayer Registry (RUC) for private legal persons (civil and commercial) of the Internal Revenue Service; the different registries and systems of the UAFE, such as 3) the Matching Search system of one or several persons in the lists of terrorists of the UNSC, or 4) of entities registered in the General State Comptroller's Office, as well as the different guides issued by public authorities, 5) the guide on PEPs issued by the UAFE so that the reporting institutions may have a better understanding of the scope of the definition of PEPs and the criteria for their designation with a risk-based approach, allow to a great extent the tasks of verification of CDD information and their BOs to be carried out in an adequate and updated manner. The analysis of access to BO information is discussed in more detail in IO. 5.

485. Ecuador's preventive framework does not allow for the outsourcing of CDD, although it does allow for the search for information, which, however, is not accurate in most legal persons since they usually have a natural person as the first shareholder.

486. In general, RIs in the financial sector apply adequate due diligence and record keeping measures, although in the remittance sector there are opportunities for improvement in terms of enhanced CDD. As for the insurance sector, there appear to be no provisions on the part of the SCVS in terms of verification of the identity of the BO. Also, RIs in the DNFBP sector should broadly comply with the CDD measures foreseen for the financial sector. However, due to their recent incorporation as RIs, lawyers, accountants, professional service providers, and VASPs are not yet applying preventive measures.

a) FIs

487. The sector has been collecting, in general, all the necessary information to adequately identify customers and carry out enhanced CDD, including, in the case of legal person customers, the identification of the BO. Failure to comply with these obligations is subject to supervision across the board in the reporting sectors.

488. Financial institutions have compliance manuals with instructions for CDD, including the determination of the BO and continuous monitoring. However, only remittance companies, and recently banks, refrain from conducting or continuing business transactions when the customer does not provide CDD information. Particularly, in the case of banks, when they have suspicions that the customer or user is linked to ML or TF activities and reasonably consider that by performing the CDD process they will alert the customer, they must submit a STR to the UAFE.

489. Particularly, banks, insurance and securities entities interviewed during the assessment visit, showed a correct implementation of CDD measures and record keeping for a period of 10 years. However, in the risk matrix of the banking sector, prepared by the SB as of December 31, 2021, deficiencies were identified in some of the institutions of the sector in terms of CDD policies, as well as in the management of corporate governance and internal control, whose follow-up is planned to be carried out through on-site visits. The rest of the sectors did not show the same level of understanding in implementing enhanced CDD and record keeping.

490. In terms of BO identification, FIs interviewed during the on-site visit indicated the use of the SCVS public database that allows them to perform the corresponding verifications with respect to the information obtained in the CDD process of their legal person customers.

b) DNFBPs

491. Like FIs, DNFBPs have an established framework to know their customers and keep information updated. In compliance with resolutions issued by the UAFE and SCVS, DNFBPs must apply CDD measures based on risk (ongoing CDD, simplified CDD, and enhanced CDD). In addition, they must develop actions to obtain, record and permanently update information on the true identity of their customers, whether regular or occasional, and the commercial transactions carried out.

492. The real estate and automotive sectors are implementing these measures with a good level of understanding. However, notaries and dealers in jewellery, precious metals and stones—the latter recently incorporated as RIs—present a limited understanding of ML/TF risk and, therefore, a very limited application of the preventive measures applicable to them.

493. In terms of record keeping, DNFBPs are required to retain CDD and reporting documents for 10 years. In the case of SCVS reporting institutions, they are required to record all transactions or operations carried out by their customers. However, according to the applicable regulations, they are only required to keep the information associated with reports (associated with thresholds, STRs, own operations, replacements of information already reported). In general, DNFBPs regulated by the UAFE do not have the legal framework for recording all transactions or operations.

Implementation of EDD Measures

494. Ecuador's AML/CFT legal framework establishes, for all RIs, the obligation of applying enhanced CDD in higher risk situations. The financial sector applies these procedures to a greater extent, unlike DNFBPs, which apply them to a lesser degree.

495. In general, RIs pay special attention to the threats identified in the NRA, mainly those related to drug trafficking, corruption, illegal mining, and illegal collection of resources. However, some weaknesses have been detected with respect to the checking of UNSC lists and verification of matches with their customers databases.

496. RIs must apply enhanced CDD measures when it is determined that ML/TF risks are high, whether in customers, products, services or others. Enhanced CDD measures include, among others: i) updating more frequently the data obtained from the customer, ii) obtaining detailed information on the customer's assets, iii) obtaining additional information on the origin of funds and purpose of transactions, iv) performing enhanced monitoring of transactions, increasing the number and frequency of controls applied, and v) permanently monitoring the congruence of the transactional profile with the operations carried out.

497. Among the scenarios for the application of enhanced measures are higher risk situations that include politically exposed persons (PEPs), high-risk jurisdictions and, except in the securities sector, they are also applied to other cases defined by the RIs' risk matrices.

498. In the case of PEPs, RIs receive guidance from the UAFE, which provides criteria for understanding the scope of the concept and for its designation with a RBA.

499. Particularly, the monitoring and review of UNSC listings was irregular depending on the sector. The financial sectors apply a more effective monitoring, while DNFBPs are in an initial phase of implementation of the respective measures, also including this review process within the application of CDD measures

a) FIs

500. In particular, RIs in the banking sector apply EDD procedures when a) verifying operations that correspond to red flags defined by the entity, based on regional typologies defined by GAFILAT, UAFE and other specialised agencies, and b) with customers or beneficiaries coming from or residing in countries or territories classified as higher risk and contained in the FATF lists, or in countries defined by the SRI as tax havens or countries sanctioned by OFAC, or involving transfer of funds from or to such countries or territories. The insurance sector, specifically, applies EDD with customers coming from or residing in countries classified by the FATF as non-cooperative or tax havens.

b) DNFBPs

501. Lawyers, corporate service providers, other legal professionals, and VASPs have only recently been incorporated, so it was not possible to determine the implementation of enhanced CDD measures.

502. As regards the other DNFBP sectors, notaries do not seem to be implementing measures in this regard, which strengthens some threats such as vehicle theft and certain vulnerabilities such as the purchase and sale of real estate and the creation of business companies. For their part,

dealers in precious metals and stones, also due to their recent incorporation, have less maturity in the application of enhanced measures.

Reporting and tipping-off obligations

503. All RIs must report to the UAFE suspicious operations that they notice in the course of their activities in accordance with the AML/CFT Law. As regards the number and trend in the reception of STRs, the statistics shown by the competent authorities generally reflect a constant annual increase in the reception of STRs, both in the financial sector and in the DNFBP sector.

Table No. 5.4 - Number of STRs by type of RI

FIs						
SECTOR	**2017**	**2018**	**2019**	**2020**	**2021**	**TOTAL**
National Financial Sector	1,723	1,652	1,617	1,332	2,537	8,861
Credit Unions	109	141	338	193	335	1,116
Insurance	37	28	34	28	46	173
Fund management companies	7	6	4		6	23
Stock exchanges	1	3			2	6
TOTAL	**1,877**	**1,830**	**1,993**	**1,553**	**2,926**	**10,179**
DNFBP						
SECTOR	**2017**	**2018**	**2019**	**2020**	**2021**	**TOTAL**
Notaries	8	23	32	27	112	202
Real estate and construction	46	50	32	31	27	186
Trust business	8	5	12	16	21	62
TOTAL	**62**	**78**	**76**	**74**	**160**	**450**

504. The duty to report to the UAFE also applies to any cash transaction in excess of ten thousand US dollars.

505. RIs required to issue STRs are prohibited from informing the affected party or third parties about the STR or any other background information. The institutions interviewed were aware of the existence of these provisions and prohibition.

506. In November 2021, the UAFE together with the OAS | DOOT developed the ROII quality qualification report (STR) taking as a starting point the compliance with 3 fundamental principles: completeness, accuracy, and timeliness. The report provided the following results:

- At the FI level, 108 STRs from domestic private banks, public FIs and savings cooperatives in segment 1 were sampled, resulting in 41.67% high-quality, 21.3% very good quality, and 20.37% good quality STRs.
- At the DNFBP level, a sample of 33 STRs was taken from fund transfer companies, commercial property registry, car dealers, real estate and construction companies, fund managers, trust companies, notaries and insurance companies, with the result that 69% of the STRs do not meet the quality characteristics evaluated, showing deficiencies in the 3 fundamental principles. Only 30.3% of the reports reach a

quality level between good and very good. In terms of timeliness, 72% were considered deficient, 66.7% did not comply with the quality aspects in terms of the accuracy of the information, and 69.7% did not have complete information.

507. In this sense, the data clearly reveals that the financial sector has submitted better quality STRs. However, DNFBPs still present significant opportunities for improvement.

508. Based on the STR quality rating report, the UAFE developed and published on April 7, 2022, a Good Practices Guide for submitting STRs, which was the starting point for developing bilateral meetings with RIs to improve the quality of the information reported.

509. Below are the training statistics for all reporting institutions on topics related to improving the quality of STRs (typologies, strategic analysis, red flags, detection of unusual transactions, risk assessment and management, etc.).

Table No. 5.5 - Number of training sessions on STR-related issues

2018	2019	2020	2021	2022	TOTAL
1,850	355	1,264	1,531	635	5,635

510. In terms of measures to prevent disclosure, the AML/CFT Law generally provides for UAFE officials' duty to maintain secrecy regarding information received by virtue of their position. The same duty of secrecy applies to RIs reporting to the UAFE. The regulation of the law itself establishes that the information related to transactions or economic operations received by the UAFE from RIs is confidential, should not be disclosed, and will be used only for the purposes of the law. This prohibition applies both to UAFE officials and RIs.

Imminent implementation of internal controls and legal/regulatory requirements

511. Ecuador's AML/CFT system facilitates the implementation of internal controls by RIs, which develop risk-based procedures and controls.

512. In general, RIs have developed internal ML/TF prevention systems to ensure compliance and risk management in this area. These systems consist mainly of procedures and controls linked to timely detection and issuance of STRs, all under the responsibility of a compliance officer.

513. Internal control procedures and mechanisms are integrated in a ML/TF prevention manual, which is known by the staff of the RI.

514. There is no known impediment that may hinder compliance with the obligation to report to the UAFE, which also applies to the background that the RI has analysed to report the suspicious transaction.

Conclusions on Immediate Outcome 4

515. FIs and some designated non-financial sectors generally apply AML/CFT preventive measures commensurate with their risks and report suspicious transactions to the UAFE. However, the adequacy of these measures depends on the respective sectors. In this regard, while FIs have more effective internal systems and experience, DNFBPs present greater operational

challenges. Also, in general, FIs show a higher level of understanding of ML risks and implementation of AML/CFT preventive measures than DNFBPs.

516. Certain weaknesses have been identified in the prevention framework that require considerable improvement. In general, the understanding of TF risk presents challenges, which also reflects opportunities for improvement in the detection of suspicious ML/TF transactions. Furthermore, there are still doubts about the overcoming of some moderate deficiencies in CDD, and there are sectors that, although recently incorporated as RIs, are not yet applying preventive measures.

517. Ecuador **shows a moderate level of effectiveness in Immediate Outcome 4.**

CHAPTER 6. SUPERVISION

Key Findings and Recommended Actions

Key findings

1. In relation to financial institutions, the SB, SEPS and SCVS have, in general, extensive controls for the registration and licensing of RIs that prevent criminals, their partners, associates and BO from being part of them (although adequate controls do not seem to apply to the foreign exchange sector). As far as DNFBPs are concerned, the controls applied by the SCVS and the UAFE do not appear to be sufficient to address the intended objective.
2. In terms of understanding of ML/TF risks, the SEPS and the SB, in general, have a good understanding of the sectoral risks associated with ML/TF. In the case of the SCVS, although it has a certain level of understanding of the risks affecting the sectors under its purview, its level of understanding presents opportunities for improvement. Finally, as regards the UAFE, there is a good level of understanding of the risks of its RIs in general, except for the sectors recently incorporated into the AML/CFT system (lawyers, accountants and VASPs).
3. In terms of AML/CFT supervision, financial supervisors have generally inspected the sectors under their purview. The ML/TF prevention component has been reviewed as an additional element of prudential supervision in the framework of banking and popular and solidarity sector supervision. The application of the RBA was limited in its early days, although it has evolved through process improvements and has been strengthened by recent methodological reforms . In terms of the UAFE and the SCVS, there is a paradigm shift in the supervision model, which, in general, is migrating towards a risk-based system.
4. In general, supervisors do not have sufficient human resources to perform their functions efficiently. This circumstance especially affects the SCVS and the UAFE, due to the number of entities under their supervision.
5. Although all supervisors have the power to impose sanctions in AML/CFT matters—with the exception of STRs and CTRs, which is exclusive to the UAFE—, in general, there is a very low number of sanctions applied, and those applied do not seem to be entirely effective, proportionate, and dissuasive. However, financial supervisors—particularly the SB and SEPS—apply remedial measures and follow up on compliance with the action plans of the supervised entities, which has increased the degree of implementation of the supervised entities' internal controls.

Recommended Actions

1. Deepen the application of the risk-based approach to AML/CFT supervision, including the effective implementation of supervision prioritisation matrices.
2. Increase the frequency and intensity of supervision of higher-risk RIs, and initiate the supervision process of sectors recently incorporated into the AML/CFT system.
3. Increase the human, financial and technological resources of supervisors in general, but especially of the UAFE and the SCVS, so that they can efficiently perform their functions and duly face their workload.
4. Improve mechanisms to prevent criminals from owning or managing DNFBPs and VASPs.
5. Improve the processes of identification and control of activities (such as the foreign exchange sector) in the informal economy that operate outside the AML/CFT supervisory framework.
6. Adopt measures to strengthen the sanctioning system and the application of effective, proportionate, and dissuasive sanctions.
7. Strengthen supervisors' understanding of ML/TF sectoral risks, in particular by finalizing the development of the SCVS risk management tools.
8. Develop sectoral risk assessments of newly incorporated reporting sectors (lawyers, accountants, corporate service providers and VASPs).
9. Include the leasing or financial leasing sector within the AML/CFT system.

The relevant Immediate Outcome considered and assessed in this chapter is IO. 3. The Recommendations relevant for the assessment of effectiveness under this section are R. 26-28, R. 34 and 35.

Immediate Outcome 3 (Supervision)

518. The AML/CFT supervisory system is made up of the prudential supervisors of the different RIs that have the possibility of supervising the ML/TF component through the AML/CFT specific units within the framework of comprehensive supervisions. Although in the following sections the competencies of each entity are specified, it should be indicated that, with regard to DNFBPs, the SCVS exercises ML/TF control and supervision over legal persons and the UAFE over natural persons. In addition, the UAFE is the regulator and supervisor of reporting institutions that do not have a specific control body (including VASPs) and is exclusively responsible for compliance with STR and RESU obligations by all reporting institutions.

519. As regards the financial sector, the prudential supervisors are the SB, which supervises the public and private entities of the National Financial System; the SCVS, which supervises the institutions of the Private Insurance System, STDV providers and the participants of the securities market (stock exchanges, securities firms, and fund and trust administrators); and the SEPS, which supervises the entities of the Popular and Solidarity Economy. As mentioned before, these prudential supervisors also supervise compliance with AML/CFT measures through their specialised units.

520. With regard to DNFBPs, the SCVS is responsible for AML/CFT control and supervision of legal persons in the real estate sector, trust and corporate service providers, dealers in precious metals and stones; and the UAFE is the regulator and supervisor of VASPs and DNFBPs that are natural persons, including lawyers, accountants (which were recently incorporated as reporting institutions required to apply ML/TF prevention measures). As regards the casino sector, in

accordance with the established legal framework, casinos cannot operate in Ecuador and are therefore not subject to analysis.

521. In this section, and in accordance with the aspects of risk, context and materiality identified in Chapter 1 of the report, the elements of the Core Issues were weighted assigning a higher relative weight to the banking, popular and solidarity, notaries, real estate and VASP sectors; followed by the securities, remittance,[21] lawyers and dealers in precious metals and stones sectors. Finally, the insurance, exchange offices,[22] accountants, and corporate and trust service provider sectors had the lowest relative weight.

522. Due to the recent incorporation of VASPs, lawyers, accountants and corporate service providers, they are pending registration and have not been subject to supervisory measures by their AML/CFT regulator. Nor have supervisory measures been adopted for the leasing or financial leasing sector

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

523. The SB, SEPS and SCVS have procedures for licensing the operations of entities under their prudential and ML/TF prevention regulations. Entities operating as auxiliary payment systems, i.e., remittance companies (MVTS), must request authorisation from the BCE. In addition, all financial RIs and DNFBPs that take the form of a company must be registered in the Commercial Registry once the incorporation is notarized (with the exception of Simplified Joint Stock Companies (SAS) that are incorporated with a private instrument (contract); only when they contribute assets they are required to execute a public deed and these are only registered with the SCVS). Entities regulated by the SB and the SEPS must be incorporated before them. Likewise, all RIs (natural or legal persons) must register with the UAFE.

Licensing by the prudential supervisors

a) FIs

524. In general, according to the COMF, public and private financial sector entities may not have shareholders who have been convicted for crimes of embezzlement, fraud, and ML/TF, and the suitability of their directors or board members will be assessed to prevent the position from being occupied by whoever has been convicted for such crimes and 5 years have not yet passed since the completion of the sentence. Likewise, the members of the board of directors may be removed when they conduct operations that promote or involve illicit acts.

525. In the case of private banks, the authorisation to operate must be preceded by the incorporation of the entity as a corporation before the SB and with a minimum of 2 promoters, and must prove its financial soundness, the effectiveness of the quality of risk management, and the suitability of its promoters, in addition to complying with the minimum capital, solvency, liquidity and credit risk requirements. The suitability of the promoters is evidenced by the promoters themselves when they are natural persons, or by the legal representative and shareholders holding 6% or more of the capital when the promoters are legal persons, and is completed with an affidavit on the source of their funds and the absence of incompatibilities prescribed in the COMF.

[21] Seventy percent of the sector's activities are carried out through two entities.
[22] There are currently 2 authorised exchange offices and actions are being taken to continue identifying the entities that are operating without authorisation.

526. Once the entity is incorporated, it will request authorisation from the SB to carry out financial activities. Following the latest regulatory amendment, it has been foreseen that after 12 months from the start of activities, the SB will review and approve the credit methodology or require an adjustment plan that allows for adequate risk management. Entities, for their part, must apply CDD policies to their shareholders and their BOs, requiring new holders of significant participations (6% or more of the capital) to prove the legality of the resources. The SB may only deny incorporation for the reasons set forth in the COMF.

527. The incorporation of exchange offices, on the other hand, since 2017 has followed the rules applicable to the institutions of the financial system, adjusting their capital to the average purchase of foreign currency made annually. Due to the characteristics of the sector and the dollarized economy, there are only 2 active exchange offices, although there are several subjects that carry out the activity informally, many of them natural persons, so they do not operate under a licensing system.

528. Within the framework of its control and supervision competencies, the SB has conducted supervisions to businesses that operate as exchange offices without authorisation. In January 2019, it concurrently reported 29 entities that operate as exchange offices in an informal manner. Six of them are recurrent offenders, so the SB closed them permanently, and the remaining 23 were requested to regulate and register before the entity to carry out this activity. In the same sense, it has filed complaints with the FGE regarding those exchange offices that operate without regulation.

529. The provisions contained in the COMF are applicable to the savings and credit cooperatives, credit unions and mutual funds sector. Users must enter through the channels maintained by the SEPS and complete the form designed for this purpose, as well as the corresponding documents for each level of hierarchy (Management, Board of Directors, Oversight and Secretariat). Likewise, it should be noted that partners-managers have limited participation in the capital stock (5% in cooperatives and 6% in mutual companies); managers must prove experience and training, provide guarantees, and not be subject to a conflict of interest with a member of the board of directors. Also, board members must be qualified by the respective control bodies. Once constituted, they must be authorised by the SEPS to operate in the popular and solidarity financial sector and be registered in its public registry.

530. Likewise, during the on-site visit, the SEPS[23] indicated that verification processes are carried out annually on the strategic persons of the active entities of the popular and solidarity financial sector, such as members of the Board of Directors, members of the Supervisory Board, partners, partners-managers, auditors and those who are part of the Board of Directors through internal control lists and a system called "risk control service", in order to prevent criminals from being owners or BOs of the entities. However, since December 2015, no new popular economy entities may be created in Ecuador, although substitutions may occur, and in such cases risk control system would be applied.

531. In relation to entities in the securities sector supervised by the SCVS, they must be incorporated and obtain authorisation to operate before the SCVS, observing the requirements and procedures provided for in the rules issued for that purpose by the JPRF (i.e., not being in arrears, not having accounts closed for legal non-compliances, among others), mainly for minimum capital purposes. In particular, the SCVS will authorise the incorporation of a stock exchange, simultaneously with its registration in the Securities Market Registry, when it certifies

[23] Currently, 187 entities are in the process of adaptation, which includes the rating and registration of the compliance officer and alternate compliance officer.

that it has been incorporated for the purpose set forth in the Law, has the minimum equity required and has at least ten members that meet all the conditions to be able to act as a securities firm.

532. A shareholder of a stock exchange may not own or accumulate, directly or indirectly, a percentage greater than 5% of the issued and outstanding shares of such stock exchange. In addition, the members of the boards of directors and the directors of the market must be of good standing and have adequate knowledge and experience, and the board of directors, legal representatives or administrators of stock market intermediaries, or those related to them, may not hold more than 30% of the shares, unless they meet certain requirements. As for the securities firms, their registration in the public registry of the stock market is a fundamental requirement to participate in it. In addition, their administrators, legal representatives and members of the board of directors must prove their suitability and professional experience in matters related to the business to be administered, managed or represented. They must also report their shareholdings in corporations, limited liability companies, or trust businesses.

533. In relation to the entities of the private insurance system, the SCVS will evaluate the incorporation requests submitted taking into account, among other factors, the solvency, suitability, and responsibility of the promoters, founders or applicants. Additionally, it will evaluate the suitability of the members of the board of directors that they themselves have accredited prior to taking office (knowledge and experience, no legal impediment or prohibition, not being in default with financial entities and not being holders of closed accounts), and will do the same with the suitability of the assignee or subscriber of shares prior to the corresponding registration in the Book of Shares and shareholders, when 6% or more of the paid-in capital is reached or subscribed.

534. Also, according to the General Law of Private Insurance, those who, among other aspects, are in default with any FI or insurance company, or who have been sanctioned with separation for serious causes from an entity of the private insurance system or from any other FI, may not be members of the board of directors, administrators, officers or employees of those who integrate the private insurance system (art. 17). Additionally, prior to the recent amendments there was already an AML/CFT regulatory framework for private insurance institutions that included employee awareness policies.

535. Moreover, Codification 385 of the JPMF applicable in the analysed period establishes both for the securities and insurance sectors the obligation of FIs to know the directors, officers and employees requiring, among other aspects, a declaration of the lawful origin of their resources, as well as a declaration of their financial situation. All information must be subject to periodic analysis and, in case of any incompatibility, must be reported to the UAFE.

536. As for remittance companies, which must be incorporated as companies pursuant to the Companies Law, CDD must be applied to its BOs and partners/shareholders, directors and legal representatives, administrators or attorneys-in-fact, in addition to other personnel, and they must maintain a list of commission agents, update it on January 30 of each year and submit it to the DNPLA when so required.

537. Finally, it should be added that the controls on this matter for which information is available were carried out a posteriori during on-site supervisions and, very recently, on the occasion of preliminary sectorial studies of the remittances sector, where the existence of defects in the authorisation or monitoring process in some entities became evident. In the remittances sector, 7 of the 25 entities registered as of March 2022 in the SCVS do not have the mandatory authorisation from the BCE to operate as auxiliary payment systems, since 2 of them do not carry

out the activity (one of them has a license but remains inactive), and the rest are sub-agents that work with remittance companies that are already authorised and represented in the country. In addition, the potential existence of entities operating without regulation and control continues to be reviewed.

538. In the securities sector, not all on-site supervisions have verified the due diligence of the shareholders, but only of the directors, detecting certain deficiencies in the analysis of the lawful origin of the resources and in the regular analysis of the assets and liabilities of these directors, which were subsequently corrected. It is unknown whether this has been followed in the insurance sector, since it has only been verified that the AML/CFT Manual has been prepared in accordance with the regulations.

b) DNFBPs

539. In general, the SCVS,[24] among other powers in corporate matters, shall exercise oversight, audit, intervention, control and supervision of non-financial private legal persons. In addition, it will carry out AML/CFT monitoring of legal persons engaged in the real estate, dealers in precious metals and stones and trust and corporate service providers sectors. The monitoring will include checking use of customer and BO due diligence, which has been extended to partners/shareholders, managers and legal representatives, administrators or attorneys-in-fact, in addition to the rest of the staff.

540. This mechanism alone does not make it possible to verify whether criminals, their associates or BOs can be effectively prevented from controlling or occupying a management position in a DNFBP. However, the SCVS carries out a list checking process, in which the information in the database of partners, shareholders, legal representatives and attorneys-in-fact is monitored. This is executed in the tool designed by the BCE-UAFE on a quarterly basis.

541. In the case of the Notary sector, which are the most material non-financial reporting institutions, the Council of the Judiciary is the administrative control body that defines the requirements to exercise the notary function in Ecuador. Among them, there is the requirement to have exercised with notorious probity the profession of lawyer for a period of not less than three years and not to have committed criminal acts such as bribery, extortion, prevarication, extortion or defrauding the State.

542. Registration before the UAFE

Applicable to all RIs

543. Regardless of the existence of a licensing or authorisation requirement to operate, all RIs must register with the UAFE for AML/CFT purposes, that is, to report suspicious transactions (STRs), as well as individual operations and transactions carried out for the benefit of the same person within a period of 30 days and whose amount is equal to or greater than USD 10,000 (RESU).

544. Registration with the UAFE must be done through an online registration process on the web site. This registration requires information on the entity's fiscal data, legal representative, regular and alternate compliance officer, among other aspects.

[24] At the beginning of 2022 the use of checklists was incorporated to verify that representatives, partners and shareholders are not involved in criminal activities.

545. The UAFE[25] issues a Certificate of Compliance for the RIs that have a registration code, registered compliance officer, and prevention manual. The UAFE manages the database of the Council of the Judiciary in which data on predicate offences is kept, but it is only available to the compliance officer and is not used for shareholders. Therefore, with regard to the reporting institutions supervised by the UAFE, there is a lack of mechanisms to prevent criminals, their associates or BO from being owners or compliance officers of the institutions.

Table 6.1. Status of requests for registration of RIs. Period: 2017 – 2021

Year	No. of registration requests received	Requests Approved	Rejected Requests	Pending Requests
2017	1247	621	626	-
2018	2698	1346	1352	-
2019	3129	1851	1278	-
2020	1201	920	250	31
2021	1942	1281	605	56
TOTAL	**10217**	**6019**	**4111**	**87**

546. The UAFE has followed in recent months various procedures to identify institutions, activities and professions under the categories of RIs pending registration. Also, at the beginning of April 2022, it incorporated lawyers, other legal professionals, independent accountants, corporate service providers, and VASPs as reporting institutions, which must comply with the registration measures established by the UAFE already in place. In addition, in the case of entities operating as unauthorized financial entities, the SB is empowered to inspect and sanction natural or legal persons that are not part of the popular and solidarity economy sector and that exercise—contrary to the provisions of the COMF—financial activities reserved to the entities of the National Financial System, especially the collection of resources from third parties. For this purpose, it will act on its own initiative or by complaint, and adopt measures which include ordering the immediate suspension of activities, closing offices and imposing sanctions, without prejudice to the report to be forwarded to the FGE. (Art. 62.5 of the COMF).

547. In accordance with the COMF, both the SB and the SEPS may inspect and order the immediate suspension of activities carried out by alleged violators of the general prohibition to carry out financial activities provided for in Art. 254 of the COMF. Likewise, the SB and the SEPS may order the closing of offices, notify the FGE, and take any other precautionary measure aimed at protecting the interests of individuals. (Art. 275).

548. Based on the above, it may be concluded that the outcome of the core issue has been achieved to a certain degree, mainly in the financial sector. However, there are still limitations with respect to the non-financial sector because the mechanism used in relation to CDD processes does not make it possible to verify whether criminals, their associates or BOs can be effectively prevented from controlling or occupying a management function in a DNFBP.

549. Finally, with regard to registration with the UAFE, there is a systematised mechanism for obtaining the certificate of registration. Notwithstanding, requirements do not seem to prevent criminals, associates, or BOs from being owners, partners, shareholders or managers of any reporting institution.

[25] After the on-site visit, the UAFE and the SCVS signed a co-ordination and co-operation agreement that will allow them to cross-check shareholder information.

Supervisors' understanding and identification of ML/TF risks.

550. According to the aspects described in IO. 1, in general, it may be said that the supervisory bodies (UAFE, SB, SEPS and SCVS) understand the ML/TF risks to which the supervised sectors are exposed, albeit at different scales. In this sense, the development of matrices for the banking sector, savings and credit cooperatives, securities firms, and notaries is noteworthy, allowing for a broader understanding of the risk profile of these sectors. Matrices for other sectors are also under development. These aspects will be developed below.

551. The UAFE has led the preparation of the NRA published in 2021 and has also developed several studies and risk matrices, as well as an analysis of highly reporting institutions. In addition, as a member-secretary of the recently created CONALAFT, it participates in the development and approval of the Strategic Action Plan to mitigate the risks identified in the NRA and in the monitoring and evaluation of its results, and will coordinate future national risk assessments and compliance with the prevention framework, promoting its alignment with international practices. It is therefore noted that it has a high level of understanding of the global ML/TF risk.

552. The other supervisors have also had an active participation in the elaboration of the NRA, and have developed or started to develop sectorial studies, as well as risk matrices and supervisory manuals incorporating the risks associated to ML/TF with a RBA, so there is also a high level of understanding of the global ML/TF risk in Ecuador.

553. In order to strengthen the understanding of the risks to which they are exposed, the UAFE conducts training, workshops, and meetings with prudential supervisors, specifically with the areas that regulate and supervise compliance with AML/CFT measures. At the SB level, 1 activity has been developed in 2017, 1 in 2019, 5 in 2020, and 19 during 2021. On the part of the SEPS, 3 activities in 2019, 4 in 2020, and 5 in 2021. On the SCVS side, 3 activities in 2017, 7 in 2018, 14 in 2019, 13 in 2020, and 19 in 2021. And at the UAFE level, 41 activities in 2021.

Table 6.2. - Number of prudential supervisors' staff trained in AML/CFT issues

Prudential supervisor	2017	2018	2019	2020	2021
SB	15	0	1	10	4
SCVS	3	7	17	23	54
SEPS	0	0	0	467	74
UAFE	0	0	0	0	4

554. In reference to the knowledge of sectoral, institutional and individual ML/TF risks, the UAFE—which exercises supervision over RIs that lack a specific regulator—, has begun to apply tools to identify and understand the ML/TF risk of its RIs:

a. For the notary sector, rated as Medium High risk in the NRA, it has elaborated the following:
   i. *"Priority Matrix"* to identify the highest risk notaries' offices to which the supervisions would be focused in order to verify the enforcement of the prevention rules applicable to them. The information considered for this study was that of 2020 from the SISLAFT database, 2018-2020 information in terms of manuals and RESU and STR reports sent, as well as information obtained from a survey to the notary sector.
   ii. *Supervision guide,* to establish the policies and procedures to be followed.

iii. Development of a *tool (SAR)* to facilitate the analysis of its risk factors and mitigating elements.

b. For the rest of the RIs under its control, at the date of the visit it was reported that the sector of dealers in jewellery, metals and precious stones is scheduled as the next sector to be analysed, in accordance with the agency's supervision plan.

555. In addition, the UAFE has prepared the following:

a. SRA of the microfinance sector, which as part of the informal economy is one of Ecuador's structural risk factors identified in the NRA, with a medium-high risk rating due to its incidence as a facilitator of crime.
b. *Technical report on VASPs* that has served as the basis for their incorporation as new RIs.
c. *Analysis of financial leasing entities* that are not currently RIs. The study has allowed them to analyse the activity they develop, the legal nature, the number of entities, as well as an assessment for their inclusion as RIs.
d. *Methodological proposal for the elaboration of the analysis of the informal economy*

556. Regarding the new sectors incorporated as RIs (lawyers, accountants and VASP), the UAFE developed technical reports, working groups and periodic meetings that have helped to determine vulnerabilities and risks. However, due to their recent incorporation as RIs, the specific risks of these sectors are not yet known in detail.

557. The banking supervisor, which is the supervisor of the most material financial sector, has several tools to identify and understand the ML/TF risks of its RIs:

a. *Sectoral analysis on inherent ML/TF risk, based on declared risk events*, from the institutional risk matrix that RIs (private banks and public financial entities) are required to submit since 2020 and that, since July 2021, are submitted semi-annually to the SB, accompanied by a brief methodological note. Sectoral inherent risk is analysed on the basis of the assessments made by each RI of the inherent risk for each risk event identified. The results of the first analysis carried out served as the basis for the proposal of a series of regulatory and methodological improvements that materialised in March 2022.
b. *Sectoral risk matrix*, prepared in December 2021, and in which the net ML/TF risk is determined from three sub-matrices calculated by each entity: 1) structural factors, 2) inherent risk, and 3) controls. Structural risk, which is not calculated for the public financial sector, is determined from factors not directly related to the business: size, legal structure, type of customers, and shareholders. The evaluation of mitigation and control measures is made based on the analysis of regulatory documentation, results of supervisions and their follow-ups, and will be updated quarterly. For these purposes, they take into account the adequacy of the entity's corporate governance with the regulatory framework that applies to it, the processes and procedures defined (employees and customers DD), CO management, training, verification of the consistency of controls by the internal and external audit. It should be noted that among the factors to be taken into account within the structural risks—which are not mitigable—is that of customer segmentation, when the customer is also an inherent risk factor that is mitigable and controllable. This is because the volume of customers and their risk classification directly affects the participation of each entity in the financial market, regardless of the actions to mitigate the customer factor (with other criteria) that may be taken to mitigate the risk.
c. *Risk-based supervision methodology*, which was adjusted in March 2022 following the results of the first sectorial analysis carried out, for the establishment of supervision strategies applicable to the entities in a manner proportionate to their identified risks.

558. For its part, the SCVS has not yet finalised the development of risk management tools. The aim is to reduce subjectivity in the definition of the application of AML/CFT policies and to quantify the risk associated with each RI by means of sectoral supervision matrices.[26] For the time being only the securities firms sector[27] has been covered, whose inspection actions began to be developed on April 1, 2022, and executive reports were obtained from 31 securities firms to verify if the risks, variables, and factors correspond to what was developed in the supervision matrix. In addition, the development of a study of the remittances sector is currently underway.

559. However, in March 2022 it approved an SRA Methodological Framework, which defines the phases to be followed for this purpose (preliminary phase; planning; development with the assessment of threats, vulnerabilities and consequences; presentation of results; and analysis and exploitation of results), without restricting its application to the RIs, and may be applied to other professional or economic activities that so require.

560. The SEPS also has effective tools that allow it to identify and understand the ML/TF risks of the 5 segments in which the RIs under its control are grouped, by volume of assets, and it is worth noting that, although the first 2 segments[28] represent 18% of the entities, they hold 93% of the assets and 88% of the deposits. Among these tools, the following stand out:

a. *Information gathering management model*, with about 83,000 internal and external information structures, ranging from financial and economic indicators, deposit and portfolio structures, cadastres, internal checklists, matrix of regulatory compliance findings, and UAFE information.
b. *Sectoral risk analysis* dated December 2021 and prepared based on the individualised analysis, by entity, of the 4 traditional risk factors (customers, products and services, channels and jurisdiction). The resulting conclusions were: a) 99.53% of the members of the popular and solidarity financial system are individuals, of which 98.56% are Ecuadorians; b) 46% of the products offered are consumer loans, and 37% are microcredits, with time deposits representing 71% of the sector's deposits. Moreover, segment 1 concentrates 94% of the transactions carried out, 57% of which are made in branches and 19% in ATMs. This segment also includes most of the institutions that, due to their geographic location, are exposed to criminal activities that most frequently take place on the country's borders (drug trafficking, cash transportation, smuggling, etc.).
c. *Preventive supervision methodology with a RBA*, developed to mitigate the vulnerabilities detected in the NRA and to complement the detective and corrective methodology applied until then. It is also the basis for the annual supervision plan.
d. *Sectoral Risk Matrix* prepared based on findings a) from on-site and off-site supervision processes, b) from internal and external audits and c) from governance bodies, which includes the inherent risk matrix of each RI.
e. *Comprehensive monitoring system.*
f. *Findings matrix:* Followed by a follow-up and control process that materialises in an action plan.
g. *Guide for the preparation of the AML/CFT manual*

[26] In this sense, in the development of these matrices, an attempt will be made to assess the risk comprised by the following stages: 1) identification, 2) measurement, and 3) mitigation, taking into account risk factors linked to customers, jurisdictions, products or services and channels. It will be distributed in time until November 2023 to cover all DNFBPs, and until July 2024 to cover the rest of the sectors.
[27] Considering the activities carried out by the securities firms, such as fixed income securities brokerage and third-party portfolio management, an average materiality was assessed, corroborated by the risk analysis of the sector, which rates 20 of the 32 entities as high risk. However, the relative weight of securities firms within the securities sector is low in terms of total assets, USD 35 million compared to the USD 10 billion represented by the sector as a whole.
[28] Pursuant to Resolution 038-2015-F of February 13, 2015, which segments the entities of the popular and solidarity financial system.

561. In view of the above, the supervisors of the banking and popular and solidarity financial systems show a higher level of understanding of ML/TF risks, followed by the UAFE with respect to non-financial entities, although due to the recent incorporation of lawyers, accountants, VASPs, they still do not understand the specific risks of these sectors. However, while the SCVS is developing actions to improve its understanding of risks and integrate the RBA in its actions, it still faces challenges in this regard.

Risk-based supervision of compliance with AML/CFT requirements

562. Regarding the SB and SEPS, there is evidence of an evolution of the risk-based approach of their supervisory model. In the particular case of the SB, the supervisory approach followed the RBA throughout the period under analysis, it has evolved and strengthened. This evolution has occurred in parallel to that of the preventive framework applicable to public and private financial sector entities. The implementation of the latest RBA methodology is at an early stage. In terms of the UAFE and the SCVS, there is a paradigm shift in the supervision model, which, in general, is migrating towards a risk-based system. However, this process is at an early stage of implementation. Likewise, there is a generalised, and sometimes marked decrease in human and budgetary resources in this area applicable to all supervisors, in part due to the crisis unleashed by the COVID-19 pandemic. However, in the particular case of the SEPS, the digital transformation process carried out during the COVID-19 pandemic is noteworthy and has allowed it to optimize its monitoring processes for the prevention of ML/FT. These aspects will be developed in greater depth below.

563. The SB in accordance with its October 2017 Unique Supervision Manual (USM) defined the level of ML and financing of crime risk through generic supervisory tools: 1) The Risk Evaluation System (SER) applied on a quarterly basis, which consisted of a risk matrix that considered various factors such as geographic area, distribution channels, customers, and products and services. The RES was the starting point for the construction of risk matrices both on-site and off-site. 2) The GREC(S) Rating Methodology (Corporate Governance, Risks, Economic-Financial Performance, Compliance, Social Impact), which was applied to on-site inspections and aided the supervisory approach. According to the USM, the SB could perform different types of supervision: comprehensive, targeted, follow-up, special, and enhanced.

564. According to the 2017 Methodology, on-site supervision processes could be developed usually on an annual basis and off-site supervision could be carried out at various frequencies (i.e., monthly, quarterly, semi-annually, or annually).[29] In this cycle, on-site inspections were prioritised based on the net risk rating, in order to complete the conclusions on the procedures reviewed in off-site inspections. In particular, on-site supervisions could be carried out in the course of comprehensive supervisions initiated at the request of prudential supervisors or independently (targeted supervisions) to deepen the specific analysis of ML/TF risk. Likewise, the ML/TF Risk Management Under-Directorate could carry out special supervisions in response to specific requirements (for example, supervisions focused on the analysis of high denomination banknotes, which were carried out in 2021).

565. In 2020, the preventive framework for entities regulated by the SB was modified, approving a control standard for ML/TF risk management, which made it possible to move towards a new RBA supervision scheme.

[29] The supervision matrix defined with 2017 data in 2018 showed that 16.8% of the financial population to be supervised had a high-risk profile, which is the basis for the supervisory effort.

Table 6.3. – Supervision by the SB in AML/CFT matters

Modality	2017	2018	2019	2020	2021	Total
On-site	8	9	14	8	12	51
Off-Site	224	224	227	224	258	1157

566. The SB approved in 2021 a risk-based supervision methodology updated to March 2022 as an independent AML/CFT methodology, which allows it to determine the net risk of the controlled system in order to establish supervision strategies for each of the entities under its supervision and their groups.

567. The net risk of each entity is defined on the basis of its a) structural risk, which does not apply to the public financial sector due to its low participation in the system, associated with exogenous ML-generating factors and linked to attributes associated with the structural and institutional characteristics of the entity, among them the segmentation of its customer base; b) its inherent risk, which is inherent to the activity of each entity and is associated with traditional risk factors: customers, products or services, distribution channels and geographical location; and c) the mitigating actions applied, which are analysed from the effectiveness of operational risk management (1st line of defence) and supervision (2nd and 3rd line of defence).

568. The purpose of the off-site supervisions is to analyse the periodic documentation to be delivered by the entities (among others, the annual management report, the annual operating plan, the internal and external audit reports, the prevention manual, follow-up of previous observations, and from May to December 2021 the semi-annual report of the ARLAFDT matrix) and also includes aspects of corporate governance, internal control, training, and are complemented with on-site supervisions to gather additional information or with specific supervisions for specific topics.

569. On-site supervisions since 2017 until the recent update of the methodology have been executed to a lesser extent with respect to off-site supervisions, although with a focus that has allowed them to identify and confirm weaknesses in the implementation of AML/CFT measures. As part of the on-site process, supervisors carry out information sampling of customer folders, verify the risk factors of the entities' evaluation methodologies, analyse the implementation of the filling out of risk-based policies, internal controls, training, technological tools, among other aspects.

570. In conclusion, in 2017 the SB had a risk-based approach with certain limitations and based on the comprehensive prudential supervision model (i.e., ML/TF prevention was an additional component supervised by the ML Risk Sub-Directorate). Subsequently, in 2020 the control standard for ML/TF risk management (ARLAFDT) was approved, whose supervisory model changed and in 2021 moved to a stand-alone model for ML/TF risk-based supervision (in 2022 it was also updated and moved to a stand-alone document).

571. The evolution of the model, accompanied by a change in the supervisory culture that emphasises risk management and adds a strategic approach to risk, has improved the basis for defining the supervisory strategy, although it is in an initial phase of implementation. However, considering the supervision statistics, the main observations made in the period analysed and the application of a RBA of the 2017 to 2021 Methodology, certain limitations are noticed in terms of intensity, frequency, and scope of supervisions.

572. The National Directorate for ML Prevention (DNPLA) of the SCVS since 2015 has supervised separately from prudential supervisors, and applies, to date, a supervision based on a risk matrix designed under factors such as customers, product, channels, geographic area, and considering certain red flags. The supervisions are focused on internal analysis based on the verification of compliance with regulatory requirements and are accompanied by a financial risk matrix to define the system's alerts. However, in March 2022 the preventive framework that applies to the securities and insurance sectors has been modified, incorporating RBA supervision and control.

573. On the same date, a RBA Methodological Plan has been published, introducing the characteristics of supervision, adapted to the types of inspections that, with national coverage, can be carried out: on-site or off-site (for low risk levels), comprehensive (the entire prevention system) or targeted; regular (in accordance with the annual plan) or special (cases of alerts or requirements of competent bodies).[30]

Table 6.4. – Supervision by the SCVS in AML/CFT matters: FIs

Modality	2017	2018	2019	2020	2021	Total
Funds and trust management companies						
On-site	2	1	6	7	0	16
Off-Site	8	11	5	5	13	42
Stock exchanges						
On-site	0	0	0	0	0	0
Off-Site	1	0	1	0	0	2
Securities firms						
On-site	1	3	0	1	2	7
Off-Site	10	22	15	10	18	75
Remittances						
On-site	0	0	4	0	1	5
Off-Site	0	0	0	0	1	1
Insurance						
On-site	2	7	0	3	0	12
Off-Site	10	24	21	5	11	71

During the period under review, the SCVS carried out 100 follow-up activities on these supervisions.

Table 6.5 – Supervision by the SCVS in AML/CFT matters: DNFBP

Modality	2017	2018	2019	2020	2021	Total
Real Estate Sector						
On-site	56	44	100	8	7	215
Off-Site	30	25	136	82	40	313
Precious Metals and Stones						
On-site	0	0	0	0	0	0
Off-Site	0	0	0	0	2	2

During the period under review, the SCVS carried out 367 follow-up activities on these supervisions.

[30] It is planned to prepare a Supervision Manual according to each sector and activity and approve an annual supervision plan that includes training according to the defined risks, by sectors and activities. The results of the supervisions will be reported semi-annually to the SCVS and may be shared with those supervised, through training, official letters, circulars, and meetings, always respecting the confidentiality framework.

574. Particularly, regarding compliance with the obligations associated with the verification of the UNSC lists on TF and FP, the SCVS reported having conducted 840 supervisions, both on-site (453) and off-site (387), in which compliance with these obligations was verified.

Table 6.6 - Supervisions in which compliance with the UNSC Lists was verified.

Year	Sector	On-site	Off-Site	Total
2017	Insurance	1	0	1
	Securities Market	0	0	0
	Real Estate Companies	44	1	45
	Courier	3	0	3
	Others	9	1	10
TOTAL 2017		**57**	**2**	**59**
2018	Insurance	8	74	82
	Securities Market	3	85	88
	Real Estate Companies	31	38	69
	Courier	1	-	1
	Others	18	22	40
TOTAL 2018		**61**	**219**	**280**
2019	Insurance	0	0	0
	Securities Market	6	1	7
	Real Estate Companies	178	42	220
	Courier	34	1	35
	Remitters	4	0	4
	Others	15	13	28
TOTAL 2019		**237**	**57**	**294**
2020	Insurance	3	0	3
	Securities Market	14	0	14
	Real Estate Companies	27	9	36
	Courier	15	1	16
	Remitters	2	0	2
	Others	8	19	27
TOTAL 2020		**69**	**29**	**98**
2021	Insurance	1	0	1
	Securities Market	4	4	8
	Real Estate Companies	21	45	66
	Courier	1	1	2
	Remitters	1	0	1
	Others	1	26	27
	Securities issuing companies	0	4	4
TOTAL 2021		**29**	**80**	**109**

575. The SEPS supervisory model is the same at the prudential and ML/TF prevention levels. That is, the money laundering risk subcomponent is part of the supervisory model.[31] It is defined on the basis of internal data, such as portfolio structures, deposits, points of attention and including lists of internal controls, findings templates, regulatory compliance and information from the UAFE, and also taking into account external data, such as financial and economic indicators. It is accompanied by a methodology of detection alerts to evaluate the financial, transactional and organisational risk profile for all RIs.

576. The risk profile, which is continuously monitored, determines the annual supervision plan, and the on-site or off-site nature of the supervisions. The on-site supervision cycle can be every 3 years and the off-site cycle can be annual. The supervisors' findings, along with any recommendations issued, are uploaded to a comprehensive monitoring system (SSI) to assess the levels of compliance with the action plans.

Table 6.7. – Supervision by the SEPS in AML/CFT matters

Modality	2017	2018	2019	2020	2021	Total
On-site	19	14	12	4	10	59
Off-Site	28	3	6	68	65	170

On-site inspections focus on the segments with the highest volume of assets (1 to 3), while off-site inspections focus mainly on segments 4 and 5.

577. The UAFE did not have sufficient supervisory experience at the time of the on-site visit, but has designed a supervisory framework with a RBA to start applying it in the notary sector. The UAFE plans, based on the supervisory framework designed with a RBA, to start supervising notaries that are considered to be of higher risk. For the rest of the sectors, which have been incorporated as reporting institutions in April 2022, it is in the initial stages of designing its supervisory strategy. In particular, 2 meetings were held with notaries and 408 responses were received to surveys on the probability of risk in notarial acts and contracts.

578. During the assessment visit, no co-ordination between sector supervisors, nor between them and prudential supervisors beyond their own sector, was evident.

Table 6.8. - Supervisions by the UAFE

Modality	2017	2018	2019	2020	2021
On-site*	32	33	35	23	25
Off-Site	272	268	251	302	339

*In general, specific visits to collect information.

579. The inspection process is mostly off-site, and is focused on adapting the information and processes developed by the entity to the formal requirements of its respective preventive framework.

580. In addition to off-site supervision, on-site monitoring processes are also carried out for some of the RIs, normally focused on obtaining additional information to that provided by the entity.

[31] The methodology used to assess ML and TF risk is from 2015. The DNPLA was created in January 2022, so it was operating with prudential supervisors specialised in the ML/TF area, and they were not yet carrying out targeted supervisions.

581. The following table reflects the supervisions carried out in each sector in the 2017-2021 period:

Table 6.9. - RIs supervised by economic sector. Period: 2017 – 2021

a) Financial sector

Supervisor	Entity	Insp.	2017	2018	2019	2020	2021	Total
SB	Banks	I (1)	8	9	14	8	12	51
		E	217	217	220	217	251	1122
	Exchange offices	E	7	7	7	7	7	35
SEPS	SEPS (2)	I	19	14	12	4	10	59
		E	28	3	6	68	65	170
SCVS	Remitters	I	-	-	4	-	1	5
		E	-	-	-	-	1	1
	FT Management Companies	I	2	1	6	7	-	16
		E	8	11	5	5	13	42
	Stock exchanges	I	1	3	-	1	2	7
		E	10	22	15	10	18	75
	Stock exchanges	I	0	0	0	0	0	0
		E	1	0	1	0	0	2
	Insurance	I	2	7	-	3	-	12
		E	10	24	21	5	11	71

I: on-site; E: off-site
(1) In 2019, 2020 and 2021, 3,1 and 6 specific supervisions were recorded respectively (e.g., high denomination banknotes, account of a political party).
(2) On-site inspections are focused on the sectors with the highest volume of assets (1 to 3), while off-site inspections are mainly focused on sectors 4 and 5.

b) Non-financial sector.

582. Due to the fact that it has recently begun its process of developing supervision plans for the DNFBP sectors, the UAFE has not carried out any inspections during the period under analysis. However, in order to make the supervision process for the notary sector known, the UAFE convened the entire sector to share the guidelines to be followed in its upcoming supervision processes, as well as to learn about the tools available to them, communication mechanisms, and delivery of requirements.

583. Prior to the supervision process, the reporting institutions of the notarial sector have at their disposal:

- The Risk Management System (SAR) tool, which facilitates the management and administration of ML/TF risks.
- Video and Manual on the use of the SAR tool.
- The BCE's Matching System tool, cross-referencing information with PEP lists, lists of convicted persons, and UNSC lists.

584. In addition, the supervisions carried out by the SCVS are shown below:

Table 6.10 – Supervisions carried out by SCVS on non-financial sectors.

Entity	Modality	2017	2018	2019	2020	2021	TOTAL
Real Estate	On-site	56	44	100	8	7	215
	Off-Site	30	25	136	82	40	313
Precious Metals and Stones	On-site	0	0	0	0	0	0
	Off-Site	0	0	0	0	2	2

585. For the development of the supervision processes, the SB currently has a team of 8 persons[32] with expertise in the prevention of ML and risks to cover 36 RIs under its control, the SEPS has 7 experts in AML and 4 specialists in risk and database analysis for 490 RIs, the National ML/FT Prevention Office of the SCVS has 12 persons for 12,220 RIs and the UAFE has 5 for 2,471.

586. In order to analyse the impact of the weaknesses identified by the assessment team on Ecuador's AML/CFT supervision system, the sectors with the highest, medium and lowest relative weight in terms of materiality were identified. For this purpose, all the information provided by the country related to risk and context, including the NRA, sectoral risk assessments, the sectoral risk matrix, typology report, among others, were taken as reference. It is important to mention the following aspects:

a) Sectors considered as having the highest relative weight in terms of materiality:

- The 28 private banks, which are the most material reporting institutions, were supervised 1,173 times in the last 5 years. Fifty-one on-site supervisions were carried out, the years with the highest number of supervisions being 2019 (14) and 2021 (12). These supervisions were mainly carried out from a holistic perspective focusing on different integral risk components including money laundering and crime financing. In these on-site processes, an evaluation of control policies and manuals, compliance committee and unit, decision making, review of customer and employee folders, evaluation of internal control, completion of policies, training, software analysis (contrast model tests) were carried out. In addition, 1,122 off-site supervisions were carried out.
- For their part, the institutions regulated by the SEPS (savings and credit and mutual cooperatives) are the second group of reporting institutions considered to be the most material and were supervised on 229 occasions, 74% of which were off-site.
- As for the DNFBPs, the UAFE has not yet begun supervising notaries, the real estate sector, lawyers, and VASPs. The SCVS has carried out 530 supervisions, of which 59% were off-site (315 supervisions) and most of the on-site supervisions were to review previously requested information. These visits last approximately half a day, although on specific occasions the supervision may take several days.

587. The assessment team determined that there was a decrease in the findings derived from the supervisions throughout the period analysed, and therefore, the entities supervised by the Superintendence of Banks improved their ML/TF prevention controls. Likewise, an increase in the frequency of on-site and off-site supervision was identified as of 2020 in the case of the SB and SEPS.

[32] After the on-site visit, 2 more persons were hired, making a total of 10 persons in charge of AML/CFT supervision of the subjects under SB regulation.

b) Sectors considered of medium and lower relative weight in terms of materiality: the securities, remittance companies, insurance, and exchange offices sectors were largely supervised off-site, verifying compliance with the regulatory framework. As for DNFBPs, lawyers, dealers in precious metals and stones, accountants and trust and corporate service providers have not yet been supervised by the UAFE. Particularly, dealers in precious metals and stones were supervised off-site on 2 occasions by the SCVS in the last 5 years.

588. In conclusion, from the data collected it can be inferred that, in the period analysed, although AML/CFT supervision processes have been carried out both on-site and off-site, the methodology and scope of the RBA processes applied by all supervisors is to a certain extent limited. It is noted, moreover, that the country has evolved with respect to its risk-based approach to supervision. Due to recent changes, there is an impact on the frequency and intensity of supervisions, while considerable improvements in the supervisory system are required.

Remedial actions and effective, proportionate, and dissuasive sanctions

589. In general, the sanctioning framework works in a sequential manner, requiring a first stage regarding compliance with an action plan to correct the findings identified in the supervisory phase and, on the other hand, only in the event of non-compliance with that action plan is it appropriate to apply specific sanctions.

590. In the case of the findings derived from the supervisions conducted by the SB and SEPS, most of them have resulted in the application of remedial actions through an action plan generated with the recommendations proposed which requires the reporting institutions to adjust their policies, processes and control procedures to the provisions of the regulation. In general terms, the action plans have been addressed to a good extent.

591. No sanctions have been imposed by any supervisor other than the SCVS since 2018. Notwithstanding the above, it should be noted that during the Covid-19 pandemic, the administrative deadlines were suspended due to exceptional circumstances. Infringement proceedings opened since 2019 have not prescribed and some supervisors, such as the SCVS, have resumed proceedings, admitting having 18 in process and 25 in the initial phase. The UAFE—given that it has not yet initiated the supervisory processes—has not imposed any sanction in the period related to the referred processes.[33] A new sanctioning regime was formulated in December 2021, so this system is recent and there are still no results in this area.

592. The SB and SEPS have exercised their sanctioning power in 2017. The SB applied 5 sanctions, 1 amounting to USD 258,891.36 and the 4 additional sanctions were applied to the same entity for a total amount of USD 292,641. The infractions were associated with non-compliance with regulations on internal control, reporting to the UAFE and responsibilities of the internal auditor.

Table 6. 11. Remedial actions issued per year (2017 – 2022)

Year of observation	
2017	63

[33] However, the UAFE has executed sanctioning processes regarding non-compliance with the RESU report. In 2019, 183 RIs were sanctioned for a total amount of USD 484,039.51. In 2020, 61 RIs were sanctioned for a total amount of USD 104,785.12. And in 2021, 353 RIs were sanctioned for a total amount of USD 682,871.44.

2018	139
2019	145
2020	116
2021	80
Total	**543**

Source: Superintendence of Banks

593. In order to regularise the findings derived from the on-site supervision and communicated through the observations matrix and official letter, the entities must present, in the document called "follow-up matrix," their corrective action plan detailing the mitigation actions, compliance times (no more than one calendar year after the end of the supervision), and responsible parties.

594. In this regard, the table below shows the level of compliance with the remedial actions arranged in the period between 2017 and 2021:

Table 6.12 - Compliance with remedial actions by year (2017 – 2022).

Warning date	Compliance with remedial actions					In process	Grand Total
	2017	2018	2019	2020	2021		
2017	59	4					63
2018		108	10	21			139
2019			115	30			145
2020				69	18		87
2021					64	6	70
Grand Total	**59**	**112**	**125**	**120**	**82**	**6**	**504**

Source: Superintendence of Banks

595. From the above information, it can be seen that between 2017 and 2021 there were 543 warnings[34] that resulted in remedial actions, of which 98.90% are complied with and 1.10% are in "In process," which shows that the entities have shown a considerable improvement and evolution of their AML/CFT processes.

596. For its part, in 2017 the SEPS imposed 14 sanctions for a total of USD 8,197.23. For the year 2021 it resumed the sanctioning processes, with 24 of these under execution; likewise, 212 warnings have been generated during the period under analysis through the issuance of official letters in the Document Management System, where entities are required to comply immediately with the regulatory requirements, with continuous telematic or telephone monitoring, and in case of non-compliance, the sanctioning process is initiated.

597. The SCVS has imposed the following sanctions in the financial sector: 4 sanctions to fund and trust management companies in 2017; 1 to a remittance company in 2019 and 2 in 2021, to 1 fund administrator and 1 securities firm. The sanctions framework also includes warnings marked on the certificate of compliance with obligations:

[34] These warnings are aimed at information quality, behavioral and transactional risk profiles, CDD procedures, organizational structure, detection of unusual operations, among others.

Table 6.13. Certificate of compliance with obligations due to negative registration of the SCVS- FI.

SECTORS	2017	2018	2019	2020	2021	Total
Funds and Trust Management Companies	2					2
Securities firms					1	1
Remittances		1	1			2
Grand Total	**2**	**1**	**1**	**0**	**1**	**5**

598. The entity that reflects non-compliance in its certificate has problems to develop its activities both in private companies and public institutions because the certificate is required to operate, and this prevents them from carrying out transactions or operations with the financial system, they cannot participate in public or private offerings, imports, exports, among other aspects.

599. With respect to the non-financial sector, the number of observations marked on the certificates of compliance with SCVS obligations is shown below:

Table 6.14. Certificate of compliance with obligations due to negative registration of the SCVS - DNFBP.

Entity	2017	2018	2019	2020	2021
Real Estate	10	13	8	4	95
Precious metals and stones dealers	-	-	-	-	-

600. In view of the above data, although the country has applied sanctions and, in the particular case of entities under SB regulation that are more material, has shown considerable improvements in its AML/CFT systems as a result of the remedial actions implemented, there are still limitations in the Ecuadorian sanctioning framework in the period under analysis. Ecuador faces significant challenges in implementing an effective, proportionate and dissuasive sanctioning regime.

Impact of supervisory actions on compliance.

601. In the interviews conducted during the on-site visit, the SB and SEPS reported that the findings of their inspections have resulted in compliance action plans and that they have been implemented in virtually 100% of the cases, thus strengthening the RIs' AML/CFT compliance processes.

602. Particularly, for the remittance sector, a significant improvement in STRs was shown, when, based on the report of highly reporting institutions, the sector received individual and collective virtual training on the weaknesses of their reports.

603. However, considering the significant limitations identified in terms of SCVS and UAFE inspections, it is not possible to accurately verify the tangible impact of the supervision system on the improvement of compliance by RIs.

Promoting a clear understanding of AML/CFT obligations and ML/TF risks

604. UAFE has made available a series of training courses to RIs, Compliance Officers and citizens, which allow participants from different sectors to acquire new knowledge in different modalities: classroom and/or virtual training (permanently available). The objective is to promote a culture of transparency to raise awareness in society about the problems generated by crimes such as: money laundering, bribery, corruption, fraud, arms trafficking, trafficking in persons, terrorism, among others. The trainings are free of charge.

605. In addition, since the publication of the NRA and the Action Plan, the main action is the creation and development of the Continuous Training School, whose objective is to keep the knowledge of reporting institutions up to date and to generate public-private alliances.

606. Among the training provided by the UAFE the "Training on the search and matching tool of the Central Bank of Ecuador" was provided on March 11, 2022, which is integrated into SISLAFT, the same that can be used by compliance officers to run cross-checks with the PEP, UNSC and convicted persons databases. Approximately 1,160 participants were trained.

607. In addition, the SB, SEPS and SCVS are also carrying out training activities for their regulated and supervised entities in AML/CFT matters.

Table 6.15 - Number of Participants in AML/CFT Courses, Workshops and Seminars

SB				
2017	**2018**	**2019**	**2020**	**2021**
-	-	100	575	100
SEPS				
-	-	295	894	1,068
SCVS				
-	152	757	3,769	746
UAFE				
575	3,012	3,905	8,436	11,130

608. For its part, the SB issues general observation circulars regarding the application of specific procedures of provisions contained in the regulations, as well as attends specific technical and legal consultations related to the enforcement of its responsibilities and AML/CFT procedures. Periodically, the SB carries out training processes for supervised entities, especially when there is a regulatory change or specific requirement of any entity.

609. The SEPS issues circular letters that are uploaded on the institutional web page and are sent to the institutional e-mails of the managers and compliance officers of the entities. E-mails are registered for consultation when there are concerns about the provisions. It also solves queries through procedures in the Document Management System and through e-mails. Likewise, it has sent support material that serves entities as an implementation guide for regulatory requirements.

610. For instance: Form for inclusion of natural person, form for inclusion of legal person, form of origin and destination of resources, guide to identify red flags of ML/TF, countries considered tax havens, degrees of consanguinity and affinity, guide for the preparation of Manual for the Prevention of ML/TF. Likewise, the SEPS in its internal structure has a National Research, Development and Innovation Department, which among its powers executes the annual training plan for reporting institutions and the Superintendence's staff.

611. Finally, the SCVS addresses concerns and queries from reporting institutions regarding regulations and procedures through the communication channels provided by the institution, which are email and face-to-face assistance. From 2014 to 2021, there is an average of 8,000 email queries answered, and likewise, in the face-to-face service, a record of the service provided is kept in the logbook. In addition, circulars have been sent to the reporting institutions, so that they comply with registration before the UAFE and report.

Conclusions on Immediate Outcome 3

612. Regarding the licensing regime and integrity verification measures, financial regulators have controls that help prevent criminals, associates or BOs from being owners or shareholders of RIs. However, the controls applied by the SCVS and the UAFE with respect to non-financial entities are not sufficient to fully meet the intended objective. The SEPS and the SB, in general, have a good understanding of the sectoral risks associated with ML/TF. The SCVS, although to some extent is aware of the risks of its sectors, presents opportunities for improvement in its level of understanding. The UAFE, for its part, has a good level of understanding except for the sectors recently incorporated into the AML/CFT system.

613. Ecuador's AML/CFT supervisory authorities have carried out both on-site and off-site AML/CFT supervision activities. In terms of the most material sectors (banks, savings and credit cooperatives, mutuals), there is a greater number of supervisions, although they are largely carried out off-site. . With respect to DNFBP supervision, there were few supervisions by the SCVS and none by the UAFE due to the recent implementation of its supervisory framework.

614. The country has evolved with respect to its risk-based approach and the progressive improvements that have been made during the period analysed are noteworthy. In the framework of banking and popular and solidarity sector supervisions, the ML/TF prevention component has been reviewed mainly as an additional element of prudential supervision, and this approach has been evolving through process improvements and has been strengthened by recent methodological reforms. However, due to recent amendments, there are still evident challenges in the execution of supervision. In that sense, considerable improvements are required in terms of the application of a risk-based approach to AML/CFT supervisions. The SB, SEPS, SCVS, and UAFE (mainly the last two entities) need to develop actions to continue to improve the frequency, intensity and scope of supervisions, as well as the application of effective, proportionate, and dissuasive sanctions. Consequently, from the analysis of these elements, added to the country's own risk characteristics and context, it is considered that the effectiveness of this Outcome is achieved to a certain degree.

615. Ecuador **shows a Moderate level of effectiveness** in Immediate Outcome 3.

CHAPTER 7. LEGAL PERSONS AND ARRANGEMENTS

Key Findings and Recommended Actions

Key findings

1. Basic information on the types and characteristics of legal persons and arrangements, as well as the processes for their creation and registration are publicly available through different laws, regulations and via the web page, except in the case of partnerships.
2. The SRI has developed an analysis on shell companies for tax purposes. Additionally, the UAFE prepared an analysis of typologies that reflects the vulnerabilities of the LPs and made a report on the vulnerabilities and misuse of NPOs for TF purposes. Notwithstanding this, the country does not yet have an assessment of the risks that legal persons or arrangements may be or are being misused for ML/TF purposes.
3. Some mechanisms have been defined to mitigate the risks of misuse of shell companies by the SRI and the SCVS.
4. Ecuador has a multi-pronged approach to obtaining BO information, which includes the possibility of obtaining information collected by RIs (collected in the framework of CDD), as well as information contained in SCVS and SRI registries. These registries have a mechanism for cross-checking information with each other, which makes it possible to detect inconsistencies.
5. In the case of RIs, except in the banking sector, some technical deficiencies were identified in the BO definitions. Regarding the SCVS registry, the BO information does not cover control by other means. Meanwhile, the SRI registry, while having a definition consistent with the standard, its creation is more recent, and it is still in the process of being populated with information.
6. The SCVS administers a public Registry of Companies, which contains basic information and on beneficial owners. The communication of information to the SCVS Registry is done through the web and is used by RIs and investigation authorities. However, this Registry does not cover all the legal persons existing in the country.
7. Moreover, the SRI is implementing a public BO Registry that contains a very large percentage of all legal persons and arrangements that exist in the country. With regard to reporting institutions' obligation to report the BO, it should be noted that it encompasses the notion of control by other means.
8. Competent authorities have good access to basic information on LPs and legal arrangements. However, access by BO in an adequate and accurate manner presents some limitations due to the aspects pointed out above.
9. In the case of SCVS, controls on the quality of the shareholder information included in its registry have been evidenced. As for the SRI registry, it has not been verified that the entity carries out sufficient controls regarding the quality of the information on BO.
10. Sanctions have been applied by the SCVS and the SRI with respect to legal persons that do not report information on their shareholders, as well as with respect to non-compliance with information on “shareholders, participants, partners, directors, and administrators” (Annex APS). However, there is no sufficient information on sanctions for non-compliance with the quality of BO information.

Recommended Actions

1. Conduct a ML/TF risk assessment of legal persons and arrangements operating in the country and continue strengthening its understanding by the competent authorities, especially by the UAFE, SRI and SCVS.
2. Adapt the regulatory framework with respect to the definition of BO, so that the definitions provided in the sectoral regulations are consistent with each other and the regulations are in line with the international standard.
3. Continue efforts to effectively implement the Registry of Beneficial Owners administered by the SRI.

4. Implement measures to ensure the quality and information included in the SCVS and SRI Registries, through increased monitoring and, if necessary, the application of sanctions.
5. Adopt measures that include the increase of resources available for the supervision and sanction areas, to obtain proportionate and dissuasive sanctions that are effective against LPs and RIs that do not collect and update the BO information.

The relevant Immediate Outcome considered and assessed in this chapter is IO. 5. The Recommendations relevant for the assessment of effectiveness under this section are R. 24 and 25.[35]

Immediate Outcome 5 (Legal Persons and Arrangements)

Public availability of information on the creation and types of legal persons and arrangements.

a) Legal persons

616. In Ecuador, the Companies Law establishes that there are six types of business companies constituted as legal entities and establishes the requirements for their creation and registration:

- General partnerships
- Limited partnerships and limited partnerships issuing shares
- Limited liability partnerships
- Public limited partnerships
- Mixed-economy companies
- Joint-stock companies

617. Public limited partnerships and limited liability partnerships should be registered in the corresponding Company Registry, which, in turn, informs the Registry of holders administered by the SCVS. These entities may register electronically through the SCVS website, for which they also have a Citizen's Handbook. Simplified joint stock companies can register online directly on the SCVS website.

618. General partnerships are only registered before a Judge and the other companies are registered directly in the SCVS Registry.

619. Bearer shares or bearer share certificates cannot be issued in Ecuador because the owner must be the person who appears as such in the Book of Shares and Shareholders (Companies Law).

620. In turn, the Regulation for the granting of legal personality to social organisations (Decree No. 193) establishes the conditions for the creation and registration of non-profit organisations (corporations, foundations). In this sense, national NPOs are registered with the Ministry of Economic and Social Inclusion while foreign Non-Governmental Organisations are registered with the Ministry of Foreign Affairs and Human Mobility. The approval of the statutes of these entities is under the authority of the President of the Republic, although in the case of national NPOs the representative of the organisation must submit the request for approval of the statute and recognition of legal personality to the competent State portfolio.

[35] The availability of accurate and up-to-date basic information on the beneficial owner is also assessed by the OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes. In some cases, the findings may differ due to differences in the methodologies, objectives and scope of the FATF and Global Forum's Standards.

621. Finally, the Organic Law of the Popular and Solidarity Economy establishes the requirements for the creation and registration of organisations in the cooperative sector. These entities are authorised and registered with the SEPS. Particularly, with respect to savings and credit cooperatives, a distinction is made between open and closed cooperatives, being closed cooperatives those whose members have a common bond that unites them such as profession, labour, union or family relationship. This determination must be stated in the bylaws of the financial institution. Closed savings and credit cooperatives may not engage in any type of financial intermediation activity with customers or third parties.

622. At the end of 2021, the following companies were registered in the registry administered by the SCVS:

Table 7.1: Number of legal persons registered with the SCVS.

TYPE OF COMPANY	2021
Public limited company	63,110
Agricultural development public limited company	5
Public limited company in rustic lands	234
Andean multinational public limited company	34
Association or consortium	235
Limited joint-stock company	7
Mixed-economy company	140
Limited liability partnership	75,946
Joint-stock company	15,605
Foreign branch	2,011
Insurance companies	30
Insurance intermediaries companies	195
Stock exchanges	34
Fund management companies	29
External auditors	83
Securities issuing companies	371
Representative of bondholders	21
Others	19
Total	**258,109**

623. The SCVS registry does not include partnerships or non-profit organizations. However, there is a public registry of Social Organizations available on the web (https://sociedadcivil.gob.ec/directorio) and for collective management societies of the economic rights of authors, artists, performers, phonogram producers and broadcasting organizations.[36]

b) Legal arrangements

624. The Organic Monetary and Financial Code establishes that through the commercial trust agreement, one or more persons called incorporators or settlors transfer the ownership of persona or real, tangible or intangible property to an autonomous patrimony, endowed with legal personality so that the trust and fund management company, which is its trustee and in such capacity its legal representative, may comply with the specific purposes set forth in the

[36] https://www.derechosintelectuales.gob.ec/sociedades-de-gestion-colectiva/#:~:text=Las%20Sociedades%20de%20Gesti%C3%B3n%20Colectiva,fonograma%20y%20organismos%20de%20radiodifusi%C3%B3n.

incorporation agreement, either in favour of the incorporator itself or of a third party called beneficiary.

625. In this sense, it should be noted that trust administrators can only be legal persons, specifically public limited companies that must be registered with the Company Register and, consequently, with the SCVS.

626. Now, in accordance with the Securities Market Law, trusts are authorised by means of a public deed executed before a Notary Public and registered with the SCVS. Likewise, in applicable cases, they must be registered before the Property Registry of the corresponding canton through an online procedure.

Table 7.2: Number of legal arrangements registered by year with the SCVS

2017	2018	2019	2020	2021
3,134	3,951	2,746	1,415	2,554

627. In general terms, access to this information is completely public and can be accessed through the SCVS web portal:

- Website of the SCVS: https://www.supercias.gob.ec
- SCVS information portal: https://www.supercias.gob.ec/portalscvs/

628. Based on the above, the core issue has been largely met as information on the creation and type of legal persons and arrangements in the country is publicly available. However, it is important to point out that in the case of collective societies, there is no public registry that allows to know their basic information (except for collective management societies of the economic rights of authors, artists, performers, phonogram producers and broadcasting organizations).

Identification, assessment and understanding of ML/TF risks and vulnerabilities of legal entities

629. Ecuador is not a regional centre for the formation of legal persons or arrangements - although in certain cases shell companies and front companies have been used to facilitate ML related to corruption and other crimes-.

630. Ecuador has highlighted in its NRA that one of the main challenges to be faced is the use of legal persons as a screen for corruption and bribery, as well as for contributing to other acts of concealment of the identity of owners or beneficial owners, or other actions that although not necessarily criminal, tend to establish successive layers of legal persons with respect to operations, taxable income, or taxable bases. This illicit activity also maintains strong cross-border relationships that have been observed in emblematic cases, where the use of tax havens as a destination for resources through triangulation schemes is evident.

631. The country has not yet developed a specific ML/TF risk assessment of the different types of legal persons and arrangements operating in the country and their use for illicit purposes. Moreover, considering that corporate service providers have only recently been incorporated as RIs, it has not been possible to use the information from this sector for the corresponding analysis.

632. Notwithstanding this, the country has developed certain strategic studies that, while not a substitute for a risk analysis of legal persons and arrangements, their findings are reasonable and contribute to the understanding of the potential risks associated with them.

633. For example, it is mentioned that the SRI, within the framework of its duties and with the objective of minimizing tax fraud, and through different analyses and methodologies, has been able to identify non-existent or phantom taxpayers, as well as companies or individuals with non-existent transactions. The SRI publishes information on its web page on non-existent or shell companies on a regular basis.[37]

634. For its part, the UAFE has developed a report on ML typologies through which criminal schemes involving front companies have been identified, as well as a report to identify categories of NPOs exposed to misuse for TF purposes.

635. Although the SCVS uses the information disclosed by the SRI in relation to shell companies to carry out audits, it has not been found that the UAFE has developed any kind of strategic analysis on such information, although it is used in operational intelligence processes (beyond the typology report mentioned above).

636. By virtue of the above, it is concluded that the competent authorities to some extent understand the potential risks associated with legal persons and arrangements. However, although the country is making remarkable efforts, it is considered that there are still significant opportunities for improvement in relation to the identification, assessment and understanding of vulnerabilities and the extent to which persons and legal structures created in the country can be or are being misused for ML/TF.

Mitigating measures to prevent misuse of legal persons and arrangements

637. The SCVS has a public information portal for the corporate, securities and insurance sector, where information on partners or shareholders can be obtained and, in turn, it can be verified whether they are partners or shareholders in other companies. Likewise, the list of Fund and Trust Management Companies can be consulted, where there is ample information regarding registered trust businesses. It has been noted that the information in this Registry is widely used by supervisory agencies and other authorities, as well as consulted RIs in the framework of their due diligence processes.

638. Additionally, the SCVS has developed a system of alerts through its website and social networks on companies that are not authorised to operate and that offer investment or financing opportunities in an irregular manner. Currently, the general public has been informed about entities that pretend to be linked to the securities, insurance, and fund and trust management markets.

639. In relation to the analysis of shell companies carried out by the SRI mentioned above, as of September 2021, a total of 629 shell companies have been detected, of which 84% are located in the province of Guayas.

640. When a shell company is detected, its Single Taxpayer Registration Number (RUC) is suspended and the validity of the authorisation(s) used for sales receipts, withholding, and complementary documents is suspended. A procedural period is then initiated for the company to file a discharge. The whole process is available on the SRI web page. Based on the list published by the SRI of *shell companies*, the SCVS may initiate ex officio liquidation, cancellation or suspension processes in the corporate registry.

[37] (https://www.sri.gob.ec/web/intersri/empresas-inexistentes)

641. Regarding supervision processes, the SB, SEPS, SCVS and UAFE are the entities in charge of supervising the corresponding RIs, regarding compliance with measures associated with the identification of the BO (as described in the discussion of technical compliance criterion 10.10). However, in some cases, there are technical deficiencies with regard to the definition of BO and it is not clear whether RIs use the definition contained in the AML/CFT Regulations or in their special rules, since these are different provisions in each regulatory framework.

642. Moreover, in terms of STRs, the UAFE has received 893 STRs from RIs referring to legal persons and has forwarded to the FGE a total of 40 ROII (since 2018) with the following typologies:

Table 7.3: Number of ROII sent to FGE by typology related to legal persons

TYPOLOGIES	NUMBER
Shell companies	1
Creation of offshore companies	1
Concealment of business structures	37
Misuse of legitimate businesses	1
TOTAL	**40**

643. Regarding the FGE, it requires information from the UAFE regarding legal persons associated in the ML and TF investigative processes or prosecutions in progress:

Table No. 7.4 - Number of executive reports sent to the FGE on legal persons

2017	2018	2019	2020	2021	Total
584	509	468	709	652	2,922

644. In terms of criminal sanctions, Art. 325 of the COIP has a sanctioning regime for legal persons in cases of ML that seems to be dissuasive and proportionate.

645. Finally, the UAFE has conducted multiple training courses aimed at RIs and competent authorities in relation to the beneficial owner and the NRA, which addresses aspects in this area.

646. In conclusion, it is shown that Ecuador is developing certain actions aimed at mitigating the misuse of legal persons and arrangements in the country. However, considerable improvements are still required to prevent them from being used for ML/TF activities or predicate offences.

Timely access to adequate, accurate, and current basic and beneficial ownership information on legal persons

647. Ecuador has a multi-pronged approach to obtaining BO information. This approach includes the possibility of obtaining information collected by the RIs (collected in the framework of CDD), as well as information contained in the registries of the SCVS and the SRI, as explained below.

648. The SCVS makes available a public registry of companies registered with the agency. The search for a company can be done either by file number, which is the number given by the SCVS, the identification, which is the RUC, or the name of the company.

649. In this registry, you can access general information about the company (location, equity, economic activity, legal nature, etc.), as well as information about partners or shareholders, legal representatives and administrators, legal acts, annual information, among other information. When shareholders include an Ecuadorian legal person, a new search is carried out to find the information of the natural persons who hold the ownership.

650. If the shareholding chain includes a foreign company, the documents attached to the incorporation of the company are available and the necessary information may be requested from the designated legal representative. As already mentioned, partnerships and non-profit organisations are not included in this registry. According to the information provided, 83% of the companies reported have natural persons in the first level of the shareholding chain.

651. For its part, since 2012, the SRI has the information corresponding to the Annex of Shareholders, Participants, Partners, Directors and Administrators (APS), which includes a high percentage of all legal persons and arrangements that exist in the country (even if they do not have legal status),[38] branches of foreign companies resident in the country, and permanent establishments of non-resident foreign companies. The information provided is the corporate composition up to the last level that identifies natural persons who are beneficial owners.

652. Through a law issued in November 2021[39], it is established that the SRI compiles and maintains the Registry of Beneficial Owners, using the information submitted by the companies in the APS, which has been implemented since 2016, as a basis. The Registry of Beneficial Owners of the SRI is a public data registry whose function is to collect, file, process, distribute, disseminate, and register the information that allows identifying the beneficial owners and members of the chain of ownership of legal persons and companies, whether for tax purposes or other purposes within the applicable legal and regulatory framework.

653. At the date of the on-site visit, this registry was not yet public, although it is directly accessible to the UAFE. The FGE should send an official request to the SRI to obtain information from this registry. In both cases, either because it is done directly and immediately (UAFE) or upon request and promptly (FGE), access to information held by the SRI is done in a timely manner.

654. Once an affidavit is filed with the SRI (Annex APS), the information is checked against the SCVS registry and other sources of information available at the SRI. The SRI and the SCVS have an information exchange agreement, similar to the one with the UAFE, by means of which both institutions, through an interoperability system, have immediate access to the information, in order to identify inconsistencies. From this, the SCVS has the power to perform controls, including the review of corporate books and requesting any additional information.

655. The above means that the SRI and the SCVS have an information exchange agreement, similar to the one with the UAFE, by means of which both institutions, through an interoperability system, have immediate access to the information, in order to identify inconsistencies. From this, the SCVS has the power to perform controls, including the review of corporate books and requesting any additional information.

[38] Public sector companies, international missions and organizations recognized by the State and financial and non-financial companies under the regime of the Organic Law of Popular and Solidarity Economy are exempted from submitting the APS Annex.
[39] Organic Law for Economic Development and Taxes Sustainability after the Covid-19 pandemic

656. Consequently, there are mechanisms in place to cross-check information and detect and correct inconsistencies between the two registries. However, the assessment team considers that there are still opportunities to further strengthen control over the quality of the information in these registries.

657. In the process of registration of companies, both the Companies Registry (when applicable) and the notaries perform formal controls of the documents, but do not analyse the information submitted or perform due diligence on the individuals. According to the information gathered, it is the lawyers (who have recently been included as RIs in Ecuador) who participate in the registration by advising the companies.

658. The SCVS is responsible for controlling that an important universe of legal persons and arrangements communicate basic and BO information to the Registry, either at the onset upon the respective updates, as well as validating its content to ensure that it is adequate, accurate and up to date. In this sense, in every inspection, corporate books are reviewed to verify that the information on shareholders is the same as that recorded in the SCVS registry.

Table No. 7.5 – Number of SCVS supervisory actions

2017	2018	2019	2020	2021	Total
2,835	1,940	1,301	978	914	7,968

659. Regarding the updating of information, every year, the companies under the supervision of the SCVS must report general information about the company, as well as the transfer of shares or assignment of participations within 8 days.

660. In relation to the registry managed by the SRI (APS annex), it is established that the information to be reported will be that ending on December 31 of the respective fiscal year, and will be submitted in February of the following fiscal year, i.e., it is updated annually or the month following the change or update. By March 2022, 84% of the companies had already submitted the APS annex with the entire information on the beneficial owner, so the registry was already in an advanced process to complete its information population.

661. It should be mentioned that the income tax rate to be applied by the companies is conditioned to the due and correct compliance in the delivery of the information to the SRI. In this sense, failure to report leads to an increase of three percentage points in the tax rate on your income tax return. Moreover, the SRI is in a position to detect non-compliance in the submission of APS information through a "matrix of obligations" obtained from the system implemented to receive the information and therein trigger corrective actions.

662. Regarding the quality of the information provided to the APS Annex, the SRI reports that it has detected 50 cases of information errors in the period 2017-2021.

663. Between 2017 and 2021, the UAFE has shared information on legal persons through 2,922 executive reports to the FGE, while Egmont Group member countries have sent (and received) 361 information requests on legal persons in the same period. Likewise, 15 passive international criminal assistance requests have been responded to, which include information requests on Ecuadorian companies.

664. In conclusion, LPs are obliged to report and update the information of partners or shareholders, legal representatives and administrators to the SCVS, which in some cases allows them to reach the BO. The SRI also manages a registry of BO information of legal persons which must be updated by the corresponding entities. Unlike the SCVS registry, the SRI was not publicly available at the time of the on-site visit, but it is available to the UAFE and the FGE. In this sense, and in accordance with the provisions described above, it can be concluded that the information on BO provided by the entities is generally up to date.

665. With regard to the collection of BO information held by RIs, some observations should be made. Although RIs are required to identify the BO, in some cases there are technical deficiencies with respect to the definition that somehow impact on the collection of the referred information, except for the banking sector, whose definition of BO is adequate (for more details see TC.10.10). Moreover, although the authorities that manage the information (SCVS, SRI) have developed control activities, these have been exclusive to regulatory compliance and not with a RBA that would allow them to verify the correct identification and verification of the identity of BOs.

666. In conclusion, although systematized information is available, the information in the SCVS public registry has some limitations in terms of scope, and the SRI has a recently implemented BO Registry (although it is based on the information in Annex APS), which covers the notion of control by other means for the identification of BOs. For these reasons, it is understood that the purpose of having timely access to adequate and accurate basic and BO information is achieved to a certain extent.

Timely access to adequate, accurate and current basic and beneficial ownership information on legal arrangements

667. According to the information provided, trust businesses are of significant importance in terms of the amount of assets under management:

Table 7.6 – Importance of trust businesses

TYPE OF TRUST BUSINESS	EQUITY IN USD
Management	7,809,414,086
Guarantee	3,067,771,077
Real Estate	1,027,575,510
Investment	622,102,922
Securitizations	85,270,826
Trust Assignments	75,043,485
TOTAL	**12,687,177,906**

668. Within the trust business, there are commercial trust agreements and fiduciary assignments. In the latter, the ownership of the property in question is not transferred, there is only the mere delivery of the property. Fiduciary assignments do not have legal personality.

669. Commercial trust agreements and fiduciary assignments must be registered in the Public Registry of the Securities Market. The commercial trust contract must be executed through a public deed, while the financial assignment is executed through a written and express contract. The trust incorporation contract must indicate the name of the trust incorporators and the beneficiaries.

670. Only trust and fund management companies may operate as trustees in accordance with the Securities Market Law. These administrators can only be legal persons, specifically corporations, according to the provisions of Art. 97 of Chapter II "Fund and Trust Management Companies" of the Codification of the Securities Market Law.

671. Trusts are authorised and registered by the SCVS, which has information on the different components of the trust that is accessible to competent authorities in their investigative tasks. However, the technical deficiencies associated with the definition of the BO allows to some extent to achieve the outcome of this core issue.

Effectiveness, proportionality, and dissuasiveness of sanctions

672. The legal and regulatory framework enables the SCVS to apply sanctions to reporting institutions in case of non-compliance. In this regard, the Companies Law establishes that when a company violates any of the laws, regulations, bylaws or resolutions for whose supervision and compliance the SCVS is responsible, and the Law does not contain a special sanction, the Superintendent, at his discretion, may impose a fine not exceeding two general minimum vital salaries, according to the seriousness of the infraction and the volume of assets (Art. 445).

673. Through the Intendancy of Companies of the SCVS, during the period 2017 - 2021, 43,945 sanctions have been applied for non-compliance with the obligation to submit shareholder information or misreporting of information. During said period, no sanctioning processes have been carried out by the ML Prevention Department of the SCVS for non-compliance with the identification of the beneficial owner in the financial and non-financial sectors and DNFBP sectors under its purview.

Table 7.7 - Number of sanctions imposed by the SCVS for non-compliance with the obligation to submit shareholder information or misreporting of information

Year	Sanctions	Total in USD
2017	16,165	6,061,875.00
2018	-	-
2019	27,360	10,779,840.00
2020	420	165,480.00
Grand Total	**43,945**	**17,007,195.00**

674. For its part, the SRI, which as already mentioned manages the information of the APS Annex (Shareholders, Participants, Partners, Directors and Administrators), has the mandate to create a Beneficial Ownership Registry (as of November 2021). Notwithstanding its recent resolution, the SRI has statistics on sanctions related to tax administration that reflect the following:

Table 7.8 – SRI - Sanctions for failure to comply with information requirements (in USD)

	Controls for omission / late filing of the Report on Shareholders, Participants, Members, Partners, Directors and Administrators	Controls for late filing or identification of Shareholders in tax havens based on the Report on Shareholders, Participants, Partners, Directors and Administrators.

Year	Number of controls	Collection of difference in tariffs	Number of controls	Collection for compliance with APS
2017	114	166.50	292	705,280.85
2018	55,106	2,580.00	266	1,371,410.38
2019	119,636	590.00	15	6,696,046.80
2020	27,919	999.82	270	1,237,257.44
2021	35,924	821.62	7	-
2022	37,297	240.00	-	23,299.34
TOTAL	275,996	**5,397.94**	**852**	**9,963,437**

675. There is a sanctioning regime that is reflected in the amounts of the sanctions applied by the SRI for the updating of the APS Annex.

676. Ultimately, sanctions have been applied by the intendency of companies and the SRI with respect to legal persons that do not report the information of their shareholders, as well as with respect to non-compliance with the information in the APS annex, respectively. However, there is no information on sanctions for non-compliance with the quality of BO information.

Conclusions on Immediate Outcome 5

677. In general, information on the creation and type of LPs is largely available, except in the case of partnerships. The country does not have a specific risk assessment of legal persons and arrangements, although the findings of the NRA in this area, together with the strategic studies described above, contribute to the competent authorities' understanding of the risks associated with legal persons and arrangements.

678. Competent authorities have good access to basic information on legal persons and arrangements, which is available directly online or upon request. As far as BO information is concerned, it can also be concluded that authorities can access timely updated information through a multi-pronged approach that encompasses information held by RIs and also the two existing BO registries. However, some aspects have been identified that may have some impact on the quality of accessible information. In the case of RIs, except in the banking sector, there are some technical deficiencies in the BO definitions. Regarding the SCVS registry, the BO information does not cover control by other means. Meanwhile, the SRI registry, while having a definition consistent with the standard, its creation is more recent, and it is still in the process of being populated with information.

679. The SCVS and the SRI are responsible for the sanctioning regime in case of failure to update basic and BO information, as well as supervisors for cases of non-compliance with measures related to the identification of holders and BO. Although there is evidence of sanctions for failure to submit or update information, there are no proportionate and dissuasive sanctions related to controls on the quality of the information submitted to the SCVS Registries of holders, as well as on the sanctions applied by the SRI in relation to the quality of the information included in Annex APS.

680. Considering these elements, it is concluded that Ecuador needs to make considerable improvements in this area.

681. Based on the above it is concluded that Ecuador **shows a Moderate level of effectiveness** in Immediate Outcome 5.

CHAPTER 8. INTERNATIONAL COOPERATION

Key Findings and Recommended Actions

Key findings

1. Ecuador has a legal and institutional basis that allows law enforcement authorities to provide a wide range of mutual legal assistance (MLA) and extraditions in a constructive manner.
2. The approach to international co-operation is collaborative and may be provided in accordance with bilateral and multilateral criminal treaties ratified by the country and, in their absence, on the basis of reciprocity.
3. Ecuador has a central authority designated to deal with MLA and has an action protocol with defined procedural guidelines.
4. Although some deadlines are not clearly defined in the extradition process, in practice the time taken to deal with extradition shows that effective co-operation is provided.
5. The country does not have a system for prioritizing cases or requests for both MLA and extradition. Although there is currently no evidence of undue delays in their processing, the fact of not having a system for prioritizing cases could cause delays in dealing with requests and in effective international cooperation.
6. In cases where extradition is denied because the extradition is of an Ecuadorian citizen, there is no identification of the internal procedure to follow to send the case to the competent authorities to convict the offences contained in the extradition request.
7. The deficiencies identified in IO.5 on BO information could have an impact on the provision of international co-operation in this area.

Recommended Actions

1. Maintain the existing co-operation mechanisms active to continue with constructive and timely co-operation actions.
2. Develop procedures to duly prioritise international co-operation within all competent authorities, as well as to implement a statistical base of international co-operation by national authorities.
3. Strengthen the regulatory framework to guarantee a timely response to extradition requests, establishing clearer deadlines in all phases of the process. In the particular case of refusal to extradite Ecuadorian citizens, establish the internal procedure to be followed to refer the proceedings and initiate the corresponding investigation.
4. Provide the DCAI (FGE) with additional human and technological resources, since this department receives and manages to a great extent MLA requests and reviews and sends the requests made by the country.
5. Strengthen the capacity to provide information on the BO of legal persons and arrangements, as well as implement mechanisms to determine the co-operation that is provided in this matter.

The relevant Immediate Outcome considered and assessed in this chapter is IO. 2. The Recommendations relevant for the assessment of effectiveness under this section are R. 36-40.

Immediate Outcome 2 (International Cooperation)

Granting of mutual legal assistance (MLA) and extradition

682. Ecuador has a legal basis for providing a wide range of mutual legal assistance (MLA). Cooperation may be provided in accordance with bilateral and multilateral treaties on criminal matters ratified by the country and, in their absence, on the basis of reciprocity.

683. The country has signed 20 international agreements on criminal assistance, 5 multilateral and 15 bilateral, as presented below:

Table 8.1 - Agreements on criminal assistance matters

No.	Name	Type	organisation/Country	Date signed	Effective date
1	Complementary Agreement to the Agreement on Mutual Legal Assistance in Criminal Matters between the States Parties to MERCOSUR and Bolivia and Chile	Multilateral	Mercosur	12/5/2002	02/20/2015
2	Agreement on judicial assistance in criminal matters between Ecuador and Peru	Bilateral	Peru	10/26/1999	3/22/2007
3	Mutual Legal Assistance Agreement in Criminal Matters between Ecuador and Uruguay	Bilateral	Uruguay	8/27/1997	5/6/2003
4	Agreement on Mutual Legal Assistance in Criminal Matters between the States Parties to MERCOSUR and Bolivia and Chile.	Multilateral	Mercosur	2/18/2002	2/8/2009
5	Agreement on mutual legal assistance in criminal matters by exchange of notes between the governments of Sweden and Ecuador	Bilateral	Sweden	12/22/2015	12/22/2015
6	Inter-American Convention on Mutual Assistance in Criminal Matters	Multilateral	OAS	5/23/1992	8/14/2003
7	Agreement on Judicial Cooperation and Mutual Assistance in Criminal Matters between Ecuador and Colombia	Bilateral	Colombia	12/18/1996	7/26/2001
8	Cooperation Agreement on Mutual Legal Assistance in Criminal Matters between the Government of Ecuador and Cuba.	Bilateral	Cuba	12/22/2011	
9	Agreement between the governments of Ecuador and Mexico.	Bilateral	Mexico	11/22/2004	10/30/2005
10	Agreement on judicial assistance in criminal matters between Ecuador and El Salvador	Bilateral	El Salvador	11/15/1999	7/24/2008
11	Agreement on judicial assistance in criminal matters between Ecuador and Paraguay	Bilateral	Paraguay	8/25/1997	8/25/1997
12	Memorandum of Understanding between the General Secretariat of the OAS and the National Court of Justice of Ecuador to participate in the Hemispheric Information Exchange Network for Mutual Assistance in Criminal Matters and Extradition.	Bilateral	OAS	11/28/2012	11/28/2012
13	Optional Protocol to the Inter-American Convention on Mutual Assistance in Criminal Matters	Multilateral	OAS	6/11/1993	8/14/2003
14	Agreement on judicial assistance in criminal matters between Ecuador and Spain	Bilateral	Spain	12/18/2017	11/19/2020
15	Treaty on legal assistance in criminal matters between the government of Ecuador and Italy.	Bilateral	Italy	11/25/2015	6/12/2020
16	Treaty between the governments of Ecuador and Australia on mutual assistance in criminal matters.	Bilateral	Australia	12/16/1993	12/28/1997
17	Treaty on Judicial Cooperation in Criminal Matters between Ecuador and the Swiss Confederation	Bilateral	Switzerland	7/4/1997	1/19/1999
18	Memorandum of understanding for the exchange of information, experiences and technical-legal cooperation in environmental criminal matters, with emphasis on illegal fishing activities and related crimes between the Colombian Attorney General's Office and the Ecuadorian Attorney General's Office.	Bilateral	Colombia	11/18/2013	11/18/2013
19	Additional Protocol to the Agreement between Ecuador and the OAS for the application of safeguards in connection with the Treaty for the Prohibition of Nuclear Weapons in Latin America and the Treaty on the Non-Proliferation of Nuclear	Bilateral	International Atomic Energy Agency	10/1/1999	

	Weapons.				
20	Treaty on the Non-Proliferation of Nuclear Weapons	Multilateral	EEE	7/9/1968	3/7/1969

684. The country has designated the Attorney General's Office (FGE), through its operational unit, the Cooperation and International Affairs Department (DCAI), as the central authority to deal with MLA or International Criminal Assistance (ICA) requests. This Department is in charge of executing and monitoring compliance with the ICAs and has a staff of 6 officials for this purpose: 1 director; 3 analysts, 1 assistant, and 1 service assistant.

685. The FGE, through the DCAI, has developed a single format (ICA) to manage mutual legal assistance, for the request and practice of proceedings abroad. The ICA, as an instrument for international co-operation, is the request and/or rogatory generated by the judicial operating authority of the requesting country to be carried out and fulfilled by the criminal judicial authority of the requested country.

686. Additionally, in 2021, the FGE elaborated the "Practical Guide for International Criminal Assistance," which develops the particularities, requirements and fundamental aspects required for the processing of the ICA and explains the procedures that must be observed by the prosecuting agents both to request an ICA to authorities in other States, as well as to execute a criminal assistance requested by them.

687. Likewise, the FGE issued the document "Guidelines on File Management and Procedure of International Criminal Assistance Requests," with the objective of establishing the procedure for the management of files and procedure for international criminal assistance requests, both active and passive. This document also addresses the treatment to be given to the transfer of *noticia criminis* and judicial requests that come to the attention of the DCAI.

688. To support and follow up on ICAs, DCAI developed an "International Criminal Assistance Computer Module" that allows for the electronic formulation of an international legal assistance request and, among other functions, to maintain direct communication with the requesting prosecutor and keep a process history.

689. Passive ICA requests are received at the DCAI and are subject to verification of the requirements of the applicable international regulations and Ecuadorian legislation. Once admitted for processing, such requests are forwarded, for the corresponding processing, to:

- The Provincial Prosecutor's Office, according to the jurisdiction indicated in the request.
- In the event that the foreign authority does not specify the jurisdiction in which criminal assistance is required, the DCAI, in accordance with the rules of jurisdiction established in the COIP, forwards them to the Provincial Prosecutor's Office of Pichincha, whose headquarters are in the capital of the Republic.
- The Provincial Prosecutor, through the ICA coordinator of the province, will delegate the processing of the request to a specialised prosecutor depending on the crime under investigation.
- When the requests are related to transnational organised crime structures, it will forward it to the National Specialised Unit for Investigation against Transnational Organised Crime (UNIDOT).
- To the Transparency and Anti-Corruption Unit, when the requests are related to investigations of ML or anti-corruption offences; or:

- To a specific prosecutor, in the event that the request relates to an investigation under his or her direction.

690. Requests related to the crime of money laundering: During the period from 2015 to October 2021, 276 ICA requests have been handled in cases of money laundering, 156 requested by the FGE to other States (active), and 120 received from third States (passive).

691. Regarding the 120 passive ICA requests, Ecuador has responded to 109 letters rogatory, 10 letters rogatory are being processed (1 from 2019, 1 from 2020, and 8 from 2021), 1 from 2019 has been filed, because the requesting authority did not show interest in its execution despite the consultations made by the DCAI. Regarding response times, Ecuador has responded to requests in three months on average. The information is shown in the following table:

Table 8.2 - Statistics on passive ICA requests - Crime: Money laundering - Period: 2015 - October 2021

Year	Passive				Total
	Pending	Completed	Filed	Time	
2015	0	7	0	3 months	7
2016	0	20	0	3 months	20
2017	0	23	0	3 months	23
2018	0	30	0	4 months	30
2019	1	13	1	4 months	15
2020	1	12	0	4 months	13
2021	8	4	0	2 months	12
Grand Total	**10**	**109**	**1**	**3 months**	**120**

692. **Requests related to terrorism:** With regard to ICA requests in investigations for terrorism offences, in the same period, 8 requests have been processed, of which Ecuador has issued 6 letters rogatory to other States and has received 2 passive letters rogatory.

693. Regarding the 2 passive ICA requests, Ecuador has responded to these requests in seven months on average (one of them in 2 months and the other in 11).

Table 8.3 - Statistics on passive ICA requests - Crime: Terrorism - Period: 2015 – Oct 2021

Year	Passive				Total
	Pending	Completed	Filed	Time	
2017	0	1	0	11 months	1
2018	0	1	0	2 months	1
Grand Total	**0**	**2**	**0**	**7 months**	**2**

694. The FGE does not have a defined prioritisation mechanism. The prioritisation of urgent cases is determined at the time of admission. There are no specific guidelines for this purpose. This situation could generate a delay in the attention of MLA requests.

695. With regard to extradition, Ecuador provides effective cooperation in this area. The National Court of Justice, in accordance with the provisions of the Extradition Law, is the central authority designated to respond to requests and channel the corresponding requirements.

696. In the period between 2014 and 2022, a total of 5 active and 3 passive extradition requests have been processed for the crime of ML.

697. In the case of the 3 passive extradition requests, 1 is pending location and capture, in one case extradition was denied for being an Ecuadorian citizen and the case was transferred to the FGE for prosecution, and in the remaining one extradition was granted.

Table 8.4 - Passive extradition statistics - Period 2014 – 2022

No.	Year	Current status of the process
1	2016	**Pending** capture and location in the other State.
2	2017	**Archived** for being an Ecuadorian citizen, extradition was denied and sent to the FGE for prosecution in the country.
3	2021	**Solved**, extradition was granted and is pending delivery.

698. The following is a case of extradition in which the manner in which it is processed can be observed:

Table 8.1 – Example of passive extradition

Passive extradition:
The request was initiated on May 31, 2017, through a note sent by the Embassy of the Republic of Peru accredited in Ecuador. Based on the Extradition Treaty between the Republic of Ecuador and the Republic of Peru and the United Nations Convention against Illicit Trafficking in Narcotic Drugs and Psychotropic Substances, the arrest for extradition purposes of an Ecuadorian citizen was requested, for the alleged crime of ML.
The MREMH, reviewed and transferred on June 12, 2017, to the President of the National Court of Justice an official letter with the request for urgent detention with extradition purposes of the Ecuadorian citizen. For its part, through official letter of June 22, 2017, the General Directorate of Civil Registry, Identification and Cedulation of Ecuador, informed the National Court of Justice that the requested person was of Ecuadorian nationality.
Based on such information, the President of the National Court of Justice, through a ruling of June 28, 2017, denied the request for extradition of the Ecuadorian citizen. The decision was based on: a) The Constitution of the Republic of Ecuador which in its article 79 determines that "In no case shall the extradition of an Ecuadorian woman or man be granted. Their prosecution shall be subject to the laws of Ecuador"; and, b) The Extradition Law which in its article 4 establishes that "In no case shall the extradition of an Ecuadorian be granted, their prosecution shall be subject to the laws of Ecuador". In the same order, certified copies are to be left in the file and the original documents are to be sent to the FGE, so that, if applicable, the person may be prosecuted in Ecuador and the delivery of the documents related to the existence of the crime and the presumed responsibility is co-ordinated through international judicial assistance with the DCAI of the FGE.
At the moment, the prosecutor's file is at the Prosecutor's Office of the Money Laundering Unit and the course of the investigation is ongoing.

699. In spite of the fact that in the regulations there are some deadlines that are not regulated under the extradition process, it can be observed in the previous case that the request was attended within a period of approximately 1 month. Within this period, the requesting State was notified of the denial and continued with the domestic procedures to carry out the prosecution in the country. Therefore, although there are no defined deadlines, the time of attention in the specific case is proof of the effective co-operation provided.

700. In terms of extradition, there is no system for handling or prioritising cases; during the on-site visit it was indicated that everything is handled as a priority and with the immediacy required by the case. This could lead to a delay in dealing with extradition requests, together with the lack of defined deadlines during the process.

701. Finally, it should be noted that, based on the contributions on international co-operation received by the Global Network, in general the country is willing to co-operate and has provided relevant inputs for investigations abroad.40

702. Therefore, it is considered that the country has effective mechanisms to provide assistance and effective and constructive collaboration, as well as to process extradition requests, which is corroborated by the feedback received from 15 jurisdictions of the FATF Global Network, which, in general, stated that co-operation has been satisfactory.

Seeking timely legal assistance to combat the national ML, associated predicate offences and TF cases with transnational elements

703. As indicated above, Ecuador has a main central authority designated to deal with MLA or ICA requests, being the FGE, through the DCAI, responsible for transferring them to the corresponding prosecutors.

704. **Requests related to money laundering:** During the period from 2015 to October 2021, 276 ICA requests have been handled in cases of ML, 156 requested by the FGE to other States (active) and 120 received from third States (passive).

705. Regarding active ICAs, of the 156 ICA requests, Ecuador has received responses to118 requests, with 21 letters rogatory pending attention (8 from 2018, 3 from 2019, 6 from 2020, and 4 from 2021), and 17 have been filed. The reasons for the latter are as follows: 1) the requested countries have not responded; 2) the information was no longer necessary for the investigation due to the time elapsed; and, 3) for refusal due to the principle of dual criminality (year 2015-2016). Regarding response times, response has been received in eight months on average.

Table 8.5 - Statistics on active ICA requests - Crime: Money laundering - Period: 2015 - October 2021

Year		In Force			
	Pending	Completed	Filed	Total	Time
2015	0	14	5	19	6 months
2016	0	14	1	15	10 months
2017	0	37	5	42	10 months
2018	8	26	1	35	10 months
2019	3	15	5	23	8 months
2020	6	10	0	16	7 months
2021	4	2	0	6	4 months
Grand Total	**21**	**118**	**17**	**156**	**8 months**

706. **Requests related to terrorism:** With regard to ICA requests in investigations for terrorism offences, as indicated, 8 requests have been processed in the same period, of which Ecuador has issued 6 letters rogatory to other States and has received 2 passive letters rogatory.

707. Of the 6 active ICA requests, Ecuador has received responses to 5 requests, with 1 request pending attention, corresponding to the year 2018. Regarding response times, response has been received in five months on average.

[40] With regard to GAFILAT member countries, inputs were received from Argentina, Bolivia, Costa Rica, Dominican Republic, Guatemala, Mexico, Nicaragua, Panama, Paraguay, and Uruguay. In the case of Global Network jurisdictions, inputs were received from Australia, Belgium, Germany, Macao, Russia, and Sweden.

Table 8.6 - Statistics on active ICA requests - Crime: Terrorism - Period: 2015 - October 2021

Year		In Force			
	Pending	Completed	Filed	Total	Time
2017	0	0	0	0	0
2018	1	5	0	6	5 months
Grand Total	**1**	**5**	**0**	**6**	**5 months**

708. Regarding the prioritisation of requests, as mentioned in the previous section, the FGE does not have a defined prioritisation mechanism for the requests made by prosecutors, which could generate a delay in the sending of these requests since they must all be reviewed by the DCAI.

709. Regarding extradition, the National Court of Justice is the central authority designated to handle requests. In the period between 2014 and 2022, a total of 5 active and 3 passive extradition requests have been processed for the crime of money laundering.

710. Of the 5 active requests, extradition was granted in 2 cases, 1 is pending a decision by the other State and 2 have been filed (1 due to refusal and the other due to the annulment of the criminal proceedings).

Table 8.7 - Active extradition statistics - Period 2014 – 2022

No.	Year	Current status of the process
1	2014	**Filed**. Extradition denied, prosecuted in the country where the person was located.
2	2015	**Filed** for extradition granted.
3	2015	**Pending** formal pronouncement by the other State.
4	2017	**Filed** due to the annulment of the criminal proceeding that originated the request.
5	2017	**Filed** for extradition granted.

711. As noted above, the country, through the FGE, as the main central authority makes use of MLA to obtain effective and timely information for the success of cases under investigation. In the same line, it makes use of international cooperation to make extradition requests to other countries. There are areas for improvement such as the implementation of a prioritisation system, as well as the provision of more human and technological resources to the DCAI, since this department is responsible for receiving and managing MLA requests, and for reviewing and sending the requests made by the country.

Seeking other forms of international cooperation for AML/CFT purposes

712. The Ecuadorian authorities request other forms of international co-operation for AML/CFT purposes, and they are part of multiple international networks that are used for the effective and timely exchange of information, as well as the creation of working groups with agencies from other countries. Details are provided below.

713. **Financial and Economic Analysis Unit:** The UAFE, in the framework of its duties, has sought the subscription of co-operation agreements and also manages the information requirements generated within the framework of the Egmont Group.

714. Subscription of Memorandums of Understanding with other FIUs and international organisations: UAFE has signed Memorandums of Understanding (MOU) with other FIUs, with

46 MOUs having been signed so far. It is relevant to indicate that in recent years the subscription of MOUs has been boosted, which is evidenced by the fact that as of 2016, 25 MOUs have been signed, equivalent to 54% of these.

715. Of the 46 MOUs signed, 4 are multilateral. 42 bilateral MOUs have been signed with other FIUs or institutions in Argentina, Aruba, Australia, Bangladesh, Belgium, Bermuda, Bolivia, Brazil, Canada, Chile, China/Taiwan, Colombia, Curacao, El Salvador, Guatemala, Honduras (FIU and with the National Banking and Insurance Commission), Iran, Cook Islands, Mexico, Nicaragua, Panama, Paraguay, Peru (FIU and Superintendence of Banks, Insurance and Fund Administrators), Portugal, Dominican Republic, Russia, Holy See, Turkey, Uruguay, Venezuela (Superintendence of Banks).

716. Additionally, the country has signed 9 agreements with international organisations: Basel Institute on Governance, the World Bank, Maxplanck, the International Republican Institute (IRI), the Pan American Development Foundation Inc (PADF), Global Financial Integrity (GFI), as well as with agencies of the United States of America (the DEA and the Office of Technical Assistance (OTA) of the Department of the Treasury).

717. Exchange of information through the Egmont Group: Ecuador has been a member of the Egmont Group of Financial Intelligence Units since July 31, 2016; and, in order to address the information requests received by other FIUs and sent by the UAFE, it has issued different manuals for their proper management. In particular, the UAFE has generated specific processes to meet the requests for information and to make requests to other FIUs; establishing a secure system and duly confidential handling of the information exchanged.

718. From October 1, 2016, to August 31, 2021, a total of 471 international information requests have been sent to 62 countries.

Table 8.8 - International requests sent by the UAFE - Period: 10/1/2016 - 8/21/2021

NUMBER	COUNTRY	2016	2017	2018	2019	2020	2021	TOTAL
1	PANAMA	3	54	17	12	7	4	97
2	UNITED STATES	6	26	1	2	11	1	47
3	SWITZERLAND	1	14	5	2	1		23
4	THE BAHAMAS	1	16	1	2			20
5	SPAIN	1	14	2	1	1	1	20
6	CAYMAN ISLANDS	1	18					19
7	BRITISH VIRGIN ISLANDS	1	14	1	1			17
8	HONG KONG S/A/R/, CHINA.	1	12		2			15
9	VENEZUELA		10	1	2		2	15
10	CURACAO		12	2				14
11	GERMANY		11	1				12
12	ANDORRA		10	1				11
13	RUSSIA		9	1				10
14	ANTIGUA AND BARBUDA		9		1			10
15	PHILIPPINES		8		1			9
16	BERMUDA		8					8
17	TAIWAN		8					8
18	BELIZE		8					8
19	COLOMBIA		1	3	1		2	7
20	MACAO N/A/R/, CHINA.		7					7
21	CHILE		3	3				6
22	ARGENTINA		3	1	1		1	6
23	PERU		1	2	1		2	6
24	MEXICO		6					6
25	URUGUAY	3	1	1				5
26	CANADA		2	1	2			5
27	COSTA RICA		2				3	5

NUMBER	COUNTRY	2016	2017	2018	2019	2020	2021	TOTAL
28	BRAZIL		3		1			4
29	CHINA (MOU)		2		1			3
30	NEW ZEALAND		1	1		1		3
31	BARBADOS		1	1	1			3
32	BELGIUM			1	1	1		3
33	GUATEMALA		1	1			1	3
34	JAPAN		2					2
35	ANGUILLA			1	1			2
36	LUXEMBOURG		1	1				2
37	MARSHALL ISLANDS		2					2
38	HONDURAS		2					2
39	ITALY		1	1				2
40	ARUBA					1	1	2
41	SLOVAKIA		1					1
42	VATICAN				1			1
43	UNITED KINGDOM		1					1
44	BOLIVIA		1					1
45	SERBIA		1					1
46	JAPAN			1				1
47	KOSOVO		1					1
48	MALAYSIA		1					1
49	DOMINICAN REPUBLIC			1				1
50	AFGHANISTAN		1					1
51	SAINT VINCENT and the GRENADINES				1			1
52	UKRAINE			1				1
53	SINGAPORE		1					1
54	INDIA				1			1
55	CHIPRE						1	1
56	GHANA			1				1
57	GREECE		1					1
58	AUSTRIA		1					1
59	NAMIBIA			1				1
60	AUSTRALIA		1					1
61	POLAND		1					1
62	NETHERLANDS					1		1
TOTAL		**18**	**315**	**56**	**39**	**24**	**19**	**471**

719. Of the 471 requests sent, only 209 have been answered. The percentage of responses to requests sent by UAFE to the different FIUs is 56%.

720. Regarding statistics of requirements, the country has a matrix that is fed with the respective information and is always managed by the person appointed for Egmont Group's attention.

721. **Attorney General's Office:** As mentioned above, the FGE was designated by the Ecuadorian State as the central authority in criminal matters for the execution of the MLA. Its actions are mainly based on multilateral international instruments, which have been the basis for the subscription of bilateral and inter-institutional agreements, with the purpose of making the exchange of information and attention to ICA requests more effective.

722. In this regard, among the main multilateral instruments signed by Ecuador are:

- Inter-American Convention on Mutual Assistance in Criminal Matters, Nassau 1992, published in Official Gazette No. 147 of August 14, 2003.
- United Nations Convention against Transnational Organised Crime, Palermo 2000, published in Official Gazette No. 197 of Friday, October 24, 2003.
- United Nations Convention against the Illicit Trafficking of Narcotic Drugs and Psychotropic Substances, Vienna 1988, published in Official Gazette No. 396 of Thursday, March 15, 1990.

- Inter-American Convention against Corruption, published in Official Gazette No. 83 of Tuesday, June 10, 1997.
- United Nations Convention against Corruption, Merida 2003, published in Official Gazette No. 166 of Thursday, December 15, 2005. The execution of this international cooperation instrument is entrusted to the National Court of Justice.

723. The FGE has promoted the negotiation and subscription of 24 international instruments, from 2015 to October 2021: 4 bilateral (China, Spain, Italy, and Sweden); and, 20 inter-institutional with different foreign counterpart entities and international organizations, with the aim of streamlining cooperation mechanisms.

724. In addition, three international instruments were signed through the cross-signature mechanism:

- Memorandum of understanding on cooperation between the State Prosecutor's Office of the Republic of Ecuador and the Supreme People's Procuratorate of the People's Republic of China.
- Memorandum of Understanding on Cooperation between the Attorney General's Office of the Republic of Ecuador and the Supreme Prosecutor General's Office of the Republic of Korea.
- Addendum to the Framework Agreement for Inter-institutional Cooperation between the Attorney General's Office of Ecuador and the Basel Institute.

725. In this framework, in March 2020 the Ecuadorian Foreign Ministry designated the FGE as focal point to co-ordinate Ecuador's participation in the Conference of Ministers of Justice of Ibero-America (COMJIB) and with the purpose of subscribing the "Treaty of Medellin," an instrument that will facilitate the electronic transmission of requests for criminal assistance through the Iber@ computer system, the FGE, on behalf of Ecuador, was granted full power to sign the document, which will reduce the economic costs associated with the traditional physical delivery of requests for international criminal assistance.

726. In addition, negotiations began on the "Agreement on Mutual Legal Assistance in Criminal Matters between the Republic of Ecuador and the Republic of Korea;" and it continued to participate in inter-institutional meetings to achieve Ecuador's adherence to the Convention on Cybercrime, signed in Budapest.

727. It is worth mentioning that, within the framework of the FGE's competence, it works actively with INTERPOL, which is a co-operation mechanism through which prosecutors can directly obtain data or information that may contribute to criminal investigations and serve as a basis for issuing a request for criminal assistance.

Box 8.2 - Example of a successful case of international co-operation between the UAFE and FGE

On June 16, 2021, the Director General of the UAFE, received a call from FIU "A", which indicated that relevant information related to an Ecuadorian public official was found. FIU "A" acted immediately through a phone call, since the information sent by the ESW was sent after working hours. In the conversation held, due permission for dissemination for intelligence purposes was given to the FGE and a contact was also provided so that the FGE can communicate with the Prosecutor's Office of FIU "A". In order to formalise this procedure, permission for dissemination was requested to FIU "A", through ESW.

The information was reviewed in detail and shared with the FGE indicating that the total value to be recovered amounted to approximately USD 250,000,000.
The FGE forwarded a request for International Criminal Assistance and immediately contacted the FIU "A" Country Prosecutor's Office to take appropriate measures to freeze funds. At the date of the on-site visit the case was under investigation.

728. **Ministry of Government – Undersecretariat of Immigration:** The Undersecretariat of Immigration has signed agreements on migration alerts with Mexico, to implement a mechanism to verify information for migration purposes; and with Colombia, to implement a platform for consulting information or migration alerts.

729. Although alerts have been processed in the period from 2017 to 2021, none have been specific to ML/TF prevention.

730. It is worth mentioning that they do not have a system of statistics of the requirements they enter or attend to.

731. **National Police of Ecuador:** The National Police has a wide range of mechanisms to seek international co-operation. It has co-ordinated joint operations with other countries related to ML and predicate offences, and has carried out operations with Colombia and Peru, as well as with the support of the DEA in some cases.

Box 8.3 - Examples of cases of co-ordinated operations

Ecuador – Colombia – Peru
The Ecuadorian National Police, through the permanent exchange of information with Colombia and Peru, successfully carried out a police operation that led to the dismantling of the operational wing of a major drug trafficking organisation investigated in several countries. This organisation was involved in the production, storage and transportation of considerable quantities of drugs from Colombian production and storage centres, passing through the Ecuadorian highway system to the El Alto sector of the department of Piura on the border with Peru. In the process, two persons were arrested, two vehicles and a firearm were seized.

Ecuador – Colombia
The PN of Ecuador and the Siu Cocaine Sijin Diran of Colombia, executed two police operations in the province of Manabi. As a result, 8 Colombian and Ecuadorian citizens were apprehended as members of an organisation dedicated to the illicit trafficking of controlled substances on a large scale. These individuals were allegedly operating simultaneously and transnationally in Latin America, Central America, and North America. The exchange of information between the two countries allowed directing operational actions aimed at preventing the commission of drug trafficking.

732. **The PN also participates in various working groups to co-ordinate efforts with other countries:**

- The memorandum of co-operation between the Ministry of Interior of Peru and the Ministry of Government of Ecuador was signed to create the high-level mechanism of co-operation and inter-institutional co-ordination between the National Police of Peru and Ecuador, called "Meeting of senior police commanders and specialised units RAMPOL PERU-ECUADOR". The objective of the agreement is to strengthen their joint work against transnational organised crime and all forms of criminality. Through this mechanism, information on police matters is

exchanged, and the fulfilment of agreed police commitments is planned, co-ordinated, evaluated, analysed, and supervised.

- It participates in the Binational Border Commission between the Republic of Peru and the Republic of Ecuador (COMBIFRON), for co-operation, exchange of military and police intelligence information on security issues in the border area, as well as to contribute to the timely solution of possible problems.

733. It is also part of police co-operation networks such as: Arco, cibel@, elipsia, jaguar, LYNX, UELLA, in which they actively participate.

734. The various co-operation mechanisms have defined focal points, which allows for direct co-operation and the possibility of prioritising cases.

735. **Strategic Intelligence Centre:** The CIES is in charge of leading the National Intelligence System and producing strategic intelligence to alert and advise on decision making at the highest level. In relation to international co-operation, it articulates the exchange of information through different mechanisms and international networks in order to expedite the obtaining of information coming from another country. The CIES has co-ordinated efforts with Colombia, Spain, Israel, and the United States, and is initiating joint actions with Peru. Likewise, it also co-operates through direct contact with embassies of other countries for the exchange of strategic information.

736. The institution also contributes to the exchange of information within the framework of the Tezka Network, which is an anti-terrorism system that uses a coded real-time information system.

737. **National Customs Service of Ecuador:** SENAE participates at the international level in various forums in order to generate co-operation. At the Andean community level, it participates in forums on illegal mining and at the Latin American level it is part of the Operation Tentacle. In the same sense, it has signed an important number of bilateral agreements with countries such as Cuba, Guatemala, Russia, Iran, Argentina, Colombia, and Peru. It also works with different embassies in specific cases, for example, with Mexico and the United States of America.

738. In addition, Ecuador is a member of the WCO and participates in the RILO mechanism, which is a network of regional intelligence divisions dedicated to strengthening global customs information, where information related to customs crimes is permanently exchanged. It is also part of the Multilateral Agreement on Cooperation and Mutual Assistance between the National Customs Offices of Latin America, Spain and Portugal (COMALEP).

739. Within the framework of Ecuador's binational commissions with Colombia and Peru, the country participates in actions to combat smuggling. With regard to information exchange, 4 requests have been made to international organisations or entities:

Table 8.9 - SENAE - Requests made - Period: 2019

No.	NAME OF COUNTERPARTY	REQUESTED COUNTRY	DATE OF REQUEST
1	Homeland Security Investigations International Operations	United States	4/6/2019
2	Homeland Security Investigations International Operations	United States	5/16/2019
3	National Tax and Customs Directorate	Colombia	8/26/2019
4	General Customs Administration Mexico	Mexico	8/26/2019

740. **Internal Revenue System:** The SRI has signed cooperation agreements with its main trading partners, such as Mexico, Spain, Brazil, Uruguay and Chile, among others. The SRI is part of the OECD Global Forum, in the framework of which the first exchange of information took place in 2021. Below is a table with information on information requests sent and received by the SRI:

Table 8.10 – SRI – Requests sent and received

	2017		2018		2019		2020		2021	
	Sent	Received	Sent	Received	Sent	Received	Sent	Received	Sent	Received
Germany		1		5						
Belgium										2
Brazil			2							
Chile	2	1	3							
China	1									
Colombia	2		3		1	2			1	5
South Korea				1						
Spain	2	3	2	1	2		4		1	4
Italy						1				
Luxembourg									2	
Mexico	1				5					1
Peru	1		3	1	2	1	1		1	
Singapore	1									
Uruguay	3				3		2		3	

741. **Superintendence of Banks:** In order to exchange information within the framework of international co-operation, the SB needs to sign an agreement with several international institutions to strengthen technical co-operation and address issues related to risk-based banking supervision, financial inclusion, cross-border supervision, among others.

742. Currently, it has signed 17 agreements with foreign counterparts and other international organisations: National Banking and Securities Commission of Mexico, Central Bank of Brazil, Toronto Leadership Centre, Cayman Islands Monetary Authority, Superintendence of Financial Services of the Central Bank of Uruguay, Superintendence of Banks of Guatemala, Superintendence of Banks of Panama (one for information exchange and co-operation; and another for consolidated supervision), Centrale Bak van Curacao en SintMaarten, Superintendence of Banking, Insurance and Private Pension Fund Administrators of Peru, Central Bank of Argentina, Ibero-American organisation of Social Security, Superintendence of Banks and other Financial Institutions of Nicaragua, Financial Superintendence of Colombia, Sparkassenstiftung für internationale Kooperation E. V. and the General Superintendence of Financial Institutions of Costa Rica.

743. It is worth mentioning that each agreement specifies the type of information that may be exchanged. In the course of the period under evaluation, no information requirements have been presented and, within the framework of specific ML/TF supervision, the need to record information requirements has not arisen.

744. Notwithstanding the above, in 2021 the co-operation agreement with the National Securities Commission of Mexico was executed, thus this Superintendence required information in a process of authorisation to open and operate a representative office in Ecuador and, on its

part, the mentioned commission generated an information request in the process of investment of a shareholder of a banking entity in an institution under the control of the mentioned commission. Likewise, within the framework of the memorandum of understanding signed with the Superintendence of Financial Services of the Central Bank of Uruguay, said agency provided the requested information on several Uruguayan corporations.

745. **Superintendence of Companies, Securities, and Insurance:** The SCVS has signed co-operation, technical assistance and information exchange agreements, specifically related to the securities and insurance market sector. It has signed with 12 foreign counterparts, as shown below.

Table 8.11 - Superintendence of Companies, Securities and Insurance - International Agreements Subscribed

No.	INSTITUTION	COUNTRY	DATE SIGNED
1	National Securities and Exchange Commission	Argentina	7/10/1995
2	Superintendence of Securities	Bolivia	11/4/1997
3	Securities and Exchange Commission	Brazil	6/21/1996
4	Superintendence of Securities and Insurance	Chile	7/28/1995
5	Superintendence of Securities	Colombia	4/25/1994
6	National Securities and Exchange Commission	Costa Rica	1/19/1995
7	Andean Community of Nations	Bolivia	10/15/1999
8	Foundation for Development and Cooperation	Spain	2/6/2006
9	National Securities Market Commission	Spain	11/4/1997
10	International Organisation of Securities Commission (IOSCO)		May-02
11	National Banking and Securities Commission	Mexico	4/26/1994
12	Superintendence of Securities	El Salvador	8/4/1998

746. **Superintendence of Popular and Solidarity Economy:** The SEPS has signed agreements with international counterparts, such as the Superintendence of Banking, Insurance and Private Pension Fund Administrators of the Republic of Peru, the German Confederation of Cooperatives (Deutscher Genossenschafts-UND Raiffeisenverband E.V- DGRV), the Alliance for Financial Inclusion (AFI), the United Nations Global Compact - Ecuador Network, the World Council of Credit Unions (WOCCU) and WOCCU Latin America.

747. In the years 2019 to 2021 it has received and sent a total of 121 requirements, as presented below.

Table 8.12 – SEPS - Active and passive requests for international cooperation - Period: 2019-2021

TOTAL	COUNTERPARTY	YEARS			TOTAL
		2019	2020	2021	
1	Alliance for Financial Inclusion (AFI)	3	32	69	105
2	Deutscher Genossenschafts-UND Raiffeisenverband E.V. DGRV.		8	5	13
3	Woccu Latin America	3			3
4	CDF Canada	1			1

748. **Asset Recovery Network of GAFILAT (RRAG):** Ecuador is part of the RRAG, having UAFE, Police and FGE points of contact. During the period analysed, no requests for information have been sent through the RRAG from the UAFE contact point. The National Police, during the same period, has made 8 requests for information through RRAG:

Table 8.13 - National Police - Requests made through the RRAG - Period: 2019 – 2021

REQUESTED COUNTRY	YEAR	TOTAL
Colombia, Panama, Peru	2019	2
Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Dominican Republic, Uruguay	2020	5
Colombia	2021	1
	TOTAL	**8**

749. **Binational Cabinets:** The Binational Cabinets constitute the highest level bilateral political instance in which presidents, ministers of state and officials from all sectors participate. They are held annually alternately in each country. Ecuador participates in different binational spaces (Cabinets or Commissions), in which it assumes, in accordance with the legal framework in force, various commitments with other countries, in order to exchange relevant information on ML/TF and/or carry out joint actions.

750. Within the framework of the presidential meetings and binational cabinets Ecuador - Peru and Ecuador - Colombia, binational working groups have been created in which advisors, technical and auxiliary personnel are delegated as deemed necessary depending on the issues to be addressed. Several binational technical commissions with authorities from the two countries have been held to address and co-ordinate co-operation in the following areas:

- Ecuador – Colombia, Ecuador – Peru: Fight against illegal mining
- Ecuador – Colombia, Ecuador – Peru: Fight against drug trafficking
- Ecuador – Peru: Preventing and combating illicit trafficking in arms and ammunition.

751. Based on the above, it is noted that the Ecuadorian authorities request other forms of international co-operation for AML/CFT purposes. In particular, it is noted that the competent and investigative authorities are part of several international networks that are used for the exchange of information. There are also cases in which working groups have been formed with agencies from other countries.

Granting other forms of international co-operation for AML/CFT purposes

752. Regarding the provision of international co-operation, Ecuadorian authorities are generally cooperative and willing, and offer constructive and timely information. With regard to information requests received by the UAFE, in the period analysed a total of 115 requests from 50 countries were reported.

Table 8.14 - UAFE - International requests received - Period: 2017 – 8/21/2021

NUMBER	REQUESTING COUNTRY	2017	2018	2019	2020	2021	TOTAL
1	PERU	4	6	6	8	2	26
2	CHILE		4		2	1	7
3	PANAMA	2	2		1		5
4	UNITED STATES				4		4

5	COLOMBIA		1	2			3
6	GERMANY		1	1	1	1	4
7	REPUBLIC OF KOREA		1	2			3
8	UNITED KINGDOM	1		1	1		3
9	NEW ZEALAND			2		1	3
10	NETHERLANDS			1	1	1	3
11	TURKEY					3	3
12	REPUBLIC OF SERBIA		1	1		1	3
13	COSTA RICA		2				2
14	BERMUDA			2			2
15	PARAGUAY		2				2
16	SYRIA	2					2
17	ARGENTINA			1	1		2
18	UZBEKISTAN	2					2
19	BELGIUM	1	1				2
20	BOLIVIA				2		2
21	MEXICO					2	2
22	URUGUAY				2		2
23	GHANA			1			1
24	TAIWAN			1			1
25	RUSSIA				1		1
26	INDIA				1		1
27	PHILIPPINES	1					1
28	ARGENTINA		1				1
29	GUERNSEY				1		1
30	COOK ISLANDS		1				1
31	SYRIA	1					1
32	BRAZIL				1		1
33	HUNGARY				1		1
34	CROATIA	1					1
35	FRANCE	1					1
36	LATVIA	1					1
37	GUATEMALA				1		1
38	MALTA		1				1
39	DOMINICAN REPUBLIC					1	1
40	DENMARK		1				1
41	SENEGAL			1			1
42	NICARAGUA			1			1
43	CHIPRE					1	1
44	SPAIN		1				1
45	TANZANIA	1					1
46	PAJIKISTAN				1		1
47	ANGUILLA			1			1
48	ISLE OF MAN					1	1
49	ITALY					1	1
50	CAYMAN ISLANDS			1			1
TOTAL		**18**	**26**	**25**	**30**	**16**	**115**

753. To estimate the response time of the requests, information was presented with the number of days it took to provide the response, considering only business days, and it was found that the UAFE responds in an average of 42 days.

Table 8.15 – UAFE - Response time for international requests received

No.	DATE SENT	REQUESTING COUNTRY	DATE OF REQUEST	RESPONSE TIME (Business days)
1	3/15/2017	FRANCE	2/8/2017	25
2	3/15/2017	LATVIA	3/1/2017	10
3	4/6/2017	CROATIA	3/15/2017	16
4	7/4/2017	PANAMA	6/15/2017	13
5	8/21/2017	PHILIPPINES	8/9/2017	8
6	8/2/2017	UZBEKISTAN	7/16/2017	12

7	8/21/2017	SYRIA	8/9/2017	8
8	8/22/2017	PANAMA	8/4/2017	12
9	9/12/2017	SYRIA	8/15/2017	20
10	9/14/2017	PERU	8/18/2017	19
11	10/18/2017	PERU	8/22/2017	41
12	10/18/2017	PERU	9/28/2017	14
13	12/5/2017	TANZANIA	10/25/2017	29
14	12/26/2017	PERU	10/23/2017	46
15	3/5/2018	BELGIUM	11/30/2017	67
16	2/26/2018	UNITED KINGDOM	12/20/2017	48
17	3/5/2018	PERU	1/30/2018	24
18	3/1/2018	PANAMA	2/14/2018	11
19	3/21/2018	UZBEKISTAN	11/13/2017	92
20	4/11/2018	COOK ISLANDS	3/8/2018	24
21	4/13/2018	SYRIA	5/17/2017	237
22	4/16/2018	SPAIN	2/27/2018	34
23	5/4/2018	CHILE	4/17/2018	13
24	5/7/2018	COSTA RICA	4/13/2018	16
25	5/21/2018	CHILE	3/5/2018	55
26	5/24/2018	REPUBLIC OF KOREA	5/16/2018	6
27	6/26/2018	COLOMBIA	6/12/2018	10
28	7/10/2018	GERMANY	6/21/2018	13
29	7/18/2018	PERU	6/12/2018	26
30	7/18/2018	ARGENTINA	3/14/2018	90
31	7/20/2018	PERU	6/12/2018	28
32	7/23/2018	REPUBLIC OF SERBIA	6/29/2018	16
33	8/20/2018	CHILE	7/27/2018	16
34	11/6/2018	BELGIUM	9/13/2018	38
35	11/9/2018	COSTA RICA	8/29/2018	52
36	11/16/2018	PERU	9/26/2018	37
37	12/12/2018	PERU	6/28/2018	119
38	1/4/2019	PARAGUAY	8/22/2018	97
39	1/10/2019	PERU	12/14/2018	19
40	1/15/2019	PARAGUAY	12/18/2018	20
41	1/15/2019	DENMARK	12/20/2018	18
42	1/15/2019	MALTA	11/13/2018	45
43	1/24/2019	COLOMBIA	1/21/2019	3
44	1/24/2019	CHILE	12/4/2018	37
45	2/5/2019	GHANA	1/2/2019	24
46	2/4/2019	TAIWAN	1/18/2019	11
47	2/5/2019	SENEGAL	1/23/2019	9
48	2/10/2020	CAYMAN ISLANDS	1/21/2019	275
49	2/19/2019	PANAMA	11/23/2018	62
50	3/26/2019	PERU	1/29/2019	40
51	4/8/2019	NEW ZEALAND	3/16/2019	15
52	7/17/2019	BERMUDA	4/9/2019	71
53	8/28/2019	PERU	3/26/2019	111
54	9/17/2019	REPUBLIC OF KOREA	9/3/2019	10
55	9/19/2019	REPUBLIC OF KOREA	7/30/2019	37
56	10/24/2019	NICARAGUA	9/26/2019	20
57	10/21/2019	COLOMBIA	8/28/2019	38
58	10/24/2019	ARGENTINA	3/10/2019	163
59	10/28/2019	GERMANY	9/17/2019	29
60	10/24/2019	ANGUILLA	10/3/2019	15
61	11/13/2019	REPUBLIC OF SERBIA	8/28/2019	55
62	1/20/2020	UNITED KINGDOM	8/26/2019	105
63	1/23/2020	PERU	9/30/2019	83
64	2/3/2020	PERU	11/21/2019	52
65	2/4/2020	PERU	11/20/2019	54
66	2/5/2020	GUATEMALA	1/13/2020	17
67	2/11/2020	BERMUDA	11/21/2019	58
68	2/6/2020	PERU	1/21/2020	12
69	2/7/2020	UNITED KINGDOM	1/19/2020	14
70	4/27/2020	PERU	3/5/2020	37
71	4/27/2020	INDIA	1/7/2020	79
72	4/27/2020	CHILE	3/3/2020	39
73	4/27/2020	UNITED STATES	3/5/2020	37

74	4/29/2020	NETHERLANDS	11/20/2019	115
75	5/1/2020	BOLIVIA	4/2/2020	21
76	5/1/2020	BOLIVIA	2/27/2020	46
77	5/1/2020	HUNGARY	3/9/2020	39
78	5/1/2020	PERU	2/21/2020	50
79	5/1/2020	NEW ZEALAND	3/16/2019	294
80	5/26/2020	PERU	9/30/2019	171
81	6/23/2020	PERU	3/9/2020	76
82	6/23/2020	PERU	3/5/2020	78
83	7/7/2020	URUGUAY	5/25/2020	31
84	7/16/2020	UNITED STATES	6/29/2020	13
85	7/20/2020	CHILE	6/26/2020	16
86	7/22/2020	GERMANY	6/10/2020	30
87	7/23/2020	GUERNSEY	6/4/2020	35
88	7/24/2020	PERU	3/10/2020	98
89	7/28/2020	PERU	7/17/2020	7
90	7/29/2020	PAJIKISTAN	7/3/2020	18
91	8/5/2020	BRAZIL	7/30/2020	4
92	8/21/2020	PERU	7/17/2020	25
93	8/21/2020	URUGUAY	7/30/2020	16
94	9/16/2020	UNITED STATES	8/6/2020	29
95	10/8/2020	NETHERLANDS	9/14/2020	18
96	11/9/2020	RUSSIA	9/8/2020	44
97	11/9/2020	UNITED STATES	10/21/2020	13
98	2/1/2021	ISLE OF MAN	1/4/2021	20
99	2/1/2021	PERU	1/15/2021	11
100	2/1/2021	TURKEY	1/12/2021	14
101	2/1/2021	TURKEY	1/11/2021	15
102	2/1/2021	CHILE	1/18/2021	10
103	2/1/2021	ARGENTINA	12/4/2020	41
104	2/8/2021	PANAMA	11/17/2020	59
105	2/12/2021	REPUBLIC OF SERBIA	1/25/2021	14
106	3/10/2021	GERMANY	3/8/2021	2
107	4/27/2021	CHIPRE	3/23/2021	25
108	4/26/2021	TURKEY	2/15/2021	50
109	4/29/2021	NEW ZEALAND	3/22/2021	28
110	6/23/2021	NETHERLANDS	6/10/2021	9
111	8/18/2021	ITALY	4/17/2021	87
112	8/23/2021	PERU	8/20/2021	1
113	8/31/2021	MEXICO	8/24/2021	5
114	9/1/2021	DOMINICAN REPUBLIC	8/31/2021	1
115	9/14/2021	MEXICO	8/31/2021	10
AVERAGE RESPONSE				**42**

754. The information provided by the country shows that 65 requests (57%) were responded to between 1 and 30 days later; 29 requests (25%) were responded to between 31 and 60 days later; and 21 requests (18%) were responded to in over 60 days. It should be noted that response time for requests that took longer than 60 days, according to the country, was due to the complexity of the request or the need to gather information from other authorities.

Table 8.16 - UAFE - International requests received - Period: 2017 – 8/21/2021

RESPONSE TIME (DAYS)	YEAR					TOTAL
	2017	2018	2019	2020	2021	
1 – 5			1	1	4	6
6 – 10	3	2	2	1	3	11
11 – 15	4	3	3	4	4	18
16 – 30	5	10	3	9	3	30
31 – 60	3	7	7	11	1	29
Over 60	3	4	9	4	1	21
TOTAL	**18**	**26**	**25**	**30**	**16**	**115**

755. In relation to the processing of requests, taking into account the principle of reciprocity in the field of international co-operation, it is perceived that the UAFE has processed all information requests received. Regarding rejected requests, during the period under analysis, the UAFE has not rejected any information request received from other FIUs.

756. **Spontaneous information sent and received through the Egmont Group's ESW:** In 2019, the UAFE issued the Manual for processing spontaneous information sent, which aims to identify cases in the processes carried out by the Operations Analysis Department of the UAFE where there is a relationship of subjects and companies with suspicious international transactions and operations from other jurisdictions, in order to define the analysis of the spontaneous information sent. Likewise, in the same year the Manual for processing spontaneous information sent was issued, which aims to analyse the information sent spontaneously by other FIUs in order to issue a report on the analysis of spontaneous information received.

757. The UAFE has generated specific processes to process the spontaneous information received and to submit spontaneous information to other FIUs; establishing a secure system and duly confidential handling of the information exchanged.

758. Regarding the spontaneous information sent, from 2017 to 2021, the UAFE has sent a total of 36 spontaneous information requests to 17 countries through the Egmont Group's ESW, as detailed below:

Table 8.17 - Spontaneous information sent by country - Period: 2017 – 2021

No.	RECEIVING COUNTRY	YEAR					TOTAL
		2017	2018	2019	2020	2021	
1	Germany	1					1
2	Antigua and Barbuda	1					1
3	Argentina		1				1
4	Chile	1					1
5	China	1					1
6	Colombia					1	1
7	Spain		1				1
8	United States	10	2	1	2	2	17
9	Guatemala	1					1
10	Netherlands	1					1
11	Hong Kong	1					1
12	Panama	4					4
13	Peru	1		1			2
14	Singapore	1					1
15	Switzerland	1					1
16	Uruguay	1					1
TOTAL		**25**	**4**	**2**	**2**	**3**	**36**

759. **Regarding spontaneous information received**, the UAFE has received a total of 77 spontaneous information requests from 26 countries.

Table 8.18 - Spontaneous information Received by country - Period: 2016 – 2021

No.	*ISSUING COUNTRY*	*YEAR*							*TOTAL*
		2016	*2017*	*2018*	*2019*	*2020*	*2021*		
1	Germany			2	4		3		9
2	Argentina					1			1
3	Belize		1						1
4	Belgium				1				1
5	Colombia		1						1
6	Spain				1				1

7	France				1				1
8	Gibraltar				1		5		6
9	Guatemala			1					1
10	Guernsey		1	1					2
11	Indonesia				1				1
12	Isle of Man			1	1				2
13	Jersey		2						2
14	Latvia			1					1
15	Liechtenstein						1		1
16	Luxembourg		1	4					5
17	Malaysia				1				1
18	Malta	1		1	3		5		10
19	Nigeria					2			2
20	New Zealand		1				1		2
21	Panama		1		3				4
22	Paraguay				1				1
23	Peru		2	2	1		4		9
24	United Kingdom				3				3
25	Syria			1		2	2		5
26	Switzerland		2		1				3
	TOTAL	***1***	***12***	***14***	***23***	***5***	***21***		***76***

760. **Attorney General's Office:** The FGE, through the Practical Guide for International Criminal Assistance, has determined that if a prosecutor becomes aware of allegedly punishable acts in another country, he/she has the power to proactively forward information (data or documents permitted by Ecuadorian criminal law) to the competent foreign authorities, for the purpose of initiating an investigation or adding it to an ongoing investigation, without prejudice to the investigations and criminal proceedings taking place in Ecuador.

761. Thus, the prosecutor must draft the basis for the transmission of information, according to the established format and send it through internal communication to the DCAI, the unit designated as the liaison point with the central authorities of other countries.

762. Additionally, the FGE, as a central authority, is part of international forums that maintain specialised co-operation networks, among them: the Asset Recovery Network of GAFILAT (RRAG), Networks of the Ibero-American Association of Public Prosecutors (AIAMP) such as: Network against Trafficking in Persons and Smuggling of Migrants (REDTRAM), Network of Anti-Drug Prosecutors (RFAI), Anti-Corruption Network, Criminal Cooperation Network; and, Network of Contact Points of European Union Agency for Criminal Justice Cooperation (EUROJUST). For these networks, the FGE has appointed contact points with prosecutorial positions and expertise in each of the areas. These spaces of interaction complement the traditional mechanisms of international judicial co-operation and favour the active and timely transmission of information in investigations with a transnational element, rather than waiting to receive a request for international assistance.

763. **Asset Recovery Network of GAFILAT:** Ecuador is part of the RRAG, having UAFE, Police and FGE points of contact. In this regard, the UAFE has received requests for information from 2019 to August 31, 2021. In total, the UAFE registers 8 requests received according to the following table.

Table 8.19 - Requests received by the RRAG - Period: 1/1/2019 – 8/21/2021

REQUESTING COUNTRY	YEAR			TOTAL
	2019	2020	2021	
Panama		1	2	3
Colombia	1		1	2
Mexico	1			1
South Korea	1			1

Spain	1			1
TOTAL	**4**	**1**	**3**	**8**

764. The average response time for these requests is 32 days as indicated below:

Table 8.20 - Average response time to requests received by the RRAG – Period: 1/1/2019 – 21/08/2021

No.	REQUESTING COUNTRY	DATE OF REQUEST	DATE SENT	RESPONSE TIME (days)
1	Colombia	21/01/2019	24/01/2019	3
2	South Korea	18/07/2019	14/08/2019	19
3	Mexico	07/08/2019	27/08/2019	14
4	Spain	13/11/2019	13/11/2019	0
5	Panama	16/03/2020	16/12/2020	197
6	Panama	17/03/2021	26/03/2021	7
7	Panama	17/03/2021	26/03/2021	7
8	Colombia	7/9/2021	7/22/2021	9
AVERAGE RESPONSE TIME				**32**

765. The UAFE has processed the 8 requests sent by the RRAG and as shown, in an average time of 32 days. In some cases, the response time has been extended due to the type and complexity of the request. The UAFE has not rejected requests for information requested through the Network.

766. During the period analysed, no requests for information have been sent through the RRAG. Moreover, the PN, through the UNDECOF, during the period 2019-2021, received 12 information requests through the RRAG, having dealt with such requests within a maximum term of 5 days depending on the type of request:

Table 8.21 – PN - Requests received by the RRAG - Period: 2019 – 2021

REQUESTING COUNTRY	YEAR	TOTAL
Colombia, Costa Rica, Spain, France, Mexico	2019	9
-	2020	-
Colombia, Panama. Peru	2021	3
TOTAL		**12**

767. **SENAE:** Regarding information requests, 110 information requests have been received during the period from February 2017 to April 2021.

Table 8.22 - SENAE - Requests received - Period: February 2017 – April 2021

No.	NUMBER OF REQUESTS	REQUESTING COUNTRY	DATE OF REQUEST
1	1	Colombia	25/04/2017
2	1	Colombia	12/02/2017
3	1	Peru	10/10/2017
4	1	Colombia	14/07/2017
5	1	Colombia	14/07/2017
6	1	Colombia	21/03/2018
7	1	Colombia	21/03/2018

8	1	Colombia	21/06/2018
9	1	Colombia	21/06/2018
10	1	Argentina	12/07/2018
11	1	Colombia	29/10/2018
12	1	Colombia	21/03/2018
13	1	Colombia	23/08/2018
14	1	Colombia	23/08/2018
15	1	Colombia	04/07/2018
16	1	Colombia	22/05/2018
17	1	Colombia	22/05/2018
18	1	Argentina	11/09/2018
19	1	Argentina	15/05/2019
20	1	Argentina	16/05/2019
21	1	Argentina	06/06/2019
22	1	Argentina	10/06/2019
23	1	Argentina	23/07/2019
24	19	Colombia	2019
25	4	Peru	2019
26	6	Guatemala	2019
27	1	Peru	02/03/2020
28	1	Russia	22/09/2020
29	1	Argentina	14/10/2020
30	1	Peru	21/10/2020
31	1	Argentina	05/11/2020
32	1	Argentina	06/11/2020
33	1	Vietnam	18/11/2020
34	1	Peru	24/11/2020
35	1	Argentina	24/11/2020
36	1	Chile	25/11/2020
37	1	Peru	25/11/2020
38	1	Argentina	2/12/2020
39	1	Peru	04/12/2020
40	1	Argentina	14/12/2020
41	1	Russia	24/12/2020
42	1	Turkey	03/01/2021
43	1	Guatemala	18/02/2021

44	1	Dominican Republic	01/03/2021
45	1	Argentina	03/03/2021
46	1	Colombia	05/04/2021
47	1	Guatemala	14/04/2021
48	1	Guatemala	15/04/2021
49	1	Chile	21/04/2021
50	1	Argentina	21/04/2021
51	1	Guatemala	03/05/2021
52	1	Argentina	03/05/2021
53	1	Argentina	5/26/2021
54	1	Colombia	6/25/2021
55	1	Colombia	6/25/2021
56	1	Dominican Republic	7/5/2021
57	1	Guatemala	7/20/2021
58	1	Argentina	8/3/2021
59	1	Colombia	8/5/2021
60	1	Argentina	8/5/2021
61	1	Colombia	8/17/2021
62	1	Peru	8/17/2021
63	1	Guatemala	8/30/2021
64	1	Peru	9/2/2021
65	1	Colombia	9/2/2021
66	1	Colombia	9/6/2021
67	5	Chile	9/29/2021
68	1	Guatemala	10/13/2021
69	1	Argentina	10/13/2021
70	1	Colombia	10/13/2021
71	1	Guatemala	10/21/2021
72	1	Guatemala	11/4/2021
73	3	Chile	11/15/2021
74	1	Peru	11/17/2021
75	1	Colombia	11/22/2021
76	1	Colombia	11/22/2021
77	1	Turkey	13/12/2021
78	1	Colombia	17/12/2021
TOTAL	**110**		

768. **Other cooperation efforts:** A memorandum has been signed between national institutions, Interpol and the United Nations, for the structuring of the Airport Communication

Project (AIRCOP), funded by the Government of Canada and implemented by the United Nations Office on Drugs and Crime (UNODC) in collaboration with the World Customs Organisation (WCO) and INTERPOL, which is currently in the process of implementation. This project focuses on providing a co-operation and understanding framework and facilitating collaboration between the parties to promote their common goals and objectives, as well as the objectives in relation to the Project. The UAFE has been designated as the contact point and main communication body between all parties involved.

769. The AIRCOP Project aims to: a) promote inter-institutional cooperation between the MINGOB, SENAE, INTERPOL and UAFE, in the exchange of information and operational presence in line with the functions and within the area of competence of each institution, to improve border control capabilities at the International Airports of Quito and Guayaquil (Mariscal Sucre International Airport and José Joaquín de Olmedo International Airport respectively), and thus prevent illicit activities, in particular: illicit drug trafficking, chemical precursors, smuggling of goods, tax evasion, human trafficking and smuggling of migrants, currency trafficking, possible terrorist flows, wildlife trafficking, and trafficking of works of art, favouring collaboration with the rest of the agencies operating at that airport; and, b) create and maintain two Joint Airport Interdiction Task Forces (hereinafter referred to as JITFs) that will work as interagency teams and will focus on the analysis and exchange of information, as well as on the operational work of analysis and interdiction to meet the objectives of the Program.

770. Based on the above, it is clear that Ecuador, through its competent authorities, generally offers international cooperation to exchange information with its foreign counterparts in a timely and constructive manner.

International exchange of basic and beneficial ownership information on legal persons and arrangements

771. Basic general information on legal persons and their creation is published and disseminated on the website of the Superintendence of Companies, Securities and Insurance (SCVS). This information is accessible to anyone, including national and foreign authorities, and can therefore be shared with authorities in other countries.

772. In general, in the information requests sent by FIUs, financial information, cash transaction reports, suspicious transaction reports, migratory movements and information on whether an investigation is being carried out in Ecuador related to the subjects of the request is requested. Likewise, within the response to the information requests received, in all cases, a response template is used that contains the corporate information provided by the public website of the SCVS.

773. Regarding information requests received related to beneficial ownership, no specific record has been kept that includes requests on the BO, however, the country states that it is considering the possibility of sending a message to all FIUs through the Egmont Secure Web (ESW) the country states that in the requests for information that are answered through the Egmont Group Secure Web (ESW), the link to the public page of the SCVS where the information on BO can be found is sent. Between 2017 to 2021, 361 requests for information on legal persons have been handled through the ESW and, at the FGE level, 15 passive ICA requests have been answered in cases that include requests for information on Ecuadorian companies.

774. With regard to information requests sent on the beneficial owner, they indicate that all information requests sent by the UAFE to the different FIUs in the world have a section in which

corporate information of legal persons is requested, i.e. name of shareholders and managers; additionally, corporate information of natural persons is requested, if they appear as shareholders or managers of any company. In that sense, the number of requests sent about the beneficial owner within the period from October 1, 2016, to August 31, 2021, would correspond to the number of requests sent, totalling 471.

775. In general terms, information related to individuals and legal structures is provided, as well as public information that can be found on the SCVS website. Additionally, while they state that they provide public information found on the SCVS website, the issues noted above with respect to IO.5 on the availability of BO information would limit the country's ability to respond in a timely manner to specific requests for international co-operation on BO information.

Conclusions on Immediate Outcome 2

776. Ecuador provides mutual legal assistance and extradition in a constructive and timely manner. Feedback from the FATF global network on Ecuador's provision of MLA showed a positive trend. The country also requests MLA to prosecute ML, TF and predicate offences. The information exchange process is regulated, and there are also clear procedures regarding the handling of information and its protection. There is developed co-operation between law enforcement authorities and relevant foreign counterparts. These elements indicate that the fundamental issues are largely achieved.

777. However, the deficiencies identified in IO.5 on BO information could have an impact on the provision of international co-operation in this area. There are also opportunities for improvement in the formalisation of procedures to prioritise international co-operation of authorities such as the FGE in MLA matters and the National Court of Justice in extradition matters; as well as the establishment of deadlines at all stages of the extradition process. Additionally, there is a perceived need to provide the DCAI (FGE) with more human and technological resources, since this department receives and manages to a great extent MLA requests and reviews and sends the requests made by the country. However, it is considered that the improvements required are moderate in nature.

778. Based on the above, it is concluded that **Ecuador shows a substantial level of effectiveness** in Immediate Outcome 2.

TECHNICAL COMPLIANCE ANNEX

Recommendation 1 - Assessing Risks and applying a Risk-Based Approach

CT1. *Criterion 1.1* – Ecuador has identified and assessed its ML/TF risks. In this regard, it has a National Risk Assessment (2021), which was approved in April 2021, and whose results are reasonable. The main related aspects are described below:

CT2. **(i) Methodology:** The NRA was prepared based on an analytical tool provided by the World Bank and was enriched by the contributions of key public[41] and private[42] sector actors, and 6 working groups were formed for the national threat and vulnerability modules (economy, corruption, environmental crimes, criminality, drug trafficking and institutional analysis). Objective and quantifiable information was analysed and complemented with qualitative components in cases where there were difficulties in obtaining accurate data. The tool consists of 9 modules: 7 modules deal with ML risk assessment; one module assesses TF risk, and another module assesses the risks of financial inclusion products.

CT3. **(ii) ML Risks:** The NRA concludes that Ecuador's overall ML risk is "medium-high", with a stable trend. Regarding the main threats, the country is affected by transnational organised crime, mainly related to international drug trafficking.

CT4. At the local level, there are collaborators who are responsible for domestic distribution tasks and logistical storage and support services. Also identified as major threats are public corruption in the form of fraud and bribery, tax evasion, smuggling, environmental crime—especially illegal mining and fishing—and vehicle theft.

CT5. In terms of vulnerabilities, a notorious deficit is identified in the area of DNFBPs and supervision with a risk-based approach, and the absence of an AML/CFT coordinating body at the national level.

CT6. **(iii) TF Risks:** TF risk was rated as "medium level". The threat was determined to be at the medium-low level and vulnerability at the medium-high level. The country is prone to threats from irregular groups from a neighbouring country, which have an impact in border provinces. Additionally, there have been migratory movements of risk profiles from countries in conflict located in the Middle East.

CT7. In terms of vulnerabilities, the low level of knowledge and understanding of the definition of the TF crime on the part of officials and investigation and prosecution authorities, as well as reporting institutions, are mentioned. In addition, geographical conditions and border porosity have an impact and facilitate the entry of illegal groups into the national territory to commit crimes.

[41] Twenty-five public agencies participated from the public sector: Mining Regulation and Control Agency, Central Bank of Ecuador, Strategic Intelligence Center, Council of the Judiciary, Office of the Comptroller General of the State, National Directorate of Public Registries, National Mining Company ENAMI EP, Attorney General's Office, National Institute of Statistics and Census, Ministry of National Defense, Ministry of Economy and Finance, Ministry of Government, Ministry of Production, Foreign Trade, Investment and Fisheries, Ministry of Foreign Affairs and Human Mobility, Ministry of Environment, Water and Ecological Transition, National Police of Ecuador, Presidency of the Republic of Ecuador, Office of the Public Prosecutor of the State, Technical Secretariat for Public Sector Real Estate Management, Internal Revenue Service, National Customs Service of Ecuador, Superintendence of Banks, Superintendence of Companies, Securities and Insurance, Superintendence of Popular and Solidarity Economy, Financial and Economic Analysis Unit.

[42] The following participated on behalf of the private sector: Banking Sector, Insurance Sector, Securities Sector, NPO Sector, Popular and Solidarity Sector (Savings and Credit Cooperatives), Real Estate and Construction Sector, Remittance Sector, Notary and Company Register Sector, Fund and Trust Administrators Sector and Automotive Sector.

CT8. **(iv) Other elements that complement the NRA:** In addition to the NRA, the country has developed typologies and strategic analysis products / sectoral risk assessments that contribute to the **understanding** of the ML/TF risks affecting the country. For example:[43]

- **Money laundering typologies document:** report prepared by the UAFE that includes 11 typologies relevant to the actors of the AML/CFT system.
- **Analysis of patterns and red flags on withdrawals made with foreign cards at domestic ATMs:** Document prepared by UAFE with the support of the Association of Private Banks of Ecuador (Asobanca) in December 2021, which aims to determine patterns or unusual signs of cases detected in atypical withdrawals made with foreign cards.
- **Report of high denomination bills:** It is an analysis corresponding to total cash deposits and deposits in high denomination banknotes made in the National Financial System, which main purpose is to prevent, detect and mitigate ML risks associated with the circulation of high denomination banknotes in the national territory and to establish strategies to determine their origin.
- **Analysis of the virtual asset service provider (VASP) sector:** The document details risks associated with virtual assets and red flags, and defines the activities with virtual assets and VASPs identified in Ecuador. It also details an analysis of typologies linked to virtual assets (VA), commercial activities and geographic areas prone to greater use of these assets and, finally, presents a case analysis. The study concluded by recommending the inclusion of the VASP sector as reporting institutions due to the new threats identified, the anonymity as a facilitating channel for the commission of crimes, the commercial activities with VA in the country and the identification of typologies and red flags.
- **Strategic Alert Survey related to the use of debit cards:** Report conducted by UAFE in October 2019 due to the high transaction rate of cash withdrawals through debit cards in neighbouring countries. It contains the description of modalities used by criminal organizations in this matter.
- **Document with red flags presented by state suppliers dedicated to the sale of medical supplies in the context of the Covid-19 pandemic:** Prepared in May 2020, it contains alerts on unusual transactions such as the diversion of resources.
- **Typologies presented in online gaming and betting sites:** Prepared by UAFE in May 2021.
- **Relevant tools for the identification of risks by reporting institutions:** The UAFE developed a monitoring matrix for the NPO sector and a prioritisation matrix for the notary sector, which consist of an IT tool that allows these sectors to strengthen the identification, evaluation, control, mitigation and monitoring of risks.

CT9. **(v) Areas not sufficiently addressed by the country:** The NRA methodology and its results are reasonable and reflect the main risks faced by the country. Notwithstanding, risks related to certain threats with potential systemic impact, such as unjustified private enrichment, fraud, illegal money laundering, physical transportation of money, usury and cybercrime, have not been assessed in depth, although illegal money laundering, pyramid schemes, cybercrime and usury have been assessed as threats in the microfinance sector, which was completed in April 2022.

[43] As of the date of completion of the on-site visit, the country was working on the preparation of a report analyzing red flags and patterns of behavior on unusual cash movements in the real estate and construction sector; and another report on the vehicle sector. The reports identify the main geographical areas with unusual cash movements, as well as unusualities in economic activities, nationality, type of cash transactions and type of product traded. This analysis aims at recognizing possible red flags and patterns of behavior with respect to unusual cash movements.

CT10. *Criterion 1.2* – The country formally designated an authority in charge of coordinating actions to assess ML/TF risks. Decree No. 371 of 2022 created the National co-ordination Committee against ML and its predicate offences, TF and FP (called "CONALAFT"), which among its responsibilities includes the creation of an inter-institutional co-ordination mechanism for the preparation of the ML, TF and FP NRA; understanding, approving and implementing the methodology to carry out the NRA; and preparing and approving a NRA report for subsequent dissemination to the competent public and private sector agencies, among others.

CT11. *Criterion 1.3* – Ecuador's NRA was approved in April 2021, so it is up to date. In addition, according to the NRA itself, an update is foreseen every three years.

CT12. *Criterion 1.4* – The country has mechanisms in place to disseminate the outcomes of the NRA. In this regard, Art. 9 of the Regulations of the AML/CFT Act states that the UAFE shall disseminate the ML/TF prevention policy and disseminate the information to public and private sector institutions as it deems appropriate.

CT13. In addition, the UAFE has published on its website the Executive Summary of the NRA, which is accessible to the general public. UAFE authorities have also held meetings and trainings with public and private sector institutions to present the outcomes of the NRA.

CT14. *Criterion 1.5* – The country provided information on the regulations of the supervisory bodies on AML/CFT matters, which include provisions on risk management and on the use of a RBA by RIs.

CT15. Additionally, in order to address the vulnerabilities identified in the NRA, the country approved Decree 371 of March 23, 2022, creating CONALAFT; incorporated lawyers, accountants and VASPs by means of Resolutions UAFE-DG-2022-0129, UAFE-DG-2022-0130 and UAFE-DG-2022-0131 of April 8, 2022; expanded the duty to report suspicious transactions by RIs by means of Resolution UAFE-DG-2022-0096 of March 21, 2022; amended the procedures in force to apply measures to freeze assets of people listed in the United Nations Security Council Resolutions (UNSCR); created a specialised judicial jurisdiction to judge crimes of corruption, money laundering and other complex crimes and called a competition to appoint judges for such positions; initiated the steps to form the court in charge of the processes of asset forfeiture, among other actions. The country also indicated that it is working on the development of a national strategy based on the findings of the NRA and on additional draft regulations.

CT16. However, beyond what was mentioned regarding specialised courts and other measures, there is no detailed information on the RBA resource allocation and regarding the adoption of additional mitigating measures to prevent or mitigate ML/TF.

CT17. *Criterion 1.6* – With regard to financial institutions, in principle, no exemptions have been identified in terms of the application of the FATF Recommendations. However, leasing or financial leasing companies have not been established as reporting institutions. This is a minor deficiency, however, since the sector is of little materiality and the exemptions only apply to this sector.

a) Exemptions from AML/CFT measures for the leasing or financial leasing sector are not based on a demonstrated low risk of ML/TF, nor on the occurrence of strictly limited and justified circumstances.

b) Exemptions from AML/CFT measures for the leasing or financial leasing sector are not based on the fact that transactions falling under the standard are carried out by a natural or legal person on an occasional or very limited basis.

CT18. *Criterion 1.7* – Sectoral regulations do not contain express provisions establishing a duty for RIs to take enhanced measures to address the higher risks identified in the NRA, or for RIs to incorporate information from the NRA in their risk assessments. However, sectoral regulations provide for the obligation to adopt enhanced CDD measures in the face of various scenarios considered high risk.

CT19. In particular, as regards the banking sector, section 12.1.1.1.11 of Resolution SB-2020-0550 establishes that institutions shall apply enhanced CDD procedures according to the risk profile defined for each customer, and also in the face of certain high-risk circumstances. In the case of popular and solidarity economy institutions, which are governed by the provisions of Resolution No. 637-2020-F, the application of extended CDD measures is provided for according to the transactionality and behaviour of the counterparties, and 19 high risk cases are foreseen where, as a minimum, these measures must be applied (Art. 210 and 211)

CT20. Regarding the insurance sector, Art. 19 of the Monetary Policy and Regulation Board 385 (insurance) provides for the list of high-risk cases in which enhanced CDD measures must be applied. With respect to stock exchanges, securities, and fund management companies, provisions for enhanced CDD measures are set forth in Art. 17 of the Monetary Policy and Regulation Board 385 (securities) Code.

CT21. As for remittance companies and DNFBPs regulated by the SCVS (including legal persons in the real estate and precious metals and stones sectors), the need to apply enhanced CDD measures to higher risk scenarios is provided for in Art. 15 and 16 of the SCVS-INC-DNCDN-2021-0002. Meanwhile, DNFBPs regulated by the UAFE must apply enhanced CDD measures when the customer profile represents a high risk, based on Art. 25 of Resolution UAFE-DG-2020-0089, 30-IX-2020. Said regulation also provides for the different cases in which these measures should be applied as a minimum.

CT22. *Criterion 1.8* – The country has not identified minor risks and from preliminary analysed regulations there is no evidence that simplified measures are authorised for some FATF Recommendations.

CT23. *Criterion 1.9* – According to Art. 5 of the AML/CFT Act Regulations, supervisory bodies must supervise compliance with the risk prevention system that reporting institutions must have in place, and also apply the appropriate sanctions for non-compliance. In line with this, the competent authorities seek to ensure compliance with the obligations under Recommendation 1 in their sectoral regulations (Risk Management Section), although there are some challenges in supervision with RBA as discussed in the corresponding Recommendations and Sections.

CT24. *Criterion 1.10* – **a)** The AML/CFT regulations applicable to banks, insurance companies and DNFBPs under the supervision of the UAFE include the obligation to document risk assessments (Art. 11 of Resolution SB-2020-0550 and Art. 6 of Codification Resolutions Monetary Policy Board 385 (insurance); Art 6 of Resolution UAFE-DG-2020-0089, 30-IX-2020). This obligation is also foreseen with respect to the securities sector (Resolution No. JPRF-S-2022-025 and Resolution No. JPRF-V-2022-024), remittance companies and DNFBPs under the supervision of the SCVS (Art. 3 of Resolution No. SCVS-INC-DNCDN-2021-0002).

b) AML/CFT regulations applicable to the banking, insurance, securities, popular and solidarity economy entities, remittance companies, DNFBPs under the supervision of the SCVS, and DNFBPs under the supervision of the UAFE, stipulate that RIs must consider the different risk factors—customers, products, channels and jurisdiction—(see Art. 2 and 4 of Resolution SB-2020-0550 in the case of banks; Art. 1 and 6 of Monetary Policy and Regulation Board 385 (insurance) Code; Art. 3 and 16 of Monetary Policy and Regulation Board 385 (securities) Code; Art. 199 of Resolution 637-2020-F, in the case of institutions of popular and solidarity economy; Art. 6 of Resolution SCVS-INC-DNCDN-2021-0002 with respect to remittance companies and DNFBPs under SCVS supervision; and, in the case of DNFBPs under UAFE supervision, Art. 4 and 6 of Resolution UAFE-DG-2020-0089, 30-IX-2020). **c)** AML/CFT regulations applicable to banks, insurance companies and popular and solidarity economy entities include provisions regarding the need to keep RIs risk assessments or matrices updated (see Art. 3 of Resolution SB-2020-0550 in the case of banks; Art. 6 of Monetary Policy and Regulation Board 385 (insurance) Code; and Art. 228 of Resolution 637-2020-F, in the case of popular and solidarity economy institutions).

However, there is no evidence that the duty to keep risk assessments up to date is covered with respect to the securities sector, remittance companies, DNFBPs under the supervision of the SCVS and DNFBPs under the supervision of the UAFE.

d) AML/CFT regulations applicable to banks, insurance, securities, popular and solidarity economy entities, remittance companies, DNFBPs under the supervision of the SCVS and DNFBPs under the supervision of the UAFE provide for the obligation to provide information or comply with the requirements of the competent authorities in this regard (see Art. 9 and 11 of Resolution SB-2020-0550 in the case of banks; Art. 5 of Monetary Policy and Regulation Board 385 (insurance) Code; Art. 4 of Monetary Policy and Regulation Board 385 (securities) Code; Art. 228 of Resolution 637-2020-F, in the case of institutions of popular and solidarity economy; Art. 5 and 41 of Resolution SCVS-INC-DNCDN-2021-0002 with respect to remittance companies; and, in the case of DNFBPs under supervision of the UAFE, Art. 43 of Resolution UAFE-DG-2020-0089, 30-IX-2020).

CT25. *Criterion 1.11* – **a)** AML/CFT regulations applicable to the banking, insurance, securities, popular and solidarity economy entities, remittance companies and DNFBPs under supervision of the SCVS stipulate that RI's must have policies, controls and procedures approved by senior management to enable them to manage and mitigate/minimize ML/TF risks (see Art. 9 and 10 of Resolution SB-2020-0550 in the case of banks; Art. 2 and 35 of Monetary Policy Board Resolutions Codification 385 (insurance); Art. 3 and 8 of Monetary Policy and Regulation 385 (securities) Code; Art. 192 and 206 of Resolution 637-2020-F, in the case of popular and solidarity economy institutions: and Art. 6, 7 and 41 of Resolution SCVS-INC-DNCDN-2021-0002 for remittance companies and DNFBPs under the supervision of the SCVS). In the case of DNFBPs under supervision of the UAFE regulations provide for the duty to implement risk mitigation measures, but there is no requirement that these policies must be approved by senior management (Art. 3 and 5 of Resolution UAFE-DG-2020-0089, 30-IX-2020).

b) AML/CFT regulations applicable to banks, popular and solidarity economy institutions, remittance companies, DNFBPs under supervision of the SCVS and DNFBPs under supervision of the UAFE stipulate that RIs must monitor the implementation of such controls (see Art. 8 of Resolution SB-2020-0550 in the case of banks; Art. 200 and 204 of Resolution 637-2020-F, in the case of popular and solidarity economy institutions; Art. 7.4 of Resolution SCVS-INC-DNCDN-2021-0002 with respect to remittance houses and DNFBPs under SCVS supervision; and, in the case of DNFBPs under UAFE supervision, Art. 5.4 of Resolution UAFE-DG-2020-0089, 30-IX-2020). In the case of insurance sector entities, the regulations provide that the general methodology of the risk matrix, which is the basis for policies and procedures, must be approved by the board of directors, and that updates of factors, criteria, categories and weightings will be

approved or ratified at least semi-annually by the compliance committee. The outcomes obtained from the risk matrix will serve as the basis for permanent monitoring, adopting the corresponding due diligence measures (Art. 6 in fine of Monetary Policy and Regulation Board 385 - insurance). In the case of the securities sector, the sectorial regulation provides, in relation to the AML/CFT policies and procedures, the duty to periodically evaluate the application of the prevention rules and mechanisms (Art. 4.6 of the Monetary Policy and Regulation Board 385- securities) Code.
c) As regards the banking sector, section 12.1.1.1.11 of Resolution SB-2020-0550 establishes that institutions shall apply enhanced CDD procedures according to the risk profile defined for each customer, and also in the face of certain high-risk circumstances. In the case of popular and solidarity economy institutions, which are governed by the provisions of Resolution No. 637-2020-F, the application of extended CDD measures is provided for according to the transactionality and behaviour of the counterparties, and 19 high risk cases are foreseen where, as a minimum, these measures must be applied (Art. 210 and 211)
Regarding the insurance sector, Art. 19 of the Monetary Policy and Regulation Board 385 (insurance) provides for the list of high-risk cases in which enhanced CDD measures must be applied. With respect to stock exchanges, securities, and fund management companies, provisions for enhanced CDD measures are set forth in Art. 17 of the Monetary Policy and Regulation Board 385 (securities) Code.
CT26. As for remittance companies and DNFBPs regulated by the SCVS (including legal persons in the real estate and precious metals and stones sectors), the need to apply enhanced CDD measures to higher risk scenarios is provided for in Articles 15 and 16 of Resolution SCVS-INC-DNCDN-2021-0002. Meanwhile, DNFBPs regulated by the UAFE must apply enhanced CDD measures when the customer profile represents a high risk, based on Art. 25 of Resolution UAFE-DG-2020-0089, 30-IX-2020. Said regulation also provides for the different cases in which these measures should be applied as a minimum.

CT27. *Criterion 1.12* – Section 12.1.1.1.14. of Resolution SB-2020-0550, applicable to banks, provides that depending on the low risk profile defined by the controlled entity for each customer, it may, under its responsibility, apply simplified due diligence procedures for the process of gathering information on the customer. Additionally, with respect to popular economy entities, Resolution No. 637-2020-F provides in its Art. 207 that entities shall adopt mechanisms that allow them to apply due diligence to all their counterparts, based on the risk profile resulting from the application of the institutional risk matrix, and that due diligence may be reduced when the entity considers that the counterpart and the transaction are of low risk.

CT28. Meanwhile, for DNFBPs under the supervision of the SCVS, Resolution No. SCVS-INC-DNCDN-2021-0002 provides in its Art. 17 that simplified due diligence procedures may be applied for customers and transactions classified by the reporting institution as low risk. Finally, with respect to the RI under the supervision of the UAFE, Resolution UAFE-DG-2020-0089 establishes in its Art. 23 that simplified CDD allows the reporting institution to reduce some information requirements, for which it must have a good risk management in relation to the customer factor.

CT29. Notwithstanding the above, there are no provisions in the sectoral regulations that establish that simplified CDD measures may not be applied when there is suspicion of ML/TF.

Weighting and Conclusion

CT30. The country developed a NRA that included relevant public and private sector stakeholders and identified the main ML/TF risks in the country, and has created a national authority to coordinate national risk assessments. The country has also adopted certain mitigating

measures and remedied several vulnerabilities identified in the NRA. However, the country has not implemented a RBA for resource allocation. Additionally, among other deficiencies detected, RIs are not required to comply with all the requirements established by the Recommendation, although these deficiencies are of a minor nature. **Recommendation 1 is rated Largely Compliant.**

Recommendation 2 - National Cooperation and co-ordination

CT31. During the Third-Round evaluation, Ecuador was rated Largely Compliant in the former Recommendation 31. On that occasion, it was established that the lack of ML/TF prevention units in the regulatory and supervisory bodies (with the exception of the Superintendence of Banks and Insurance) prevented effective co-ordination and cooperation.

CT32. *Criterion 2.1* – Ecuador does not currently have nationwide AML/CFT policies based on the risks identified. However, the country reported that it is awaiting approval of an interagency action plan based on the NRA. The draft action plan presents 4 preliminary categories to be addressed: 14 high priority actions, 4 medium priority actions, actions to be executed promptly (3 actions), and other actions to be executed according to resource availability. The action plan is to be approved by the Financial Policy and Regulation Board and implemented by 12 relevant competent authorities. Additionally, the country has recently issued regulations to address risks and vulnerabilities identified in the NRA. These include the approval of Decree 371 of March 23, 2022, which creates CONALAFT; the incorporation of lawyers, accountants and VASPs through Resolutions UAFE-DG-2022-0129, UAFE-DG-2022-0130 and UAFE-DG-2022-0131 of April 8, 2022; and the extension of the duty to report suspicious transactions by RIs through Resolution UAFE-DG-2022-0096 of March 21, 2022.

CT33. *Criterion 2.2* – Ecuador has CONALAFT, which is the authority responsible for AML/CFT policies at the national level. This authority was created by Decree 371 of March 2022, and is made up of the Minister of Economy and Finance or his permanent delegate, who chairs it; the highest authority of the UAFE, who serves as the agency's secretariat; the highest authority of the Financial Policy and Regulation Board or its permanent delegate; the highest authority of the SRI Service or its permanent delegate; and the highest authority of the SENAE or its permanent delegate.

CT34. *Criterion 2.3* – Decree 371 of 2022 provides that CONALAFT has the function of coordinating measures with other competent authorities (Art. 2 and 4) Meanwhile, the AML/CFT Law establishes a regulatory framework that provides for cooperation and exchange of information necessary for the investigation, prosecution and trial of money laundering and financing of crimes between the UAFE, supervisors and law enforcement authorities, among other relevant authorities (Art. 11.3). Likewise, the UAFE is in charge of the co-ordination, promotion and execution of cooperation programs with national units to exchange general or specific information related to ML/TF, as well as to execute joint actions through cooperation agreements throughout the national territory (Art. 12 (d)

CT35. For its part, Art. 16 of the AML/CFT Law provides that the Superintendencies of Banks (SB), Companies, Securities and Insurance (SCVS), Popular and Solidarity Economy (SEPS), Internal Revenue Service (SRI), National Customs Service of Ecuador (SNA); FGE; National Police (PN) and all those that within the scope of their competence consider it necessary to do so, shall create complementary anti-money laundering units, responsible for coordinating, promoting and implementing cooperation and information exchange programs with the UAFE and the FGE.

CT36. Therefore, from the regulatory point of view, there is a favourable framework for the competent authorities to co-operate and, where appropriate, coordinate and exchange information among themselves at the domestic level with regard to the development and implementation of AML/CFT policies and activities, both at the policy and operational levels.

CT37. In addition, the authorities have entered into various agreements or memoranda to facilitate such cooperation.

CT38. *Criterion 2.4* – The objective of CONALAFT is to coordinate AML/CFT and CFP policies. In addition, the AML/CFT Law is applicable to the financing of crimes (Art. 2), and therefore establishes mechanisms for co-operation and co-ordination between the UAFE and competent authorities applicable to the crime of proliferation provided for in Art. 362 of the COIP.[44]

CT39. *Criterion 2.5* – Art. 27 of the AML/CFT Act Regulations provides that public sector institutions that maintain databases are required to provide the UAFE with permanent and free access to the information contained in these databases, and that the confidential information to which it has access shall be treated as such, subject to the responsibility of the officials of the institution concerned. Likewise, the national governing authority on data protection and privacy is the Directorate of Public Data Registry (DINARDAP), with whom UAFE maintains communication channels and signed an agreement in 2015.

Weighting and Conclusion

CT40. Ecuador has an inter-institutional committee, CONALAFT, which is in charge of national co-ordination on ML/TF/CFP policies and risk assessment. The country does not currently have nationwide AML/CFT policies based on the risks identified, although it has adopted some relevant mitigating measures and is working on a national strategy based on the NRA. The AML/CFT/CFP regulatory framework provides for the necessary cooperation and exchange of information between the UAFE, supervisors and law enforcement authorities, among other relevant authorities. **Recommendation 2 is rated Largely Compliant.**

Recommendation 3 - Money laundering offence

CT41. During the Third Round evaluation, Ecuador was rated Largely Compliant in the previous Recommendations 1 and 2. On that occasion, a series of deficiencies were identified, among them: (i) recent amendments prevent verifying the effective enforcement of the law, despite the fact that the crime is criminalized in accordance with international standards; (ii) the obligation to "reliably" prove the illicit origin could hinder the criminal prosecution of ML (iii) in relation to the crime of counterfeiting and piracy of goods, Article 567 of the Criminal Code establishes penalties only for counterfeiting of beverages or foodstuffs, so that the scope of application of the rule is less than required; (iv) despite the express provision about the possibility of applying the general provisions of the Criminal Code to the new money laundering law, it was not possible to verify the enforceability of Article 17 of the Criminal Code relating to conspiracy to the

[44] Art. 362 of the COIP establishes: "Illicit trafficking of firearms, chemical, nuclear or biological weapons: The person who within Ecuadorian territory develops, produces, manufactures, employs, acquires, possesses, distributes, stores, holds, keeps, transports, transits, imports, exports, re-exports, commercializes firearms, their parts and components, ammunition and explosives, without authorisation from the competent authority, shall be punished with five to seven years' imprisonment.
The person or criminal organisation that sponsors, finances, administers, organizes or directs activities aimed at the illicit production or distribution of weapons, ammunition or explosives, shall be punished with seven to ten years' imprisonment.
In the event that these are chemical, biological, toxic, nuclear or polluting to life, health or the environment, the penalty shall be from ten to thirteen years' imprisonment.
If the activities described are intended or used for military purposes, the penalty shall be from ten to thirteen years' imprisonment.

AML/CFT Law; and (v) although Ecuadorian legislation allows for the application of effective criminal sanctions, the scope of application of Art. 17 of the AML/CFT Law is restricted to legal persons created for the commission of the crime of money laundering. It should be noted that since then, Ecuador has made relevant amendments to its regulatory framework.

CT42. *Criterion 3.1* – Ecuador criminalized the crime of money laundering in line with the requirements of the Vienna and Palermo Conventions. This crime is legislated in Art. 317 of the Comprehensive Criminal Organic Code (COIP), and covers the totality of the typical conducts foreseen by both treaties.

CT43. In effect, the criminal offence punishes whoever, directly or indirectly, commits the following actions:

a. Holds, acquires, transfers, possesses, administers, uses, maintains, safeguards, delivers, transports, converts or benefits in any way, from assets of illicit origin.
b. Conceals, hides, or prevents the real determination of the nature, origin, source or link to assets of illicit origin.
c. Lends his/her name or that of the company or enterprise, of which he/she is a partner or shareholder, for the commission of the crimes defined in this article.
d. Organizes, manages, advises, participates in or finances the commission of the crimes defined in this article.
e. Carries out, by him or herself or through third parties, financial or economic operations and transactions, with the purpose of giving the appearance of legality to money laundering activities.
f. Enters or exits money of illicit origin through the country's crossings and bridges.
g. Declares values of merchandise higher than the real ones, with the objective of giving the appearance of legality to money laundering activities.

CT44. *Criterion 3.2* – Ecuador adopted a broad approach with respect to the scope of predicate offences for ML According to the criminal type, all COIP offences are predicate offences for ML, and all categories required by the standard are criminalized. The following table shows the coverage of the categories of predicate offences:

Categories of predicate offences	**Domestic Figure**
Participation in an organised criminal group and fraud	Art. 369.- organised crime Art. 370.- Criminal association Art. 186.- Swindling
Terrorism, including terrorist financing	Art. 366.- Terrorism Art. 367.- Terrorist financing
Trafficking in human beings and migrant smuggling;	Art. 91.- Trafficking in persons Art. 105.- Forced labour or other forms of labour exploitation Art. 108.- Use of persons for begging Art. 213.- Smuggling of migrants
Sexual exploitation, including sexual exploitation of children	Art. 91.- Trafficking in persons Art. 100.- Sexual exploitation of persons Art. 101.- Forced prostitution Art. 102.- Sex tourism Art. 103.- Pornography with the use of children or adolescents
Illicit trafficking in narcotic drugs and psychotropic substances	Art. 219.- Illicit production of controlled substances Art. 220.- Illicit trafficking of controlled substances Art. 221.- organisation or financing for the illicit production or trafficking of controlled substances

Illegal arms trafficking	Art. 362.- Illicit trafficking of firearms, chemical, nuclear or biological weapons
Illicit trafficking in stolen and other goods	Art. 202.- Receipt
Corruption and bribery	Art. 278.- Embezzlement Art. 279.- Illicit enrichment Art. 280.- Bribery Art. 281.- Concussion Art. 285.- Influence peddling Art. 289.- Use of front men Art. 294.1.- Overpricing in public contracting Art. 297.- Unjustified private enrichment Art. 320.1.- Acts of corruption in the private sector
Fraud	Art. 313.- Stock frauds Art. 186.- Swindling
Counterfeiting currency	Art. 306.- Counterfeiting of currency and other documents
Counterfeiting and piracy of products	Art. 208A.- Acts detrimental to intellectual property
Environmental crimes	Art. 247.- Crimes against wild flora and fauna. Art. 260.- Illegal activity of mining resources
Murder, grievous bodily injury	Art. 144.- Homicide Art. 140.- Murder Art. 143.- Hired assassination Art. 151.- Torture Art. 152.- Injury
Kidnapping, illegal restraint and hostage-taking	Art. 160.- Unlawful imprisonment Art. 161.- Kidnapping Art. 162.- Kidnapping for ransom Art. 128.- Taking of hostages
Robbery or theft	Art. 189.- Robbery Art. 196.- Theft
Smuggling (includes taxes and customs fees)	Art. 299.- Customs fraud Art. 300.- Customs reception Art. 301.- Smuggling Art. 302.- Misuse of customs tax exemptions or suspensions Art. 320.- Simulation of exports or imports
Tax crimes (related to direct and indirect taxes)	Art. 298.- Tax fraud
Extortion	Art. 185.- Extortion
Forgery	Art. 327.- Forgery of signatures Art. 328.- Falsification and use of false documents
Insider trading and market manipulation	Art. 310.- Disclosure of confidential financial information Art. 311.- Concealment of information Art. 307.- Economic panic 308. - Agiotage
Piracy	Art. 189 - Robbery / Violent seizure of movable property

CT45. *Criterion 3.3* – Ecuador has not adopted a threshold approach.

CT46. *Criterion 3.4* – The substance of the offence is given by the "assets of illicit origin". The criminal offence does not differentiate between types of assets, nor does it establish limits to their value. Additionally, the confiscation also covers the income or other benefits derived from the

goods and products coming from the criminal offence (Art. 69.2 of the COIP). For this reason, it is considered that the crime of ML also covers indirect profits derived from the proceeds of crime.

CT47. *Criterion 3.5* – The ML offence does not require that a person be convicted for a predicate offence. In this sense, Art. 317 itself establishes that ML offences are considered as autonomous from others committed within or outside the country.

CT48. *Criterion 3.6* – The crime of money laundering covers illicitly gained property derived from predicate offences committed in the country or abroad. This conclusion follows from Art. 317, which provides for the autonomy of the crime of ML from predicate offences committed in the country or abroad, and from the rules of territorial application of the COIP, provided for in Art. 14.d.

CT49. *Criterion 3.7* – The criminal type of ML does not establish any limitation with respect to the person who commits the predicate offence. Consequently, the concept of "self-laundering" is covered.

CT50. *Criterion 3.8* – According to Art. 164 of the General Organic Code of Proceedings, the evidence must be evaluated as a whole, in accordance with the rules of sound criticism, leaving aside the solemnities prescribed in the substantive law for the existence or validity of certain acts. Likewise, the COIP considers admissible the existence of serious, severe and concordant indications. In this sense, in order to evaluate the evidence, the judge must apply assessment criteria (Art. 457 COIP), based on the principles of evidence with special emphasis on relevance and probation (454.4/5 COIP), in such a way that the causal nexus is demonstrated (Art. 455 of the COIP).

CT51. *Criterion 3.9* – The criminal type provides for a series of sanctions graduated according to the seriousness of the crime and its circumstances, which is proportionate and dissuasive.

CT52. The quantum of the applicable penalties for the different conducts is described below:

- One to three years' imprisonment when the amount of the assets subject to the offence is less than one hundred unified basic salaries of the general worker.
- Five to seven years' imprisonment when the commission of the crime does not imply association to commit a crime. Seven to ten years' imprisonment in the following cases:
  a) When the amount of the assets object of the crime is equal to or greater than one hundred unified basic salaries of the general worker, which is equivalent to USD 42,500.
  b) If the commission of the crime implies the association to commit the crime, without using the incorporation of companies or enterprises, or the use of those that are legally constituted.
  c) When the crime is committed using institutions of the financial or insurance system; public institutions or dignities; or, in the performance of managerial positions, functions or jobs in said systems.
    - Ten to thirteen years' imprisonment, in the following cases:
    - When the amount of the assets object of the crime is greater than two hundred unified basic salaries of the general worker, which is equivalent to USD 85,000.
    - If the commission of the crime implies the association to commit the crime, through the incorporation of companies or enterprises, or the use of those that are legally constituted.
    - When the crime has been committed using public institutions, or public dignities, positions or jobs.

CT53. In the aforementioned cases, money laundering is also punishable with a fine equivalent to three times the amount of the assets subject of the crime, confiscation, dissolution and liquidation of the legal person created for the commission of the crime. The same penalties will be applied when the conducts described in this article are carried out on assets whose forfeiture has been declared.

CT54. Additionally, it is foreseen that the maximum prison sentences shall be imposed when the conducts are carried out in exchange for foreign trade operations, or when goods are introduced into the national territory.

CT55. *Criterion 3.10* – Ecuador has a regime of criminal sanctions for legal persons in cases of money laundering. According to Art. 325, if the legal person is found liable, the following penalties shall apply:

- Fine of one hundred to two hundred unified basic salaries of the general worker (USD 42,500 to 85,000), if the offence has a penalty of imprisonment of less than five years.
- Fine of two hundred to five hundred unified basic salaries of the general worker (USD 85,000 to 212,500), if the offence has a penalty of imprisonment equal or less than ten years.
- Permanent closure of its premises or establishments and a fine of five hundred to one thousand unified basic salaries of the general worker (USD 212,500 to 425,000), if the offence committed is punishable by deprivation of liberty for a term of imprisonment equal to or less than thirteen years.
- Termination and a fine of one thousand to five thousand unified basic salaries of the general worker (USD 425,000 to 2,125,000), if the offence has a penalty of imprisonment of more than thirteen years.

CT56. *Criterion 3.11* – Ancillary offences are duly covered by the ML criminal regime. Participation, instigation and facilitation are provided for in Art. 41, 42 and 43 of the COIP, in addition to Art. 317.4. Association or conspiracy to commit a crime is punished in Art. 370 of the COIP). Attempt is regulated in Art. 39 of the COIP). Finally, counselling is covered by Art. 317.4.

Weighting and Conclusion

CT57. All criteria are met. **Recommendation 3 is rated Compliant.**

Recommendation 4 - Confiscation and provisional measures

CT58. During the Third-Round evaluation, Ecuador was rated LC in the previous Recommendation 3. On that occasion, the following deficiencies had been identified: (i) Difficulties in tracing, locating and determining the beneficial owner of the assets; (ii) Impossibility of seizure or confiscation of equivalent values. It should be noted that since then, Ecuador has made relevant amendments to its regulatory framework.

CT59. *Criterion 4.1* – **a)** Ecuador has a legal framework that makes it possible to deprive criminals of the proceeds and instrumentalities of crime. This can be achieved through two tools: criminal confiscation, which is an accessory consequence of the criminal conviction, and asset forfeiture (AF), which is an autonomous patrimonial action that proceeds under certain circumstances.

Confiscation is established in Art. 69 of the COIP, which defines it as a restrictive sanction on property rights, and which proceeds in all cases of wilful crimes. This figure applies to property, when these are instruments, products or proceeds of the commission of the crime.
AF, meanwhile, is regulated in the Organic Law of Asset Forfeiture (LOED) The legislation establishes that this institution consists of the declaration of ownership in favour of the State by means of a judicial authority's sentence, without any consideration or compensation whatsoever for its owner, or whoever holds or behaves as such, and it is applied on assets acquired through actions or omissions contrary to law (Art. 3 LOED).
In particular, AF applies to assets of illicit or unjustified origin or illicit destination located in Ecuador and assets located abroad (Art. 2 LOED). Likewise, the legislation establishes that it is an action of a jurisdictional nature and of a real character, which is addressed against assets and not against persons, and that it is declared through an autonomous and independent procedure separate from any other lawsuit or process.

CT60. Beyond the general elements indicated above, the sub-criteria of the standard in particular are addressed below.

(i) Confiscation: Art. 69 of the COIP establishes that confiscation applies to property, when these are instruments, products or proceeds of the commission of the crime. Consequently, it applies to laundered property in line with the requirements of this sub-criterion.

(ii) AF: Art. 2 of the LOED establishes that AF applies to property of illicit or unjustified origin or illicit destination located in Ecuador and property located abroad. Therefore, it also applies to laundered assets.

b) (i) Confiscation: Art. 69 of the COIP establishes that confiscation applies to property, when these are instruments, products or proceeds of the commission of the crime. Consequently, it applies both to the proceeds as well as the instruments of the crime, as required by this sub-criterion.

(ii) AF: Art. 2 of the LOED establishes that AF applies to property of illicit or unjustified origin or illicit destination located in Ecuador and property located abroad.

CT61. Additionally, Art. 19 specifies that AF applies to the following goods:

- The good or goods originating, directly or indirectly, from an (illicit) activity.
- The good or goods corresponding to the material object of the unlawful activity.
- The good or goods that originate from the partial or total, physical or legal transformation or conversion of the product, instrument or material object of unlawful activities.
- The good or goods that are part of or constitute an unsubstantiated increase in its patrimony, when there are facts or circumstances that allow determining that they come from illicit activities, directly or indirectly.
- The good or goods that have been used as a means or instrument for the execution of illicit activities.
- The good or goods that, according to the circumstances in which they were found, or their particular characteristics, allow to establish that they are intended for the execution of illicit activities.
- The good or goods of licit origin, materially or legally mixed up with goods of illicit or unjustified origin or illicit destination.

- Those that constitute income, rents, profits, gains and other benefits derived from the aforementioned assets related to illicit activities.
- When the assets used in the commission of unlawful activities have been abandoned, provided that they do not belong to a bona fide third party.
- The good or goods of the inheritance or the goods coming from a gratuitous act between living persons, when they have been the product of illicit activities.
- When the goods, profits, proceeds or gains come from the alienation or exchange of others that are presumed to have their origin, directly or indirectly, in illicit activities (...).

CT62. Consequently, AF sufficiently covers the proceeds and instrumentalities of crime.

c) (i) Confiscation: Art. 69.2 of the COIP establishes that confiscation applies to property, when these are instruments, products or proceeds of the commission of the crime. Likewise, paragraph 2 provides that it applies to property, funds or assets, or instruments, equipment and computer devices used to finance or commit the criminal offence or the punishable preparatory activity. Consequently, it also applies to property that are the proceeds of, or were used or had as purpose, or were allocated to be used to finance terrorism, terrorist acts or terrorist organisations.

(ii) AF: Art. 2 of the LOED establishes that AF applies to property of illicit or unjustified origin or illicit destination located in Ecuador and property located abroad.
Additionally, Art. 19 specifies that AF applies to the following goods:
b) The good or goods corresponding to the material object of the unlawful activity.
e) The good or goods that have been used as a means or instrument for the execution of illicit activities.
f) The good or goods that, according to the circumstances in which they were found, or their particular characteristics, allow to establish that they are intended for the execution of illicit activities.
g) The good or goods of licit origin, materially or legally mixed up with goods of illicit or unjustified origin or illicit destination.

CT63. Consequently, AF also applies to property that are the proceeds of, or were used or had as purpose, or were allocated to be used to finance terrorism, terrorist acts or terrorist organisations.

d) (i) Confiscation: Art. 69 of the COIP establishes that, when the goods, funds or assets, products and instruments cannot be confiscated, the judge shall order the payment of a fine of identical value, in addition to the fine provided for each criminal offence. In addition, in the event of an enforceable conviction, in criminal proceedings for ML, if such property, funds or assets, proceeds and instrumentalities cannot be confiscated, the judge shall order the confiscation of any other property owned by the convicted person, for an equivalent value, even if such property is not related to the crime. Therefore, confiscation of property of corresponding value is covered.

(ii) AF: Art. 19 of the LOED provides that AF is applicable with respect to the good or goods that are part of or constitute an unsubstantiated increase in its patrimony, when there are facts or circumstances that allow determining that they come from illicit activities, directly or indirectly; and the goods of licit origin, materially or legally mixed up with goods of illicit or unjustified origin or illicit destination.

CT64. *Criterion 4.2* – Ecuador has legislation that allows competent authorities to identify and trace property subject to confiscation. These functions fall under the general investigative powers

of the FGE, which directs and coordinates the work of the Judicial Police and other relevant investigative authorities. The investigative powers of the FGE are generically defined in the Constitution of the Republic of Ecuador (Art. 195) and are regulated in the COIP and the LOED.
a) Regarding criminal investigation, Article 282 of the Organic Code of the Judicial System establishes several measures to identify and collect evidence. Meanwhile, Art. 442 et seq. of the COIP refers to the direction of the criminal investigation by the prosecutor's office. In particular, paragraphs 12 and 14 of Art. 444 recognize the power to order the comprehensive analysis of all evidence that has been collected at the scene of the crime, ensuring its preservation and proper handling, and to order the execution of other investigative procedures it deems necessary.
Regarding the valuation, Art. 557 of the COIP establishes that the seized goods will be given in deposit, custody, safekeeping and administration to the institution in charge of the administration and real estate management of the State. The administration will cover the costs of conservation and production with the usufruct of the goods and if applicable, the remaining balance will be returned to the owner.
It is also provided that the administration, prior to the expert appraisal, may sell at public auction the personal property of the defendant before the final sentence is issued. Meanwhile, the "Internal Regulations for the Deposit, Custody, Safeguard, Administration and Control of Seized Goods Received by the Technical Secretariat for Public Sector Real Estate Management" regulates the appraisal of seized goods in its Art. 34 and 35. Consequently, the legal framework has provisions that allow for the valuation of property subject to seizure.
Furthermore, in relation to AF, Art. 22 and 23 refer to the asset investigation phase in charge of the FGE, where the functions of identification and location of assets are foreseen. Additionally, Art. 30 establishes the economic valuation of the respective assets as a requisite for the AF claim.
b) The Ecuadorian legal framework enables the adoption of provisional measures. Regarding the criminal investigation, Art. 549 of the COIP provides for the possibility of issuing measures such as seizure, confiscation, retention and prohibition of alienation. Additionally, Art. 551 empowers the prosecutor's office to request the adoption of special orders, which consist of precautionary measures aimed at freezing property, funds and other assets owned or linked to or under the direct or indirect control of natural or legal persons. For its part, in the cases where asset investigations oriented to the AF are carried out, the LOED enables in its Art. 34 to 36 to request measures prohibiting the disposal, retention and seizure of assets.
c) Ecuador has provisions that allow the adoption of measures to prevent or nullify actions that impair the country's ability to freeze, seize or recover assets.
Art. 551 of the COIP empowers the FGE to request the adoption of special measures aimed at freezing property, funds and other assets owned or linked to or under the direct or indirect control of natural or legal persons.
Also, in line with Art. 556, the court may order the temporary prohibition to transfer, convert, alienate or move funds, assets, investments, shares, participations, property or the custody or temporary control thereof until a final judicial decision is made.
d) Ecuador has legislation in place that allows the competent authorities to take appropriate measures to investigate. According to the COIP, the FGE directs and coordinates the work of the Judicial Police and other relevant investigative authorities. The investigative powers of the FGE are generically defined in the Constitution of the Republic of Ecuador (Art. 195) and are regulated in the COIP and the LOED. Likewise, Article 282 of the Organic Code of the Judicial System establishes several measures to identify and collect evidence. Meanwhile, Art. 442 et seq. of the COIP refers to the direction of the criminal investigation by the prosecutor's office. Furthermore, Art. 459 regulates the special investigative actions and techniques that may be ordered in a criminal proceeding.

CT65. *Criterion 4.3* – The provisions on confiscation and AF protect the rights of bona fide third parties. Art 69.2.f establishes that confiscation is applicable to property, funds or assets and

products owned by third parties, "when these have been acquired knowing that they come from the commission of a crime or to make it impossible to confiscate the property of the convicted person".

CT66. Additionally, when referring to the confiscation measures that may be applied in cases of criminal liability of legal persons, Art. 71.2 provides that the existing acts and contracts related to the assets subject to criminal confiscation shall automatically terminate, without prejudice to the rights of bona fide third parties.

CT67. Finally, as regards AF, Art. 12 of the LOED recognizes and protects the rights of bona fide third parties in numerous provisions (see Art. 7.d, 12, 14.b, 19.i, and 23.e).

CT68. *Criterion 4.4 – The* country has a legal framework that allows authorities to manage and dispose of seized and forfeited assets. In this regard, Art. 557 of the COIP establishes that the seized goods and values will be given in deposit, custody, safekeeping and administration to the institution in charge of the administration and real estate management of the State. Such administration will cover the costs of conservation and production with the usufruct of the goods and if applicable, the remaining balance will be returned to the owner. It is also provided that the administration, prior to the expert appraisal, may sell at public auction the personal property of the defendant before the final sentence is issued. Immediately after the sale, the money will be deposited in an account set up by the State for this purpose.

CT69. In addition, Decree 503 regulates the "Public Sector Real Estate Management Service". The regulation in question establishes the Technical Secretariat for Public Sector Real Estate Management (INMOBILIAR), as a public law entity, under the Presidency of the Republic, with legal personality, administrative, operational and financial autonomy and national jurisdiction, with its main office in the city of Quito.

CT70. This authority is responsible for coordinating, managing, administering, monitoring, controlling and evaluating the assets of the public sector and the assets provided for by the current legal system, which includes the powers to dispose, distribute, custody, use, alienate, as well as to dispose of their discharge and cancellation, in addition to the specific powers and responsibilities derived from other legal instruments.

CT71. It is also the entity created for the deposit, custody, safekeeping and administration of goods and other assets seized at the request of the prosecutor referred to in Article 557 of the COIP. Art. 6 of the Decree provides that INMOBILIAR is responsible for the deposit, custody, safekeeping, administration and control of goods and other assets seized in any criminal proceeding.

CT72. As for AF, the LOED also includes provisions in this regard. Furthermore, Art. 37 admits the anticipated sale of assets subject to precautionary measures in the judicial phase, when they are at risk of perishing, deteriorating, depreciating or devaluing, or whose conservation and care would mean damages or expenses disproportionate to their value or administration. The same shall apply in the case of livestock or other animals.

Weighting and Conclusion

CT73. All criteria are met. **Recommendation 4 is rated Compliant.**

Recommendation 5 - Terrorist financing offence

CT74. During the Third-Round evaluation, Ecuador was rated Largely Compliant for former Special Recommendation II. On that occasion, the following deficiencies had been identified: (i) There is no clarity and inaccuracy in the criminalization of terrorist acts linked to the financing of crimes, referring to the terrorist acts provided for in Chapter IV; (ii) There remain serious concerns as to the possibility of using such a device to punish the financing of terrorist organizations or individual terrorists regardless of a link to a specific terrorist act; (iii) There is no criminal liability or effective and dissuasive measures for legal persons in relation to the financing of crimes, referring to the acts of terrorism provided for in Chapter IV; and (iv) Given that the legislation is recent, it was not possible to verify the effectiveness of the regulation. It should be noted that since then, Ecuador has made relevant amendments to its regulatory framework.

CT75. *Criterion 5.1* – The criminal offence of ML/TF is legislated in Art. 367 of the COIP and covers the elements foreseen in the International Convention against TF (CFT Convention).

CT76. The crime of TF punishes the person who, individually or collectively, directly or indirectly, provides, offers, organizes or collects funds or assets, of licit or illicit origin, with the intention that they be used or in the knowledge that they will be used to finance in whole or in part, the commission of the crimes of terrorism; or any other act intended to cause death or serious bodily injury to a civilian, or to any other person not taking direct part in the hostilities in a situation of armed conflict, when the purpose of such act, by its nature or context, is to intimidate a population or to compel a government or an international organisation to do or to abstain from doing any act; or, the existence of individual terrorists, terrorist groups or organizations.

CT77. The criminal offence also punishes whoever provides, offers, organizes, collects, or places resources, funds or assets, movable or immovable property at the disposal of the individual terrorist or terrorist organisation or association, regardless of whether they are to be used in the effective commission of one of the acts of terrorism; and the person who, having the legal obligation to prevent them, consents to their commission.

CT78. For its part, Art. 366 of the COIP defines various acts of terrorism, which broadly cover the acts provided for in the Conventions annexed to the CFT Convention[45].

[45] The acts of terrorism criminalized are the following: The person who individually or forming armed associations, provokes or maintains in a state of terror the population or a sector of it, through acts that endanger the life, physical integrity or freedom of persons or endanger buildings, means of communication, transportation, using means capable of causing havoc, shall be punished with ten to thirteen years' imprisonment, especially if: 1. The person who, with respect to a land transport, a ship or aircraft, fixed marine platforms, seizes it, exercises control over it by technological, violent, threatening or intimidating means; demolishes, destroys, causes damage, places or causes to be placed an artifact or substance capable of destroying it or causing damage that renders it unfit for transportation. 2. The person who destroys by any means, public or private building, fixed marine platform, facilities of strategic areas, essential basic services, as well as facilities or services of land transportation, air or maritime navigation, if such acts, by their nature, constitute a danger to the safety of land transportation, aircraft or vessels, as well as the safety of platforms and other buildings. 3. The person who performs acts of violence that, by their nature, cause or may cause injuries or constitute a danger to the safety of these or their occupants, in land transportation, on board an aircraft, vessel, on a fixed marine platform, in ports, airports, strategic area facilities, essential basic services or the environment. 4. The person who communicates, disseminates or transmits false reports thereby endangering the safety of a land transport, ship or aircraft. 5. A person who breaks into official premises, private residence or means of transport of internationally protected persons. 6. The person who carries out by him or herself or through third parties, operations and economic financial transactions, with the purpose of giving the appearance of legality in order to develop terrorist activities typified in this Code. 7. The person who steals, robs, embezzles, obtains by fraud or extracts nuclear materials by means of threats, use of violence or intimidation. 8. The person who receives, possesses, uses, transfers, alters, evacuates or disperses nuclear materials without legal authorisation, if such act causes serious injury to a person or group of persons or substantial material damage. 9. The person who delivers, places, drops, throws or detonates an explosive device or substance or other lethal device in or against a place of public use, a public or government facility, a public transportation network or an infrastructure facility, with the intent to cause death or serious bodily injury to persons or with the intent to cause significant material destruction. 10. When the commission of these acts results in the death of one or more persons, they shall be punishable by twenty-two to twenty-six years' imprisonment.

CT79. *Criterion 5.2* – The criminal offence of TF covers the collection or provision of funds both for the realization of acts of terrorism (regardless of whether they are carried out) and the mere financing of terrorist organizations or individuals, even in the absence of a link to an act of terrorism.

CT80. In effect, the criminal offence punishes whoever individually or collectively, directly or indirectly, provides, offers, organizes or collects funds or assets, of licit or illicit origin, with the intention that they be used or in the knowledge that they will be used to finance, in whole or in part, the commission of terrorist crimes; or any other act intended to cause death or serious bodily injury to a civilian, or to any other person not taking direct part in the hostilities in a situation of armed conflict, when the purpose of such act, by its nature or context, is to intimidate a population or to compel a government or an international organisation to do or to abstain from doing any act; or, the existence of individual terrorists, terrorist groups or organizations.

CT81. The criminal offence also punishes whoever provides, offers, organizes, collects, or places resources, funds or assets, movable or immovable property at the disposal of the individual terrorist or terrorist organisation or association, regardless of whether they are to be used in the effective commission of one of the acts of terrorism; and the person who, having the legal obligation to prevent them, consents to their commission.

CT82. The crime of TF represses whoever directly or indirectly provides, offers, organizes or collects funds or assets with the intention that they be used or in the knowledge that they will be used to finance, in whole or in part, the commission of terrorist offences.

CT83. It also punishes whoever provides, offers, organizes, collects, or places resources, funds or assets, movable or immovable property at the disposal of the individual terrorist or terrorist organisation or association, regardless of whether they are to be used in the effective commission of one of the crimes mentioned in the preceding article. The criminal type clarifies that the crime will be investigated, prosecuted, judged or sentenced as an autonomous crime of other crimes typified in the COIP, whether they were committed inside or outside the country.

CT84. *Criterion 5.2 bis* – According to the analysis of the conduct of the criminal offence, the provision of funds for the travel of individuals to a State other than that of their residence or nationality for the purpose of perpetrating, planning, preparing or participating in terrorist acts would be covered by the domestic offence. However, it is considered that the criminal offence does not cover the financing of the travel of an individual to provide or receive terrorist training.

CT85. *Criterion 5.3* – The TF offence explicitly covers the collection or provision of funds or assets of lawful or unlawful origin. Consequently, the requirement of the criterion is met.

CT86. *Criterion 5.4* – The criminal offence sanctions whoever provides, offers, organizes, collects, or places resources, funds or assets, movable or immovable property at the disposal of the individual terrorist or terrorist organisation or association, regardless of whether they are to be used in the effective commission of terrorist acts. Additionally, acts of mere financing of individual terrorists and terrorist organizations, without a link to a specific act of terrorism, are repressed.

CT87. *Criterion 5.5* – According to Art. 164 of the General Organic Code of Proceedings, the evidence must be evaluated as a whole, in accordance with the rules of sound criticism, leaving aside the solemnities prescribed in the substantive law for the existence or validity of certain acts.

Likewise, the COIP considers admissible the existence of serious, severe and concordant indications. In this sense, in order to evaluate the evidence, the judge must apply assessment criteria (Art. 457 COIP), based on the principles of evidence with special emphasis on relevance and probation (454.4/5 COIP), in such a way that the causal nexus is demonstrated (Art. 455 of the COIP).

CT88. *Criterion 5.6* – The crime of TF is sanctioned with 7 to 10 years' imprisonment plus a fine equivalent to twice the amount of the funds and assets involved. Likewise, when the conviction is issued against a public official or servant, it shall be punished with disqualification from holding any public office or position for a period equal to twice the length of the conviction. Meanwhile, when the conviction is issued against an official of the financial or insurance system, it shall be sanctioned with the disqualification to perform management functions in entities of the financial and insurance system for a period equal to twice the length of the conviction. Considering the criminal penalties established for serious crimes in the COIP, it is considered that those applicable to TF are proportionate and dissuasive.

CT89. *Criterion 5.7* – Art. 367 of the COIP provides that the offence of TF is sanctioned with the extinction of the legal person created or used for the purpose. Considering the seriousness of the crime, Ecuador adopted a severe sanction approach for companies used for the commission of TF.

CT90. *Criterion 5.8* – **a)** The attempt to commit a crime, including TF, is regulated in Art. 39 of the COIP).
b) Ancillary offences are duly covered by the Ecuadorian criminal regime. Participation, instigation and facilitation are provided for in Art. 41, 42, and 43 of the COIP. Association or conspiracy to commit a crime is punished in Art. 370 of the COIP). Attempt is regulated in Art. 39 of the COIP).
c) Without prejudice to the forms of participation and auxiliary crimes described in the previous paragraph, Art. 367 specifically criminalizes acts of organisation as TF.
d) Participation, instigation and facilitation are provided for in Art. 41, 42, and 43 of the COIP. Association or conspiracy to commit a crime is punished in Art. 370 of the COIP). Attempt is regulated in Art. 39 of the COIP).
Beyond the above, the criminal type of TF punishes whoever performs the conducts individually or collectively, and directly or indirectly, so it has a broad scope.

CT91. *Criterion 5.9* – The TF offence is a predicate offence for ML. For further information please refer to the analysis of Criterion 3.2.

CT92. *Criterion 5.10* – Art. 367 provides specifically that TF offences shall be investigated, prosecuted, judged or sentenced as crimes that are autonomous from other crimes committed within or outside the country. On the other hand, Art. 14 on scope of enforcement of the COIP provides that it will be applicable when the criminal offence affects legal property protected by international law, through international instruments ratified by Ecuador.

Weighting and Conclusion

CT93. The country largely complies with the standards of the FATF Recommendations and international treaties regarding the criminalization of TF. The criminal definition covers acts of terrorism and the typical verbs required, and provides for proportional and dissuasive penalties for natural and legal persons. However, there is no full coverage of the figure of foreign terrorist

fighters, although this deficiency is of a minor nature. **Recommendation 5 is rated Largely Compliant.**

Recommendation 6 – Targeted financial sanctions related to terrorism and terrorist financing

CT94. During the Third-Round evaluation, Ecuador was rated Non-Compliant in the previous Special Recommendation III. On that occasion, it was considered that an effective process for the application of resolutions 1267 and 1373 had not been implemented.

CT95. *Criterion 6.1* – **a)** According to the information provided by the country, the agency with the authority to propose to the UNSCR 1267/1989 and UNSCR 1988 Committees the designation of persons or entities is the UAFE, which, based on the provisions of the procedure of Resolution No. UAFE-DG-2022-0095, shall collect and request information from relevant authorities to request the designation and subsequently request the MREMH to communicate, within the framework of its competencies with respect to the designation of persons or entities to the UNSC.
b) Ecuador has a mechanism to identify designation targets based on the designation criteria established in United Nations Security Council Resolutions (UNSCR) 1267/1989 and 1288. By Resolution UAFE-DG-2022-0095 (of March 21, 2022) it was provided that the UAFE will request the Mingob, the FGE, the CJ, the CNJ and the CIES monthly information on persons or entities allegedly linked to terrorism, its financing or FP (Art. 8). Once the information is received, the UAFE must analyse it and, if there are reasonable grounds to conclude that a person or entity meets the UNSCR designation criteria, it shall promptly inform the MREMH so that it may act within the framework of its competences before the UNSC (Art. 9).
c) Resolution UAFE-DG-2022-0095 (of March 21, 2022) provides for UAFE to communicate to the MREMH about persons or entities for which there is a reasonable basis to conclude that they meet the criteria for UNSCR designation, which shall be communicated through the MREMH, within the scope of its competencies. However, there is no procedure regulating the criteria by which the MREMH must eventually make a designation proposal.
d) There is no rule or mechanism to adopt the standard listing procedures and forms adopted by the 1267/1989 and 1988 Committees
e) Although Resolution UAFE-DG-2022-0095 establishes in the procedure that the authorities shall provide relevant information, there are no mechanisms or provisions that instruct to provide as much information as possible to the relevant authorities on the proposed names, as well as a statement of the case containing as many details as possible for the listing.

CT96. *Criterion 6.2* – **a)** *Domestic designation:* By Resolution UAFE-DG-2022-0095 UAFE is empowered to request information from the competent national authorities, analyse it and, if it finds reasonable grounds to determine that a person or entity meets the criteria of the UNSC Resolutions shall promptly communicate it to the MREMH for action within the framework of its competencies.
Implementation at the request of another country: Resolution 023-FGE-2022 (March 18, 2022) provides that, in the event that the FGE receives a request from another country to freeze the property, funds and other assets of natural or legal persons identified as terrorists and included in the UNSC general list, the FGE shall proceed with the measures to obtain the freezing order (Art.3.2). The request of the requesting country must be made on reasonable grounds to establish the location of the person and his or her property. Article 5 of Resolution No. UAFE-DG-2022-0095, establishes that in the case of requests for freezing of terrorist funds or assets, made by third countries (application of UN resolution 1373), once the order for freezing of funds or assets issued by the respective judge is received by the reporting institutions, they will have 24 hours to search if there are coincidences between the names of the requested persons or entities and their databases, for any type of transaction (...).

Meanwhile, Art. 4.b of the Resolution of the Judiciary Council 254/2014 complements the above and establishes that, in case of requests from third countries on TFS under UNSCR 1373, made on reasonable grounds and within the framework of international cooperation, it shall proceed in accordance with the provisions of Article 551 of the COIP, relating to measures of freezing of funds or assets for TF.
b) Based on Resolution UAFE-DG-2022-0095, the UAFE requests monthly information from the authorities for analysis and in the event that it meets the requirements of the relevant UNSCRs, a designation may be made and the MREMH may communicate it to the UNSC, within the scope of its competencies.
c) While there is a regulatory framework that provides for the reception of requests from third countries to freeze assets of individuals or entities on the UNSC General List, and that these requests must be made on a reasonable basis, it is not apparent in principle that the country has a regulatory framework in place that allows for a quick decision as to whether the criteria for designation under UNSCR 1373 are met.
d) There is no evidence of a rule that establishes a principle of assessment of evidence based on reasonable grounds to decide whether a designation under UNSCR 1373 is appropriate.
e) There is no evidence of a sufficiently clear rule or mechanism to require foreign counterparts to adopt targeted financial sanctions related to UNSCR 1373.

CT97. *Criterion 6.3* – **a)** Based on Resolution UAFE-DG-2022-0095, the UAFE requests monthly information from the authorities for analysis and in the event that it meets the requirements of the relevant UNSCRs, a designation may be made and the MREMH may communicate it to the UNSC, within the scope of its competencies.
b) There are no rules or procedures in place to operate ex parte against a person or entity that has been identified and whose proposed designation is under consideration.

CT98. *Criterion 6.4* – Ecuador has a regulatory framework that allows for the implementation of targeted financial sanctions (TFS) for TF. However, there are certain procedural issues that make it difficult to implement TFSs without delay, although they can be implemented in less than 54 hours. The general characteristics of the system are described below, together with an assessment of the level of compliance with the standard.

CT99. The TFS system in Ecuador is judicial in nature and is implemented through precautionary measures ordered by a court at the request of the FGE. The TFS regime is composed of 4 categories of regulations:
(i) the COIP, which includes the articles related to special freezing measures for TF (Art. 552 and 553);
(ii) Resolution UAFE-DG-2022-0095 (2022), which provides for the procedure for the freezing of funds or assets from the perspective of the UAFE, and covers the review of the lists, the reporting of the RIs to the UAFE, and the communication to the FGE;
(iii) FGE Resolution No. 23-FGE-2023 (2022), of "procedure when the adoption of special orders is required for persons on the UNSC list related to terrorism and its financing", which regulate the actions of prosecutors in this matter; and
(iv) Resolution of the Council of the Judiciary 254 (2014, amended by Resolution 6/22 of March 18, 2022), which establishes the regulation of precautionary measures linked to terrorism from the perspective of the judge.

CT100. The process resulting from these regulations is as follows:
a) Updating of the UNSC lists: The UAFE receives from the Ministry of Foreign Affairs and Human Mobility the updated lists, and also reviews the lists on the UNSC website on a daily basis.

b) Publication of the lists for consultation by the RIs: The UAFE immediately publishes the updated list on its institutional web page, and sends it to the RIs via e-mail. In addition, the UAFE developed an application that allows RIs to perform a regular scan of the updated lists and alerts them immediately of any matches.
c) Review of lists and reporting of matches to the UAFE: RIs receive the updated list and must immediately compare the names against their databases. In case of matches, they must inform the UAFE.
d) UAFE analysis: The UAFE has a specific procedure for reports related to the UNSC lists. The report enters with a specific alert and must be immediately analysed by the analyst of the Operations Department. The analysis consists of verifying the match of the reported person against the UNSC list. On that basis, a positive or negative match report is generated, and the corresponding names are immediately scanned against the databases. A report is prepared for the FGE. According to the internal procedure, the processing time should be no more than 2 hours, until the final file is delivered to the State Attorney General's Office.
e) Communication to the FGE: The UAFE communicates the match to the highest authority of the FGE, who in turn assigns the processing of the case to the Coordinator of the National Specialised Unit for Investigation against Transnational organised Crime (UNIDOT) to immediately promote the request for a special freezing order.
f) Proceedings of the FGE: In its initial action, as part of the investigative proceedings, the designated prosecutor must verify by any technological or physical means that the reported person or entity is on the lists of the UNSC. Within this framework, it is established that the specialised personnel that performs forensic digital techniques shall submit the expert report in a maximum term of 4 hours. They will also immediately request information from the financial entities, if necessary, and will request the Judge of Criminal Guarantees on duty to convene an oral and public hearing in which they will request the adoption of special orders for the freezing of goods, funds and other assets.
g) Hearing for the freezing of funds and request for freezing: The hearing must be held within a peremptory term of 24 hours (concordance between Art. 3.6 of Resolution 023-FGE-2022 and Art. 4 of Council of the Judiciary Resolution 254/2014, judicial procedure). Within the framework of the hearing, the Judiciary is required to establish precautionary measures for the immobilization or freezing of property and assets linked to or under the direct or indirect control of the respective subject or entity.
h) Implementation of the freezing measures: The intervening judge orders the measure and notifies the RIs and the control agencies (SB, SCVS, SEPS, UAFE, National Transit Agency, Transit Commission of Ecuador, Technical Secretariat for International Cooperation, Registries and MREMH) so that it can be complied with.
i) Initiation of investigation: Once the process of obtaining the special freezing order is completed, the prosecutor will initiate the corresponding preliminary investigation, in order to determine whether the facts constitute a crime.

CT101. Based on the above, and considering the different stages that occur from the time the list is updated until the TFS is finally ordered and notified to the RI, the freezing measure cannot be applied without delay within the terms established by the standard (i.e. within a period not exceeding 24 hours from the time the UNSC list is updated), although it can be ordered within a period of less than 54 hours.

CT102. *Criterion 6.5* - **a)** TFSs are implemented by RIs and without prior notification (Art. 5 of Council of the Judiciary Resolution 254/2014). Although the UAFE resolution enables an electronic channel for citizens to make complaints when they know of persons included in the lists, the regulatory framework does not provide that these measures must be implemented by all natural or legal persons.

b) According to Art. 551 of the COIP the freezing or immobilization measures are ordered with respect to property, funds and other assets owned or linked to or under the direct or indirect control of natural or legal persons. Art. 552 establishes that the measures are ordered against natural or legal persons identified as individual terrorists, terrorist groups or organizations or persons acting on their behalf or under their direction, which appear in the lists of the UNSC.
Additionally, Art. 3. b) of the Resolution of the Council of the Judiciary 254/214 defines the scope of the concept of property, funds or other assets as "property, funds or other assets, property of any kind, tangible or intangible, movable or immovable, legal documents or instruments, whatever their electronic or digital form, evidencing ownership or other rights over such property, bank credits, traveller's checks, bank checks, money orders, shares, securities, bonds, obligations, bills of exchange, letters of credit and interest, dividends or other income or securities that accrue or are generated by such funds or other assets, regardless of how they were obtained, this list being not limited to any of them".
From the above framework it is concluded that the definition of assets and funds is consistent with the scope provided by the criterion, and that they are not required to be linked to a particular terrorist act, plan or threat.
c) Ecuador does not have a general prohibition in place for the provision of funds or assets to designated persons or entities.
d) The mechanism for communicating designations is the responsibility of the UAFE, which publishes updates of the lists on its website and also sends them by e-mail to the RIs. In addition, the UAFE developed an application available to RIs through which they receive the list updates immediately and can carry out a scan against their databases. For their part, the freezing measures ordered are notified to RIs judicially (Art. 5 of Council of the Judiciary Resolution 254/2014).
Regarding the provision of clear guidelines for RIs, the UAFE published the Procedural Guide for the freezing of funds or assets, which contains a clear sequence of the steps to be taken in this regard.
e) According to Art. 5 Resolution of the Council of the Judiciary 254/2014, RIs must notify fulfilment and execution of the measure to the judge who ordered it, who in turn communicates it to the UAFE and MINREL. The regulation does not refer to the notification of attempted transactions, although RIs must report attempted TF suspicious transactions.
f) Ecuador has no regulations to protect the rights of third parties acting in good faith when implementing the obligations contained in Recommendation 6.

CT103. *Criterion 6.6* – Ecuador has regulations in place that allow for the lifting of measures to freeze funds or assets. However, there is no mechanism or procedure of the MREMH, and of public knowledge, to remove from the lists persons or entities that no longer meet the requirements for designation. The particular aspects of the system are discussed below.
a) Resolution UAFE-DG-2022-0095 provides in Art. 10 that any person or entity included in the lists, or the relatives of the deceased, may request their exclusion to the office of the UNSCR Ombudsman and, in the event that the request is submitted to the UAFE, it provides that this body will transfer the request to the MREMH to act before the UNSC. Notwithstanding the above, MREMH does not have procedures for submitting delisting requests to the UN 1267/1989 Committee and 1988 Committee in the case of designated individuals and entities that, in the opinion of the country, do not meet or no longer meet the criteria for designation.
b) Regarding the possibility of unfreezing property, Ecuador has a mechanism for unfreezing funds or assets, which results from Art. 521 and 553 of the COIP and Resolutions of the UAFE, FGE and CJ (Resolutions UAFE-DG-2022-0095, 023-FGE-2022 and CJ 066-2022). The process of lifting the measure is of a judicial nature.
In particular, Art. 553 of the COIP establishes that the judge may lift the measures at the request of a party, exclusively in the cases in which they have been dictated on the goods, funds and other

assets of a homonym or when the goods, funds and other assets on which they have been dictated, are not owned or are not linked to the person or entity in the list indicated in the previous article. As for the possibility of delisting persons and entities that meet the criteria of UNSCR 1373, there is no procedure for listing or delisting in line with said UNSCR.
c) As discussed in Criterion 6.2, Ecuador does not have a designation procedure that properly address criteria of UNSCR 1373. As a result, there are no procedures in place to review the respective designations.
d) The country does not currently have a procedure to facilitate the review of designations by the 1988 Committee, including those of the Focal Point mechanism established in accordance with UNSCR 1730.
e) The country does not currently have a procedure to inform designated individuals and entities of the availability of the UN Ombudsman's Office, in accordance with UNSCR 1904, 1989 and 2083, to accept delisting requests.
f) Art. 553 of the COIP establishes that the judge may lift the measures at the request of a party, exclusively in the cases in which they have been dictated on the goods, funds and other assets of a homonym or when the goods, funds and other assets on which they have been dictated, are not owned or are not linked to the person or entity in the list indicated in the previous article.
g) Regarding the communication of unfreezing measures, according to Art. 10 of Resolution UAFE-DG-2022-0095, once the UAFE becomes aware of the removal of a person or entity from the list of the UNSC, it must communicate it without delay to the Court that issued the freezing measure and must request it to revoke such decision. It must also inform the FGE so that it may act within the framework of its competences. Once the freezing measure is lifted, the RI must be notified of the judicial decision in order to proceed immediately with the lifting of the freezing measure.

CT104. *Criterion 6.7* – According to Art. 7 of Resolution of the Council of the Judiciary 254/2014, for the case of property, funds or assets to be frozen or immobilized, with respect to basic expenses or for the payment of extraordinary services of the affected party, the judge shall act in accordance with the provisions of UNSCR 1452. With respect to UNSCR 1373, there is no procedure for authorizing access to funds necessary for basic expenses or fees.

Weighting and Conclusion

CT105. The country has a regulatory framework that allows for the implementation of TFSs for TF. It also has a judicial mechanism that ensures the unfreezing of funds or assets, among other elements. It also has a judicial mechanism that ensures the unfreezing of funds or assets, among other elements. However, several requirements provided for in Recommendation 6 are not covered by the domestic regime, and the various stages contained in the procedure for ordering and implementing a freezing order do not, in principle, allow the freezing to be implemented without delay (albeit within a period of less than 54 hours). The country does not have mechanisms to review designations or to remove from the lists persons who no longer meet the requirements for designation. Nor does it have a regulation that explicitly prohibits the provision of funds or assets to designated persons; and it does not have a rule that establishes a principle of evaluation of evidence based on reasonable grounds to decide whether a designation should be made in accordance with UNSCR 1373. Consequently, **Recommendation 6 is rated as Partially Compliant.**

Recommendation 7 – Targeted Financial Sanctions Related to Proliferation

CT106. *Criterion 7.1* – Ecuador has a regulatory framework that allows for the implementation of TFSs for TF. However, there are certain procedural issues that make it difficult to implement

TFSs without delay, although they can be implemented in less than 54 hours. The general characteristics of the system are described below, together with an assessment of the level of compliance with the standard.

CT107. The FP TFS system in Ecuador is similar to that provided for TF. In this sense, it is judicial in nature and is implemented through precautionary measures ordered by a court at the request of the FGE. The TFS regime is composed of 4 categories of regulations:
(i) the COIP, which includes the articles related to special asset freezing measures (Art. 551).
(ii) Resolution UAFE-DG-2022-0095 (2022), which provides for the procedure for the freezing of funds or assets from the perspective of the UAFE, and covers the review of the lists, the reporting of the RIs to the UAFE, and the communication to the FGE;
(iii) FGE Resolution No. 22-FGE-2023 (2022), of "procedure when the adoption of special orders is required for persons on the UNSC list related to the proliferation of weapons of mass destruction", which regulate the actions of prosecutors in this matter; and
(iv) Resolution of the Council of the Judiciary 254 (2014, amended by Resolution 6/22 of March 18, 2022), which establishes the regulation of precautionary measures linked to terrorism from the perspective of the judge.

CT108. The process resulting from these regulations is as follows:
a) Updating of the UNSC lists: The UAFE receives from the Ministry of Foreign Affairs and Human Mobility the updated lists, and also reviews the lists on the UNSC website on a daily basis.
b) Publication of the lists for consultation by the RIs: The UAFE immediately publishes the updated list on its institutional web page, and sends it to the RIs via e-mail. In addition, the UAFE developed an application that allows RIs to perform a regular scan of the updated lists and alerts them immediately of any matches.
c) Review of lists and reporting of matches to the UAFE: RIs receive the updated list and must immediately compare the names against their databases. In case of matches, they must inform the UAFE.
d) UAFE analysis: The UAFE has a specific procedure for reports related to the UNSC lists. The report enters with a specific alert and must be immediately analysed by the analyst of the Operations Department. The analysis consists of verifying the match of the reported person against the UNSC list. On that basis, a positive or negative match report is generated, and the corresponding names are immediately scanned against the databases. A report is prepared for the FGE. According to the internal procedure, the processing time should be no more than 2 hours, until the final file is delivered to the State Attorney General's Office.
e) Communication to the FGE: The UAFE communicates the match to the highest authority of the FGE, who in turn assigns the processing of the case to the Coordinator of the National Specialised Unit for Investigation against Transnational organised Crime (UNIDOT) to immediately promote the request for a special freezing order.
f) Proceedings of the FGE: In its initial action, as part of the investigative proceedings, the designated prosecutor must verify by any technological or physical means that the reported person or entity is on the lists of the UNSC. Within this framework, it is established that the specialised personnel that performs forensic digital techniques shall submit the expert report in a maximum term of 4 hours. They will also immediately request information from the financial entities, if necessary, and will request the Judge of Criminal Guarantees on duty to convene an oral and public hearing in which they will request the adoption of special orders for the freezing of goods, funds and other assets.
g) Hearing for the freezing of funds and request for freezing: The hearing must be held within a peremptory term of 24 hours (concordance between Art. 3.6 of Resolution 022-FGE-2022 and Art. 4 of Council of the Judiciary Resolution 254/2014, judicial procedure). Within the framework

of the hearing, the Judiciary is required to establish precautionary measures for the immobilization or freezing of property and assets linked to or under the direct or indirect control of the respective subject or entity.
h) Implementation of the freezing measures: The intervening judge orders the measure and notifies the RIs and the control agencies (SB, SCVS, SEPS, UAFE, National Transit Agency, Transit Commission of Ecuador, Technical Secretariat for International Cooperation, Registries and MREMH) so that it can be complied with.
i) Initiation of investigation: Once the process of obtaining the special freezing order is completed, the prosecutor will initiate the corresponding preliminary investigation, in order to determine whether the facts constitute a crime.

CT109. Based on the above, and considering the different stages that occur from the time the list is updated until the FP TFS is finally ordered and notified to the RI, the freezing measure cannot be applied without delay within the terms established by the standard (i.e. within a period not exceeding 24 hours from the time the UNSC list is updated), although it can be ordered within a period that in practice can be of less than 54 hours.

CT110. *Criterion 7.2* – **a)** The country established a TFS system applicable to RIs. There is no regulation requiring all natural and legal persons to freeze, without delay and without prior notification, funds and other assets of designated persons and entities in FP matters. However, Resolution No. UAFE-DG-2022-0095 recommends RIs, pending the court order for freezing, to suspend transactions or services with the designated natural or legal persons who are the subject of the match, in order to avoid the risk of asset leakage or disclosure of information. Additionally, it is worth mentioning that the referred resolution states that if a citizen becomes aware of any person on these lists, he/she may inform the UAFE by e-mail.
b) According to Art. 3 of CJ Resolution 254-2014, in the context of precautionary measures on goods, funds or other assets, the term freeze means to prohibit the transfer, conversion, disposition or movement of goods and funds. Meanwhile, "goods, funds or other assets" includes goods, funds or other assets, property of any kind, tangible or intangible, movable or immovable, legal documents or instruments, regardless of their electronic or digital form, evidencing ownership or other rights over such property, bank credits, traveller's checks, bank checks, money orders, shares, securities, obligations, bills of exchange, letters of credit and interest, dividends or other income or securities that accrue or are generated by such funds or other assets, regardless of how they were obtained, this list being not limited to any of them. Additionally, Resolution FGE 022-2022 specifies that the freezing measures are required with respect to assets owned, linked or under the direct or indirect control of persons included in the UNSCR lists.
c) The country does not have a rule that prohibits its citizens or persons or entities within its territories from providing funds or other assets to designated persons or entities, or for the benefit of designated persons or entities unless they have licenses or authorizations or similar notified in accordance with the relevant UNSCRs.
d) The mechanism for communicating designations is the responsibility of the UAFE, which publishes updates of the lists on its website and also sends them by e-mail to the RIs. In addition, the UAFE developed an application available to RIs through which they receive the list updates immediately and can carry out a scan against their databases. For their part, the freezing measures ordered are notified to RIs judicially (Art. 5 of Council of the Judiciary Resolution 254/2014).
e) According to Art. 5 Resolution of the Council of the Judiciary 254/2014, RIs must notify fulfilment and execution of the measure to the judge who ordered it, who in turn communicates it to the UAFE and MINREL. The regulation does not refer to the notification of attempted transactions.
f) Ecuador has no regulations to protect the rights of third parties acting in good faith when implementing the obligations contained in Recommendation 7.

CT111. *Criterion 7.3* – Article 3 of Resolution UAFE-DG-2022-0095 states that the UAFE and other supervisory bodies must carry out monitoring and supervision, within the framework of their competencies, on compliance with freezing obligations. Likewise, Art. 7 indicates that in case it is proven that RIs have failed to comply with the obligations indicated in the Resolution, a complaint will be filed before the FGE for the crime indicated in Art. 282 of the COIP ("Failure to comply with decisions of competent authority"), in addition to the imposition of administrative sanctions, based on the corresponding supervisory and control body. In turn, as indicated in Recommendations 26 to 28, supervisors are empowered to monitor RIs' compliance with their obligations. Administrative sanctions applicable to non-compliance are also provided for, although they present certain deficiencies in terms of their proportionality and dissuasiveness, as indicated in Recommendation 35.

CT112. *Criterion 7.4* – Ecuador has regulations in place that allow for the lifting of measures to freeze funds or assets. However, there is no mechanism or procedure of the MREMH, and of public knowledge, to remove from the lists persons or entities that no longer meet the requirements for designation. The particular aspects of the system are discussed below.
a) Resolution UAFE-DG-2022-0095 provides in Art. 10 that any person or entity included in the lists, or the relatives of the deceased, may request their exclusion to the office of the UNSCR Ombudsman and, in the event that the request is submitted to the UAFE, it provides that this body will transfer the request to the MREMH to act before the UNSC. Notwithstanding the above, it is not evident that the MREMH has procedures in place to manage delistings in line with the provisions of UNSCR 1730.
b) Resolution No. 022-FGE-2022 of the Attorney General's Office, in its Art. 3, paragraph 9), states that in the event that, after the freezing of funds, it is identified that the case is a false positive, homonym or a person who has already been excluded from the list, the measures shall be lifted, either ex officio or at the request of the party, duly grounded, before the same judge who issued it.
c) There is no evidence of the existence of a procedure to authorize access to funds or other assets under the conditions set forth in UNSCR 1718 and 2231, as well as the terms of UNSCR 1730.
d) Resolution UAFE-DG-2022-0095 provides in Art. 10 that once the UAFE becomes aware of the removal of a person or entity from some of the lists, it shall proceed without delay to communicate this to the Court that issued the freezing measure so that it may be revoked, as well as to the FGE for the pertinent proceedings. As soon as the competent judge revokes the freezing measure, this must be reported to the RI in order to terminate the freezing, and the UAFE must also be informed of this event.

CT113. *Criterion 7.5* – The regulatory framework does not include provisions related to the treatment of contracts, agreements or obligations prior to the designation of persons or entities as subjects of TFS for FP.

Weighting and Conclusion

CT114. The country has a regulatory framework that allows for the implementation of TFSs for FP. It also has a judicial mechanism that ensures the unfreezing of funds or assets, among other elements. It also has a judicial mechanism that ensures the unfreezing of funds or assets, among other elements. However, several requirements provided for in Recommendation 7 are not covered by the domestic regime, and the various stages contained in the procedure for ordering and implementing a freezing order do not, in principle, allow the freezing to be implemented without delay (albeit within a period of less than 54 hours). The country also lacks procedures to authorize access to funds or other assets under the conditions set forth in UNSCR 1718 and 2231,

as well as the terms of UNSCR 1730. Consequently, **Recommendation 7 is rated as Partially Compliant.**

Recommendation 8 – Non-profit organisations

CT115. During the Third-Round evaluation, Ecuador was rated Non-Compliant in the previous Special Recommendation VIII. At that time, it was determined that there was no system in place to prevent abuse of NPOs by terrorist organizations.

CT116. *Criterion 8.1* – **a)** Ecuador developed a sectoral risk assessment of NPOs in which it identified which subset falls within the FATF definition, and which are the characteristics and types of NPOs that, by virtue of their activities and profile, have greater exposure to FT risk.
The NPO sectoral assessment is one of the specific modules of the NRA, and was developed with technical assistance from the World Bank. According to the findings of the exercise, 30,559 NPOs are registered in Ecuador, 94 of which are international in nature. Of the total number of existing NPOs, it was determined that 8,026 meet the FATF definition.
The report also established 3 categories of NPOs, among which category 1, which includes those dedicated to social service or charity, are the most exposed to the risk of TF.
b) In its sectoral assessment, the country identified both the nature of the threats and the vulnerabilities associated with NPOs. The TF threat faced by NPOs is due to the incidence of illegal groups in a border country that, in order to maintain their operations and logistics, commit crimes such as drug trafficking, smuggling of goods and weapons. The existence of domestic terrorism has not been determined in Ecuador. Tax evasion and corruption were also identified among the main threats.
Regarding TF-related vulnerabilities, it was concluded that there are a large number of NPOs in the country, of which only a small portion are registered and report their suspicious transactions to the UAFE. In addition, the vulnerability assessment of the sector's products with medium-high vulnerability identified donations received and loans granted. The medium level products are technical assistance and advisory contracts.
It is important to note that the evaluation determined that no STRs or cases of terrorism or TF involving NPOs have been identified.
c) The sector assessment reviewed the measures, laws and regulations related to the subset of NPOs with the highest exposure.
d) The NPO sector assessment is up to date, as it is dated April 2021. Additionally, it is one of the components of the NRA, which provides for an update every 3 years.

CT117. *Criterion 8.2* – **a)** NPOs are regulated by the Regulations for Granting Legal Personality to Social Organizations (ROPJOS) (Decree 193) and by the General Standards for Handling Social organisation Procedures and the Application of the Regulations for Granting Legal Personality to Social Organizations.
According to the regulations, non-profit organizations that operate legally in the country are subject to provisions on their operation and on the achievement of their corporate purpose. In addition, they are subject to provisions on the use of public resources, tax, customs, and others.
NPOs must register with the Ministry of the sector corresponding to their main activity, which will be responsible for ensuring that the legal requirements are complied with. Through Resolution No. UAFE-DG-2020-0089 of September 30, 2020, the UAFE assumed the control and supervision of NPOs in terms of ML/TF prevention.
International NPOs must sign a basic operating agreement in Ecuador, execute actions, programs and projects with non-reimbursable international cooperation resources and are required to register them in the MREMH with the necessary information to clearly identify their objectives,

goals, specific tasks and both internal and external resources required in each of the execution periods.
National NPOs are obliged to provide the minutes of their meetings, financial reports, audit reports and approved reports, or any other information related to their activities. This information must be requested publicly and in advance by the different ministries and control agencies.
Additionally, the country has a Single Registry of Civil Society Organizations, which is a public system whose purpose is to register organizations that meet the requirements of incorporation, operation, registration, accreditation and control. This registry allows the dissemination of information on civil society organizations in the country[46].
Based on the above, Ecuador has a regulatory framework to promote transparency and integrity of NPOs.
b) The AML/CFT Law establishes that the UAFE has the duty to organize periodic training programs on ML/TF prevention, which also cover the NPO sector. In this regard, the country reported that it has outreached to the sector and, between September and October 2020, developed 6 specific trainings in this area. A total of 447 people participated in these events, and the topics covered were: basics of ML/TF prevention, how to apply CDD in your organisation, use of restrictive lists and procedures to follow, methodology and risk management, risk management exercises, and implementation of ML/TF prevention standards.
c) In addition to the specific training provided to the sector, the country reported on the participation of NPO representatives in the development of the corresponding module of the NRA. In this regard, the sector participated in the response to a technical questionnaire and specific workshops, and received feedback on the results.
d) Regarding the promotion of the use of regulated financial channels for NPO transactions, although there is no information on specific measures adopted for this purpose, for the granting of legal personality the MIES requires corporations and foundations to submit a certified legible copy of the document (sworn statement) proving the social patrimony or the certification of the opening of a bank account or a capital integration account in any financial institution under the name of the social organisation being established. Regarding international NPOs, which must have the authorisation of the MRE, although no requirement appears in this regard, the entities must have bank accounts to receive funds from abroad.

CT118. *Criterion 8.3* – The UAFE developed a "Continuous Monitoring Matrix" for the purpose of identifying the categories of NPOs at risk of misuse for TF purposes. The methodology considers a high degree of consensus regarding the direct dependence of exposures on 4 structural factors: typology of customers, nature of products and services, geography, and use of different channels. In turn, such factors can be broken down into sub-factors, which again will depend on the type of markets, or services provided under constrained market conditions. As a result, the matrix establishes each NPO's own level of risk, and determines that medium risk NPOs should be monitored. At the date of the on-site visit, the UAFE monitoring matrix indicated that 8 international NPOs were classified as medium-high risk and were being monitored. NPOs with a higher risk level are reported to the UAFE's operations analysis area and also to the CIES and the MREMH so that they can apply the appropriate measures in each case.

CT119. *Criterion 8.4* – **a)** NPOs are considered as RI by the AML/CFT Law and, therefore, they would be among the entities that should be subject to AML/CFT supervision by the UAFE. However, at the date of the on-site visit they had no sectoral AML/CFT regulation. However, the UAFE developed a risk-based monitoring matrix for NPOs, and identified the entities subject to specific monitoring. Notwithstanding, the monitoring matrix for higher risk NPOs has been recently implemented and, as of the date of the on-site visit, no specific measures had been carried out to monitor compliance with the requirements of Recommendation 8 by the identified NPOs.

[46] https://sociedadcivil.gob.ec/portal

b) According to the ROPJOS, offending domestic NPOs may be sanctioned with liquidation and dissolution ex officio or upon complaint (Art. 19 and 21) 19 and 21) With respect to international NPOs, Article Art. 30 of the Regulations for Granting Legal Personality to Social Organizations establishes that if the foreign NPO does not comply with the provisions of the regulations, as well as with the provisions of the Basic Operating Agreement, the Ministry of Foreign Affairs and Human Mobility will terminate the activities of the NPO in Ecuador following a study of the case and a grounded resolution.
Notwithstanding the above with respect to the sanction of dissolution or termination of activities, there is no evidence of a range of proportional or dissuasive sanctions for non-compliance with the requirements of the NPOs, such as warnings, fines, suspension of activities, etc.

CT120. *Criterion 8.5* – **a)** Agreement No. MIES-2021-036, General Rules for the Attention of Social Organizations Procedures and the Application of the Regulation for the Granting of Legal Personality to Social Organizations establishes in its Art. 73 that, if during the operation control the Ministry of Economic and Social Inclusion determines that the social organisation is not observing the non-profit purpose, it will inform the Internal Revenue Service of the corresponding report. The same applies if it is determined that there are possible non-compliances or infractions to the sectorial regulations of other State portfolios.
In addition, the AML/CFT Law establishes a regulatory framework that provides for cooperation and exchange of information between the UAFE, supervisors and law enforcement authorities, among other relevant authorities.
In this regard, Art. 11.3 of the AML/CFT Law provides that the UAFE shall collaborate with the FGE and the competent jurisdictional bodies, when they so require, with all the information necessary for the investigation, prosecution and trial of money laundering and financing of crimes. Art. 12.d, meanwhile, provides that the UAFE is in charge of coordinating, promoting and executing cooperation programs with related national units to, within the framework of its competencies, exchange general or specific information related to ML/TF, as well as to execute joint actions through cooperation agreements throughout the national territory.
Therefore, from the regulatory point of view, there is a favourable framework for the competent authorities to co-operate and, where appropriate, coordinate and exchange information among themselves at the domestic level with regard to CFT measures in the sector. However, as of the date of the on-site visit, no measures had been taken to ensure effective cooperation or exchange of information between the UAFE and FGE with the MIES and MREMH.
b) Ecuador has legislation that allows competent authorities to investigate NPOs suspected of TF or susceptible of being abused for such purposes. These functions fall under the general investigative powers of the FGE, which directs and coordinates the work of the Judicial Police and other relevant investigative authorities. The investigative powers of the FGE are generically defined in the Constitution of the Republic of Ecuador (Art. 195) and are regulated in the COIP.
Moreover, in the sectoral evaluation of NPOs it is reported that, in the period 2015 - 2019, the FGE registered cases related to the crime of terrorism and TF, but in these cases the participation of NPOs has not been determined.
Furthermore, the CIES issued intelligence reports in relation to NPOs with higher exposure.
The UAFE has not forwarded ROIIs to the FGE related to NPOs and abuse for TF purposes. In addition, in the period from 2016 to 2020 the UAFE received from reporting institutions 11 STRs related to NPOs, with none of these being for TF.
Based on the information analysed, if necessary, it is considered that the country has the capacity to examine suspected NPOs or those with greater exposure to TF.
c) According to the COIP, the FGE has the power to obtain broad access to information on the administration and management of private NPOs (including financial information). Additionally, Art. 6 of the ROPJOS establishes that NPOs are obliged to hand over to the competent State entity, when the case so requires, the documentation and information established in the

Regulations, including that which may be generated in the future as a result of the operation of the social organisation.
d) Ecuador has a legal framework that enables the competent authorities, especially law enforcement authorities, to share information rapidly in cases of possible links between NPOs and TF. In addition to the powers of the UAFE and the FGE to request information from other authorities, the Public and State Security Law empowers the National Intelligence Secretariat to request information of this nature.
In this sense, Art. 17 establishes that, in order to ensure the security of the State, the ministries and other public entities shall deliver to the National Intelligence Secretariat the information requested, including classified information. Prior to requesting the respective information, the National Intelligence Secretariat shall inform the President of the Republic of this decision. In turn, Article 10 of the Regulations of the Law of Public and State Security provides that the requested public entity must respond to the request within a maximum term of 48 hours, even in the case of classified information.

CT121. Consequently, Ecuador has a regulatory framework that empowers law enforcement authorities to request and exchange information promptly with respect to NPOs and TF.

CT122. *Criterion 8.6* – Ecuador is able to exchange TF-related information through its Egmont Group contact points and the GAFILAT Asset Recovery Network. Likewise, Ecuador reported that it belongs to the Tezca Network of the Ibero-American Intelligence Services Forum (FOSII), which allows the permanent exchange of intelligence on terrorism. Beyond the above, Ecuador can respond through police information exchange channels (Interpol) and the FGE (Iberred - AIAMP).

Weighting and Conclusion

CT123. The country conducted a risk assessment of the NPO sector and identified the subset with the highest exposure to TF, as well as related vulnerabilities and threats. The country provides training to the sector on how to adopt CDD and transparency policies, and also has law enforcement authorities capable of investigating NPOs involved or used for TF, and sharing information with domestic or international competent authorities. The UAFE has also developed a sector monitoring matrix. However, there are deficiencies in terms of monitoring compliance of the sector with regulations and its sanctioning regime and co-ordination between LEAs and ministries, although these deficiencies do not have a considerable weight considering the materiality of the sector. **Recommendation 8 is rated Largely Compliant**.

Recommendation 9 – Financial institution secrecy laws

CT124. In its Third Round MER in 2011, Ecuador was rated LC for former R. 4. The report considered that the country should enter into a greater number of memoranda of understanding or international cooperation agreements to facilitate the exchange of information on AML/CFT matters.

CT125. *Criterion 9.1* – The AML/CFT Law of Ecuador provides (Art. that the RIs covered by this regulation may not invoke bank secrecy or confidentiality to deny or delay access to information requested by the UAFE. In the same sense, the Organic Monetary and Financial Code, which governs FIs (Art. 2 and 6) lists among the exceptions to the obligation of confidentiality and reserve that FIs must comply with in terms of its Art. 353 the following: i) information required by control agencies; ii) information required by the JPMF and; iii) reports required by

competent authorities of countries with which Ecuador has reciprocal agreements entered into to combat crime (Art. 354).

CT126. Based on the above, in principle, the secrecy or confidentiality rules of the RIs do not affect the ability of competent authorities to access the information necessary to perform their functions, nor their powers to exchange it with domestic or international counterparts.

CT127. Notwithstanding the above, the secrecy or confidentiality rules applicable to FIs do not refer to the treatment that should be given to the exchange of information related to FATF Recommendations 13, 16 and 17. There is also a minor deficiency of scope, due to the fact that leasing or financial leasing companies have not been included as RIs. However, these deficiencies do not have a significant weight.

Weighting and Conclusion

CT128. In general terms, there is no evidence that the secrecy regulations have an impact on the implementation of the FATF Recommendations. However, there are concerns with respect to the impact of these secrecy regulations on the possibility for FIs to share information among themselves in cases required by R. 13, 16 and 17, in addition to the minor deficiency of scope with respect to leasing or financial leasing companies, although such deficiencies are of a minor nature. **Recommendation 9 is rated Largely Compliant.**

Recommendation 10 - Customer due diligence

CT129. In its Third Round MER in 2011, Ecuador was rated partially compliant for former R. 5. The following were identified as deficiencies: a) Comply with the recommendation for all the intermediaries that make up Ecuador's financial system that are currently in the process of incorporation and control. b) Provide the different Superintendencies in charge of on-site and off-site controls with an adequate structure to carry out effective control of supervised entities, and c) Regulate and control the informal financial sector, especially border exchange operators and unregistered money remittance companies.

CT130. *Criterion 10.1* – The AML/CFT Law requires institutions of the financial[47] and insurance system to maintain accounts and operations in nominative form; consequently, they may not open or maintain accounts or investments in encrypted form, anonymous in nature, or authorize or carry out transactions or operations that are not in nominative form, except those expressly authorised by law. (Art. 4 b) Administrative provisions issued by the SB, SCVS and SEPS also prohibit opening or maintaining accounts, investments, shares, or any commercial relationship of an anonymous or encrypted nature (Art. 12 Resolution No. SB-2020-0550, Art. 12 of RJPM Code 385-Insurance, Art. 12 of RJPM Codification 385-Securities and Art. 241 of Resolution No. 637-2020-F).

CT131. Moreover, according to the AML/CFT Law and its regulations, FIs must require and register the identity of the customer through reliable and trustworthy means (Art. 4 and 7 respectively), with which, they could not have accounts under fictitious names. Likewise, SEPS and the insurance companies establish provisions in this sense in their particular regulations.

CT132. However, financial leasing entities are not covered as RIs (although this is a minor deficiency).

[47] These are entities authorised by the Superintendence of Banks and the Superintendence of Popular and Solidarity Economy. (Art. 143 of the COMF).

CT133. *Criterion 10.2* – Art. 4.a) of the AML/CFT Law establishes the obligation of FIs to require through reliable means, the identity, occupation, economic activity, marital status, and domiciles of their regular or occasional customers. In the case of legal persons, the request shall include certification of legal status, capacity to operate, list of partners or shareholders, amounts of shares or participations, corporate purpose, legal representation, domicile, and other documents that allow establishing their economic activity. However, the scope of Art. 4 of the AML/CFT Law is applicable only for insurance and FIs regulated and supervised by the SB and SEPS, but not for the securities sector and STDV.

a) Art. 7 of the Regulations of the Law establishes the obligation of FIs to record minimum information of their regular or occasional customers both natural and legal persons.
With respect to FIs regulated by the SCVS, at the beginning of the commercial or contractual relationship they must fill out a form that allows identification of the customer (Art. 12 of the Codification RJPM 385-Insurance, Art. 12 of the RJPM Codification 385-Securities and Art. 13 of Resolution No. SCVS-INC-DNCDN-2021-0002 applicable to remittance companies) and FIs regulated by the SEPS must adopt mechanisms that allow them to apply due diligence to all their counterparts. (Art. 207 of Resolution No. 637-2020-F)
b) Art. 4 a) of the ALA/CFT Law and Art. 7 of its Regulations describe that FIs shall request CDD related information to their regular or occasional customers regardless of the threshold. It is also referred to in the administrative provisions of the SB, SCVS and SEPS (Art. 4 of Resolution No. SB-2020-0550, Art. 12 of RJPM Code 385-Insurance, Art. 5 and 12 of the RJPM Code 385-Securities and Art. 211 of Resolution No. 637-2020-F)
c) Art. 4 a) of the ALA/CFT Law and Art. 7 of its Regulations establish the obligation to perform CDD when performing occasional transactions. In addition, prudential regulations with respect to banks set out the obligation to identify the originator and beneficiary of both domestic and international transfers (Art. 121.1.1.8 of Resolution No. SB-2020-0550).
As regards the insurance sector, when making payments for premiums and savings through electronic funds transfers for life insurance or reinsurance, the originator and/or beneficiary must be identified (Art. 19 of the RJPM Codification 385-Insurance).
However, there is a minor deficiency in scope, since leasing or financial leasing companies are not included and, furthermore, there do not seem to be any provisions in this regard for the securities sector.
d) CDD must be carried out in all cases, regardless of the amount involved and whether it is an occasional or regular transaction. Consequently, since there are no thresholds for CDD, this criterion is not applicable.
Even FIs should apply enhanced CDD measures in all cases where there is suspicion of ML/TF. (Art. 12.1.1.1.11 of Resolution No. SB-2020-0550 amended by Art. 21 of Resolution No. SB-2022-0386), Art. 19 of the RJPM Codification 385-Insurance, Art. 17 of the RJPM Codification 385-Securities and Art. 15 of Resolution No. SCVS-INC-DNCDN-2021- 0002 applicable to remittances[48] and Art. 207 of Resolution No. 637-2020-F applicable to entities regulated by the SEPS).
e) If FIs have doubts about the veracity of the information provided by the customer, or there is inconsistency with data previously obtained, they shall be required to verify such information and reinforce control measures. (Art. 12 of Resolution No. SB-2020-0550, Art. 223 of Resolution No. 637-2020-F, Art. 12 and 19 of the RJPM Codification 385-Insurance, Art. 10.d of the RJPM Codification 385-Securities and Art. 15 of Resolution No. SCVS-INC-DNCDN-2021-0002-Remittances).

CT134. *Criterion 10.3* – The AML/CFT Law establishes the obligation for FIs to require information for the identification of regular or occasional customers (Art. 4). The AML/CFT Law establishes the obligation for FIs to require information for the identification of regular or occasional customers (Art. 4). Additionally, the regulations of the AML/CFT Law indicate the obligation to require documents to verify customer identity, particularly: a) names and surname, b) Sole Taxpayers Registry number, c) domicile, d) identity card for Ecuadorians, passport or identification document in case of foreign person, e) occupational activity and position, f) sex, g) nationality; and in case of being a legal person: a) corporate name, b) taxpayer registration number, c) nationality, d) domicile, e) province, city, canton, f) economic activity, g) details of shareholders and h) for trusts, in addition to the information contained in paragraphs a) to h), if applicable, all information identifying the settlor, trustee, beneficiaries, type of trust, up to the natural persons exercising effective and definitive control over the trust. (Art. 7).

CT135. Administrative provisions issued by the SB, SCVS and SEPS also require identification of the regular or occasional customer, natural or legal person, as well as verification of their identity (Art. 12 of Resolution No. SB-2020-0550 as amended by Resolution No. SB-2022-0386, Art. 12 of the RJPM Codification 385-Insurance, and Art. 10.1 of the RJPM Codification 385-Securities and Art. 12 and 13 of Resolution No. SCVS-INC-DNCDN-2021-0002-Remittances, Art. 214 of Resolution No. 637-2020-F)

CT136. *Criterion 10.4* – Article 7, paragraph 1.2.1 of the Regulations of the AML/CFT Act requires FIs to request information in cases of a person claiming to act on behalf of a customer, including: a) names and surnames, b) identity card for Ecuadorians, passport or identification document in the case of a foreign person, c) sex, d) nationality, e) public deed of the respective power of attorney. In addition, the administrative provisions of the SCVS and SEPS indicate the obligation to perform an enhanced due diligence in those cases in which the customer does not act on his own account. (Art. 19 of RJPM Code 385-Insurance, Art. 17 of the RJPM Codification 385-Securities and Art. 15 of Resolution No. SCVS-INC-DNCDN-2021-0002-Remittances, and Art. 211 of Resolution No. 637-2020-F)

CT137. *Criterion 10.5* – FIs, through CDD, shall identify the BO as the natural person(s) that finally holds directly or indirectly as owner or addressee resources or goods or have control of a customer, and/or the natural person on whose behalf the transaction is carried out, as well as natural persons that exercise the final effective control over a legal person or other legal arrangement. In such cases, FI must request: a) full names and surnames or corporate name, b) sex, c) nationality, d) identity card for Ecuadorians, passport or identification document in case of foreign persons, e) Single Taxpayers Registry in case of legal persons. (Art. 7 paragraph 1.3 of the AML/CFT Law Regulations).

CT138. For their part, administrative provisions issued by the SB, SCVS and SEPS also require in general terms to identify the BO and verify his/her identity. (Art. 12.1.1.1.3. And 12.1.1.4 of Resolution No. SB-2020-0550 and its amendments through Art. 17 of Resolution No. SB-2022-0386, Art. 10 of the RJPM Codification 385-Securities, and Art. 15 of the RJPM Codification 385-Insurance, Art. 5 and 13 of Resolution No. SCVS-INC-DNCDN-2021-0002-Remittances, Art. 220 of Resolution No. 637-2020-F) However, in the particular case of the insurance sector there seem to be no provisions by the SCVS regarding verification of the identity of the BO.

CT139. *Criterion 10.6* – According to Article 12.2.2 of Resolution No. SB-2020-0550, banks must have a methodology to determine the behavioural profile of the customer that includes knowing the intended use of services and products. In addition, FIs regulated by SEPS must have procedures for transactional analysis of customers that allow verifying that transactional activities

of customers are related to their economic activities. (Art. 221 through 223 of Resolution No. 637-2020-F). According to Article 10 of the RJPM Codification 385 applicable to the securities sector, they must obtain information on the purpose and nature of the business relationship. The provisions related to the knowledge of the customer, the establishment of financial profiles and the knowledge of the nature of the customer's business, as well as the type and characteristics of the operations and transactions that the customer performs are extended to the participants of the securities market by Resolution No. JPRF-S-2022-024, as well as to insurance companies and reinsurance companies by Resolution No. JPRF-S-2022-025. Article 12 of Resolution No. SCVS-INC-DNCDN-2021-0002 establishes the obligation to obtain customer data on volume and characteristics of transactions, origin of funds, equity information, among other aspects.

CT140. *Criterion 10.7* – **a)** Article 15 of the Regulations of the AML/CFT Law provides that it is the function of the compliance officer to carry out periodic monitoring of customer and user profiles, as well as of the operations and transactions performed. In addition, the administrative provisions issued by the SB, SCVS and SEPS also state the obligation to carry out a transactional profile to verify that the information held on the customer corresponds to its activity, risk profile and source of funds. (Art. 4, 11, and 12 of Resolution No. SB-2020-0550, Art. 4, 12, 21, and 46 of the RJPM Codification 385-Insurance, Art. 3, 4, 10, 19, and 44 of the RJPM Codification 385-Securities and Art. 5 and 12 of Resolution No. SCVS-INC-DNCDN-2021-0002-Remittances, Art. 221 through 223 of Resolution No. 637-2020-F)
b) The AML/CFT Law provides that CDD information shall be maintained and updated during the term of the business relationship (Art. 4). For their part, the administrative provisions issued by the SB, SCVS and SEPS also establish the obligation to periodically update the information obtained during the CDD process. (Art. 12.1.1.1 of Resolution No. SB-2020-0550 as amended by Resolution No. SB-2022-0386, Art. 5.2, 5.3, 12, and 14 of the RJPM Codification 385-Insurance, Art. 13 of the RJPM Codification 385-Securities and Art. 10 of Resolution No. SCVS-INC-DNCDN-2021-0002-Remittances, Art. 213 of Resolution No. 637-2020-F)

CT141. *Criterion 10.8* – Art. 4 of the AML/CFT Law establishes that in the case of customers who are legal persons, FIs shall request certification of legal status, capacity to operate, list of partners or shareholders, amounts of shares or participations, corporate purpose, and legal representation. For its part, Art. 7 of the Regulations of the Law states that FIs, in the case of a legal person, shall require the details of the shareholders (if the shareholders are legal persons, the information shall be obtained until the natural persons are identified), identity number, passport, RUC, nationality, occupation and/or position. In the case of trusts, in addition to requiring the aforementioned information, all information identifying the settlor, trustee, beneficiaries, type of trust, up to the natural persons exercising effective and definitive control over the trust must be requested.

CT142. Additionally, administrative provisions issued by the SB, SCVS and SEPS establish obligations for FIs to understand the nature of the business of the customer who is a legal person or arrangement, as well as its shareholding and control structure. (Art. 12.1.1.1 and 12.1.1.3 of Resolution No. SB-2020-0550 as amended by Resolution No. SB-2022-0386, Art. 12 and 14 of the RJPM Codification 385-Insurance, Art. 10, 12, and 13 of the RJPM Codification 385-Securities and Art. 13 of Resolution No. SCVS-INC-DNCDN-2021-0002-Remittances, Art. 214 of Resolution No. 637-2020-F)

CT143. *Criterion 10.9* – AML/CFT Law (Art. 4a) and its regulations (Art. 7) set forth obligations for FIs in relation to identification and verification of the customer who is a legal person or arrangement, and they shall request:
a) Certificate of legal status, corporate name, capacity to operate, corporate purpose;

b) Documents that may allow to establish their economic activity, unique taxpayer number, list of partners or shareholders, number of shares or participations, legal representation;
c) Documents on the domicile, nationality, province, city, canton.

CT144. Additionally, administrative provisions issued by the SB, SCVS and SEPS establish obligations for FIs to identify and verify the identity of the customer who is a legal person or arrangement. (Art. 12.1.1.1 and 12.1.1.2 of Resolution No. SB-2020-0550 as amended by Resolution No. SB-2022-0386, Art. 14 of RJPM Code 385-Insurance, Art. 12, and 13 of the RJPM Codification 385-Securities and Art. 13 of Resolution No. SCVS-INC-DNCDN-2021-0002-Remittances, Art. 214 of Resolution No. 637-2020-F)

CT145. *Criterion 10.10* – **a)** Article 7 paragraph 1.3 of the regulations of the AML/CFT Law establishes the obligation of FIs to identify and verify the identity of BO and obtain information on names and surnames or corporate name, sex, nationality, identity card or passport and the single taxpayer registry (if applicable). BO is defined as the natural person(s) that finally holds directly or indirectly as owner or addressee resources or goods or have control of a customer, and/or the natural person on whose behalf the transaction is carried out, and includes natural persons that exercise the final effective control over a legal person or other legal arrangement. Moreover, SB (Art. 12.1.1.1 of Resolution No. SB-2020-0550 as amended by Resolution No. SB-2022-0386), sets forth that FIs, in addition to getting to know the identity of the shareholders or the identity of the person in control, shall apply enhanced CDD measures to those who, directly or indirectly, hold 25% or more of the subscribed and paid equity. In the case of FIs regulated by SEPS (Art. 214 of Resolution No. 637-2020-F), they shall request the list of partners or shareholders with names, surnames, type, and number of identity document, holding share, if appropriate. The information must be provided by all partners whose participation is greater than 25% of the shareholding or corporate structure and may be obtained from a public source provided by the competent control body or from the legal entity itself. In the event that the customer is an entity regulated by the SEPS, a list of the members of the Board of Directors, Supervisory Board and Manager must be requested.
In the case of entities regulated by the SCVS, they must adopt the appropriate mechanisms to identify the BO. (Art. 15 of the RJPM Codification 385-Insurance, Art. 14 of the RJPM Codification 385-Securities and Art. 5, 12, and 13 of Resolution No. SCVS-INC-DNCDN-2021-0002-Remittances) According to the regulatory framework applicable to insurances, BO is defined as the natural person who is the ultimate owner of the product of the contracted policy or has the final control of a customer and/or of the person on whose behalf the operation is carried out. It includes those persons who exercise effective control over a legal person or arrangement (Art. 1.7 of the RJPM Codification 385-Insurance); in the case of securities, it is established that for legal persons, knowledge of the customer also implies getting down to the level of natural persons in the ownership structure, i.e. the personal identity of the shareholders or partners, especially applying enhanced diligence to those who directly or indirectly hold 25% or more of the subscribed equity of the company (Art. 10 of the RJPM Codification 385-Securities). In relation to remittances, BO is any natural person who ultimately owns or controls a customer and/or the natural person on whose behalf a transaction is being conducted. It also includes natural persons exercising ultimate effective control over a legal person or other legal arrangement. (Art. 2 of Resolution No. SCVS-INC-DNCDN-2021-0002-Remittances).
b) The regulations of the AML/CFT Law (Art. 7) set forth that the reporting institution shall, through customer due diligence, identify the BO as the natural person(s) that finally holds directly or indirectly as owner or addressee resources or goods or have control of a customer, and/or the natural person on whose behalf the transaction is carried out, as well as natural persons that exercise the final effective control over a legal person or other legal arrangement. Likewise,

Resolution No. SB-2020-0550 issued by the SB (Art. 12.1.1.1.3) points out that FIs shall identify and verify the identity of natural persons who exercise control over the legal person.
c) The definition of BO described in the Regulations of the AML/CFT Law and in the prudential regulations does not include the relevant natural person that occupies the position of the most senior management official when the natural person that has a majority shareholding or exercises control of the legal person or arrangement is not identified. Except for SEPS that establishes that in the event that the customer is an entity regulated by the SEPS, a list of the members of the Board of Directors, Supervisory Board and Manager must be requested. (Art. 214.2.j of Resolution No. 637-2020-F) In this sense, in light of the analysis of this criterion the definition of BO of LPs established in the different regulatory frameworks for FI does not comprehensively address the identification of the natural person through shareholding, control by other means and who occupies the position of senior management officer, that is to say, each regulatory framework establishes a different definition of BO. In addition, it is not clear whether the entities use the definition contained in the AML/CFT Regulations or in their special rules, since they are different provisions.

CT146. *Criterion 10.11* – **a)** According to the regulations of the AML/CFT Law (Art. 7 paragraph 1.2.h), for trusts, FIs shall also consider all information that identifies the trustor, trustee, beneficiaries, type of trusts, up to natural persons that exercise effective and definitive control over the trust. The same provisions are found in the SEPS regulations (Art. 214 of Resolution No. 637-2020-F and SCVS for remitters (Art. 13 of Resolution No. SCVS-INC-DNCDN-2021-0002) and securities (Art. 14 of the Codification RJPM 385-Securities). In the case of banks, they shall identify and adopt reasonable measures to verify the identity of the trustor or constituent, of the trustee or administrator of funds and trusts and of the beneficiary(ies), as well as such measures shall be applied to know and verify the identity of the trustee and beneficiary of the business and trust mandate. (Art. 17 of Resolution No. SB-2022-0386 amending Resolution No. SB-2020-0550).
b) No other types of legal arrangements other than trusts have been identified in the country, which makes the analysis of the previous paragraph applicable.

CT147. *Criterion 10.12* – There are no provisions related to paragraphs (a-c) of this criterion.

CT148. *Criterion 10.13* – Insurance companies shall apply extended due diligence procedures when dealing with customers or beneficiaries coming from or residing in tax havens or non-cooperative countries. (Art. 19 of the RJPM Codification 385-Insurance) However, in cases of higher risk in which it is determined that the beneficiary is a legal person or arrangement, the identification and verification of the identity of the beneficial owner of the beneficiary at the time of payment is not included as a measure.

CT149. *Criterion 10.14* – **a)-c)** FIs shall require identification documents from their customers and beneficial owners for all regular or occasional customers before establishing the business relationship. (Art. 4 of the Law and 7 1.1 and 1.3 of the Regulations of the AML/CFT Law). The administrative provisions of the SB, SEPS, SCVS establish that, at the beginning of the contractual relationship, FIs should verify the identity of the customer and the BO and require supporting documents for the information provided. Particularly, banks, securities sector and entities regulated by SEPS require this information through a form. (Art. 12.1.1.1.2 of Resolution No. SB2020-0550, Art. 214 of Resolution No. 637-2020-F, Art. 12 of Resolution No. SCVS-INC-DNCDN-2021-0002-Remittances, Art. 12 and 15 of the RJPM Codification 385-Insurance, Art. 10, and 12 of the RJPM Codification 385-Securities).

CT150. However, in the case of banking institutions, Article 121.1.1.2 of Resolution No. SB-2020-0550 provides that when data is missing this must be recorded in the form and greater control must be implemented until the institution is satisfied with the quality of the information and is able to define the transactional and behavioural profiles. In this sense, no maximum time limit has been set, so there is no guarantee that this will occur as soon as reasonably possible.

CT151. Regarding Insurance, Art. 14 of the RJPM Codification 385-Insurance establishes that in case of absence of some of the data or documentation requested and it is adequately justified, this should be recorded in the form, but doubts exist as to whether it should be regularized as soon and reasonably as possible. In the other FIs no hypothesis is raised.

CT152. *Criterion 10.15* – FIs should perform verification of the customer before initiating commercial relations. In the case of banking and insurance entities it seems to be possible to initiate the commercial relationship even if data is missing, being necessary to implement greater control and record it in the form (Art. 121.1.1.2 of Resolution No. SB-2020-0550, and Art. 14 of the RJPM Codification 385-Insurance). In the case of banks, the entity will apply greater controls until it is satisfied with the quality of the information and has the possibility of determining transactional and behavioural profiles. Otherwise, if the customer does not provide the required information, the entity must analyse filing a STR with the UAFE. (Art. 16 of Resolution No. SB-2022-0386 amending Resolution No. SB-2020-0550) However, although the obligation to implement greater controls is established, these controls or procedures that banking and insurance entities are required to have in the event of such cases are not defined.

CT153. *Criterion 10.16* – Art. 7 of the AML/CFT Law regulations establishes the obligation of FIs to apply CDD to all their customers.

CT154. *Criterion 10.17* – FI shall apply extended CDD procedures according to the risk profile defined for each customer or when dealing with customers that perform high risk activities. (Art. 12 of Resolution No. SB-2020-0550, Art. 211 of Resolution No. 637-2020-F, Art. 15 of Resolution No. SCVS-INC-DNCDN-2021-0002-Remittances, Art. 19 of the RJPM Codification 385-Insurance, Art. 17.6 of the RJPM Codification 385-Securities).

CT155. *Criterion 10.18* – Banks, depending on the low risk profile defined for each customer, may under their responsibility, apply simplified due diligence procedures for the process of collecting information on the customer. (Art. 12.1.1.1.14 of Resolution No. SB-2020-0550) In the case of entities regulated by the SEPS, remittance, securities and insurance companies, specific cases of application of simplified CDD are established, indicating that under no circumstances does it imply ignoring the customer, failure to establish transactional profiles, absence of monitoring or sending of reports. (Art. 209 of Resolution No. 637-2020-F, Art. 17 of Resolution No. SCVS-INC-DNCDN-2021-0002-Remittances, Art. 20 of the RJPM Codification 385-Insurance, Art. 18 of the RJPM Codification 385-Securities). However, particularly, Art. 26 of Resolution No. SCVS-INC-DNCDN-2021-0002 applicable to remittance companies establishes the application of CDD in operations equal or lower than the threshold of USD 10,000, i.e., the application of simplified CDD measures would not necessarily correspond to the identification of lower risk factors, but rather to the established threshold.

CT156. *Criterion 10.19* – **a)** Article 14 of Resolution No. SCVS-INC-DNCDN-2021-0002 provides that remittance companies shall refrain from conducting or continuing commercial transactions when the customer does not provide CDD information. Regarding entities regulated by the SB, Article 12.1.1.1 of Resolution SB-2022-0386 establishes that FIs under its regulation shall initiate commercial relations when the application form for initiating commercial relations

has been fully completed, when the information has been verified and the corresponding interview has been conducted. Additionally, Article 14 of the same Resolution establishes that when FIs have not been able to identify the ownership or control structure of corporations incorporated abroad, they shall refrain from initiating any commercial relationship with them. As for other FIs, there are no provisions related to not opening accounts, not initiating commercial relations, not making transfers, or terminating the transaction when CDD measures cannot be complied with.
b) In the case of insurances, in all cases when the insured, guaranteed and/or beneficial owner do not provide the information required by the institution, at the time of the claim or payment of the loss, the transaction will be considered unusual. (Art. 16 of the RJPM Codification 385-Insurance). In other cases, the country does not have provisions that establish the obligation to consider making a STR of customers for which the FI is unable to comply with relevant CDD measures.

CT157. *Criterion 10.20* – In the case of banking entities, when they have suspicions that the customer or user is related to ML or TF activities, and reasonably consider that by performing the CDD procedure they will alert the customer, they must submit a STR to the UAFE (Art. 14 of Resolution No. SB-2022-0386 amending Resolution No. SB-2020-0550). Similar provisions are applied to entities participating in the securities market by means of paragraph 5) of Article 18 of Resolution No. JPRF-S-2022-024 of April 8, 2022. The other FIs do not seem to have provisions that establish the possibility that, upon suspicion of the existence of ML or TF, and if they believe that if they carry out the CDD procedure they will alert the customer, they may not carry out the CDD procedure but instead file a STR.

Weighting and Conclusion

CT158. Ecuador has provisions for FIs to identify the customer and verify the customer's identity, as well as the customer's BO, and complies with most of the elements required by the Recommendation. However, deficiencies are identified that refer to the incorrect definition of BO, lack of obligation to consider filing a STR when CDD cannot be performed, failure to establish provisions that require that verification of the identity of the beneficiary of a life insurance policy must be done at the time of payment; or failure to require that, when they cannot comply with the relevant CDD measures, FIs do not open the account, do not start business relations or do not carry out the transaction or terminate the business relationship. There is also a minor deficiency of scope, due to the fact that leasing or financial leasing companies are not included as RIs. However, these deficiencies are considered minor in nature, so that the most important aspects of the Recommendation are covered. **Recommendation 10 is rated Largely Compliant.**

Recommendation 11 - Record-keeping

CT159. In its Third Round MER in 2011, Ecuador was rated PC for former R. 10. In the MER it was established that there was no effective supervision of all reporting institutions covered by the recommendation, that only a small number of the entities required by law to report to the prevention system had been incorporated. All the intermediaries that make up the financial system of Ecuador that to date are in the process of incorporation and control should be included.

CT160. *Criterion 11.1* – The duty to record CDD information is provided for in Art. 4 of the AML/CFT Law and is complemented by the different sectoral regulations. However, this obligation by law is not applicable to the securities and remittance sector.

CT161. In addition, as regards the duty to keep records of transactions, the AML/CFT Law provides that financial institutions shall keep and update information on individual operations and transactions for amounts equal to or greater than USD 10,000 or the equivalent in other currencies, as well as multiple operations and transactions which, taken together, are equal to or greater than that amount, when they are carried out for the benefit of the same person and within a period of thirty days. The information must be stored for a period of 10 years after the date of termination of the last transaction or contractual relationship. (Art. 4 a and c).

CT162. Likewise, the different administrative provisions for financial sector institutions provide that they must keep records of information on the financial services they provide, reports, CDD, as well as accounting information for a period of 5 years in the case of stock exchanges, securities firms and fund administrators (Art. 30 of the RJPM Codification 385 - Securities), 6 years in the case of the insurance sector (Art. 32 of the RJPM Codification 385 - Securities), and 10 years in the case of banks (Art. 11 of Resolution No. SB-2020-0550, Art. 2 of Resolution No. SB2016698) and participants in the securities market (Art. 18 of Resolution No. JPRF-V-2022-024), subsequent to the date of completion of the last transaction or contractual relationship. As may be observed, the AML/CFT Law contains general provisions on the recording of CDD information, and specifically provides for the duty to keep for 10 years the information on transactions that, individually or in fractions, are equal to or greater than USD 10,000. In the particular case of entities regulated by the SEPS, they must have a backup of the information for transactions that individually or cumulatively are equal to or exceed USD 5,000. In addition, Article 225 of the Organic Monetary and Financial Code states that the entities of the financial system shall keep accounting records in physical format for a period of 10 years and in digital format for a period of 15 years. In this sense, the Law and the sectorial regulations do not refer to the preservation of records on transactions below the described thresholds.

CT163. There is also a minor deficiency of scope, due to the fact that leasing or financial leasing companies are not included as RIs.

CT164. *Criterion 11.2* – The AML/CFT Law establishes the obligation to require and record all information obtained in CDD matters of both natural and legal person and shall be maintained for 10 years after the date of termination of the last transaction or contractual relationship. (Art. 4 a) Art. 7 of the regulations of the AML/CFT Law complements the obligation established by Law and indicates the duty of FIs to record account files and commercial correspondence of regular and occasional customers.

CT165. In addition, different administrative provisions establish the obligation to keep information records on services offered, CDD, reports and analysis as indicated in the analysis of criteria 11.1.

CT166. *Criterion 11.3* – According to the analysis of criteria 11.1 and 11.2 it was verified that the Ecuadorian legal framework establishes the obligation to keep records on operations, electronic transfers, CDD, reports, among others.

CT167. *Criterion 11.4* – Financial institutions are required to submit information directly, without restriction, procedure or intermediation of any kind, under the conditions and in the form that these institutions require, exclusively for management purposes, when requested to do so by control bodies, the Internal Revenue Service, the Central Bank of Ecuador, the Deposit Insurance and Liquidity Fund Corporation, the competent drug authority and the Financial Analysis Unit (UAF). If by express legal provision, other State institutions need to request information from financial institutions, this requirement must be channelled through the control agencies, which,

after determining its cause and purpose, will collect and deliver it. (Art. 242 of the Organic Monetary and Financial Code, Art. 9.4 of Resolution No. SB-2020-0550 applicable to Banks)

Weighting and Conclusion

CT168. Ecuador has an AML/CFT law that requires keeping of information for 10 years, which is then supplemented in the administrative regulations of each regulatory body. However, it is noted that the information keeping requirement established in the AML/CFT Law does not include records of transactions below the threshold of USD 10,000 and USD 5,000, which would allow their reconstruction in case of need. Moreover, the obligation by law is not applicable to the securities sector and remittance companies; and there is a minor deficiency of scope, due to the fact that leasing or financial leasing companies are not included as RIs, even though it has a low level of significance. **Recommendation 11 is rated Partially Compliant.**

Recommendation 12 - Politically exposed persons

CT169. In its Third Round MER in 2011, Ecuador was rated PC for former R. 6. The MER established the need to comply with the recommendation for all intermediaries that make up the financial system of Ecuador that are currently in the process of incorporation and control; and that the integration and use of the lists cannot be subordinated to the ease with which some have with respect to others, in obtaining the names and documents for their individualization.

CT170. *Criterion 12.1* – **a)** Politically exposed persons (PEPs) are considered to be all those natural persons, nationals, or foreigners, who hold or have held prominent public functions or positions in Ecuador or abroad; or prominent functions in an international organisation, in accordance with the guidelines established by the UAFE, and the respective control body. Likewise, family members and close associates of these shall be considered PEPs. (Art. 42 of the Regulations of the AML/CFT Law). In that sense, the concept of PEPs includes foreign PEPs, national PEPs, PEPs of international organizations, family members and close associates. FIs must implement risk management systems to determine whether a customer or beneficial owner is a PEP, even if it is not included in the definition contained in Art. 42 of the AML/CFT Law Regulations, or is not contemplated within the category of function or position. (Art. 44 and 46 of the AML/CFT Law Regulations). However, there is a minor deficiency of scope, due to the fact that leasing or financial leasing companies are not included as RIs.
b) FIs must have the approval of senior management and/or legal representative or whoever acts in their capacity in the initiation and continuation of the commercial relationship with customers who are PEPs. (Art. 46 of the AML/CFT Law Regulations, Art. 12.1.1.1.7 of Resolution No. SB-2020-0550, Art. 18 of the RJPM Codification 385-Insurance, Art. 15 of the RJPM Codification 385-Securities).
c) FI must comply with and apply the "Know your customer" policy and prepare a risk based profile and take steps to determine whether the origin of funds and assets of the customer corresponds with the activities and economic capacity declared, that is to say, that the transaction or contractual act performed by the PEP is in accordance with the economic, transactional and behavioural profiles previously prepared (Art. 46 of the Regulations of the AML/CFT Law) However, the provisions as regards establishing the origin of funds and wealth are not applicable to the beneficial owners of PEPs.
d) FIs shall implement more demanding control, monitoring and permanent follow up procedures with respect to transactions or contractual acts that PEPs perform. (Art. 46 of the AML/CFT Law Regulations, Art. 18 of the RJPM Codification 385-Insurance, Art. 15 of the RJPM Codification 385-Securities).

CT171. *Criterion 12.2* – The concept of PEPs covers national and international organisation PEPs in accordance with the analysis of criterion 12.1.
a) FI must implement risk management systems to determine if a customer or beneficial owner is a PEP. (Art. 44 of the Regulations of the Law).
b) FIs apply criteria b) to d) in all cases of customers who are PEPs.

CT172. *Criterion 12.3* – Considering that the concept of PEP addresses foreign, national, international organisation, family members and close associates, the analysis of criteria 12.1 and 12.2 is applicable to family members and close associates of all types of PEPs.

CT173. *Criterion 12.4* – FIs have monitoring processes to identify if a customer is a PEP, as well as, if during the contractual relationship a customer or beneficiary becomes a PEP, the continuation of the business relationship must be submitted to senior management for approval. However, there are no provisions in relation to life insurance policies to take reasonable measures to determine whether the beneficiaries and/or the beneficiary's BO are PEPs, which must be done at the time of payment at the latest. Furthermore, no provisions are found when higher risks are identified, in terms of FIs informing senior management before proceeding with the payment of the policy to conduct more in-depth examinations of the entire business relationship with the policy holder and consider the preparation of a STR.

Weighting and Conclusion

CT174. Ecuador has reasonable measures in place in relation to the identification of customers that fall into the category of PEP, their more enhanced monitoring throughout the contractual relationship. However, there is a minor deficiency of scope, due to the fact that leasing or financial leasing companies are not included as RIs. Moreover, there are no provisions in relation to life insurance policies to take reasonable measures to determine whether the beneficiaries and/or the beneficiary's BO are PEPs, which must be done at the time of payment at the latest. Finally, no provisions are found when higher risks are identified, in terms of FIs informing senior management before proceeding with the payment of the policy to conduct more in-depth examinations of the entire business relationship with the policy holder and consider the preparation of a STR. **Recommendation 12 is rated Largely Compliant.**

Recommendation 13 - Correspondent banking

CT175. In its Third Round MER in 2011, Ecuador was rated PC for former R. 7. The report points out the absence of specific regulations on the criterion and highlights the need to comply with the recommendation for all FIs that make up the financial system of the country.

CT176. *Criterion 13.1* – **a)** The AML/CFT law generally obliges all FIs of Ecuador to require and record information on their customers, including legal persons (Art. 4, paragraph a). Entities must request information on economic activity, certification of legal status, capacity to operate and information on their customers. In addition, the SB requires banks that establish correspondent relationships to know the nature of their correspondent's business activity, the quality of supervision and the existence of AML/CFT controls (Art. 12.1.1.5).
Notwithstanding the procedures indicated in the previous paragraph, the regulations do not indicate the duty for FIs acting as a correspondent entity to gather information on its represented entity to understand the nature of its activity, its reputation, the quality of supervision and if they have been subject to ML/TF investigations.
b) For their part, under the sectoral regulations issued by the SB, banks are required to assess their AML/CFT risks (Resolution No. SB-2020-0550, Art 6). Notwithstanding these general control

measures, the documentation provided by the country does not identify the duty to evaluate the AML/CFT control systems of the bank represented in a correspondent relationship in the terms required by the criterion.
c) Under Resolution No SB 2020-0550, banks must obtain senior management approval to initiate and renew correspondent relationships (Art. 12.1.1.5).
d) In accordance with the provisions of Resolution No SB 2020-0550, Art. 12.1.1.5, second paragraph, both parties to the correspondent relationship must understand their AML/CFT responsibilities. According to the regulation, these responsibilities must be set forth in the correspondent agreement.

CT177. *Criterion 13.2* – **a)** Although there are sectoral regulations in Ecuador that require banks to take measures to determine the viability of maintaining transfer accounts in other places (Resolution No SB 2020-0550, Article 12.1.1.5, fifth paragraph), among the measures required of the RI on this matter, the regulation does not specify the duty to be convinced that the represented bank complied with the CDD process on the customers that have access to their accounts.
b) In line with what is referred to in the previous paragraph, the rule also does not explicitly refer to the duty of the correspondent bank to take measures to satisfy itself that the respondent bank is in a position to provide CDD information upon request.

CT178. *Criterion 13.3* – Ecuador's legal framework addresses the treatment to be given to correspondent relationships with shell banks through sectorial regulations issued (Resolution No. SB2020-0550). In this respect, this regulation states that FIs under the orbit of the SB should not establish or maintain relationships with shell companies or banks (Art. 12.1.1.5, sixth paragraph). However, no reference is made to the duty of FIs to satisfy themselves that the represented banks do not allow their accounts to be used by shell banks.

Weighting and Conclusion

CT179. The regulatory system requires respondent banks, in the context of correspondent relationships, to gather sufficient information to enable them to understand the nature of the business, to know the policies and procedures applied to detect ML/TF operations and to verify and the quality of their supervision of their correspondent. However, there are no rules requiring verification of the provisions indicated in criteria 13.1 a and b for the represented entities. Nor are there any rules requiring the correspondent bank to be satisfied that the respondent bank has complied with the CDD process on the customers who have access to its accounts, and that it is able to provide relevant CDD information upon request. Additionally, there are no provisions explicitly requiring banks to satisfy themselves that respondent FIs do not allow their accounts to be used by shell banks. **Recommendation 13 is rated Partially Compliant.**

Recommendation 14 - Money or value transfer services

CT180. In its Third Round MER in 2011, Ecuador was rated PC for former SR. VI because effective supervision was not carried out for all reporting institutions covered by the recommendation and they had not included all remittance companies and couriers, which are reporting institutions under Law No. 12 and which to date are in the process of incorporation and control, so that they begin to be part of the prevention system.

CT181. *Criterion 14.1* – The Central Bank of Ecuador is the authority in charge of establishing the requirements for authorisation, operation, registration and disclosure of information of the national payment system composed of the central payment system and auxiliary payment systems

(MVTS). (Art. 36 section 2 and Art. 103 of the Organic Monetary and Financial Code). However, the licensing is applicable only for legal entities that provide MVTS and not for natural persons that may offer these services.

CT182. *Criterion 14.2* – The BCE will sanction with a fine of up to USD 800,000.00 (eight hundred thousand United States dollars), amount that will be updated by the Monetary Policy and Regulation Board in accordance with the consumer price index, or up to the income level of the last fiscal year of the entity, and the order of immediate suspension of operations to entities that perform clearing or settlement without the respective authorisation. (Article 113 of the COMF).

CT183. The National Department for the Prevention of Money Laundering of the SCVS has scheduled and maintains working groups between the Central Bank of Ecuador and the UAFE to define control guidelines for legal persons that are providers of MVTS or money orders, which must be authorised by the Central Bank to operate as auxiliary payment systems, in order to adopt measures for those that have not been authorised, as well as for those that do not comply with the ML/TF prevention regulations issued by the SCVS.

CT184. Among the commitments acquired between institutions (SCVS-BCE) are the following:

- Verify and establish a registry of companies.
- Cross-check information between SCVS and BCE on which companies are authorised to operate and which are not.
- Conduct on-site visits to those companies that have not requested authorisation from the BCE, supervise them so that they are regularized, registered with UAFE and report as well as implement AML/CFT measures.
- Follow-up for new companies that have just been set up to ensure that they comply with all obligations and that the BCE is notified.

CT185. However, these measures are not applicable to natural persons providing MVTS services.

CT186. *Criterion 14.3* – Pursuant to Article 105 of the COMF, STDV providers are part of the auxiliary payment systems and are authorised by the Central Bank of Ecuador. However, Art. 5 of the AML/CFT Law lists the MVTS as reporting institutions subject to report to the UAF, for which reason they must also comply with the provisions contained in Art. 7 of the Regulations of the Law. In addition, in accordance with Article 431 of the Companies Law, the SCVS is the entity that exercises control and supervision of the companies, and therefore the MVTS legal persons must comply with the AML/CFT provisions laid down in Resolution CVS-INC-DNCDN-2021-0002.

CT187. Furthermore, in accordance with Resolution FAU-DG-2011-054, DNFBPs are notified of their status as reporting institutions to the UAFE.

CT188. It is important to point out that although in accordance with the general glossary of the FATF Recommendations, the providers of ML/TF prevention services are considered financial entities, the country has regulated them in AML/CFT matters from the private non-financial perspective and therefore the applicable legal framework is the Companies Law and its regulatory body the SCVS, which has issued the ML/TF prevention framework in Resolution CVS-INC-DNCDN-2021-0002. However, there are no provisions applicable to MVTS providers that are natural persons.

CT189. *Criterion 14.4* – Reporting institutions engaged in the transfer of money, parcels or postal packages, national or international, shall keep a list of commission agents, money orders or electronic transfers in force up to January 30th of each year, for the purpose of submitting it to the National Department for the Prevention of Money Laundering of the SCVS when the authority so requires. (Art. 22 of Resolution SCVS-INC-DNCDN-2021-0002)

CT190. *Criterion 14.5* – In the contracts that money transfer, parcel or postal package transfer companies, national or international, sign with commission agents, money orders or electronic transfers, they must include the ML/TF prevention system, and must monitor and supervise customers and keep the respective supporting documentation. (Art. 21 of Resolution SCVS-INC-DNCDN-2021-0002)

Weighting and Conclusion

CT191. Through the SCVS regulation, Ecuador has tried to contemplate the requirements of this recommendation. However, there do not appear to be provisions applicable to MVTS providers that are natural persons. Moreover, the BCE has sanctioning powers, but doubts remain as to the scope of the measures undertaken to identify individuals who provide VTS services without being registered. **Recommendation 14 is rated Largely Compliant.**

Recommendation 15 - New technologies

CT192. The 2011 MER of Ecuador rated former R. 8 as non-compliant due to the fact that no policies and measures were identified to prevent the misuse of technological developments to launder money or finance terrorism, especially electronic money that makes remote transactions possible or those made through ATMs or other non-personal deposit networks.

CT193. *Criterion 15.1* – Ecuador developed a risk analysis on virtual assets focusing on the assessment of including virtual asset service providers (VASPs) as reporting institutions before the UAFE (UAFE-DAE-2022-001-INF). However, it has not yet developed an analysis that would allow it to identify and assess ML/TF risks that may arise with respect to the development of new products and new business practices, including new delivery mechanisms, and the use of new technologies or technologies under development for new or existing products.

CT194. *Criterion 15.2* – **a)** FIs regulated by the SB shall apply methodologies to identify ML/TF risks prior to the launching of any service or product, change of its characteristics, entry into a new market, opening of operations in new jurisdictions and launching or changing distribution channels (Art. 5 of Resolution No. SB-2020-0550). In the case of insurance entities, the compliance officer shall issue a report on new products or services to be implemented by the entity prior to their approval by the compliance committee (Art. 46.26 of the RJPM Codification 385-Insurance) although it does not refer to risk assessment prior to the launching or use of new practices and technologies. FIs regulated by SEPS and SCVS must take into consideration a series of factors for the identification of ML/TF risks, among which products and channels through which they offer their products or services are included. However, it does not refer to risk assessment prior to the launching or use of new practices and technologies (Art. 199 of Resolution No. 637-2020-F, Art. 16 of the RJPM Codification 385-Securities and Art. 7 of Resolution No. SCVS-INC-DNCDN-2021-0002)
b) FIs regulated by the SB must have a Handbook for ML/TF risk management (ARLAFDT) that must contemplate, among other aspects, policies, processes and procedures to manage ML/TF risks related with: a) development of new products and commercial practices, including mechanisms for sending and receiving payment orders and use of electronic channels, and (b) the

use of new technologies for products and services. However, measures being taken by FIs to manage and mitigate risks associated with new technologies are not known.

CT195. *Criterion 15.3* – **a)** Ecuador has developed an analysis of the VASP sector, approved on April 8, 2022, which details risks associated with virtual assets and red flags, defines the activities with virtual assets and the VASPs identified in Ecuador. An analysis of typologies linked to VAs, commercial activities and geographic areas prone to greater use of these assets is detailed and finally, a case analysis is presented. The analysis concludes on the importance of including this sector as reporting institutions to ensure greater control of commercial activities linked to virtual assets as means of payment.
b) The VA/VASP risk study concluded by recommending the inclusion of the VASP sector as reporting institutions based on the new threats identified, the anonymity as a facilitating channel for the commission of crimes, the commercial activities with VA in the country and the identification of typologies and red flags. Therefore, it was recommended that VASPs comply with the obligations of RESU and report STRs and be supervised in AML/CFT matters.
c) VASPs have been included as reporting institutions by means of Resolution UAFE-DG-2022-0131 approved on April 8. In this sense, Resolution UAFE-DG-2020-0089 is applicable to them, which refers in its Art. 4 to 6 the ML/TF risk management process and includes the obligation to develop a process of identification, evaluation, control and monitoring of risks.

CT196. *Criterion 15.4* – **a)** In accordance with the first transitory provision and Art. 5 of Resolution No. UAFE-DG-2022-0131, VASPs must follow the process to obtain the registration code online, following the procedure determined by UAFE. (Art. 12 of Resolution UAFE-DG-2020-0089)
b) There are no legal measures in place to prevent offenders or their associates from owning, being beneficial owners, or having a majority or significant shareholding, or occupying a management role in a VASP.

CT197. *Criterion 15.5* – Through the risk identification and assessment process carried out by Ecuador, it developed measures to identify VASPs operating in the country or possibly operating with virtual assets. (Section 7 of the Study - UAFE-DAE-2022-001-INF) However, there is still no sanctioning framework to apply sanctions to VASPs operating without registration or license.

CT198. *Criterion 15.6* - **a)** In exercising its powers, the UAFE will verify compliance with the preventive measures established in Resolution No. UAFE-DG-2022-0131 (General Provisions, first). VASPs shall have a risk prevention system, for which the legal entities shall prepare a Handbook for the prevention of ML/TF with RBA and natural persons shall prepare a basic guide for the prevention of ML/TF with RBA. Likewise, VASPs shall comply with the provisions contained in Resolution UAFE-DG-2020-0089 applicable to reporting institutions regulated and supervised by the UAFE.
b) The UAFE shall exercise AML/CFT control and supervision of reporting institutions that do not have specific regulatory institutions (Art. 12 k of the AML/CFT Law and Art. 8 of its Regulations). However, there is no information on the range of sanctions that may be applied (e.g., warnings, reprimands, fines, suspension or cancellation of licenses of the entity, etc.).

CT199. *Criterion 15.7* – In accordance with the analysis of R. 34, the Regulations of the AML/CFT Law provide that the UAFE shall publish an AML/CFT prevention Handbook (Art. as well as disseminate information to the corresponding sectors (Art. 9). As regards training of RIs and the general public, the UAFE implements an "ongoing training" program through e-learning courses.

CT200. *Criterion 15.8* – **a)** Pursuant to Article 44 of Resolution UAFE-DG-2020-0089, the UAFE may issue comments and sanctions for non-compliance with the risk prevention system that reporting institutions must have in place. However, there is no information on the range of sanctions that may be applied.
b) There are no provisions addressing the application of sanctions to directors and senior managers of the VASPs.

CT201. *Criterion 15.9* – VASPs, in accordance with the second general provision of Resolution UAFE-DG-2022-0131, shall apply the AML/CFT Law, its regulations and Resolution UAFE-DG-2020-0089. In this sense, the analysis developed in R. 22 and 23 is applicable to them and the deficiencies indicated in this aspect affect compliance.
a) VASPs must comply with the provisions contained in criterion 22.1 that refer to the analysis of R. 10 in relation to the AML/CFT Law, its regulations and Resolution UAFE-DG-2020-0089 for occasional transactions. However, there are still no specific provisions for this sector with respect to thresholds.
b) There are no provisions for VASPs with regard to compliance with R. 16

CT202. *Criterion 15.10* – In this regard, reference is made to the analysis of the corresponding criteria in Recommendation 6 and 7. The deficiencies raised in this analysis impact compliance.

CT203. *Criterion 15.11* – Refer to the analysis of Recommendations 37 to 40. The deficiencies raised in this analysis impact compliance.

Weighting and Conclusion

CT204. FIs have mechanisms that allow them to evaluate their ML/TF risks with respect to new products and channels through which they offer their services. In terms of virtual assets, they have developed a risk analysis that resulted in the inclusion of VASPs as reporting institutions before the UAFE, being this the authority in charge of their regulation and supervision. In this sense, the provisions contained in the AML/CFT Law, its Regulations and Resolution UAFE-DG-2020-0089 are applicable to them. However, the country has not yet conducted a risk analysis that allows the identification and evaluation of ML/TF risks that may arise with respect to the development of new business practices, new products, new delivery mechanisms, new technologies or technologies under development, and there is no information on the range of sanctions that may be applied, nor are there provisions for VASPs with respect to compliance with aspects associated with R. 16. The deficiencies indicated in the analysis of R. 22 and 23 regarding preventive measures impact compliance with criterion 15.9. **Recommendation 15 is rated Partially Compliant.**

Recommendation 16 - Wire transfers

CT205. In its Third Round MER in 2011, Ecuador was rated PC for former SR. VII because in the case of remittance companies and couriers, wire transfers for amounts below the legal thresholds for registration indicated in the current regulations were not legally required to comply with this Recommendation. Supervision only applied effectively to financial institutions and not to remittance and courier companies under the supervision of the Superintendence of Companies, and only a smaller number of remittance and courier companies were required by law to report to the prevention system.

CT206. *Criterion 16.1* –**a)** (i) to (iii) Art. 4 a) of the ALA/CFT Law and Art. 4 of the AML/CFT Law and Art. 7 of its Regulations provide for the obligation to request all CDD information from customers, both natural and legal persons, including information on electronic transfers, with their respective messages throughout the payment chain. For its part, Art. 121.1.1.8 of Resolution No. SB-2020-0550 sets forth that in funds transfers FIs must identify the originator, by registering the originator's name, address, identification number. Similar provisions are contained in Articles 214 and 215 of Resolution No. 637-2020-F applicable to entities regulated by the SEPS.
The International Transaction Notification System Manual applicable to banking entities establishes requirements such as the transaction number and identification number of the payer/beneficiary. (3.1) As for MVTSs, the provisions contained in Art. 13 and 26 of Resolution No. SCVS-INC-DNCDN-2021-0002 are applicable. However, basic information such as identification number, full names and surnames, address and telephone number will be required in cases of transactions under USD 10,000. For larger transactions the CDD information established in Art. 13. i.e., the account number or the unique reference number that allows tracing the transaction will not be required.
b) (i) and (ii) FIs require information on the name of the beneficiary, as well as all respective messages throughout the payment chain. (Art. 4 of the AML/CFT Law, Art. 7 of the AML/CFT Law Regulations, Art. 121.1.1.8 of Resolution No. SB-2020-0550, Art. 214 and 215 of Resolution No. 637-2020-F) The Handbook of the International Transaction Notification System applicable to banking entities establishes requirements such as the transaction number and identification number of the originator/beneficiary, although it is only applicable for transfers equal or higher than the threshold of USD 10. 10,000.00; as well as multiple operations and transactions that, as a whole, are equal or higher than said value, when they are made for the benefit of the same person and within a period of 30 days. (3.1) As for MVTSs, the provisions contained in Art. 13 and 26 of Resolution No. SCVS-INC-DNCDN-2021-0002 are applicable. However, basic information such as identification number, full names and surnames, address and telephone number will be required in cases of transactions under USD 10,000. For larger transactions the CDD information established in Art. 13. i.e., the account number or the unique reference number that allows tracing the transaction will not be required.

CT207. *Criterion 16.2* – The legal framework does not distinguish between one or several transfers and requires the information of the previous criterion in all cases. For further information please refer to the analysis of Criterion 16.1.

CT208. *Criterion 16.3* –**a) and b) i) – iii)** For further information please refer to the analysis of Criterion 16.1. In general terms, the Ecuadorian legal framework for banks and entities regulated by SEPS does not distinguish thresholds and the provisions analysed above are applicable to all wire transfers. However, with respect to MVTSs, the provisions contained in Art. 13 and 26 of Resolution No. SCVS-INC-DNCDN-2021-0002 are applicable. Therefore, basic information such as identification number, full names and surnames, address and telephone number will be required in cases of transactions under USD 10,000. For larger transactions the CDD information established in Art. 13. i.e., the account number or the unique reference number that allows tracing the transaction will not be required.

CT209. *Criterion 16.4* – When operations are confirmed and correspond with red flags associated with ML/TF or when the source of wealth comes from activities recognized as susceptible to ML/TF and other crimes, an extended CDD shall be applied, which includes verification of the *information* submitted. (Art. 12.1.1.1.11 and 12.1.1.1.12 of Resolution No. SB-2020-0550, Art. 210 and 211.9 of Resolution No. 637-2020-F applicable to entities regulated by the SEPS, and Art. 15 and 16 of Resolution No. SCVS-INC-DNCDN-2021-0002-Remittances).

CT210. *Criterion 16.5* – The AML/CFT Law, its regulation, Resolution SB-2020-0550 and Resolution No. 637-2020-F establish that it is the duty of FIs that provide electronic transfer services to incorporate the information detailed in criteria 16.1. Additionally, the Law indicates that entities may not authorize or carry out transactions that are not nominative in nature (Art. 4b ALA/CFT Law). Furthermore, the Handbook for the Generation of Structures and Contents for the Reporting of Operations and Economic Transactions that equal or exceed the threshold of USD 10,000 (RESU) for Financial System Institutions sets out the structure of the transaction report, including domestic and foreign wire transfers, in which the account number of the originator and the transaction number are reflected.

CT211. For MVTSs, the provisions contained in Art. 13 and 26 of Resolution No. SCVS-INC-DNCDN-2021-0002 are applicable. Therefore, basic information such as identification number, full names and surnames, address and telephone number will be required in cases of transactions under USD 10,000. For larger transactions the CDD information established in Art. 13. i.e., the account number or the unique reference number that allows tracing the transaction will not be required.

CT212. *Criterion 16.6* – The AML/CFT Law, its regulation, Resolution SB-2020-0550 and Resolution No. 637-2020-F establish that it is the duty of FIs that provide electronic transfer services to incorporate the information detailed in criteria 16.1. The Handbook for the Generation of Structures and Contents for the Reporting of Operations and Economic Transactions that equal or exceed the threshold of USD 10,000 (RESU) for Financial System Institutions sets out the structure of the transaction report, including domestic and foreign wire transfers, in which the account number of the originator and the transaction number are reflected.

CT213. Art. 6 of the AML/CFT Law establishes that the UAFE may request information to FIs, which shall be grounded, and the requested parties shall have the obligation to deliver it within a term of 5 days. In accordance with the provisions of Article 63 of the COMF, the SB is empowered to request, at any time, the information it deems relevant, without any limit. In addition, within the proceedings for the prosecution of money laundering and financing of crimes, the Prosecutor's Office and competent jurisdictional bodies will have access to the information held by the entities of the financial system. Weaknesses established with respect to the USD 10,000 threshold for MVTSs with respect to obtaining information have an impact on this criterion.

CT214. *Criterion 16.7* –Art. 4 c) of the AML/CFT Law provides that the obligation of keeping records during the 10 years following the date of completion of the last transaction or contractual relationship shall include electronic transfers, with their respective messages throughout the payment chain, as well as all CDD information on customers, both natural and legal persons. Moreover, Art. 24 of the Regulations of the AML/CFT Law provides that the RIs shall keep the reports for a period of 10 years from the date of sending or uploading the STR or additional information, or from the date of the last transaction or commercial or contractual relationship.

CT215. *Criterion 16.8* – The AML/CFT Law, its regulations and Resolution SB-2020-0550 establish that it is the duty of FIs that provide electronic transfer services to incorporate the information detailed in criteria 16.1. Likewise, Resolution No. SB-2022-0386 that amends Resolution SB-2020-0550 establishes that the controlled entity may not execute or receive electronic transfers that lack the minimum information described in the regulation. (Art. 19). Additionally, the Law indicates that entities may not authorize or carry out transactions that are not nominative in nature (Art. 4b ALA/CFT Law).

CT216. *Criterion 16.9* – The AML/CFT Law establishes that FIs that provide electronic transfer services must incorporate information on the originator and beneficiary and must keep it for a minimum term of 10 years after the date of termination of the last transaction or contractual relationship (Art. 4). This is applicable to intermediary FIs, since the regulation does not distinguish whether they are intermediaries or beneficiaries.

CT217. *Criterion 16.10* – FIs shall keep records for 10 years after the date of termination of the last transaction or contractual relationship (Art. 4 of the AML/CFT Law). Art. 7 of the AML/CFT Law regulations establishes the obligation to keep records of information on all transactions within the framework of the application of CDD measures. In addition, all information, records, and documents obtained in application of the measures must be kept in the file. Likewise, the BCE has issued several instructions and resolutions that establish the obligation to keep records of orders made through online payment systems. The compliance officer of the remittance companies has the obligation to keep due diligence documents for at least ten years and to verify that they have been correctly filled out for customers, employees, partners/shareholders and suppliers, as well as to keep a legible copy for the same period of time of the due diligence documents that the company fills out as customer and supplier. (Resolution No. SCVS-INC-DNCDN-2021-0002).

CT218. *Criterion 16.11* – FIs in general should require and maintain information obtained as a result of the application of CDD measures including information on the originator and beneficiary in the case of electronic transfers. (See criteria 16.1) In addition, it is important to mention that foreign exchange corresponding to money transfers to and from abroad, should be credited in the accounts of Financial System entities in the BCE, which shall validate the information according to the International Transaction Notification System Handbook. (Art. 5.2 and 5.3 of the Instructions for the execution of operations abroad requested by the entities of the national financial system - BCE). Particularly in the case of MVTSs, there do not seem to be any provisions regarding compliance with this criterion.

CT219. *Criterion 16.12* – The National Directorate of Payment Systems of the BCE, in its role as intermediary entity for electronic transfers, in case it detects unusual transactions, shall notify the financial entity. (Art. 5.2 and 5.3 of the Instructions for the execution of foreign transactions requested by the entities of the national financial system-BCE). Furthermore, as regards the entities regulated by the SEPS, it is stated that the electronic transfer systems must allow at any time and in real time, the blocking of the use of the system when unusual events are detected or when fraudulent situations are detected (...) (Art. 7 of Resolution No. SEPS-IGT-IR-ISF-ITIC-IGJ-2017-103) However, there are no risk-based provisions to determine when to execute, reject or suspend a transfer when it lacks information on the originator and beneficiary and the appropriate follow-up action.

CT220. Particularly, for the case of MVTSs there do not seem to be provisions in relation to the compliance with this criterion.

CT221. *Criterion 16.13* – While FIs have provisions for identification of originator and beneficiary of wire transfers, no reasonable measures are required to enable them to identify cross-border wire transfers lacking originator and beneficiary information that also include either post-event or real-time monitoring where feasible.

CT222. *Criterion 16.14* – The beneficiary of an international electronic transfer of funds received by a FI is a customer, therefore the FI shall apply CDD measures established in Art. 4 a) of the ALA/CFT Law and Art. 7 of its Regulations. Additionally, it shall apply record keeping of the

information collected on the transfer, which shall be kept for a period of 10 years. (Art. 9 of Resolution No. SB-2020-0550, Art. 216 and 245. Resolution No. 637-2020-F applicable to entities regulated by the SEPS) However, for MVTS regulated by the SCVS, regarding the obligation to require from the customer only basic information, such as identification number, full names and surnames, address and telephone number for transactions under the threshold of USD 10,000 does not seem to verify the identity of the beneficiary.

CT223. *Criterion 16.15* – As regards the entities regulated by the SEPS, it is stated that the electronic transfer systems must allow at any time and in real time, the blocking of the use of the system when unusual events are detected or when fraudulent situations are detected (...) (Art. 7 of Resolution No. SEPS-IGT-IR-ISF-ITIC-IGJ-2017-103) However, there are no risk-based provisions to allow FIs determine when to execute, reject or suspend a transfer when it lacks information on the originator and beneficiary and the appropriate follow-up action.

CT224. *Criterion 16.16* – The AML/CFT Law and its regulations are applicable to all RIs that provide funds transfer services. In this sense, the legal framework is applicable to money or value transfer service providers, therefore the analysis of the previous criteria is extensible, and the deficiencies described have an impact on total compliance with this criterion. For its part, Art. 21 of Resolution No. SCVS-INC-DNCDN-2021-0002-Remittance Companies sets out obligations concerning the know your correspondent policy, which includes the exchange of information and documentation.

CT225. *Criterion 16.17* – **a)** The AML/CFT Law establishes that FIs must report to the UAFE unusual and unjustified economic transactions or operations (Art. 4.d). For its part, Art. 21 of Resolution No. SCVS-INC-DNCDN-2021-0002 establishes obligations in terms of STRs.
b) The general regulations on STRs apply. It is not clear that the regulations provide for the obligation of MVTSs to file a STR in the country affected by the suspicious electronic transfer and that it should provide the relevant information on the transaction to the respective Financial Intelligence Unit.

CT226. *Criterion 16.18* – The general provisions on targeted financial sanctions are applicable in the context of wire transfer processing. Reference is made to the analysis in R 6.

Weighting and Conclusion

CT227. Ecuador largely addresses the requirements of R. 16. However, the application of the USD 1,000 threshold for MVTSs (Art. 26 of Resolution SCVS Res. 2021-002) is not clear, since for transactions below USD 10,000 simplified CDD would apply and relevant information such as the originator's account number or transaction number would not be obtained for traceability.

CT228. FIs have provisions for identification of originator and beneficiary of wire transfers. However, they do not appear to have reasonable measures that would allow them to identify cross-border wire transfers that lack originator and beneficiary information that would also include either post-event or real-time monitoring where feasible. Also, there do not appear to exist risk-based provisions to allow FIs determine when to execute, reject or suspend a transfer when it lacks information on the originator and beneficiary and the appropriate follow-up action. Finally, it is not clear that the regulations provide for the obligation of MVTSs to file a STR in the country affected by the suspicious electronic transfer and that it should provide the relevant information on the transaction to the respective Financial Intelligence Unit. **Recommendation 16 is rated Largely Compliant.**

Recommendation 17 – Reliance on third parties

CT229. Ecuador was rated PC for former R. 9 in the 2011 MER of the 3rd Round, due to the fact that not all FIs were included in the regulations in order to comply with the Recommendation.

CT230. *Criterion 17.1* – **a)** Ecuador's legal framework addresses the issue of reliance on third parties for CDD compliance through sectoral regulations. FIs under the orbit of the SB do not appear to be prohibited from delegating tasks related to "know your customer" policies. They are only prohibited from delegating the supervision of compliance with these policies, since it is a function reserved by law to the Compliance Officer (Resolution No SB 2020-0550, Art. 10.5.17, third paragraph).
Additionally, it should be noted that the duty to identify the BO is not specifically among the functions of the CO, but is a function of the entity (Art. 12.1.1.1.3). In this sense, this function may be delegated to a third party. On the other hand, Art. 12.1.1.5 of Res. No SB 2020-0550 provides that the updating of customer data may be contracted with third parties, but nothing is established with respect to reliance on third parties for CDD compliance or compliance with the aspects indicated in this recommendation.
With respect to stock exchanges and brokerage firms, and fund and trust administrators, General Provision 1 of RJPM 385 - Securities, specifically states that the functions assigned to the CO and those included in elements a-c of FATF R10 may not be contracted with third parties.
For its part, Resolution No. SCVS-INC-DNCDN-2021-0002, Art. 43, prohibits COs of companies engaged in national and international money transport or remittance services from delegating the exercise of its functions (Art. 43). It is worth mentioning that, although the functions of the CO include controlling compliance with elements a-c of FATF R10 (Art. 41), this does not imply that the RI may not delegate the execution of the task to a third party, since the function of the CO is supervision.
With respect to the institutions of the private insurance system, the regulation states that they may not contract with third parties to perform the CDD functions that correspond to the CO (RJPM Codification 385 - Insurance, fourth general provision). In the same sense as mentioned above, it should be recalled that the responsibility of the CO with respect to CDD measures is of control, so this prohibition does not mean that the CDD task cannot be performed by a third party. It should also be noted that the identification of the BO (RJPM Codification 385 - Insurance, Art. 16) is not a specific function of the CO (RJPM Codification 385 - Insurance, Art. 46), so there is the possibility of contracting a third party for this function.
Art. 17 of the RJPM Codification 385 - Insurance establishes that in cases where insurance or reinsurance is contracted through insurance producer advisors or reinsurance intermediaries, the responsibility for collecting information and documentation for the application of CDD falls on them. Notwithstanding the above obligation, the company retains the ultimate responsibility for implementing CDD measures and policies.
As regards FIs of the popular and solidarity economy, Resolution No. 637-2020-F indicates the responsibility of the CO in the co-ordination of compliance with AML/CFT policies (Art. 226) and sets its specific functions in Art. 228. However, in spite of clarifying that CDD functions are the responsibility of the CO, the regulation does not refer to the possibility of delegating its functions and the a-c elements of FATF R10 to third parties.
Based on the foregoing analysis, there is no evidence that the regulatory framework includes provisions that, in cases of reliance on third parties, require to immediately obtain the necessary information on elements (a)-(c) of the CDD measures contained in Recommendation 10.
b) The regulations establish the obligation of RIs with respect to taking measures to satisfy themselves that the third party will provide, upon request and without delay, copies of identification data and other relevant documentation relating to CDD requirements.

c) The regulations establish the RI's obligation with respect to being satisfied that the third party is regulated, supervised or monitored, and that it has implemented measures to comply with CDD and record keeping requirements, for compliance in accordance with Recommendations 10 and 11.

CT231. *Criterion 17.2* – The regulations do not establish provisions requiring RIs relying on third parties residing in another country to take into account available information on the level of risk in that country.

CT232. *Criterion 17.3* – The regulatory framework does not contain provisions that address the case of financial institutions that rely on third parties that are part of the same financial group.

Weighting and Conclusion

CT233. The Ecuadorian regulatory framework does not explicitly prohibit reliance on third parties, except for the case of stock exchange, securities and fund management FIs. Consequently, reliance on third parties would be enabled for FIs in general, with the above caveat. Within this framework, the sectorial regulations do not cover the requirements of Recommendation 17 in view of the cases of reliance on third parties that may exist. **Recommendation 17 is rated Non-Compliant.**

Recommendation 18 – Internal controls and foreign branches and subsidiaries

CT234. In its Third Round MER in 2011, Ecuador was rated PC for former R.15 and 22. In both cases it was considered that the country did not have regulations for all the RIs covered by the recommendations. The report also noted that TF was not included in the RI prevention systems and should be included in the future for all intermediaries that make up Ecuador's financial system, which at the time were in the process of incorporation and control. In addition, for R.22, it was considered that regulations applicable to foreign affiliates under the orbit of the Ecuadorian system should be developed, as well as express regulations requiring RIs covered in the recommendation to comply with its scope in relation to their branches or subsidiaries abroad.

CT235. *Criterion 18.1* – **a)** Ecuador addresses the requirements of R18 in general through the AML/CFT Law and its regulations and, in particular, in sectoral regulations. In this regard, the AML/CFT Law regulation, Art. 13 of the Regulations of the AML/CFT Law states that the CO is a qualified natural person, appointed by the RI, who is responsible for overseeing the proper implementation and operation of the risk prevention system. This officer must also approve the training provided by and register with the UAFE. Among its responsibilities it is responsible for overseeing the adequate implementation of the ML/TF risk prevention system indicated in the same regulation (Art. 5). The AML/CFT law itself does not require the CO to have a management level, but it does state that the COs must comply with the requirements of their control bodies and those that do not have one must comply with the provisions of the UAFE. In addition, in the case of natural persons that are RIs, the final paragraph of Article 13 of the regulations of the AML/CFT law states that they must have an AML/CFT risk prevention system in accordance with the structure of the business. 13 of the regulations of the AML/CFT law states that they must have an AML/CFT risk prevention system in accordance with the structure of the business. Meanwhile, for the reporting institutions obliged to report to the UAFE that do not have a specific control body for AML/CFT prevention, Res. UAFE-DG-2020-089 establishes provisions regarding the designation of a CO (Art. 14 and 15) However, it is not established that it must have a management level.

Institutions of the private insurance system are required to have a CO (RJPM Codification 385 - Insurance, Art. 38). The same occurs with FIs under the orbit of the SB (Resolution No. SB. 2020-0550, art 10.1), remittance companies (Resolution No. SCVS-INC-DNCDN-2021-0002, Art. 35) and the securities sector (RJPM Codification 385 - Securities, Art. 38). However, there are doubts as to whether this designation is mandatory for FIs of the popular and solidarity economy sector and FIs under the orbit of the SEPS (Resolution No. 637-2020-F, Art. 195).

In relation to the institutions of the private insurance system, it should be noted that the RJPM Codification 385 establishes in its first general provision that there are natural and legal persons exempted from creating the compliance committee and appointing a CO. In this regard, the country informed the assessment team that these are: i) insurance agent advisors (natural and legal persons); ii) insurance claims adjusters (natural and legal persons); iii) risk inspectors (natural and legal persons) and; iv) reinsurance intermediaries (legal persons).

Regarding COs of FIs under the orbit of the SB (Resolution No. SB. 2020-0550, Art. 10.4), stock exchanges and brokerage firms, fund and trust administrators (RJPM Codification 385 - Securities, Art. 38), and institutions of the private insurance system, must have a management level (RJPM Codification 385 - Insurance, Art. 35).

For their part, mutual housing savings and loan associations, central savings banks and the National Corporation of Popular Finances must have a CO with senior management level (Resolution No. 637-2020-F, Art. 195). According to the same article, the obligation applies to entities in segments 1, 2 and 3 under the orbit of the SEPS. However, entities in segments 4 (assets over USD 1,000,000 up to USD 5,000,000 and 5 (assets up to USD 1,000,000) under the SEPS are not required to have a CO with managerial rank.

Although remittance companies are required to designate a CO, the regulations do not require that the officer be of senior management rank.

Finally, it should be mentioned that there is a minor deficiency of scope, due to the fact that leasing or financial leasing companies are not included as RIs.

b) Article 7 of the AML/CFT Law establishes, in general terms, the CDD policies that RIs must apply. Among them is the duty to implement the "Know your employee" policy. The Ecuadorian regulatory framework also addresses this issue through sectoral regulations.

In the case of FIs under the orbit of the SB there is also the obligation to adopt CDD mechanisms on direct staff, officers and employees with the objective of establishing transactional and behavioural profiles (Resolution No. SB-2020-0550, Art. 12.1.1.3) under the responsibility of the human resources manager who must report unusualities to the CO. In a similar sense, the SEPS indicates these responsibilities in Resolution No. 637-2020-F (Art. 218) and the SCVS in Resolution No. SCVS-INC-DNCDN-2021-0002 (Art. 19). In the case of insurance institutions, regulated by RJPM Codification 385 - Insurance, the obligation to apply "Know your employee" measures is set forth in Art. 23.

In terms of personnel selection, the entities under the scope of the SB must formally define policies, processes and procedures for the hiring, retention and dismissal of personnel. They must also consider suitable competencies, training, values and attitudes (Chapter V, Section III, art. 10, paragraph b, Codification of the Rules of the Superintendence of Banks, Resolution SB 2017-810). In the same sense, the country reported that the SEPS requires its supervised entities to have a Human Resources Handbook which regulates the processes of incorporation, permanence and dismissal. Insurance companies and reinsurance companies must implement a code of ethics in addition to establishing procedures for the selection, hiring and monitoring of personnel (Codification of the Monetary Policy Board, Book III, Volume XIII, "Norms for Institutions of the Private Insurance System on Prevention of Money Laundering, Financing of Terrorism and Other Crimes", Official Gazette Special Edition No. 4 of July 24, 2017, Art. 4 and 23). The obligation to have procedures for the selection and hiring of personnel is also clearly addressed by the RJPM Codification 385 - Securities, Art. 21 for stock exchanges and securities firms, and trust fund administrators.

Finally, it should be mentioned that there is a minor deficiency of scope, due to the fact that leasing or financial leasing companies are not included as RIs.
c) The regulations of the AML/CFT Law sets forth in Art. 15, paragraph g, among the functions of the CO, the obligation to plan and coordinate training for RIs personnel in general.
For its part, Resolution No. SB 2020-0550, Art.16, provides that such obligation must be yearly for RIs under its orbit, as does Resolution No. SCVS-INC-DNCDN-2021-0002, Art.41 for RIs under the orbit of the SCVS, and RJPM Codification 385 - Securities, Art. 46 for stock exchanges and securities firms, and trust fund administrators.
Regarding the institutions of the popular and solidarity economy sector under the orbit of the SEPS, the obligation is established in Art. 228 paragraph 25 of Resolution 637-2020-F. The institutions of the private insurance system are required to submit annual training plans on AML/CFT prevention in the terms indicated in paragraph 1, of Art.52 of the Codification of the Monetary Policy Board, Book III, Volume XIII, "Norms for the Institutions of the Private Insurance System on Prevention of Money Laundering, Financing of Terrorism and Other Crimes", Official Gazette Special Edition No. 44 of July 24, 2017.
Finally, it should be mentioned that there is a minor deficiency of scope, due to the fact that leasing or financial leasing companies are not included as RIs.
d) The Ecuadorian legal framework addresses the issue of the external audit of the AML/CFT system of RIs based on sectoral regulations. In the case of FIs under the orbit of the SB they must be subject to an external audit to evaluate the functioning of the internal AML/CFT system according to Resolution No. SB 2020-0550 (Art 14.2). The same provision applies for FIs under the orbit of the SCVS (Resolution No. SCVS-INC-DNCDN-2021-0002, Art. 34), and stock exchanges, securities firms and fund and trust administrators (RJPM Codification 385 - Securities, Art. 37). In the case of private insurance companies, Resolution JPRF-S-2022-025 Art. 20).
In the case of FIs under the orbit of the SEPS (Resolution No. 637-2020-F, Art. 238), the sectorial regulation indicates the obligation to carry out internal and external audits.
Finally, it should be mentioned that there is a minor deficiency of scope, due to the fact that leasing or financial leasing companies are not included as RIs.

CT236. *Criterion 18.2* – **a)** Information provided by Ecuador indicates that branches or offices of financial FIs in Ecuador shall be authorised only if the regulation that applies in the country where the headquarters of their parent company is located in AML/CFT matters satisfies the controls of Ecuadorian agencies and there are information exchange mechanisms between the authorities of both countries. Likewise, the heads of financial groups must be able to submit information on their customers linked to ML/TF activities to the Ecuadorian authorities (Organic Financial Monetary Code, approved by the National Assembly, Art. 181 and 182)
Although Resolution SB 2022-0386 establishes that RIs forming a financial group, which under the terms of the COMF includes subsidiaries or branches with majority participation and domiciled in third countries, may apply ML/TF policies and procedures applicable to the whole group, it does not establish an obligation as required by the TC.
Regarding the exchange of information, Art. 22 incorporated from the mentioned regulation establishes criteria that must be complied with at the financial group level.
Additionally, there is a minor deficiency of scope, due to the fact that leasing or financial leasing companies are not included as RIs.
b) The information provided by the country in the case of RIs under the orbit of the Superintendence of Banks indicates the need to perform CDD regardless of whether the customer has been evaluated by other entities, even if they are part of the same financial group (Resolution No. SB-2020-0550, Art.12.1.1.1). Likewise, Art. 22.3 incorporated through Resolution SB 2022-0386 establishes that the internal control bodies of the group shall have access, without any restriction whatsoever, to any information held in the subsidiaries or branches that is necessary for the performance of ML/TF prevention functions. However, there is no evidence that the

regulations establish the obligation for the majority of the RIs of the financial system to comply at group level, the audit and/or AML/CFT functions and other AML/CFT information mentioned in criterion 18.2.b in relation with customers.
Additionally, there is a minor deficiency of scope, due to the fact that leasing or financial leasing companies are not included as RIs.
c) In general, RIs and their employees are obliged to maintain secrecy on information received based on their position for a period of ten years even after leaving their functions (Art. 15 of the AML/CFT Law).
There is also a prudential regulation that governs the duty of reserve and confidentiality of information for RIs under the orbit of the SB (Resolution No. SB-2020-0550, Art.9), the SEPS (Resolution No. 637-2020-F, Art. 206) and the SCVS (Resolution No. SCVS-INC-DNCDN-2021-0002, Art. 8), stock exchanges, securities firms and fund and trust administrators (RJPM Codification 385 - Securities, Art. 31) and for FIs of the private insurance system (RJPM Codification 385 - Insurance, Art. 8).
Resolution SB 2022-0386 (Art. 22.1 incorporated in the Financial Groups Section) establishes that the controlled entity head of the group shall determine the general guidelines for the exchange of information among the controlled entities that conform the financial group. Said guidelines shall include policies that tend to the integrity, sufficiency and veracity of the information obtained; the reserve in relation to the use of the information transmitted; and the full compliance with the rules inherent to data protection.
There is a minor deficiency of scope, due to the fact that leasing or financial leasing companies are not included as RIs.

CT237. *Criterion 18.3* – Resolution No. SB-2020-0550 issued by the Superintendence of Banks states that Ecuadorian FIs under its orbit, with agencies and subsidiaries established abroad, shall observe Ecuadorian regulations and those corresponding to the country where their agencies and subsidiaries are located in terms of AML/CFT and shall apply among them the most demanding regulations. Additionally, it states that they must adapt their internal regulations to the best international practices. Notwithstanding these measures, the regulation does not establish the procedure that FIs should follow in case the host country does not allow the appropriate implementation of AML/CFT measures.

CT238. In the case of FIs under the orbit of SEPS, the country informed that popular economy institutions do not maintain offices abroad and therefore the provisions of criteria 18.3 do not apply. In the case of FI regulated by RJPM Codification 385 - Insurance, there are doubts on the obligation of subsidiaries established abroad by Ecuadorian financial entities to apply the strictest law on AML/CFT matters between the regulations of the host country and Ecuador. The information provided by the country does not provide information on compliance with this criterion for the remaining FIs, as a consequence, no evidence was obtained on the scope of this obligation for the remaining RIs that integrate the financial system.

Weighting and Conclusion

CT239. Ecuador satisfactorily addresses several important internal control requirements for FIs in R. 18. Notwithstanding, for the case of insurance agent advisors (natural and legal persons), insurance claims adjusters (natural and legal persons), risk inspectors (natural and legal persons) and reinsurance intermediaries (legal persons) there is an exemption to designate a CO. As regards internal control provisions, there is no requirement for the CO to be of senior management rank in the case of remittance companies.

CT240. Regarding the existence of AML/CFT programs at the financial group level, although there are obligations as regards the definition of criteria for the exchange of information, there is no obligation to implement such programs, as regards the duties to establish procedures to provide compliance at the group level with the provisions on auditing and/or AML/CFT functions and other information in relation to customers.

CT241. In the case of banks, the regulation does not establish the procedure that FIs should follow in case the host country does not allow the appropriate implementation of AML/CFT measures. In the case of the insurance sector, the obligation of subsidiaries established abroad to apply the strictest law in AML/CFT matters between the regulations of the host country and those of Ecuador is not established. There are also no provisions with respect to other RIs that make up the financial system that have subsidiaries abroad, and there is a minor deficiency of scope in that leasing or financial leasing companies are not included as RIs. **Recommendation 18 is rated Partially Compliant.**

Recommendation 19 – Higher-risk countries

CT242. In its Third Round MER in 2011, Ecuador was rated PC for former R.21. In this regard, the report noted that no complete regulations on the subject were found for all the RIs covered by the Recommendation. Additionally, it was noted that TF was not included in the RIs' prevention systems and only a small number of reporting institutions were included in the system in accordance with the terms of the Recommendation.

CT243. *Criterion 19.1* – Ecuador's legal framework contains provisions that provide specific measures related with transactions associated with high-risk jurisdictions. For FIs regulated by the SB, Resolution No. SB 2020-0550, Art. 12.1.1.1.11, numeral viii establishes the duty to perform enhanced CDD procedures for customers coming from or residing in countries indicated by FATF as non-cooperative. The same occurs with institutions of the private insurance system, in accordance with RJPM Codification 385 - Insurance, Art. 19, paragraph 3.

CT244. FIs of the popular and solidarity economy sector, meanwhile, must consider the provisions issued by FATF in relation with high-risk countries as a factor in their ML/TF prevention system (Resolution No. 637-2020-F, Art. 199, paragraph d), applying the same enhanced CDD in cases in which the counterpart does not reside in Ecuador (Art.211, paragraph 8).

CT245. With respect to FIs regulated by Resolution No. SCVS-INC-DNCDN-2021-0002, i.e., remittance companies, Art.15 of the regulation establishes that they shall apply the enhanced CDD when customers and beneficial owners reside in or funds come from countries where AML/CFT prevention measures do not comply with international standards.

CT246. Stock exchanges and securities firms, and fund and trust administrators must apply enhanced CDD for identification and acceptance of customers at the beginning of the business relationship when their customers are companies incorporated abroad, when their customers or beneficiaries reside in countries known as tax havens, when they are customers not resident in Ecuador and when the transactions originate in countries with weak AML/CFT controls (RJPM Codification 385 - Securities, Art. 17).

CT247. Finally, there is a minor deficiency of scope, due to the fact that leasing or financial leasing companies are not included as RIs.

CT248. *Criterion 19.2* – FIs under the orbit of the SB, SEPS and institutions of the private insurance system shall avoid commercial relations with companies or enterprises constituted under foreign legislation that favours anonymity or prevents the delivery of information (Resolution No. SB-2020-0550, Art. 12.1.1.1 fifth paragraph; Resolution No. 637-2020-F, Art. 242 of the RJPM Codification 385-Insurance, Art. 12, respectively).

CT249. With respect to stock exchanges and brokerage firms, fund managers and trusts, they may not initiate or maintain correspondent relationships with intermediaries incorporated in tax havens or jurisdictions that do not require physical presence.

CT250. Notwithstanding the information provided by the country in relation with the measures provided in FI regulations, doubts remain as to whether the country has a framework to apply countermeasures proportional to the risks in cases required by FATF, or regardless of the fact that FATF has made a call in such sense.

CT251. *Criterion 19.3* – The UAFE regularly disseminates through its website the lists of countries with strategic or high-risk deficiencies identified by the FATF. The country also provided information on different training courses for the appropriate use of these restrictive lists. In addition, the sectoral regulations, in general, establish the obligation to apply enhanced CDD measures with respect to customers or transactions related to high ML/TF risk jurisdictions.

Weighting and Conclusion

CT252. Ecuadorian regulations address Recommendation 19 based on sectoral provisions that, in general, require FIs to apply enhanced CDD measures for transactions related with high-risk jurisdictions. However, in the case of the securities sector, there are doubts with respect to the enforceability of enhanced CDD beyond the beginning of the business relationship. Additionally, there is insufficient information to determine that the country can apply countermeasures proportional to the risks. The country has mechanisms to convey to FIs concerns about weaknesses in the AML/CFT systems of other countries. **Recommendation 19 is rated Largely Compliant.**

Recommendation 20 - Reporting of suspicious transaction

CT253. In the 2011 MER, Ecuador received the rating of PC in the former R.13. The report notes that the number of reporting institutions registered in the UAF, and active in their reporting obligation, is very low in relation to the number that, according to the Law, must comply with that obligation.

CT254. *Criterion 20.1* – Ecuador has a regulatory framework that provides for the obligation to report ML/TF suspicious transactions. This duty is established generally in the AML/CFT Law (Art. 3 and 4), and specifically in the Regulations of the AML/CFT Law and regulations of the UAFE.

CT255. According to Art. 3 of the AML/CFT Law, FIs shall report to UAFE unusual, unjustified or suspicious operations that do not correspond with the profile of the customer and cannot be justified. Article 4 provides that the report must be made within four days after the date on which the compliance committee becomes aware of the situation.

CT256. Meanwhile, Resolution UAFE-DG-2022-0096 (published in March 2022) regulates the scope of this obligation for all RIs. Art. 2 of the regulation establishes that the STR may be

constituted by unusual or unjustified economic operations or transactions, which are economic movements made by natural or legal persons that do not correspond to the economic and financial profile they have maintained in the reporting institution, and/or by suspicious transactions. In the case of suspicious transactions, Art. 2.1 of the regulation establishes that if the RI suspects or has reason to suspect that the funds come from a criminal activity, or that they are related to TF, they must report the transaction promptly.

CT257. *Criterion 20.2* – Resolution UAFE-DG-2022-0096 (published in March 2022) establishes in its Art. 2.2 that RIs must report suspicious transactions, including their attempts, regardless of the amounts involved.

CT258. With respect to the duty to report suspicious transactions regardless of their amount, the law does not refer to amounts for the duty to report. It is understood that all unusual and unjustified transactions must be reported.

Weighting and Conclusion

CT259. All criteria are met. **Recommendation 20 is rated Compliant.**

Recommendation 21 - Tipping-off and confidentiality

CT260. In its Third Round MER in 2011, Ecuador was rated PC for former R.14. It was identified that there was no legal protection for entities, directors or officers who report suspicious transactions in good faith.

CT261. *Criterion 21.1* – The information provided by Ecuador indicates that, in the criminal regime, informants for ML crimes, among others, may present themselves in the process with a reserved identity. In the same sense, in order to protect the identity of the informants, the Organic Criminal Code states in Article 430.1 that those involved in the complaint process shall be prevented from disclosing their identity and, in addition, they may request admission to the National System for Protection and Assistance to Victims, Witnesses and other Participants in Criminal Proceedings.

CT262. Although these measures safeguard the integrity of the informants of ML crimes in the criminal environment, the information submitted does not contemplate the protection that corresponds to FI members when they disclose information and/or report, in good faith, suspicions of ML before the FIU in violation of contractual and/or legislative restrictions. It should be noted that the mentioned regulation does not make reference to TF offence and its treatment in this sense. Finally, in the information provided by the country there is no evidence that the protection referred to in criterion 21.1 is embodied in law.

CT263. *Criterion 21.2* – The AML/CFT Law generally indicates the duty of UAFE officials to maintain secrecy of information received in the course of their duties (Art. 15). The same duty of secrecy applies to RIs reporting to the UAFE. The regulation of the law itself establishes that the information related to transactions or economic operations received by the UAFE from the RIs is reserved, should not be disclosed and will be used only for the purposes of the law (Art. 25). This prohibition applies both to UAFE officials and RIs.

CT264. Notwithstanding the prohibition embodied in the law referred to in the previous paragraph, the information provided does not clearly contemplate the prohibition in the case of RIs.

Weighting and Conclusion

CT265. Ecuador has certain legal measures to protect informants of ML crimes in the criminal sphere. However, there are no provisions that protect FI members when they disclose information and/or report in good faith, suspicions of ML/TF before FIU against secrecy or confidentiality provisions. In addition, the legislation does not clearly contemplate the prohibition of disclosure for the case of reporting institutions. Therefore, **Recommendation 21 is rated as Partially Compliant.**

Recommendation 22 - DNFBPs: Customer due diligence

CT266. The 2011 MER of Ecuador rated former R.12 as NC indicating that DNFBPs, with the exception of Casinos and Notaries, are not part of the system for the prevention of money laundering and terrorist financing.

CT267. *Criterion 22.1* – **a)** All those establishments dedicated to gambling, such as casinos, betting houses, gaming rooms, among others, are not authorised to operate in Ecuador. (Art. 1 and 2 of Decree No. 873 - Regulation of transition of gambling).
b) According to Article 5 of the AML/CFT Law, natural and legal persons who habitually engage in real estate investment and brokerage are RIs. In this sense, they must comply with CDD measures under Art. 7 of its regulation analysed in R.10, including CDD obligations established by the SCVS and the UAFE. (Art. 12 and 24 of Resolution No. SCVS-INC-DNCDN-2021-0002 and Art. 10.6 of Resolution UAFE-DG-2020-0089)
c) Dealers in jewellery, precious metals and stones must comply with CDD measures analysed in R.10 established in the regulations of the AML/CFT Law regardless of the transaction thresholds. They must also apply the provisions contained in Art. 11 – 13 of Resolution No. SCVS-INC-DNCDN-2021-0002 and 10.6 of Resolution UAFE-DG-2020-0089
d) Notaries must comply with CDD measures analysed in R.10 established in the regulations of the AML/CFT Law. They must also apply the provisions contained in Art. 10 of Resolution UAFE-DG-2020-0089 are also included. In addition, by means of Resolutions UAFE-DG-2022-0129 and UAFE-DG-2022-0130 (subscribed on April 8, 2022) lawyers, other legal professionals and independent accountants are included as reporting institutions and according to the second general provision of both Resolutions, these reporting institutions must consider the AML/CFT Law, its Regulations and the rules issued by the control body, in this case the provisions issued by the UAFE, so that the provisions analysed in R10 are also applicable to them.
e) Trust service providers must be incorporated as companies or corporations (Art. 97 of the Securities Market Law). According to Article 5 of the AML/CFT Law, fund and trust administrators are RIs required to report to the UAFE. In this sense, they must comply with CDD measures under Art. 7 of the AML/CFT Law regulations analysed in R.10, including CDD obligations established by the SCVS. The country informed that there are entities (studios, firms, law firms, etc.) that are involved as legal persons in the purchase/sale of companies and as they are companies, they are regulated only prudentially by the SCVS. In addition, by means of Resolution UAFE-DG-2022-0129 corporate service providers are included as reporting institutions and according to the second general provision of such Resolution, these reporting institutions must consider the AML/CFT Law, its Regulations and the rules issued by the control body, in this case the provisions issued by the UAFE, so that the provisions analysed in R10 are also applicable to them.
However, the deficiencies contained in R.10 are also applicable to these reporting institutions.

CT268. *Criterion 22.2* – For this criterion, the analysis of R. 11 on the general framework established for all RIs (art. 7 and 24 of the AML/CFT Law regulations) applies. Additionally, Art.

30 and 41 of Resolution No. SCVS-INC-DNCDN-2021-0002 and Art. 10, 20 and 41 of the Resolution UAFE-DG-2020-0089 provide for the obligation to keep CDD documents and reports for 10 years. Specifically Articles 24 and 26 of Resolution No. SCVS-INC-DNCDN-2021-0002 applicable to the real estate and remittance sectors establishes the obligation to record all operations and transactions carried out by their customers. However, in general terms, DNFBPs under the regulation of the UAFE do not have the legal framework for recording all transactions or operations.

CT269. *Criterion 22.3* – For this criterion, the analysis of R.12 on what is applicable with respect to the AML/CFT Law, and its regulations applies. CDD obligations applicable to PEPs described in Art. 13 and 15 of Resolution No. SCVS-INC-DNCDN-2021-0002 and Art. 26 of Resolution UAFE-DG-2020-0089 are also included.

CT270. *Criterion 22.4* – For this criterion, the analysis of R. 15, therefore the deficiencies pointed out regarding new technologies have an impact on this criterion.

CT271. *Criterion 22.5* – Although Resolution No. SCVS-INC-DNCDN-2021-0002 refers to the functions of the CO in terms of monitoring compliance with CDD policies and whose functions cannot be delegated (Art. 41 and 43), these provisions are not directly applicable to the content of R. 17, and therefore, in cases where it is possible for DNFBPs to rely on third parties, the corresponding legal framework is not in place.

Weighting and Conclusion

CT272. The provisions issued by the UAFE are applicable to DNFBPs as RIs. In addition, DNFBPs do not have specific provisions establishing the requirements on new technologies contained in R.15, nor on reliance on third parties contained in R.17. Furthermore, prudential regulations of DNFBPs do not contain provisions on the duty to record transactions below the threshold of USD 10,000 and USD 5,000 (in the case of the real estate sector). **Recommendation 22 is rated Partially Compliant.**

Recommendation 23 - DNFBPs: Other measures

CT273. In the 2011 MER of the 3rd Round for Ecuador, former R. 16 was rated as NC because, with the exception of casinos, DNFBPs are not included in the records of the UAF, so they are not qualified to report suspicious transactions and no instructions had been issued to DNFBPs, with the exception of casinos.

CT274. *Criterion 23.1* – For this criterion, the analysis of R. 20 for all RIs regulated by the AML/CFT Law and its regulations applies. Likewise, Art. 7.5 of Resolution UAFE-DG-2020-0089 provides that RIs must have the necessary procedures to record and submit to the UAFE, unusual, unjustified or suspicious economic operations or transactions. Also, Resolution UAFE-DG-2022-0096 (published in March 2022) regulates the scope of this obligation for all RIs. Art. 2 of the regulation establishes that the STR may be constituted by unusual or unjustified economic operations or transactions, which are economic movements made by natural or legal persons that do not correspond to the economic and financial profile they have maintained in the reporting institution, and/or by suspicious transactions. In the case of suspicious transactions, Art. 2.1 of the regulation establishes that if the RI suspects or has reason to suspect that the funds come from a criminal activity, or that they are related to TF, they must report the transaction promptly. For its part, Art. 2.2 the filing of suspicious transactions reports, including their attempts, regardless of the amounts involved.

CT275. *Criterion 23.2* – For this criterion, the analysis of R. 18 for all RIs applies. Likewise, Art. 19, 34, 35 and 41 of Resolution No. SCVS-INC-DNCDN-2021-0002 (applicable to DNFBPs in the corporate sector) include provisions regarding know-your-employee policies, designation of a CO, its functions and the obligation to conduct an external audit. However, the weaknesses identified in R. 18.

CT276. *Criterion 23.3* – Art. 15 of Resolution No. SCVS-INC-DNCDN-2021-0002 and Art. 42 of Resolution UAFE-DG-2020-0089 provide for the application of enhanced CDD when customers or BOs reside in countries whose AML/CFT systems do not comply with international standards in this area or when the funds come from those countries. Likewise, the regulatory framework of the UAFE details some countermeasures applicable when the country linked to the customer does not comply with the FATF Recommendations, and these countermeasures will also be applied when the Internal Revenue Service and the UAFE so determine. However, compliance is impacted by the deficiencies identified in R.19.

CT277. *Criterion 23.4* – RIs, including legal representatives, managers, compliance officers, partners, shareholders, employees and auditors, must keep confidential information submitted by customers, notifications, requirements or reports and annexes sent to the UAFE (Art. 4 and 8 of Resolution No. SCVS-INC-DNCDN-2021-0002 and 10.12 of Resolution UAFE-DG-2020-0089). However, there are no provisions regarding compliance with criterion 21.1 for DNFBPs.

Weighting and Conclusion

CT278. The RIs in Ecuador are those that are required to report to the UAFE, and are identified in Art. 5 of the Law and in Resolutions UAFE-DG-2022-0129 and UAFE-DG-2022-0130 (subscribed on April 8, 2022). However, the deficiencies identified in R.18, 19 and criterion 21.1 have an impact on compliance with this Recommendation. **Recommendation 23 is rated Largely Compliant.**

Recommendation 24 - Transparency and beneficial ownership of legal persons

CT279. In the 2011 MER of the 3rd Round, former R. 33 was rated as PC, due to the fact that there were deficiencies in that the sanctions for non-compliance were limited, there was the possibility of acquiring companies previously created by firms dedicated to that purpose, there was no mechanism to verify the beneficial ownership or the ultimate beneficiary of the companies, and there were no prior controls to verify the criminal background of authorities and owners of the companies.

CT280. *Criterion 24.1* – **a)** Under the Ecuadorian legal framework, there are 6 types of business companies: General partnerships, limited partnerships and limited partnerships issuing shares, limited liability partnerships, public limited partnership, mixed economy company, and joint stock companies. (Art. 2 of the Companies Law). The Companies Law describes the different basic characteristics of business companies. Moreover, according to the Regulation for the granting of legal personality to social organizations, Decree 193, Art. 4 establishes that natural and legal persons with civil capacity to contract and bind themselves, in exercise of the constitutional right of free association, may constitute: Corporations; Foundations; and, other forms of national or foreign social organisation (communes, water boards, irrigation boards, agricultural centres, chambers of agriculture, etc.). The approval of the statutes of these entities falls under the authority of the President of the Republic, although the representative of the organisation must submit the request for approval of the statute and recognition of the legal

personality to the competent State portfolio (Art. 12 of Decree 193). There is a public registry of Social Organizations available on the web (https://sociedadcivil.gob.ec/directorio). Likewise, the requirements for corporations and foundations of the Ministry of Economic and Social Inclusion are available on the web (https://www.inclusion.gob.ec/organizaciones-sociales/).

In the case of Popular and Solidarity Economy organizations, they will be constituted as legal persons. The legal personality will be granted by means of an administrative act of the Superintendent and will be registered in the respective Public Registry. In the case of cooperatives, the incorporation procedure, the minimum number of members and capital stock will be established in the Regulations of the Organic Law of the Popular and Solidarity Economy, taking into account the type of cooperative, the common bond of its members and the geographic scope of its operations. (Art. 9 of the Organic Law of the Popular and Solidarity Economy).

Savings and credit cooperatives are associations of persons with a cooperative identity, organizations formed by natural or legal persons that voluntarily join together under the principles established in the Organic Law of Popular and Solidarity Economy, for the purpose of carrying out financial intermediation and social responsibility activities with their members and, upon authorisation by the Superintendence of Popular and Solidarity Economy, with customers or third parties, subject to the regulations issued by the Financial Policy and Regulation Board. A distinction is made between open or closed, being closed those whose members have a common bond that unites them such as profession, labour, union or family relationship. This determination must be stated in the bylaws of the financial institution. Closed savings and credit cooperatives may not engage in any type of financial intermediation activity with customers or third parties. (Art. 445 of the COMF)

b) The Companies Law establishes that general partnerships are constituted by means of a public deed approved by the civil judge, who will order its publication in a newspaper of major circulation in the domicile of the company and its registration in the Commercial Registry. These may also be constituted through the simplified incorporation process. (Art. 38) Collective management societies of the economic rights of authors, artists, performers, phonogram producers and broadcasting organizations are available on the web.[49] The limited partnerships shall be constituted in the same form and with the same solemnities indicated for the general partnerships. (Art. 61) Limited liability partnerships and public limited companies must be constituted through a public deed registered in the Commercial Registry of the canton where the company has its main domicile. (Art. 136 and Art. 146) In the case of the mixed economy company, the State, the municipalities, the provincial councils and the entities or organisms of the public sector may participate, jointly with the private capital, in the capital and in the social management of this company and it is constituted by means of a deed of incorporation. (Art. 308) The joint stock company shall be created by means of a contract or unilateral act recorded in a private document to be registered in the Companies Registry of the SCVS. (General Provisions).

Moreover, companies incorporated in Ecuador must submit to the SCVS in the first four months of each year the list of administrators, legal representatives and partners or shareholders, including both legal owners and beneficial owners. (Art. 20.b Companies Law), which is available to the public through the website of the SCVS.

Ecuador has a simplified process of incorporation of companies[50] through the SCVS web portal, (in accordance with the Simplified Process of Incorporation and Registration of Companies

[49] Refer to the following link: https://www.derechosintelectuales.gob.ec/sociedades-de-gestion-colectiva/#:~:text=Las%20Sociedades%20de%20Gesti%C3%B3n%20Colectiva,fonograma%20y%20organismos%20de%20radiodifusi%C3%B3n)

[50] Art. 136 Companies Law: The company will be incorporated by means of a public deed that will be registered in the Mercantile Registry of the canton in which the company has its main domicile. The company will exist and acquire legal personality from the moment of said registration. The company will only be able to operate after obtaining the Unique Taxpayer Registry granted by the SRI. (...) The constitution may also be carried out through the simplified process of constitution by electronic means in accordance with the regulation that the Superintendency of Companies and Securities will issue for that purpose.

Regulation - Official Gazette Supplement 278 of June 30, 2014), which requires the entry of information on shareholders, partners, company data, payment of capital, information on legal representatives, additional company data, etc. (https://appscvsmovil.supercias.gob.ec/guiasUsuarios/cons_elec.zul) (https://appscvsmovil.supercias.gob.ec/guiasUsuarios/cons_cesas.zul) In addition, the general public through the institutional web portal can access general information, administrators, legal acts, annual information, partners or shareholders, information on financial statements, kardex, etc. of all commercial companies under the control and surveillance of the SCVS (https://appscvsmovil.supercias.gob.ec/guiasUsuarios/inst_scvs.zul)

CT281. However, the country has not yet developed a ML/TF risk assessment of the different types of legal persons and arrangements operating in the territory and their use for illicit purposes. Notwithstanding the above, the NRA has highlighted that one of the main challenges to be faced is the use of legal persons as a screen for corruption and bribery, as well as for contributing to other acts of concealment of the identity of owners or beneficial owners, or other actions that although not necessarily criminal, tend to establish successive layers of legal persons with respect to operations, taxable income, or taxable bases.

CT282. Also, the SRI, within the framework of its duties and with the objective of minimizing tax fraud, and through different analyses and methodologies, has been able to identify non-existent or phantom taxpayers, as well as companies or individuals with non-existent transactions. The SRI publishes information on its web page on non-existent or shell companies on a regular basis. (https://www.sri.gob.ec/web/intersri/empresas-inexistentes).

CT283. For its part, the UAFE has developed a report on ML typologies through which criminal schemes involving front companies have been identified, as well as a report to identify categories of NPOs exposed to misuse for TF purposes.

CT284. *Criterion 24.3* – Companies in Ecuador, in accordance with the analysis of criterion 24.1, must be registered with the Commercial Registry of the canton in which they have their main domicile, or with the Companies Registry of the SCVS, as appropriate. The Commercial Registry must send the corresponding information to the SCVS for its incorporation in the Companies Registry. (Article 18 of the Companies Law).

CT285. The Companies Law establishes the general content of the articles of incorporation which include the name of the company, address, form and legal status, as well as the list of shareholders and directors. This information is available to the public online and free of charge through the SCVS website. (https://appscvsmovil.supercias.gob.ec/PortalInfor/consultaPrincipal.zul?id=1)

CT286. *Criterion 24.4* – Companies must keep all relevant information in the corporate books, the book of shares or shareholder or of participations and partners. (Art. 200, 440 Companies Law) This information is contained in the Register of the SCVS which is available to the public.

CT287. *Criterion 24.5* – Companies must inform the SCVS of the list of partners, shareholders in the first four months of the year and transfers of shares must be reported to the SCVS within 8 days (Art. 20.b and 21 of the Companies Law). Also, pursuant to Article 443 of the Companies Law, the SCVS may request the respective company to update the information contained in its files. Likewise, the SCVS may conduct the necessary examinations of the company's books and

Art. 2 Regulation Simplified Process of Incorporation and Registration of companies - Official Gazette Supplement 278 of June 30, 2014: The incorporation and registration of companies by the simplified system of incorporation by electronic means that is regulated in this Regulation, requires that the capital is paid only in cash and that the companies are not part of the stock market.

other legal documents to achieve such updating or to verify the accuracy of the data contained in its files.

CT288. Regarding the updating mechanisms, the Regulation for updating general information, and the registration and online access keys to the institutional web portal, of the companies subject to the control and surveillance of the SCVS was issued by Resolution No. SC.SG.DRS.G.12.014 of September 25, 2012.

CT289. The Superintendence of Companies enables in its web portal an option by means of which the legal representatives or attorneys-in-fact, as appropriate, must update the general information of their represented party in the institutional web portal, and generate the data update form, and the request for access and declaration of responsibility, established by the institution for such purpose (...) the system will assign physical filing dates insofar as the referred FORM and REQUEST are generated in the institutional web portal (...) (Art. 2 of Resolution No. SC.SG.DRS.G.12.014 of September 25, 2012). (https://appscvsmovil.supercias.gob.ec/guiasUsuarios/act_datos.zul) In the case of share transfers and assignment of shares, this procedure also has a manual updated as of February 11, 2020 and duly uploaded on the institutional web portal, in user guides (https://appscvsmovil.supercias.gob.ec/guiasUsuarios/trans_acc.zul)

CT290. Failure to submit the Data Update Form and the Request for Access and Statement of Responsibility, up to the current maximum date established, will be included in the company's Pending Obligations Report. Once the company has overcome the non-compliance referred to in this article, the corresponding Certificate of Compliance of Obligations may be obtained immediately. (Art. 3 of Resolution No. SC.SG.DRS.G.12.014)

CT291. In the event that the partner is a foreign company, it shall submit to the company, during the month of December of each year, a certificate issued by the competent authority of the country of origin certifying that the company in question has legal existence in said country. Likewise, a complete list of all its members, partners or shareholders must be provided, indicating their names, surnames, civil status, nationalities and domiciles (Art. 115 h of the Companies Law). With respect to limited liability partnerships, it is the obligation of the legal representative of the limited liability partnership to submit in January of each year to the national tax authority, in accordance with the terms and forms established for such purpose, the list of foreign companies or juridical persons that appear as its partners, indicating the names, nationalities and corresponding domiciles (Art. 131 of the Companies Law).

CT292. *Criterion 24.6* – **a)** Companies incorporated in Ecuador must submit to the SCVS in the first four months of each year the list of administrators, legal representatives and partners or shareholders, including both legal owners and beneficial owners. (Art. 20.b of the Companies Law). These provisions of the Companies Law are not applicable to partnerships, NPOs and cooperatives. However, the country has a public registry of Social Organizations available on the web (https://sociedadcivil.gob.ec/directorio) and for collective management societies of the economic rights of authors, artists, performers, phonogram producers and broadcasting organizations. SRI Resolution NAC-DGERCGC16-00000536 of December 28, 2016 (hereinafter, "APS Resolution") establishes specific provisions for obtaining information in the case of NPOs for SRI's BO registration. (Article 5)
In addition, in accordance with the Organic Law for the economic development and fiscal sustainability after the covid19 pandemic of November 2021, Title XIV, the reforms to the Law for the creation of the internal revenue service, and a BO registry is created, defining its concept and including "control by other means". This information contained herein must be validated and

updated and contain each member of the chain of ownership or control, in accordance with the due diligence procedures established in the referred regulation in accordance with international standards (art. 189). The information to be reported by the companies will be that as of December 31 of the respective fiscal year and will be submitted in the month of February of the following fiscal year to which such information corresponds, i.e., it is updated annually, notwithstanding this, the entity must report any change in the information the month following the existence of a change generated. (Art. 10 of Resolution APS)

b) Art. 445 of the Companies Law provides that when a company violates any of the laws, regulations, bylaws or resolutions in charge of the SCVS, the Superintendent may impose a fine not exceeding two general minimum vital salaries, according to the seriousness of the infraction and the volume of assets.

In addition, as for the BO Registry of the SRI, the identification of the beneficial owners must be required in public procurement procedures as an enabling requirement. (Art 189 of the Organic Law for the economic development and fiscal sustainability after the Covid pandemic19 of November 2021). In the same sense, companies in Ecuador are subject to annual reporting requirements to the SRI, which include information in an "Annex on Shareholders, Participants, Partners, Directors and Administrators" (APS), as provided in the APS Resolution that feeds the BO Registry. The SRI compliance assurance measures include:

- Dissuasive reminders: taxpayers are warned about their obligations before the due date.
- Notices issued to taxpayers who have failed to comply with the obligation after the due date.
- Subsequent controls.

Failure to comply with the obligation to submit the APS is punishable by temporary closure of the establishment/suspension of the economic activity for failure to provide the information required by the SRI, in accordance with the seventh general provision of the Public Finance Reform Law The closure/suspension cannot be replaced by pecuniary sanctions and is without prejudice to any criminal proceedings.

Likewise, as of 2015, the reforms to the LRTI (art. 37) and its general regulations (RLRTI) have established an increase in the overall income tax rate applicable to the company by 3%, and an increase in the withholding rate from 10% to 14.8% applied to dividends paid by the company to its shareholders if the requirements related to the disclosure of its ownership are not met (implemented through the APS).

c) FIs and DNFBPs, through CDD, shall identify the BO as the natural person(s) that finally holds directly or indirectly as owner or addressee resources or goods or have control of a customer, and/or the natural person on whose behalf the transaction is carried out, as well as natural persons that exercise the final effective control over a legal person or other legal arrangement. (Art. 7 paragraph 1.3 of the AML/CFT Law Regulations).

Likewise, the UAFE may request information from natural or legal persons (Art. 5 of the AML/CFT Law) which includes the results of the know your employee/partner/shareholder policy which implies the identification of the BO in cases of partners/shareholders who are LPs, information on the identification of the BO of transactions (Art. 7.1.3 of the Regulation of the AML/CFT Law), any other information in possession of the companies. In this regard, the UAFE may also request information from the SCVS, which must provide it within 5 days (Art. 6 of the AML/CFT Law). Meanwhile, the SRI's BO registry will be formed from the compilation of information on beneficial owners, which the companies are required to submit in accordance with the Law. Companies and their directors must comply with these obligations with due diligence and file the corresponding forms and annexes in a timely manner. (Art. 189 of the Organic Law for the economic development and fiscal sustainability after the Covid pandemic19 of November 2021).

CT293. However, considering that for each regulated sector there is a different definition of beneficial owner, the deficiencies identified in the analysis of the definition of BO in R. 10 have an impact on this criteria.

CT294. *Criterion 24.7* – The SCVS may request companies to update the information contained in their files (Art. 443 Companies Act) and companies incorporated in Ecuador must submit to the SCVS in the first four months of each year the list of administrators, legal representatives and partners or shareholders, including both legal owners and BO (Art. 20.b Companies Law), that is to say, that the companies must procure accurate and updated information on BO in the first four-month period of each year prior to the remission to the SCVS, which implies that the same shall be sent updated.

CT295. In addition, the shareholders will have a preferential right, in proportion to their shares, to subscribe the shares issued in each case of an increase in subscribed capital. This right shall be exercised within thirty days following the publication in the portal of the Superintendence of Companies, Securities and Insurance, therefore, the SCVS manages the updating of the shareholders' ownership. (Art. 181 of the Companies Law).

CT296. With respect to the SRI Registry, the information to be reported by the companies will be that as of December 31 of the respective fiscal year and will be submitted in February of the following fiscal year to which such information corresponds, i.e., it is updated on an annual basis. Notwithstanding the above, the entity must report any change in the information or the month following the existence of a change generated (art. 10 of Resolution APS).

CT297. *Criterion 24.8* – The UAFE is empowered to request information from any natural or legal person. (Art. 5 of the AML/CFT Law). Moreover, companies must submit to the SCVS in the first four months of each year the list of administrators, legal representatives and partners or shareholders, including both legal owners and BO. (Art. 20.b Companies Law) and the UAFE may request information from any public sector institution, which must provide it within 5 days (Art. 6 of the AML/CFT Law). Likewise, Art. 5.9 of Resolution No. SCVS-INC-DNCDN-2021-0002 provides that it is the duty of the institutions under supervision and regulation of the SCVS to respond to requests for information made by competent authorities. For its part, Art. 6 of the Companies Law states that every national or foreign company that negotiates or contracts obligations in Ecuador must have in the Republic an attorney-in-fact or representative that can answer the claims and comply with the respective obligations.

CT298. *Criterion 24.9* – Although the entities in charge of managing the databases that make up the National Public Data Registry System or databases disclosed by public entities must facilitate a direct access to information, or grant it, at the request of the SCVS, for the dissolution and liquidation of companies, or if this is not possible, it may request it from the liquidator or the legal representative of the company (Art. 47 Regulation of dissolution, liquidation and reactivation of companies, Resolution No. SCVS-INC-DNCDN-2019-0012).

CT299. Regarding the SRI Registry, Article 189 of the Organic Law for Economic Development and Fiscal Sustainability after the Covid pandemic19 establishes that the SRI shall compile and maintain the BO Registry, which shall collect, file, process, distribute, disseminate and register the information that allows for the identification of the beneficial owners. Art. 101 of the Internal Tax Regime Law (LRTI) establishes that "The declarations and information of taxpayers, responsible parties or third parties, related to tax obligations, as well as the control plans and programs carried out by the Tax Administration are of a reserved nature". For its part, Art. 18 of

the Organic Law of Transparency and Access to Public Information (LOTAIP) establishes that the term of preservation of protected information as reserved is 15 years.

CT300. With respect to BO information by RIs, the AML/CFT Law establishes the obligation to require and record all information obtained in CDD matters of both natural and legal person and shall be maintained for 10 years after the date of termination of the last transaction or contractual relationship (art. 4 a).

CT301. However, except for RIs and the SRI's BO registry, there are no provisions to ensure that all persons, authorities and entities mentioned in this R., and the company itself (or its directors, liquidators or other persons involved in the dissolution of the company), must maintain the information and records referred to for at least five years from the date on which the company is dissolved or otherwise ceases to exist, or five years from the date on which the company ceases to be a customer of the professional intermediary or financial institution.

CT302. *Criterion 24.10* – LEAs have the possibility of requesting the records held by financial institutions, DNFBPs and other natural or legal persons. According to Art. 444 of the COIP, the FGE has the power to order such investigative measures as it deems necessary. Additionally, Art. 499 provides that the prosecutor may request reports on data contained in records, files, including computer files, which will be evaluated in court.

CT303. For its part, Art. 30 of the Organic Code of the Judicial System provides for the principle of collaboration with the judiciary, whereby the institutions of the private sector and any person have the legal duty to assist the judges and comply with their orders issued in the processing and resolution of the proceedings. The persons who, being bound to collaborate, assist and help the organs of the Judiciary, fail to do so without a just cause, shall incur in the crime of contempt of court.

CT304. *Criterion 24.11* – **a) – d)** The owner of the shares shall be considered to be the person who appears as such in the Book of Shares and Shareholders. (Art. 187 Companies Law). Therefore, bearer shares or bearer share certificates cannot be issued in Ecuador since 1948.

CT305. *Criterion 24.12* – Companies incorporated in Ecuador, subject to the supervision and control of the SCVS, must submit in the first four months of each year the list of administrators, legal representatives and partners or shareholders, including both legal owners and BO (Art. 20.b of the Companies Law). Furthermore, once the administrator with the legal representation has been appointed and the guarantee (if required) has been presented, he/she will register his/her appointment, with the reason for his/her acceptance, in the Commercial Registry, within thirty days after his/her appointment (Art. 13 of the Companies Law). Once the indicated term has expired, failure to register the administrator will be sanctioned by the Superintendent of Companies or the judge (Art. 14 of the Companies Law).

CT306. Moreover, in the case of corporations, when the corporation becomes insolvent and a new administrator has not been appointed, any of the shareholders may send a communication to the SVCS, which will appoint a temporary administrator to provisionally assume the operational management of the corporation.

CT307. Companies in Ecuador are subject to annual reporting requirements to the SRI, which include information in an "Annex on Shareholders, Participants, Partners, Directors and Administrators" (APS), as provided in art. 4 of Resolution APS.

CT308. *Criterion 24.13* – When a company infringes any of the laws, regulations, bylaws or resolutions for whose supervision and compliance the SCVS is responsible, and the Law does not provide for a special sanction, the Superintendent, at his discretion, may impose a fine not exceeding twelve general minimum vital salaries, in accordance with the seriousness of the infringement and the amount of its assets, without prejudice to any other liabilities that may be applicable. (Art. 445 of the Companies Law). Likewise, Art. 457 of the Companies Law establishes that the fines foreseen in this Law may be imposed up to an amount of twelve general minimum vital salaries, according to the seriousness of the infraction, at the discretion of the Superintendent or the officer delegated for such purpose. From the information provided, it is not possible to determine the proportionality and dissuasiveness of the sanction.

CT309. Art. 35 of the Regulations for the imposition and grading of penalties establishes that in the case of the administrative infraction typified in Article 445 of the Companies Law, or those administrative infractions for whose sanction the Companies Law itself makes a direct reference to Articles 445 and 457 of said Law, the corresponding pecuniary penalties shall be established in accordance with the following table:

Amount of the Company's Assets according to the last balance sheet presented in USD dollars		Fine of Unified Basic Wages from
From	Up to	
0.00	20,000.00	2
20,000.01	100,000.00	4
100,000.01	thereafter	6

CT310. In case of detection of any recidivism or repeated conduct, an observation will be applied as a sanction in the Certificate of Compliance with Obligations, which is a warning signal for the companies with which they carry out any type of commercial operation. (Norms for the Prevention of Money Laundering, Financing of Terrorism and Other Crimes, art.47).

CT311. In addition, with respect to the SRI registration, failure to comply with the obligation to submit the APS is punishable by temporary closure of the establishment/suspension of the economic activity for failure to provide the information required by the SRI, in accordance with the seventh general provision of the Public Finance Reform Law The closure/suspension cannot be replaced by pecuniary sanctions and is without prejudice to any criminal proceedings.

CT312. Likewise, as of 2015, the reforms to the LRTI (art. 37) and its general regulations (RLRTI) have established an increase in the overall income tax rate applicable to the company by 3%, and an increase in the withholding rate from 10% to 14.8% applied to dividends paid by the company to its shareholders if the requirements related to the disclosure of its ownership are not met (implemented through the APS).

CT313. The APS Resolution also establishes sanctions for non-compliance, late or inaccurate submission of information, for which the 25% income tax rate will be applied to the portion of the taxable income corresponding to the period reported (art. 11 and 12)

CT314. The penalties applicable by the SRI show proportionality and deterrence against non-compliance. However, although certain proportionality and dissuasiveness has been identified in

the sanctions for non-compliance with obligations described in the Companies Law, these sanctions are subject to the Superintendent's criteria and are not applicable to individuals who do not comply with the requirements of R.24.

CT315. *Criterion 24.14* – Ecuador has a legal basis that allows it to provide mutual legal assistance in the area of investigations, prosecutions and proceedings related to ML, associated predicate offences and TF in accordance with the analysis of R.37. In addition, through the UAFE, cooperation programs may be implemented with similar international organizations to exchange general or specific information related to ML/TF (Art. 12 AML/CFT Law), which includes basic information and information on BO of legal persons.

CT316. *Criterion 24.15* – The country indicates that the quality of information received from other countries is monitored on the basis of time, timeliness and contribution to the investigation. The UAFE has feedback forms, which feed a matrix that serves as an input for information quality reports. However, it is noted that the authorities that make up the AML/CFT system do not seem to have these monitoring mechanisms.

Weighting and Conclusion

CT317. Ecuador has mechanisms to identify and describe the types of legal persons, as well as their creation processes. It also has procedures to access basic information and information on BO of legal persons both from the SCVS and the SRI. However, although it has made different efforts that allow it to know to a certain extent the risks to which legal persons are exposed, it is necessary to specifically evaluate ML/TF risks associated with all types of legal persons created in the country. In addition, more specific deadlines should be established for the safeguarding of information when a company is dissolved; and there should be proportionate and dissuasive sanctions when the established requirements are not complied with. **Recommendation 24 is rated Largely Compliant.**

Recommendation 25 - Transparency and beneficial ownership of legal arrangements

CT318. The 2011 Ecuador MER, the former R. 34 was rated as PC, and the following aspects were identified: (i) At the moment of starting its activity, the knowledge of fund and trust administrators is complete. (ii) There was no specific regulation to know the totality of the participants of the contract, mainly the beneficial owner.

CT319. *Criterion 25.1* – Art. 109 of Book 2 of the Organic Monetary and Financial Code "Securities Market Law", establishes that through the commercial trust contract one or more persons called constituents or settlors transfer, temporarily and irrevocably, the ownership of movable or immovable tangible or intangible assets, which exist or are expected to exist, to an autonomous patrimony, endowed with legal personality so that the fund and trust management company, which is its trustee and in such capacity its legal representative, may comply with the specific purposes set forth in the incorporation contract, either in favour of the incorporator itself or of a third party called beneficiary.

CT320. The autonomous patrimony constitutes a legal fiction capable of exercising rights and contracting obligations, which is legally represented by the trustee in charge of its administration, but at the same time, since the trustee is also a legal person, it is represented by a natural person, which constitutes a figure of dual legal representation as one of its main characteristics.

CT321. Moreover, it should be noted that trust administrators can only be legal persons, specifically as publicly limited companies. (Art. 97 Chapter III "Fund and trust administration companies" of the Codification of the Securities Market Law).

a) In relation to fund and trust management companies, when acting as trustees, the registry of each client must include, at least, full names and surnames, identification number, domicile address, telephone number, economic activity, representatives or attorneys-in-fact of the constituents and beneficiaries of the trust business and monthly number of transactions, if applicable, classified as follows:
1. Institutions of the financial system.
2. Companies in the corporate sector.
3. Public sector entities.
4. Legal entities not registered in the Public Registry of the Stock Exchange.
5. Natural persons.
6. Entities that do not fall into the above categories. They must also adopt adequate mechanisms to fully identify the originator, the principal, the beneficial owner(s),[51] the officer of the firm who initiated the contact with the customer and the person who executes the transaction. The minimum data to be collected and recorded in the corresponding file are: full names and surnames, identification number, domicile, telephone number and economic activity (art.) 14 of the RJPM Codification 385 – Trusts). As far as the beneficial owner is concerned, it does not include the identification of the natural person who has control by other means or the officer with the highest management position.
b) Trust management companies are not required to keep basic information on other regulated agents of the trust and trust service providers, including advisors, investment agents, accountants and tax advisors.
c) Trust administrators can only be legal persons, specifically as public limited companies. (Art. 97 Chapter III "Fund and trust administration companies" of the Codification of the Securities Market Law).
Regarding the provisions on record keeping, the provisions analysed in R.11 are applicable to trust management companies.
Likewise, Art. 30 of the RJPM Codification 385-Trusts establishes that the records of the transactions described in the rule, as well as their supporting documents, must be kept in an accurate and complete manner as of the day on which the transaction was carried out and for a term of five (5) years.

CT322. *Criterion 25.2* – Fund and trust administrators shall verify the information provided by the customer before and during the commercial relationship, as well as shall warn the customer of its obligation to update, at least annually, the data that have variations, according to the product or service in question, providing the corresponding background information. (Art. 4 and 13 of the RJPM Codification 385 – Trusts). The provisions analysed in R.11 regarding the conservation of information are applicable to trust management companies.

CT323. Moreover, non-compliance with these measures is punishable under Article 51 of the RJPM Codification 385 – Trusts.

CT324. *Criterion 25.3* – The Regulations of the AML/CFT Law establishes that in the case of trusts, in addition to submitting all CDD information analysed in R. 10 when establishing regular or occasional business relations, the RI must require them to submit all information identifying

[51]It is established that for legal persons, knowledge of the customer also implies getting down to the level of natural persons in the ownership structure, i.e. the personal identity of the shareholders or partners, especially applying enhanced diligence to those who directly or indirectly hold 25% or more of the subscribed equity of the company (Art. 10 of the RJPM Codification 385 – Trusts).

the trustor, trustee, beneficiaries, class of trusts, up to the natural persons exercising effective and definitive control over the trust. (7.1.2.h)

CT325. *Criterion 25.4* - Fund and trust management companies are required to comply with information requirements made by the competent authority. (Art. 4 of the RJPM Codification 385 – Trusts). Likewise, they shall submit to FIs/DNFBPs all information required in Article 7 of the Regulations of the ALA/CFT Law.

CT326. *Criterion 25.5* – The UAFE is empowered to request information from RIs and any natural or legal person (Art. 6 and 7 of the AML/CFT Law). It is also responsible for coordinating, promoting and implementing general or specific information exchange programs in AML/CFT matters, as well as carrying out joint actions through cooperation agreements (Art. 12 of the AML/CFT Law).

CT327. LEAs may require the records held by financial institutions, DNFBPs and other natural or legal persons. According to Art. 444 of the COIP, the FGE has the power to order such investigative measures as it deems necessary. Additionally, Art. 499 provides that the prosecutor may request reports on data contained in records, files, including computer files, which will be evaluated in court.

CT328. For its part, Art. 30 of the Organic Code of the Judicial System provides for the principle of collaboration with the judiciary, whereby the institutions of the private sector and any person have the legal duty to assist the judges and comply with their orders issued in the processing and resolution of the proceedings. The persons who, being bound to collaborate, assist and help the organs of the Judiciary, fail to do so without a just cause, shall incur in the crime of contempt of court.

CT329. *Criterion 25.6* – **a) – c)** The provisions analysed in Recommendations 37 to 40 are applicable to this criterion. The deficiencies identified in those Recommendations impact this criterion.

CT330. *Criterion 25.7* - Art. 51 and 52 of the RJPM Codification 385 - Trusts provides that if fund and trust management companies, their directors, legal representatives, officers and employees fail to comply with AML/CFT provisions contained in the regulation, they shall be sanctioned by the SCVS.

CT331. Art. 208 and 209 of Title XXII "On liability, infractions and sanctions" of the Securities Market Law, whose scope of application also covers trust management companies, establishes that the SCVS shall impose administrative sanctions taking into account the greater or lesser seriousness of the administrative infraction, for which purpose the magnitude of the damage caused shall be taken into account in accordance with the following provisions:

1. Minor infractions, which involve mere delays in complying with formal obligations or non-compliance with other obligations that do not harm the interests of market participants or third parties or do so only slightly, shall be sanctioned alternatively or simultaneously with:

1.1. Written warning.
1.2. A fine of 6 to 12 unified basic salaries.

2. Serious violations, which are those that seriously endanger or seriously harm the interests of market participants or third parties, shall be sanctioned alternatively or simultaneously with:

2.1. a fine of thirteen to two hundred and eight basic unified salaries. In the event that the infraction is related to a transaction in the stock market, the fine shall be up to twenty percent of the value of the transaction, without this fine exceeding the amount of two hundred and eight basic unified salaries, in addition to the return of the commission unduly received, if applicable.
2.2 Temporary disqualification for up to four years to be an officer or member of the Monetary and Financial Policy and Regulation Board or the Superintendence of Companies, Securities and Insurance, to be a director, administrator, auditor or officer of entities that participate in the securities market, representative of bondholders, of securities from securitization processes, of participants in investment funds or member of the oversight committee and the investment committee.
2.3. Temporary suspension for up to one year of the authorisation to participate in the stock market, which implies the suspension of the registration in the Public Registry of the Stock Market for the same period.

3. Very serious violations, which are those that seriously endanger or greatly damage the interests of the participants in the market or of third parties, in violation of the purpose of this Law as defined in Art. 1, shall be sanctioned alternatively or simultaneously with:
3.1. A fine of two hundred and nine up to four hundred and eighteen unified basic salaries. In the event that the infraction is related to a transaction in the stock market, the fine shall be up to 50 percent of the value of the transaction, without this fine exceeding the amount of four hundred and eighteen basic unified salaries, in addition to the return of the commission unduly received, if applicable.
3.2. Indefinite removal from office or function.
3.3. Temporary disqualification for up to ten years to be an officer or member of the Monetary and Financial Policy and Regulation Board, of the Superintendence of Companies, Securities and Insurance, director, administrator, legal representative, auditor, officer or employee of the entities participating in the securities market, representative of bondholders, member of the surveillance committee and of the investment committee.
3.4. Permanent suspension of a shareholder's right to vote, of his or her capacity to be a member of the company's management and control bodies, and prohibition to dispose of the shares.
3.5. Cancellation of the authorisation to participate in the stock market, which implies the automatic dissolution of the offending company and cancellation of its registration in the Public Registry of the Stock Market.
These sanctions will be applied based on their participation in the corresponding infraction.

CT332. In order for recidivism to be applicable, the following conditions must coexist in the infraction:

1.- Identity of the offender;
2.- Identity of the rule violated; and,
3.- Seriousness of the infraction.

CT333. Recidivism in the same minor administrative infringement within a period of one year, or in the same serious administrative infringement within a period of three years, shall determine that the infringement be classified in the immediately higher category. Recidivism in a very serious administrative infraction will be sanctioned with the cancellation of the registration in the Public Cadastre of the Securities Market.

CT334. In this sense, there are proportional and dissuasive sanctions for non-compliance for trust management companies.

CT335. *Criterion 25.8* – Fund and trust management companies, their directors, legal representatives, officers and employees who fail to comply with AML/CFT provisions contained in the regulation shall be sanctioned by the SCVS. (Art. 51 and 52 of the RJPM Codification 385 – Trusts). Art. 203 of Title XXII "On liability, infractions and sanctions" of the Securities Market Law whose scope of application also covers trust management companies establishes that those who violate this Law, its regulations and complementary rules, the resolutions issued by the C.N.V. and, in general, the rules that regulate the securities market, shall be subject to civil, administrative or criminal liabilities, under the cases and in accordance with the provisions of this Title. Furthermore, according to the analysis of criterion 25.7, it is determined that there are proportional and dissuasive sanctions for non-compliance with the requirements applicable to trust management companies.

Weighting and Conclusion

CT336. Fund and trust administrators are required to obtain and keep information on the settlor and trustee, as well as the beneficiaries of the trust. Moreover, the competent authorities are empowered to request the pertinent information within the scope of their competencies. However, trust and fund management companies are not required to keep basic information on other regulated agents of the trust and trust service providers, including advisors, investment agents, accountants and tax advisors. **Recommendation 25 is rated Largely Compliant.**

Recommendation 26 - Regulation and supervision of financial institutions

CT337. In the 2011 MER, former R. 23 was rated PC. On that occasion it was determined that terrorist financing was not included in the regulation of the prevention system of all the reporting institutions under comment, not all the reporting institutions included in the recommendation were effectively supervised, only a small number of the entities required by law to report to the prevention system were included. All the RIs subject to this recommendation that are currently in the process of incorporation and control should be included. The obligation to analyse the criminal background of the owners of securities or remittance houses or couriers was not explicitly contemplated.

CT338. *Criterion 26.1* – The Organic Monetary and Financial Code defines the regulatory and supervisory entities of the financial system, whose functions include the evaluation of the quality and control of risk management and the internal control system (Art. 280). The designated supervisors are: i) the Superintendence of Banks, which will oversee, audit, intervene, control and supervise the financial activities carried out by public and private entities of the National Financial System (Art. 60); ii) the Superintendence of Popular and Solidarity Economy, which must control and supervise the popular and solidarity financial sector; (Art. 74); iii) the Superintendence of Companies, Securities and Insurance, among other powers in corporate matters, shall exercise surveillance, auditing, intervention, control and supervision of the securities market, the insurance system and non-financial private legal entities (Art. 78).

CT339. The control bodies, in accordance with their competencies, shall supervise compliance with the Risk Prevention System that the reporting institutions must have, establishing observations and sanctions for non-compliance. (Art. 5 of the AML/CFT Law Regulations).

CT340. However, there is a minor deficiency of scope, due to the fact that leasing or financial leasing companies are not included as RIs.

CT341. *Criterion 26.2* – The SB, SEPS, SCVS within the scope of their competencies, shall authorize the entities of the national financial system in the exercise of their financial activities. (Art. 144 of the COMF, Art. 4 and 14 of the RJPM Codification 385, Art. 10 of Codification No. 2006-001, Book II Securities Market Law of the COMF, Art. 9 Book III General Insurance Law of the COMF). Entities operating as auxiliary payment systems, i.e., remittance companies (MVTS), must request authorisation from the BCE (Art. 3 of the RJPM Codification 385).

CT342. However, there is a minor deficiency of scope, due to the fact that leasing or financial leasing companies are not included as RIs.

CT343. *Criterion 26.3* – In accordance with the provisions for the national financial system (NFS) contained in the COMF, it is established that those who have been convicted of crimes while the sentence is pending and up to 5 years after it has been served may not be members of the board of directors, administrative councils or supervisory councils of an NFS entity (Art. 258). Likewise, shareholders of private financial entities may not be owners if they have been convicted for crimes of embezzlement, ML or TF. (Art. 399). The members of the board of directors may be removed when they carry out operations that promote or involve illicit acts (Art. 412).

CT344. Similarly, other sectorial provisions make reference to the fact that the positions of directors or administrators may not be exercised by persons sentenced for crimes (Art. 5 Codification of SB regulations - Special Edition 123, 31-X-2017), or establish the application of CDD policies for shareholders and their BO (Art. 12.1.1.2 of Resolution No. SB-2020-0550, Art. 19 of Resolution No. SCVS-INC-DNCDN-2021-0002-Remittances).

CT345. In the case of the insurance sector, the RIs must determine whether the members of the board of directors, executives, officers and employees maintain a standard of living compatible with their usual income, for which purpose periodic analyses must be made of their net worth situation, and if there is no such compatibility or if it is not justified, they shall be reported to the UAFE. (Art. 24 of the RJPM Codification 385-Insurance, Art. 23 – 26 of the RJPM Codification 385 – Securities). Moreover, pursuant to Art. 18b of Resolution JPRF-S-2022-025 of April 8, 2022, it is established that insurance companies shall identify and know the basic information of their shareholders, including the final natural persons or beneficial owners of a legal persons. When the amount of the shares acquired by the new shareholder of the insurance company is equal to or greater than 6% of the paid-up capital, the reporting institution shall require from the shareholder a sworn statement on the lawful origin of the resources with which it acquires its participation, which shall include the express indication of its origin, delivered in the process of qualification of responsibility, suitability and solvency of the assignees or subscribers of shares and participations. Insurance companies must periodically verify that shareholders are not included in lists of national and international observers for the prevention of ML/TF and other crimes, including the condition of PEP; in the event of coincidences, the corresponding actions must be taken.

CT346. The procedure for knowledge of the shareholder corresponds to the person in charge of the legal area, who shall report the results of the proof of the origin of the funds of the shareholders' contributions to the compliance officer and of the proof of their contributions on an annual basis, or when requested or immediately after the existence of any unusual or suspicious event, for the consequent processing.

CT347. Applicable to the securities sector, Resolution JPRF-V-2022-024 of April 8, 2022 establishes in its Art. 18 that before the incorporation of new partners or shareholders to the reporting institution, a due diligence process must also be complied with, in particular, to know

the beneficial owner of the investment and the origin of the funds of the new investor, to prevent the company from being harmed in case the resources are illegal.

CT348. However, it is worth mentioning that there is a minor deficiency of scope, due to the fact that leasing or financial leasing companies are not included as RIs.

CT349. *Criterion 26.4* – **a)** According with the analysis of criteria 26.1, it was determined that FIs subject to essential principles have prudential and AML/CFT regulation and supervision by the SB and SCVS. However, although Art. 280 of the COMF establishes that supervisory bodies may develop consolidated and cross-border supervision in prudential matters, there are no provisions applicable for AML/CFT purposes.
b) In the case of other FIs, they are subject to the regulation and supervision of SEPS and SCVS. (See analysis of criteria 16.1).
However, there is a minor deficiency of scope, due to the fact that leasing or financial leasing companies are not included as RIs.

CT350. *Criterion 26.5* – **a)** Resolution No. SB-2021-0769, refers to the Risk Based Supervision Methodology, which establishes the obligation to apply a RBA in the supervisions carried out by the Superintendence of Banks and requires the preparation of a risk matrix to determine the inherent risk and net risk of the entities. For its part, Resolution No. SB-2022-0396 outlines the process and methodology for supervision with RBA of ML to be used by the SB when determining risk profiles, in order to ensure that the measures to be adopted to prevent or mitigate ML are proportional to the risks identified and the understanding that the control body has of them, constituting the essential basis for the effective allocation of resources, emphasizing the areas in which the presence of a higher risk is perceived. However, there are no provisions in this sense for other FIs.
b) The NRA was disseminated to the SB, SEPS and SCVS. However, there is no indication whether the results of the NRA are part of the process of supervision intervals and intensity.
c) Resolution No. SB-2021-0769, Risk-based supervision methodology, establishes the obligation to apply a RBA in the supervisions carried out by the SB. However, the frequency and intensity of supervision is not determined according to the characteristics of FIs, including diversity and quantity. Moreover, there are no provisions in this sense for other FIs.

CT351. *Criterion 26.6* – The SB has provisions that allow it to establish enhanced supervision programs, as well as monitor the amount of ML/TF risk (Art. 1.2.1.6.3.3 of Resolution No. SB-2017-893). Pursuant to Resolution SB-2017-602 it is established that public and private financial sector entities must have a risk unit, which will be in charge of building the institutional matrix and submit it for evaluation by the comprehensive risk management committee. It must also prepare and submit a quarterly report on the analysis of each of the risks of that period to the comprehensive risk management committee, which must be submitted to the Superintendence of Banks, with prior approval of the board of directors, within fifteen (15) days after the end of each quarter and whose minimum content will be determined by the Superintendence of Banks for each of the risks. However, the SEPS and SCVS are not required to periodically review the evaluation of the risk profile of FIs under their supervision.

Weighting and Conclusion

CT352. Ecuador has designated the SB, SEPS and SCVS for regulation and supervision of AML/CFT measures of the financial system, securities, insurance, cooperatives and other financial entities. However, SEPS and SCVS are not required to periodically review the assessment of the risk profile of FIs under their supervision, and there is a minor deficiency in

scope, since the leasing sector is not included as a RIs. There are no provisions for compliance with criteria 26.5. **Recommendation 26 is rated Largely Compliant.**

Recommendation 27 - Powers of supervisors

CT353. In the 2011 MER of the 3rd Round for Ecuador, former R.29 was rated as PC, noting that TF was not included in the specific regulation of the prevention system for all RIs, that effective supervision was not carried out for all RIs covered by the recommendation, and that only a small number of the entities required by law to report to the prevention system had been included.

CT354. *Criterion 27.1* – Legal framework of SB, SEPS, SCVS establishes powers for supervision of compliance with AML/CFT requirements of FI under its regulation. (First provision of Resolution No. SB-2020-0550 General provisions of Resolution No. 637-2020-F applicable to entities regulated by the SEPS, Art. 7 of the RJPM Codification 385-Insurance, Art. 48 of the RJPM Codification 385-Securities and Art. 46 of Resolution No. SCVS-INC-DNCDN-2021-0002-Remittances).

CT355. *Criterion 27.2* – SB, SEPS and SCVS have the power to inspect the ML/TF prevention policies, procedures and mechanisms of FIs under their regulation. (First provision of Resolution No. SB-2020-0550 General provisions of Resolution No. 637-2020-F applicable to entities regulated by the SEPS, Art. 7 of the RJPM Codification 385-Insurance, Art. 48 of the RJPM Codification 385-Securities and Art. 46 of Resolution No. SCVS-INC-DNCDN-2021-0002-Remittances).

CT356. *Criterion 27.3* – The SB has the power to request information at any time from any entity subject to its control, within the scope of its competence. (Art. 63 of the COMF). In the case of the SEPS, one of its functions is to monitor compliance of entities with regulations through off-site and on-site supervision, without any restriction (Art. 62.7 and 74 of the COMF), so it is implicit that it may request relevant information. And if any FI does not deliver the information it may incur in a very serious infraction as provided in paragraph 13 of Art. 261 of the COMF. As regards SCVS, according to Art. 46 of Resolution No. SCVS-INC-DNCDN-2022-0002 among its control faculties, it establishes the review of documents and the review of compliance processes of ML prevention that entities are applying.

CT357. *Criterion 27.4* – The SB and SEPS is authorised to impose sanctions under the COMF (Art. 62 and 74 applicable to SEPS) and may impose 3 types of infractions for non-compliance (Art. 264 of the COMF).

- For very serious violations, a fine of up to 0.01% of the assets of the offending entity and/or the removal of the administrators and/or the revocation of the authorizations;
- For serious violations, fines of up to 0.005% of the assets of the offending entity and/or the suspension of the administrators for up to ninety (90) days and/or warning; and,
- For minor infractions, fines of up to 0.001% of the assets of the offending entity and/or written warning (...).

CT358. Particularly, with respect to FIs regulated by the SEPS, there are general provisions in Resolution No. 637-2020-F that establish that non-compliance with the provisions of the regulation shall be sanctioned by law.

CT359. For its part, in the case of the securities and insurance sector, the SCVS has the power to sanction the controlled entity, its directors, managers or officers when they violate the laws or

regulations governing its operation, or in cases where they violate statutory provisions or rules and instructions issued by its regulator. The sanctions are: a) To the entities: 1) Warning. 2) Fine. 3) Suspension of authorisation certificates or withdrawal of credentials, as the case may be; and, b) To the directors and administrators of the entity of the private insurance system: 1) Warning. 2) Fine. 3) Removal (Art. 37 of the COMF - General Insurance Law).

Weighting and Conclusion

CT360. All criteria are met. **Recommendation 27 is rated Compliant.**

Recommendation 28 - Regulation and supervision of DNFBPs

CT361. In the 2011 MER of Ecuador, former R. 24 was rated as NC due to the fact that casinos had not been supervised for ML/TF and that the rest of the DNFBPs had not been incorporated into the prevention system, so they had not been supervised either.

CT362. *Criterion 28.1* – **a)** Not applicable. All establishments dedicated to games of chance such as casinos, betting houses, gaming rooms, among others, shall cease their activities as from the entry into force of Executive Decree No. 873. (Art. 1).
b) See literal 28.1 a)
c) See literal 28.1 a)

CT363. *Criterion 28.2* – The SCVS, through the National Department for the Prevention of Money Laundering, is the body empowered to regulate and control non-financial private law legal persons in AML/CFT matters. (Art. 78 of the COMF, Art. 46 of Resolution No. SCVS-INC-DNCDN-2021-0002). The UAFE, for its part, is responsible for the control and supervision of RIs required to submit information, which do not have specific control institutions (Art. 12 of the AML/CFT Law, Art. 44 of Resolution UAFE-DG-2020-0089) (Art. 1 of the Resolutions UAFE-DG-2022-0129 and UAFE-DG-2022-0130).

CT364. *Criterion 28.3* – Natural and legal persons regularly engaged in real estate investment and brokerage, notaries and real estate curators, and dealers in precious metals and stones are subject to AML/CFT monitoring measures by the SCVS and UAFE. (Article 5 of the AML/CFT Law, Art. 78 of the COMF, Art. 46 of Resolution No. SCVS-INC-DNCDN-2021-0002). Pursuant to Article 5 of the AML/CFT Law, the UAFE by resolution may incorporate new reporting institutions, and may request additional information from other natural or legal persons. In this sense, Art. 1 of Resolutions UAFE-DG-2022-0129 and UAFE-DG-2022-0130 incorporates lawyers, other legal professionals, independent accountants and corporate service providers as entities subject to AML/CFT monitoring by the UAFE.

CT365. *Criterion 28.4* – **a)** The National Department for the Prevention of Money Laundering of the SCVS has the power to control compliance with legislation to prevent ML/TF and other crimes of the entities under its regulation, as well as to inspect on-site and off-site, apply sanctions, summon COs to review compliance with AML/CFT processes, among other functions. The UAFE, for its part, shall exercise AML/CFT control and supervision of reporting institutions that do not have specific regulatory institutions (Art. 12 k of the AML/CFT Law and Art. 8 of its Regulations).
b) Art. 5 and 19 of Resolution No. SCVS-INC-DNCDN-2021-0002 and Art. 29 of Resolution UAFE-DG-2020-0089 lay down provisions for the application of CDD policies applicable to partners/shareholders that enable them to establish a risk profile based on their declared assets, to determine whether their financial information is related to the investments made in the entity.

However, there is no evidence that this mechanism prevents criminals, their associates or BO from obtaining professional accreditation or controlling or occupying a managerial position in the DNFBP.
c) The SCVS and the UAFE are empowered to apply sanctions for non-compliance with AML/CFT regulations. (Art. 276 of the COMF, Art. 12 of the AML/CFT Law).

CT366. *Criterion 28.5* – **a)** The SCVS and the UAFE are empowered to develop supervisions in accordance with the analysis of criterion 28.2. However, the frequency and intensity of AML/CFT supervision of DNFBPs is not based on the understanding of ML/TF risks, taking into account the characteristics of DNFBPs, in particular their diversity and number.
b) There is no legal framework establishing that the frequency and intensity of supervisions are based on an understanding of the risk taking into account the ML/TF risk profile of the DNFBPs and the degree of discretion allowed to them under the risk-based approach, when assessing the adequacy of the DNFBPs internal AML/CFT controls, policies and procedures.

Weighting and Conclusion

CT367. Ecuador has a system of AML/CFT regulation and supervision of DNFBPs, although the latter does not appear to have a risk-based approach to determine the frequency and intensity of supervisions. Nor is there any evidence that measures have been adopted to prevent criminals and their associates from obtaining professional accreditation, or from holding a significant or controlling interest, or from holding a management position in the DNFBP. **Recommendation 28 is rated Partially Compliant.**

Recommendation 29 – Financial intelligence units

CT368. During the Third Round of Mutual Evaluations, the country was rated PC in the former Recommendation 26. At the time, the following deficiencies were identified: The mechanism for appointing the main authorities (director and deputy director), reduces its independence and exposes it to possible undue influence outside of technical considerations; vulnerabilities remain in the handling of information and ensuring its confidentiality and reserve; there is a lack of operational co-ordination with several of the supervisors who participate in the prevention system; There is also a lack of information protection in the consultations that could be made to the public or private sector within the framework of the analysis of an operation possibly associated with ML/TF; and no warning signals have been issued to the intervening sectors, nor have they been provided with typologies, trends or statistics on their management. It should be noted that, since then, there have been important reforms to the legislation and to the powers of the UAFE.

CT369. *Criterion 29.1* – Ecuador has an FIU, called the Financial and Economic Analysis Unit (UAFE), which is responsible for acting as a national centre for the reception and analysis of ML/TF suspicious transaction reports and other information related to ML/TF, and for the dissemination of the results of such analysis. The powers and operation of the UAFE are regulated by the AML/CFT Law and its Regulations.

CT370. In particular, Art. 11 of the AML/CFT Law defines the UAFE as the technical entity responsible for the collection of information, reporting, execution of national policies and strategies for the prevention and eradication of ML and financing of crimes. The legislation recognizes its operational, administrative and financial autonomy and coercive jurisdiction under the Ministry of Economic Policy co-ordination.

CT371. *Criterion 29.2* – **a)** According to Art. 11 of the AML/CFT Law, the UAFE is empowered to request and receive, under confidentiality, information on unusual and unjustified economic operations or transactions, to process it, analyse it and, if necessary, submit a report to the FGE, under confidentiality and with due grounds.
b) The AML/CFT Law provides in its Art. 4.c the obligation of RIs to report to the UAFE individual operations and transactions whose amount is equal or greater than USD 10,000 or its equivalent in other currencies, as well as multiple operations and transactions that, together, are equal or greater than such value, when they are carried out for the benefit of the same person and within a period of thirty days. The obligation includes electronic transfers, with their respective messages, throughout the payment chain.

CT372. *Criterion 29.3* – **a)** Art. 12 of the AML/CFT Law provides for the function of the UAFE to request from the RIs the information it considers necessary for the fulfilment of its functions. Likewise, it may request clarifications or additions to the information received.
b) The AML/CFT Law empowers the UAFE to request from the RIs such information as it considers necessary for the fulfilment of its functions, as well as to request clarifications or additions to the information received.
Similarly, the AML/CFT legislation provides broad access to databases and relevant information from other competent authorities. In particular, General Provision No. 4 of the AML/CFT Law sets forth that public sector entities, companies, private organizations, financial institutions and organizations of the popular and solidarity financial sector and natural persons shall be obliged to provide the information required by the UAFE, and may not oppose any confidentiality or reserve.

CT373. In this regard, the regulation establishes that information that is delivered and is subject to secrecy or reserve, will retain its reserved nature and may only be used in the exercise of its legal powers. The UAFE must adopt the necessary internal organizational measures to guarantee its confidentiality and control its proper use.

CT374. Moreover, with regard to the information of public sector institutions that maintain databases, Art. 7 of the Regulations of the AML/CFT Law provides that they have the obligation to facilitate permanently and free of charge access by the UAFE to the information contained in these databases. Reserved information accessed by the Unit shall be treated as such, under the responsibility of the officials of that institution.

CT375. It is worth mentioning that the UAFE has direct and indirect access to the following databases:

Database	**Information contained**	**Direct or indirect access**
Financial and economic analysis unit databases	Transactions reported by reporting institutions that exceed the threshold established by law (USD 10,000.00), proprietary database. It includes financial and DNFBP information	Direct access
Additional information provided by reporting institutions.	Transactions required for processing and analysis.	Indirect access
Public data – secure data	General citizen data (ID number, parents)	Indirect access
Tax reporting for third parties	Commercial activity, start of activities, income statement, ranking of customers and suppliers.	Indirect access

National transit agency database.	Owners and specific characteristics of vehicles	Indirect access
Central Bank of Ecuador / Financial and Economic Analysis Unit	Repository of persons sanctioned by the UN, list of politically exposed persons and list of sentenced persons in Ecuador	Direct access

CT376. In addition, it has signed inter-institutional cooperation agreements that allow the exchange of information with the FGE, Ministry of Government, Strategic Intelligence Centre, CGE, SENAE, SRI, National Court of Justice, Attorney General's Office, Judiciary Council, Public Sector Real Estate Management Service, Council for Citizen Participation and Social Control, MREMH, National Transit Agency, SB, National Electoral Council, SEPS, Superintendence of Companies, and Ministry of Economic and Social Inclusion (MIES).

CT377. *Criterion 29.4* – **a)** The UAFE has the "Organic Statute of Organizational Management by Processes" (Official Gazette 28, 04-VII-2017, hereinafter "Organic Statute"), which provides for the Operations Analysis Management area, which is responsible for developing operational analysis. In particular, this area has the mission of detecting cases potentially related to ML/TF through the analysis of reports of unusual and unjustified operations and economic transactions and those that exceed the threshold, as well as the strategic analysis of early warnings, generating reports of a reserved nature to be forwarded to the FGE and the Intelligence Secretariat.
b) The UAFE also has a Strategic Analysis Management area, which is responsible for this area. In particular, its mission is to process the referential databases of the reporting institutions, through the generation and analysis of financial and socioeconomic studies that allow the identification of practices, mechanisms, techniques, economic activities and geographic areas linked to the different typologies used in ML/TF.

CT378. *Criterion 29.5* – According to Art. 11 of the AML/CFT Law, the UAFE must disseminate the results of its analysis to the FGE. In addition, it sets forth that it shall collaborate with the FGE and the competent jurisdictional bodies, when they so require, with all the information necessary for the investigation, prosecution and trial of ML and financing of crimes.

CT379. The regulation also provides that, exceptionally and in order to fight organised crime, the UAFE shall meet the information requirements of the SNI, preserving the same confidentiality or secrecy that applies to it.

CT380. On the other hand, Art. 12 of the Law establishes that the UAFE is obliged to send to the FGE the financial intelligence report with the support of the case, as well as the extensions and information requested by the Prosecutor's Office. The UAFE is prohibited to deliver reserved information, under its custody, to third parties. It should also be noted that the STR sent by the RIs is not annexed to the report sent by the FGE, but what is disseminated is the report with the results of the analysis.

CT381. *Criterion 29.6* – **a)** The UAFE has internal rules applicable to the security and confidentiality of information. According to Art. 16 of UAFE's Internal Regulations, UAFE staff has the duty to comply with security measures. Meanwhile, Art. 21 provides that any contravention to the proper handling of information or non-compliance with UAFE's information security policies will be considered a serious offence and will be subject to the sanctioning procedure.
For its part, UAFE has an "Information Security Policy", approved by Resolution UAFE-DG-2018-0065, which establishes the rules and measures corresponding to the access, storage, handling, disclosure and protection of information.

Additionally, the UAFE's Organic Statute provides for an Information Security Management and Technology Administration area, whose mission is to manage information security systems, information and communications technologies, and information technology auditing, to ensure the confidentiality, integrity and availability of information, as well as for the development and maintenance of technological services and equipment.
Finally, Resolution UAFE-DG-2018-0071 provided for the creation of the Information Security Management Committee and the appointment of an Information Security Officer of UAFE.
b) The AML/CFT Law establishes that UAFE officials are obliged to keep secret the information received by reason of their position, as well as the financial analysis tasks performed, even after ten years of having left their functions (Art. 15).
Likewise, the Internal Regulations of the UAFE provide that official information on the institutional development must be kept secret by the officials, servants, workers or personnel who provide their services in the UAFE, their access will be for work purposes and with due authorisation, it will be only for the permitted purposes, according to their powers and responsibilities, refraining from accessing and requesting information that has not been authorised, assigned or permitted (Art. 19).
Furthermore, the Information Security Policies contain provisions related to the prevention of information leakage, and the Directorate of Information Security and Technology Management has technological mechanisms to protect digital information, as well as UAFE's IT assets; in order to prevent attacks by internal and/or external users and information leakage; through the implementation of a DLP (Data Loss Prevention) technological tool.
With respect to information protection, the DSIAT also assigns specific roles and access permissions to each employee of the institution who needs access to the UAFE's technological services or systems, as well as to secure physical spaces through the use of biometric access control systems.
Additionally, the policies provide for the subscription of confidentiality and non-disclosure agreements by the personnel, which are duly legalized and kept in the files of the Directorate of Human Resources Management.
c) The Internal Regulations of the UAFE provide that official information on the institutional development must be kept secret by the officials, servants, workers or personnel who provide their services in the UAFE, their access will be for work purposes and with due authorisation, it will be only for the permitted purposes, according to their powers and responsibilities, refraining from accessing and requesting information that has not been authorised, assigned or permitted (Art. 19).
Likewise, the Information Security Policies specifically refer to access to information, and provide for a section on physical security that establishes authorisation levels for physical access necessary to ensure the security and confidentiality of the information handled in each of the sensitive areas of UAFE. This section seeks to ensure limited access to UAFE's facilities and information, including information technology systems. To this end, UAFE has technological mechanisms such as electronic, electromechanical and digital systems that allow monitoring and restricting access to information.
In particular, there is an information encryption and encoding tool installed in the equipment of the officers belonging to the Operations Analysis Department, which handles sensitive information and requires a more thorough treatment and custody, in order to avoid its deletion or loss.

CT382. *Criterion 29.7* – **a)** The UAFE has the authority and capacity to adequately perform its functions of analysis, reception and transmission of information. Regarding its nature, Article 11 establishes that it is an entity with operational, administrative and financial autonomy and coercive jurisdiction attached to the governing body of Public Finances.

b) The UAFE has the possibility of making agreements or interacting independently with other national competent authorities or foreign counterparts for the exchange of information.
In this sense, Art. 12.d, of the AML/CFT Law recognizes UAFE's power to coordinate, promote and implement cooperation programs with similar international organizations, as well as with related national units to, within the framework of their competencies, exchange general or specific information related to ML and financing of crimes; as well as to execute joint actions through cooperation agreements throughout the national territory.
Likewise, Art. 12.e grants it the function of acting as a national counterpart of international organizations by virtue of the international instruments subscribed by Ecuador. Meanwhile, Art. 25 establishes that the UAFE, based on the principle of reciprocity, will co-operate with its counterparts in other States in the exchange of information on ML/TF.
c) The UAFE is attached to the Ministry of Economy. However, the functions of the UAFE are regulated by a special law (the AML/CFT Law), and are essentially different from those of the agency to which it is attached, and the law itself recognizes its operational, administrative and financial autonomy and coercive jurisdiction.
Within the framework of its autonomy, the UAFE is empowered to hire the personnel it requires, complying only with the provisions of the Organic Law of the Public Service and the Labour Code. The UAFE is empowered to use the allocated budget in accordance with its institutional needs and to acquire goods and services and develop activities in accordance with its mandate.
d) The AML/CFT Law recognizes the UAFE's operational, administrative and financial autonomy and coercive jurisdiction. In principle there are no undue limitations or interferences that may jeopardize its operational independence.

CT383. *Criterion 29.8* – The UAFE has been a member of the Egmont Group since July 31, 2016.

Weighting and Conclusion

CT384. All criteria are met. **Recommendation 29 is rated Compliant.**

Recommendation 30 - Powers of law enforcement and investigative authorities

CT385. During the Third Round of Mutual Evaluations, the country was rated PC in the former Recommendation 27. On that occasion, the deficiencies were identified and are transcribed below: The amendment of the Code of Criminal Procedure to extend the time limits for prosecutorial instructions for ML/TF in cases of flagrante delicto, in view of its complexity and allowing the use of international legal assistance; it is recommended that the country take legislative measures to enable the competent authorities investigating money laundering cases to postpone or suspend the arrest of suspected persons and/or the seizure of money for the purpose of identifying all persons involved, as well as being able to gather more evidence; it is necessary to develop a better system of feedback and exchange of experiences in the arrest and investigation of ML and TF. It should be noted that since then, far-reaching reforms have been made to the criminal and investigative framework.

CT386. *Criterion 30.1* – Law enforcement and investigative authorities in Ecuador are the FGE and the National Police. The FGE is regulated by the Constitution of the Republic of Ecuador (Art. 195), the Organic Code of the Judicial System and the COIP. The FGE is defined as an autonomous body of the Judicial Function, unique and indivisible, which functions in a deconcentrated manner and has administrative, economic and financial autonomy. Among the main functions of the FGE include directing and promoting, ex officio or at the request of a party, the pre-procedural and procedural criminal investigation in cases of public criminal action, and promoting the accusation in the substantiation of the criminal trial.

CT387. The Anti-Money Laundering Unit of the FGE (ULA-FGE) operates within the orbit of the FGE, which was created by Agreement No. 025-FGE-2017. This unit is made up of specialised prosecutorial agents in AML investigations. It has its sole headquarters in the city of Quito, but its investigative scope is national. The ULA-FGE has the mission to lead in an organic and structured way, the criminal investigation in crimes related to ML, and has 5 specialised prosecutors in the matter. There is also a "Specialised Investigation Unit against Money Laundering", derived from the illicit trafficking of controlled substances. This unit is composed of 1 prosecutor and was created in 2020 as part of an agreement signed between the FGE, the Ministry of Government, the UAFE and the Drug Enforcement Agency (DEA) of the United States of America.

CT388. With regard to TF, the FGE has the National Specialised Unit for Investigation against Transnational organised Crime (UNIDOT). This unit was created through Resolution No. 05-FGE-2018, has national jurisdiction and headquarters in Quito, and is dedicated to the investigation and criminal prosecution of crimes related to organised crime, terrorism and its financing, large-scale illicit trafficking of scheduled controlled substances, whether national or transnational, those crimes whose perpetration comes from a national or transnational criminal organisation; and others that are assigned by the Attorney General of the State.

CT389. The National Police is regulated by the Constitution of the Republic of Ecuador (Art. 163), the Organic Code of Public Security and Public Order Entities and the Organic Statute of Organizational Management by Processes of the National Police. The NP is defined as a civilian, armed, technical, hierarchical, disciplined, professional and specialised state institution, whose mission is to provide citizen security and public order, and to protect the free exercise of rights and the security of persons within the national territory. The exercise of its functions includes prevention, dissuasion, reaction, legitimate, progressive and proportionate use of force, investigation of infractions and anti-crime intelligence. Its purpose is to safeguard the free exercise of rights, citizen security, internal protection and public order, subject to the governing ministry of citizen security, internal protection and public order.

CT390. With regard to the investigation of ML and TF, the NP has the National Unit for Investigation of Crimes against the Financial and Economic System, which has the task of investigating individuals or criminal organizations, related to crimes against the financial and economic system through investigative actions and operations, in co-ordination with and in compliance with the competent authority. This Unit is under the organizational structure of the National Directorate for the Investigation of Crimes against Corruption. The Unit has 64 police officers nationwide, distributed in its two bases: 51 in the city of Quito and 13 in the city of Guayaquil. The Unit has police officers accredited as financial experts in ML.

CT391. *Criterion 30.2* – Under Ecuador's criminal procedure system, criminal prosecution is the responsibility of the FGE and therefore constitutes a single unit for the substantiation of the criminal investigation. The specialised units of the Public Prosecutor's Office, as well as the police authorities, are empowered to conduct financial investigations (patrimonial investigations). In addition, according to the Organic Statute of Organizational Management by Processes of the National Police, the NP has a Judicial Police Investigation Office, whose mission is to investigate and coordinate inter-institutionally between the prosecutor's office and the investigative subsystem of the NP, to comply with the legal provisions of crime investigation at the regional level. In particular, it must comply with the provisions issued by the prosecutor's office to carry out investigations of common crimes and coordinate investigations with the different subsystems and the prosecutor's office, according to the scope of its competence.

CT392. *Criterion 30.3* – Ecuador has legislation that allows law enforcement authorities to identify, trace and order freezing or precautionary measures on assets related to crimes. These functions fall under the general investigative powers of the FGE, which directs and coordinates the work of the Judicial Police and other relevant investigative authorities. The investigative powers of the FGE are generically defined in the Constitution of the Republic of Ecuador (Art. 195) and are regulated in the COIP and the LOED.

CT393. Regarding criminal investigation, Article 282 of the Organic Code of the Judicial System establishes several measures to identify and collect evidence. Meanwhile, Art. 442 et seq. of the COIP refers to the direction of the criminal investigation by the prosecutor's office. In particular, paragraphs 12 and 14 of Art. 444 recognize the power to order the comprehensive analysis of all evidence that has been collected at the scene of the crime, ensuring its preservation and proper handling, and to order the execution of other investigative procedures it deems necessary.

CT394. Art. 549 of the COIP provides for the possibility of issuing measures such as seizure, confiscation, retention and prohibition of alienation. Additionally, Art. 551 empowers the prosecutor's office to request the adoption of special orders, which consist of precautionary measures aimed at freezing property, funds and other assets owned or linked to or under the direct or indirect control of natural or legal persons.

CT395. Furthermore, in relation to AF, Art. 22 and 23 refer to the asset investigation phase in charge of the FGE, where the functions of identification and location of assets are foreseen. In addition, the LOED enables in its Art. 34 to 36 to request measures prohibiting the disposal, retention and seizure of assets.

CT396. *Criterion 30.4* – Among the competent authorities with powers to investigate illicit acts related to their duties are the SRI and the SNA. Both institutions provide for the development of investigations to determine the existence of a tax or customs offence, correspondingly.

CT397. In particular, the SRI has a Tax Intelligence Department which, among its functions, reports unusual and unjustified operations to the UAFE, maintains a purified and managed ML prevention base, carries out ostensive inter-institutional operations to combat ML and related crimes, among others.

CT398. Meanwhile, the SNA has the National Directorate of the Customs Surveillance Unit, whose mission is to prevent customs crime in the primary and secondary zones; to support the General Directorate in the planning and execution of customs control in its different phases and processes, and to carry out technical investigations leading to the verification of the existence of customs crime.

CT399. It is worth mentioning that the FGE has signed cooperation agreements with other competent authorities to coordinate investigation and support measures in its areas of competence. in particular, agreements have been signed between the FGE and agencies such as the SRI, CGR and UAFE.

CT400. *Criterion 30.5* – Corruption offences are investigated by the FGE with the support of the NP. In this regard, the FGE has a National Specialised Unit for Transparency and Fight against Corruption, which was created by Resolution 002-FGE-2017. This specialised unit reports directly to the office of the Attorney General of the State and constantly reports the status and progress of investigations.

CT401. For its part, the NP has the department of National Management of Investigation of Anti-Corruption Crimes, whose mission is to investigate crimes related to the financial and economic system, against customs administration, development regime and against the efficiency of public administration in co-ordination of the FGE and the competent authority.

Weighting and Conclusion

CT402. All criteria are met. **Recommendation 30 is rated Compliant.**

Recommendation 31 - Powers of law enforcement and investigative authorities

CT403. During the Third Round of Mutual Evaluations, the country was rated LC in the former Recommendation 28. At the time, the following deficiencies were identified: There is a need to generate centralised and safeguarded systems to expedite and secure the obtaining of information necessary for ML and TF investigations.

CT404. *Criterion 31.1* – **a)** LEAs have the possibility of requesting records held by financial institutions, DNFBPs and other natural or legal persons. According to Art. 444 of the COIP, the FGE has the power to order such investigative measures as it deems necessary. In this sense, it is provided that any person must co-operate for the clarification of the truth, according to the prosecutor's discretion. In case of non-compliance, the prosecutor may request the person's appearance with the use of public force. Additionally, Art. 499 provides that the prosecutor may request reports on data contained in records, files, including computer files, which will be evaluated in court.
For its part, Art. 30 of the Organic Code of the Judicial System provides for the principle of collaboration with the judiciary, whereby the institutions of the private sector and any person have the legal duty to assist the judges and comply with their orders issued in the processing and resolution of the proceedings. The persons who, being bound to collaborate, assist and help the organs of the Judiciary, fail to do so without a just cause, shall incur in the crime of contempt of court.
b) The FGE is empowered to search for persons and search premises. These powers are provided for in the COIP. Regarding search and seizure, Articles 480 to 482 apply, which refer to the grounds for proceeding, the scope of the search warrant and the applicable procedure.
c) The FGE is empowered to take witness statements. These powers are provided for in the COIP, specifically in Art. 444 (powers of the prosecutor) and 503 (rules governing the testimony of third parties).
d) The FGE has powers to seize and obtain evidence. These powers are provided for in the COIP. Art. 444 empowers the prosecutor to order the comprehensive analysis of all evidence that has been collected at the scene of the crime, ensuring its preservation and proper handling, and to order the execution of other investigative procedures it deems necessary. Additionally, Art. 557 regulates the seizure of evidence, although there are doubts regarding the scope of the powers to collect any evidentiary information.

CT405. *Criterion 31.2* – The COIP provides for a wide range of investigative techniques that may be deployed by LEAs. The respective references are provided below.
a) Art. 483 of the COIP contemplates the undercover operations technique. he norm establishes that, exceptionally, under the direction of the specialised unit of the Prosecutor's Office, an undercover operation may be planned and executed and agents may be authorised to get involved or enter criminal organizations or groups hiding their official identity, with the objective of identifying the participants, gathering and collecting information, elements for conviction and

evidence useful for the purposes of the investigation. The undercover agent shall be exempt from criminal or civil liability for those crimes in which he/she must incur or which he/she could not prevent, provided that they are a necessary consequence of the development of the investigation and are in due relation to the purpose of the mission.
b) Art. 476 of the COIP contemplates the wiretapping technique. In particular, it provides that the judge will order the tapping of communications or computer data upon a grounded request from the prosecutor when there are indications relevant to the purposes of the investigation.
c) Art. 476 of the COIP contemplates the technique of access to computer data. In particular, it provides that the judge will order the tapping of communications or computer data upon a grounded request from the prosecutor when there are indications relevant to the purposes of the investigation.
The regulation also provides that the prosecutor shall intercept and record computer data being transmitted through telecommunications services such as: fixed, satellite, mobile and wireless telephony, with its voice call services, SMS messages, MMS messages, data transmission and voice over IP, e-mail, social networks, videoconferences, multimedia, among others, when the prosecutor considers it indispensable to prove the existence of an offence or the responsibility of the participants.
On the other hand, Art. 500 of the COIP establishes a series of rules related to digital content and its storage and preservation.
d) Art. 485 of the COIP regulates controlled deliveries. The Art. provides that, for the purpose of identifying and individualizing persons involved in the execution of illicit activities, knowing their plans, avoiding illicit use or preventing and verifying crimes, the prosecution may authorize and allow illicit or suspicious shipments or consignments of both instruments that serve or may serve for the commission of crimes, effects and products of illicit activities and scheduled substances subject to control; or the instruments, objects, species or substances for which they have been totally or partially substituted, leave or enter the national territory and are moved, kept, intercepted or circulated within the territory under the surveillance or control of the competent authority.

CT406. *Criterion 31.3* – **a)** The FGE has powers to identify whether a natural or legal person holds or controls accounts or financial products. On the one hand, in accordance with the COIP, the FGE may request collaboration and reports from any person or entity as necessary. Consequently, it may request information from the reporting institutions that it considers relevant for the purposes of the investigation. On the other hand, the FGE has the power to request collaboration from the UAFE, which must provide all the information necessary for the purposes of investigation, prosecution and trial of ML/TF crimes (Art. 11 of the AML/CFT Law).
b) Criminal procedural legislation does not provide that the person under investigation must be notified in order to identify assets. The identification of assets is carried out through a methodological investigation plan, where public and private institutions that have records in their databases are required to locate the assets of those under investigation. Informal requests are also made through international cooperation networks. It should be noted that the FGE has an area specialised in asset tracing.

CT407. *Criterion 31.4* – The FGE is empowered to request all necessary information from the UAFE. Art. 11 of the AML/CFT Law provides that the UAFE shall collaborate with the FGE and the competent jurisdictional bodies, when they so require, with all the information necessary for the investigation, prosecution and trial of ML/TF.

CT408. Art. 12.f, moreover, provides that the UAFE shall send to the FGE the unusual or unjustified transactions report with the support of the case, as well as the extensions and information requested by the Prosecutor's Office. It must also comply with the rules and

guidelines related to ML established by the FGE as the governing body of the Integral Specialised System of Investigation, Forensic Medicine and Forensic Sciences.

CT409. Additionally, Art. 28 of the Regulations of the AML/CFT Law regulates the scope of the information and reports that the UAFE must submit to the FGE in the exercise of its functions. For its part, Art. 444 of the COIP empowers the prosecutor to order the proceedings it deems necessary within its investigations, which also includes requests for information to the UAFE and these need not necessarily be subject to a prior unusual transactions report.

Weighting and Conclusion

CT410. All criteria are met. **Recommendation 31 is rated Compliant.**

Recommendation 32 - Cash Couriers

CT411. During the Third Round of Mutual Evaluations, the country was rated PC in the former Special Recommendation IX. On that occasion, a series of deficiencies were identified, as follows: The Law only talks about cash; the information collected during the interview is not part of the legal process; 30 days to prove illicit origin is not enough to develop a criminal case; the amount of the maximum fine (30% of the undeclared amount) is not dissuasive enough; and the implementation has improved but the current regime covers only half of the recommendation that has to do with cash.

CT412. *Criterion 32.1* – Ecuador has a declaration regime for the entry and exit of cash by travellers. This regulatory framework is governed by Art. 8 of the AML/CFT Law, the second general provision of the AML/CFT Regulations, Art. 22 of the Regulations for the application of the tax on currency outflows and Resolution No. SENAE-2021-0088-RE (specific manual for entry and exit with cash subject to ML control). Notwithstanding the above, the declaration regime for the entry or exit of cash does not cover bearer negotiable instruments (BNI).

CT413. Regarding the entry or exit by mail or cargo transportation, it is necessary to differentiate the different scenarios: Regarding the entry or import of cash, this is prohibited both by postal means and by cargo (Art. 19 and 20 of Resolution SENAE-DGN-2013-0472-RE, *"Regulations for the exception regimes: 'international postal traffic' and 'accelerated courier or courier'").*

CT414. Regarding the export of foreign currency by postal means, Resolution No. 03-DE-ARCP-2017: Regulations for Postal Services under the Free Competition Regime, expressly prohibits the sending of money in bills, coins, bank bills, or other bearer securities through the postal network (Art. 13 and 14). Notwithstanding the above, there are doubts as to whether there is a regime applicable to the export of money and BNI through containers.

CT415. *Criterion 32.2* – Ecuador has a declaration regime for the entry and exit of cash by travellers that applies to those who transport an amount equal to or greater than USD 10,000, or its equivalent in other currencies. However, in accordance with the above criteria, there are doubts as to whether the regime covers BNIs and transportation by cargo.
a) Not applicable.
b) The declaration system applies to travellers transporting amounts equal to or greater than USD 10,000, or its equivalent in other currencies. Travelers leaving Ecuadorian territory must fill out the document called Andean Migration Card (TAM). Travelers entering Ecuador must complete a customs form called "Customs Registration Form".
c) Not applicable.

CT416. *Criterion 32.3* – Not applicable.

CT417. *Criterion 32.4* – Sections 5.6 and 5.7 of regulation SENAE-MEE-2-3-027-V5 applicable to customs officials involved in these procedures provide for the possibility of detaining the person and conducting an interview and inspection. Additionally, it is established that, if as a consequence of the interview and inspection carried out by the customs authority, it is detected that the person does not declare or declares erroneously or falsely and, if there are indications or elements of conviction of alleged criminal responsibility, the officer specialised in the control of ML must proceed with the retention of the alleged responsible person and seizure of the money.

CT418. *Criterion 32.5* – According to Art. 24 of the AML/CFT Law, the person who does not declare or declares erroneously or falsely before the competent authority the entry or exit of cash, shall be sanctioned by the customs authority with 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 actions in case of the existence of an offence.

CT419. Meanwhile, regulation SENAE-MEE-2-3-027-V5 applicable to customs officials involved in these procedures establishes that, if as a consequence of the interview and inspection carried out by the customs authority, it is detected that the person does not declare or declares erroneously or falsely and, if there are indications or elements of conviction of alleged criminal responsibility, the officer specialised in the control of ML must proceed with the retention of the alleged responsible person and seizure of the money.

CT420. At the same time, he/she must inform the Prosecutor on duty and immediately submit to the National Police the corresponding record of delivery and receipt of the cash.

CT421. Based on the above, it is considered that the fine equivalent to 30% of the undeclared amount is proportionate and dissuasive, except in cases of recidivism.

CT422. *Criterion 32.6* – Art. 27 of the Regulations of the AML/CFT Law provides that public sector institutions that maintain databases are required to provide the UAFE with permanent and free access to the information contained in those databases. Consequently, there is a legal basis for the UAFE to have access to information on declarations of cash receipts and disbursements.

CT423. Likewise, section 5.14 of Resolution SENAE-MEE-2-3-027-V5 establishes that the National Director of the Customs Surveillance Corps must generate a monthly report of declarations and sanctioning procedures of entry and exit with cash of travellers and crew members, to be signed by the Director General, to be subsequently sent to the UAFE.

CT424. *Criterion 32.7* – Art. 16 of the AML/CFT Law provides that the anti-money laundering unit of SENAE must coordinate, promote and implement cooperation and information exchange programs with the UAFE and the Attorney General's Office, for the purpose of executing rapid and efficient joint actions to combat the crime. Likewise, section 5.15 of Resolution SENAE-MEE-2-3-027-V5 provides that SENAE, through the relevant areas, should coordinate, execute and collaborate in control actions for the prevention of ML in an inter-institutional manner, in cases requested by the UAFE.

CT425. Additionally, the country informed that there is an Inter-institutional Cooperation Agreement between the Ministry of Interior and the UAFE (Official Communication No. MDI-CGAJ-2017-0685-OFICIO) that involves the Migration Control Unit. Furthermore, in May 2017,

a protocol was signed for the support of the Armed Forces to the National Customs Service of Ecuador and the National Police in the Control and Prevention of crimes against the Customs Administration, whose main purpose is to establish and optimize legal and timely co-ordination procedures for support operations between these authorities.

CT426. *Criterion 32.8* – Section 5.7 of Resolution SENAE-MEE-2-3-027-V5 provides that if as a consequence of the interview and inspection carried out by the customs authority, it is detected that the person does not declare or declares erroneously or falsely and, if there are indications or elements of conviction of alleged criminal responsibility, the officer specialised in the control of ML must proceed with the retention of the alleged responsible person and seizure of the money. At the same time, the Prosecutor on duty must be informed and immediately submit to the National Police the corresponding record of delivery and receipt of the cash.
a) The regulations provide for the possibility of retaining the money in cases where there are false or erroneous declarations and where there are indications or elements of conviction of presumption of criminal liability. With respect to the possibility of withholding money in cases of suspicion of ML/TF, the country reports that, in the event of the alleged existence of a crime, the arrest of a person and seizure of the evidence of the crime placed in the chain of custody is mandatory and part of the initial procedure until the hearing of flagrancy is held within 24 hours. These powers arise from Art. 211 of the Organic Code of Production, Commerce and Investments, which determines the powers of SENAE.
b) The regulations provide for the possibility of withholding money in cases of false declaration.

CT427. *Criterion 32.9* – Sections 5.13 and 5.14 of Resolution SENAE-MEE-2-3-027-V5 provide for the preparation of weekly (for the National Director of the Customs Surveillance Corps) and monthly (for the UAFE) reports on declarations and sanctioning procedures. This information could be used for international cooperation purposes in accordance with the provisions of R. 36 to 40.
a) The monthly reports that SENAE prepares for the UAFE contain information on declarations.
b) The monthly reports that SENAE prepares for the UAFE contain information on the sanctioning processes opened for false or erroneous declarations.
c) The monthly reports that SENAE prepares for the UAFE contain information on the sanctioning processes opened for false or erroneous declarations, and also indicate if there are criminal investigations.

CT428. *Criterion 32.10* – In accordance with the AML/CFT Law, the use of information is exclusively for purposes of combating ML/TF. In principle, there are no restrictions on commercial payments between countries for goods and services; nor on the free movement of capital.

CT429. *Criterion 32.11* – Those who violate the cash inflow and outflow declaration regime may be subject to penalties of a fine of 30% of the amount of the undeclared or erroneously or falsely declared values (in cases of mere formal violation) and criminal penalties, in case a criminal offence is involved. In the latter case, the precautionary and confiscation measures described in R. 4.

Weighting and Conclusion

CT430. The country has regulations and a system for the declaration of the entry and exit of cash by passengers, which covers all border crossings, whether by land, air, sea or river. The provisions establish the obligation to declare the entry and exit of amounts equal to or greater than USD 10,000 and provide for penalties for offenders. However, doubts remain as to the existence of

mechanisms to control the outflow of cash through containers, the movement of bearer negotiable instruments is not covered by the declaration system, and the fine equivalent to 30% of the amount not declared is not sufficiently proportional and dissuasive in cases of recidivism. It is understood that the deficiencies are of a moderate nature. **Recommendation 32 is rated Partially Compliant.**

Recommendation 33 - Statistics

CT431. In the 2011 MER, former R. 32 was rated LC considering that there was no mechanism to regularly examine the efficiency of the AML/CFT regime, as well as formal statistics of assistance requested or received by supervisors on AML/CFT matters or related matters were not submitted, together with an indication of whether the request was granted or denied.

CT432. *Criterion 33.1* – **a)** Based on the Organic Statute of Organizational Management by Processes of the UAFE the organisation, the agency has the Strategic Direction area, which has the duty to elaborate and submit before the National Assembly an annual report with statistics on the number of STRs and the percentage of them that have been prosecuted (Organic Statute of Organizational Management by Processes of the UAFE, art.10, paragraph 1.1.1.1., subsection f). The country provided documentation with statistics in this regard.
b) According to Resolution No. 001-FGE-2018, the FGE has an area of Statistics and Information Systems Management, which is responsible for designing and managing a statistical information system aimed at contributing to the provision of quantitative information to support institutional management and promote decision-making, among other objectives (Resolution No. 001-FGE 2018 - Comprehensive Reform of the Organic Statute of Organizational Management by Processes of the FGE, Art. 9, paragraph 1.1.1.1.2, subsection c). Additionally, the country provided statistics on proceedings, prosecutions and convictions of ML, and on TF investigations.
c) The country provided information on the INMOBILIAR, which has the mission of managing public sector and seized assets deposited in the institution. It also has the function of maintaining a database of seized and deposited assets (Reform to the organic statute of INMOBILIAR, Art. 10, paragraph 1.2.1.1, subsection j). This task includes the registration of real estate (Art. 1.2.1.1.1) and personal property (Art. 1.2.1.1.2). With respect to real estate seized in criminal proceedings related to ML/TF among other crimes, the INMOBILIAR has the function of preparing an updated database of seized assets (Reform to the organic statute of INMOBILIAR, Art 10, paragraph 1.2.1.1.1, subsection 18). The country provided statistical information on seized and forfeited assets.
d) The country provided information on the organizational statutes of the UAFE and the FGE, which contain areas responsible for preparing statistics in general, including international cooperation. In addition, the country provided statistical information on active and passive MLA requests prepared by the International Cooperation and Affairs Department of the FGE, and also statistics on international cooperation through the Egmont Group's Secure Network, GAFILAT's Asset Recovery Network and other information exchange networks.

Weighting and Conclusion

CT433. All criteria are met. **Recommendation 33 is rated Compliant.**

Recommendation 34 - Guidance and feedback

CT434. In its Third Round MER in 2011, Ecuador was rated PC for former R.25. The report highlighted as weaknesses the lack of issuance or dissemination of general or sector-specific red flags, the country had not published sectoral typologies that would provide feedback to the sectors, and no statistics had been published or disseminated on report management by the UAF.

CT435. *Criterion 34.1* – The Regulations of the AML/CFT law establishes the duty for control bodies to publish on their web pages a guide to the AML/CFT prevention manual (Art. 6). The same document establishes that the UAFE must disseminate AML/CFT information to public and private sector institutions as it deems appropriate (Art. 9). It also provides for the obligation of the UAFE to provide training to RIs. The country provided information on different training and feedback actions carried out by different authorities, aimed at both the public and private sectors.

CT436. Training is offered to the RIs sector and the general public, with training on STRs, warning signals and sectoral feedback actions. Additionally, the UAFE implements a training program called "Ongoing Training School" based on the offer of E-learning training courses.

Weighting and Conclusion

CT437. All criteria are met. **Recommendation 34 is rated Compliant.**

Recommendation 35 – Sanctions

CT438. During the Third-Round evaluation, Ecuador was rated Partially Compliant in the former Recommendation 17. On that occasion, the following deficiencies had been identified: (i) Terrorist financing was not included in the specific regulation of the prevention system of all the reporting institutions under comment, not all the reporting institutions included in the recommendation were effectively supervised, only a small number of the entities required by law to report to the prevention system were included.

CT439. *Criterion 35.1* – The sanctions regime for AML/CFT non-compliance in Ecuador has a dual nature:

CT440. On the one hand, there are criminal sanctions for cases of wilful omission of compliance with the duties of the RIs (Art. 319 of the COIP). This regulation punishes with 6 months to 1 year imprisonment to whoever, being an employee of a reporting institution and being in charge of functions of prevention, detection and control of money laundering, omits to comply with their control obligations foreseen by the Law.

CT441. On the other hand, there is a system of administrative sanctions with respect to noncompliance by the RI. This system of administrative sanctions is structured as follows:

a) Failure to comply with the duties to report to the UAFE transactions equal to or greater than USD 10,000 and to send STRs:

CT442. In these cases, it is the UAFE who sanctions in accordance with Art. 17 to 20 of the AML/CFT Law and the complementary provisions of the Regulations of the AML/CFT Law. The sanctions applicable in these cases are:

- *Failure to report transactions that equal or exceed the threshold of USD 10,000:* Fine of 10 to 20 basic unified salaries (UBS). That is, from USD 4,250 to USD 8,500. In case of late submission of the respective report the fine is from 1 to 10 UBS. That is, from USD 425 to USD 4,250.
- *Non-compliance with the duty to issue STRs or other reports different from the previous case:* Fine of 214 to 30 UBS. That is, from USD 8,925 to USD 12,750.

CT443. The fine is applied proportionally by virtue of net worth, turnover and other parameters provided in the regulations. Likewise, in the event that, despite the fine, the non-compliance persists, the control body will impose on the obligor, as a precautionary measure, the temporary suspension of the operating permit, which will be lifted at the time when the obligation is fulfilled. In case of recurrence within the 12 months following the event that motivated the temporary suspension, the respective control body will impose the sanction of definitive cancellation of the operating authorisation certificate.

b) Non-compliance with obligations related to CDD and other preventive measures:

CT444. In these cases, sanctions are applied by the specific control body under which the RI operates. In the case of RIs without a control body, sanctions are applied by the UAFE.

CT445. With regard to banks, the country reported on Resolution SB-2020-0550, which contains the AML/CFT measures to be provided by the sector, and on the sanctioning framework established by the COMF. In this regard, the COMF provides in Art. 62.6 the power of the SB to sanction natural or legal persons who violate their obligations. Likewise, Art. 261 establishes that non-compliance with internal AML/CFT control measures constitutes a very serious infraction. For its part, Art. sets forth that for very serious violations, a fine of up to 0.01% of the assets of the offending entity and/or the removal of the administrators and/or the revocation of the authorizations; The same article establishes that in no case may a pecuniary sanction for a public, private or popular and solidary financial entity belonging to segment 1 be less than 30 basic unified salaries (USD 12,750). With respect to the other segments of the popular and solidarity financial sector entities, the pecuniary sanction may not be less than 1 unified basic salary (USD 425). In turn, Article 265 provides for different graduation criteria.

CT446. Regarding popular and solidarity economy institutions, Resolution No. 637-2020-F was provided, which contains the AML/CFT measures to be implemented by the subjects of the sector. Likewise, with respect to the corresponding sanctioning regime, ART 276 of the COMF establishes that the competence to sanction infractions of the entities of the popular and solidarity financial sector, their administrators, officers or employees, internal and external auditors, risk rating firms, appraisal experts and others that provide support services to supervision, corresponds to the SEPS. For its part, Resolution No. SEPS-IGT-IGS-IGJ-INSESF-INGINT-0690 of December 10, 2021, which contains the "Control Norm for the Application of Sanctions in the Popular and Solidarity Financial Sector", in its Art. 10 and 11 indicates the sanctions that may be applied by the agency. Sanctions may be applied taking into account the following scale:
a) For very serious violations, up to 0.0075% of the assets. In the event of aggravating circumstances, the sanction will be up to 0.01% and in the case of extenuating circumstances, up to 0.005%;
b) For serious violations, up to 0.0025% of the assets. In the event of aggravating circumstances, the sanction will be up to 0.005% and in the case of extenuating circumstances, up to 0.001 %; and
c) For minor violations, up to 0.00075% of the assets. In the event of aggravating circumstances, the sanction will be up to 0.001% and in the case of extenuating circumstances, up to 0.005%.

CT447. With respect to the securities sector, the country provided the Codification - Resolutions of the Monetary Policy Board No. 385 (Official Gazette Special Edition 44, 24-VII-2017), which contains the AML/CFT obligations to be applied by these reporting institutions. Regarding the sanctioning regime, Art. 208 of the RJPM Codification 385 - Securities empowers the SCVS to apply sanctions in the face of non-compliance by the entities. The sanctioning framework is as follows:

1. Minor infractions, which involve mere delays in complying with formal obligations or non-compliance with other obligations that do not harm the interests of market participants or third parties or do so only slightly, shall be sanctioned alternatively or simultaneously with: 1.1. Written warning; 1.2. A fine of 6 to 12 unified basic salaries;
2. Serious violations, which are those that seriously endanger or seriously harm the interests of market participants or third parties, shall be sanctioned alternatively or simultaneously with: 2.1. a fine of thirteen to two hundred and eight basic unified salaries. In the event that the infraction is related to a transaction in the stock market, the fine shall be up to twenty percent of the value of the transaction, without this fine exceeding the amount of two hundred and eight basic unified salaries, in addition to the return of the commission unduly received, if applicable. 2.2 Temporary disqualification for up to four years to be an officer or member of the JPRMF or the SCVS, to be a director, administrator, auditor or officer of entities that participate in the securities market, representative of bondholders, of securities from securitization processes, of participants in investment funds or member of the oversight committee and the investment committee; 2.3. Temporary suspension for up to one year of the authorisation to participate in the stock market, which implies the suspension of the registration in the Public Registry of the Stock Market for the same period.
3. Very serious violations, which are those that seriously endanger or greatly damage the interests of the participants in the market or of third parties, in violation of the purpose of this Law as defined in Art. 1, shall be sanctioned alternatively or simultaneously with: 3.1. A fine of two hundred and nine up to four hundred and eighteen unified basic salaries. In the event that the infraction is related to a transaction in the stock market, the fine shall be up to 50 percent of the value of the transaction, without this fine exceeding the amount of four hundred and eighteen basic unified salaries, in addition to the return of the commission unduly received, if applicable. 3.2. Indefinite removal from office or function. 3.3. Temporary disqualification for up to ten years to be an officer or member of the Monetary and Financial Policy and Regulation Board, of the Superintendence of Companies, Securities and Insurance, director, administrator, legal representative, auditor, officer or employee of the entities participating in the securities market, representative of bondholders, member of the surveillance committee and of the investment committee. 3.4. Permanent suspension of a shareholder's right to vote, of his or her capacity to be a member of the company's management and control bodies, and prohibition to dispose of the shares. 3.5. Cancellation of the authorisation to participate in the stock market, which implies the automatic dissolution of the offending company and cancellation of its registration in the Public Registry of the Stock Market.

CT448. Notwithstanding the above, the SCVS does not seem to have the power to apply sanctions to entities of the securities sector that fail to comply with the ALA/CFT regulations, since the sanctions regime described above seems to be applicable to the prudential regime.

CT449. Regarding the insurance sector, Art. 37 of the COMF provides for the possibility of sanctioning offenders with warnings, fines and suspension of authorisation certificates or withdrawal of credentials, as the case may be. Art. 40 provides that the fines imposed by the SCVS shall in no case be less than 30 unified basic salaries, nor more than 5% of the sales reported by the offending entity, with the exception of those imposed on employees or officers, which may not be less than three unified basic salaries of the general worker. The sanctions shall be graduated according to the seriousness of the offence, damages caused to third parties, negligence, intentionality, recidivism or any other aggravating or mitigating circumstance.

CT450. With regard to remittance companies and legal persons in the real estate sector and dealers in precious metals and stones, the country submitted Resolution SCVS-INC-DNCDN-2021-0002,

amended by Resolution No. SCVS-INC-DNCDN-2022-0002 dated January 31, 2022, which includes the AML/CFT measures applicable to these sectors and the sanctions for non-compliance. In this regard, Art. 46.6 provides that the SCVS is in charge of sanctioning offenders.

CT451. Regarding the sanctions provided for in the regulation, Articles 44 and 45 establish penalties for compliance officers; and Art. 47 and 48 for the reporting institution. The sanctions are detailed below:

- Art. 44 – Sanctions for compliance officers: they may be sanctioned with: a) Temporary suspension of their functions. b) Cancellation of their position. The temporary suspension shall be up to a maximum of 45 days.
- Art. 45 - Effects of the cancellation of the position: It will determine that the sanctioned person may not exercise these functions in the companies subject to the control of SCVS for a period of one year. In the event of recidivism, he/she shall be permanently disqualified.
- Art. 47 - Sanctions for the RI: The corresponding observation shall be made in the Certificate of Compliance with Obligations issued by the SCVS and in its place, or in addition to that, a fine shall be applied in the cases indicated in Art. 47, paragraphs 1 to 9. The observation in the Certificate of Compliance with Obligations shall be considered a warning signal for the companies with which they carry out any type of commercial operation.
- Art. 48 - Dissolution or intervention: Obstructing or hindering the control and surveillance work of the SCVS, or non-compliance with its resolutions, including these regulations, may be grounds for dissolution of the company and, as the case may be, a report shall be sent to the UAFE, and the competent authorities shall be informed immediately. In the case foreseen in the third paragraph of article 354 of the Companies Law, the company may be declared in a state of intervention.

CT452. Regarding DNFBPs under the supervision of the UAFE (notaries, natural persons in the real estate sector and precious metals and stones), the country provided Resolution UAFE-DG-2020-0089, which contains the AML/CFT obligations to be applied by these reporting institutions. In this sense, Art. 8 of the Regulations of the AML/CFT law empowers UAFE to apply administrative sanctions to RIs that deny or delay the delivery of information to the UAFE and in cases of non-compliance with the AML/CFT manuals of the RIs that must abide by the guidelines established by the UAFE (RES UAFE 2020-0089, Art. 8). However, there is no information on the range of sanctions that may be applied (e.g., warnings, reprimands, fines, suspension or cancellation of licenses of the entity, etc.).

CT453. Based on the above, the following preliminary conclusions may be drawn:

CT454. Regarding sanctions for failure to send STRs, the maximum amount established for fines does not seem to be sufficiently proportional or dissuasive, especially considering the materiality of the most important sectors within the financial system.

CT455. Regarding sanctions applicable to non-compliance with preventive measures other than STRs, it should be noted that in principle financial institutions - except for remittance companies - and DNFBPs under the SCVS are subject to proportional and dissuasive sanctions. However, there is insufficient information on remittance companies and DNFBPs under the authority of the UAFE to determine whether they have a regime of proportional and dissuasive sanctions. Finally, there is a minor deficiency of scope, due to the fact that leasing or financial leasing companies are not included as RIs.

CT456. *Criterion 35.2* – Regarding the securities and fund management sector, Art. 51 of the RJPM 385 - Securities Codification provides for the possibility of sanctioning directors, legal representatives, officers and employees who fail to comply with the respective provisions. Meanwhile, for the insurance sector, Art. 37 and 40 of the COMF provides for the possibility of applying sanctions of reprimand, fine and removal to the directors and administrators of the respective entities. As for the popular and solidarity economy sector, Art. 276 of the COMF and Art. 10 of Resolution No. SEPS-IGT-IGT-IGS-IGJ-INSESF-INGINT-0690 empower the SEPS to apply sanctions to legal representatives, members of the administrative and supervisory boards, officers and employees of the entities of the popular and solidarity financial sector.

CT457. With regard to legal persons in the real estate sector and dealers in precious metals and stones, Resolution SCVS-INC-DNCDN-2021-0002, amended by Resolution No. SCVS-INC-DNCDN-2022-0002, provides for sanctions applicable to compliance officers.

CT458. However, it is not clear that the AML/CFT sanctions system is applicable to directors and senior managers of the banking sector, real estate, remittance companies and dealers in precious metals and stones. Finally, there is a minor deficiency of scope, due to the fact that leasing or financial leasing companies are not included as RIs.

Weighting and Conclusion

CT459. Ecuador has a system of AML/CFT sanctions. However, there are concerns as to the dissuasive and proportional nature of the sanctions applicable to failure to send STRs to the UAFE. Furthermore, there is insufficient information to determine whether remittance companies and DNFBPs under the control of the UAFE have a system of proportional and dissuasive sanctions for non-compliance with preventive measures. Nor is it determined that sanctions are applicable to directors and senior managers of all RIs. Finally, there is a minor deficiency of scope, due to the fact that leasing or financial leasing companies are not included as RIs, although it is of low materiality. **Recommendation 35 is rated Partially Compliant.**

Recommendation 36 - International instruments

CT460. In the 2011 MER, former R. 35 was rated LC. The factor justifying the qualification indicated that some deficiencies persisted regarding the proper application of special investigative techniques and controlled deliveries established in the Vienna and Palermo Convention.

CT461. *Criterion 36.1* – Ecuador has ratified the relevant international conventions to combat ML/TF on the following dates: The UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances was signed on December 20, 1988, and its promulgation published in REGO No. 153, dated November 25, 2005. The TF Convention was subscribed by Ecuador on January 10, 2000, and its promulgation published in the REGO No. 43 of March 19, 2003. The UN Convention against Transnational organised Crime and its Protocols against the Smuggling of Migrants by Land, Sea and Air and to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children (C. Palermo) was signed on December 12, 2000, and its promulgation published in REGO No. 197, dated October 24, 2003. The United Nations Convention against Corruption was subscribed on November 28, 2005, and its promulgation published in REGO No. 166, dated December 15, 2005.

CT462. *Criterion 36.2* – Ecuador has implemented the Vienna Convention, the Palermo Convention and the Merida Convention and the Terrorist Financing Convention through the incorporation of the necessary provisions in its domestic legal system mainly in the COPE,

COMF, ALA/CFT Law, Extradition Law, Constitution of the Republic of Ecuador and Organic Law on asset forfeiture.

Weighting and Conclusion

CT463. All criteria are met. **Recommendation 36 is rated Compliant.**

Recommendation 37 - Mutual legal assistance

CT464. During the Third Round of Mutual Evaluations, the country was rated LC in the former Recommendation 36 and Special Recommendation V. At the time, the following observations were made: Tools in the internal functioning of the AML/CFT system should be improved to facilitate the tracing and seizure of assets at the request of other countries; the prosecutor's office that effectively exercises the activity of assisting the provision of legal assistance should be central authority in a greater number of international instruments; and no rule establishing a mechanism to avoid conflicts of jurisdiction is found in Ecuador's legislation.

CT465. *Criterion 37.1* – In principle, Ecuador has a legal basis that allows it to provide mutual legal assistance in the area of investigations, prosecutions and proceedings related to ML, associated predicate offences and TF.

CT466. Resolution 034-FGE-2021, called "Guidelines on the handling of files and procedures for requests for international criminal assistance", establishes the procedure for the handling of files and procedures for active and passive requests for international criminal assistance, as well as the transfer of noticia criminis and judicial petitions that come to the attention of the International Cooperation and Affairs Department of the FGE.

CT467. Art. 8.2.1 of said guideline refers to passive requests, and establishes that it is the responsibility of the prosecutors to execute, under principles of celerity and efficiency, the request for international judicial assistance that has been delegated to them, in accordance with the domestic legislation in force, and whenever possible, in accordance with the procedures specified in the rogatory by the foreign authority.

CT468. The time limit for the execution of the requested proceedings shall be 3 months, in consideration of the fact that the delay in the execution of the requests may prevent an effective response from the administration of justice in the requesting State. In the event that the execution of the request requires a period longer than the established 3 months, it is foreseen that the prosecutor must request by electronic communication an extension for the same period of time only once.

CT469. Likewise, Resolution No. 019-FGE-2021, called Practical Guide for International Criminal Assistance, established a support document for prosecutors for the purpose of effectively executing passive and active requests.

CT470. Art. 496 of the COIP establishes, in turn, that the country may develop joint investigations with one or more countries or joint investigative bodies to combat transnational organised crime.

CT471. *Criterion 37.2* – The country is a member of the Vienna, Palermo, Merida and TF Conventions, and for the purposes of mutual legal assistance under these instruments has established the FGE as the central authority.

CT472. The FGE is the central authority in 4 multilateral and 26 bilateral conventions. However, there are cases such as the agreements signed with Colombia, Peru and Uruguay, where the central authority is shared with the MRE. However, these instruments also allow for direct communication between the Attorney General's Offices for MLA requests. When there are no applicable agreements, the country applies the principle of international reciprocity.

CT473. The authority that manages the execution of MLA requests is the FGE, through the International Cooperation and Affairs Department (DCAI), which provides advice to prosecutors on how to prepare active requests and is responsible for following up on passive requests.

CT474. The procedure for processing MLA requests is established by Resolution No. 034-FGE-2021, "Guidelines on file management and procedure for requests for international criminal assistance". This procedure provides deadlines and steps for the timely execution of the respective requests. The DCAI has 6 staff members: 1 Director; 3 analysts and 1 assistant and 1 service assistant.

CT475. Moreover, the FGE developed the "International Criminal Assistance Computer Module", which is anchored to the Prosecutorial Proceedings System (SIAF), which allows: To formulate a request for international judicial assistance electronically; to maintain direct communication between the requesting prosecutor and the operational unit of the Central Authority, in this case the DCAI, in order to coordinate a form in accordance with the international instruments under which the request is based and the requirements of the requested country; keep a record that defines dates and response times of the reviews and advice provided by DCAI staff to prosecutors until approval; link the general information of the case under investigation contained in the SIAF for the preparation of the request and the registration of requests for international criminal assistance; to follow up on the execution of both active and passive requests in accordance with the deadlines established in the module (once the deadline has expired, the information of the request in the system appears in red - alert); and, to have statistical data on the type of assistance, requesting country, requested country, crime, year and status of the assistance (completed or pending).

CT476. Without prejudice to the above in relation to the actions of the FGE as the central authority, when requests are not made directly between central authorities, the MRE acts as a diplomatic channel for transmitting requests for active and passive criminal assistance, through the Directorate of International Legal Assistance and Human Mobility. The MRE has procedures for executing requests, and has a case management system for this purpose. However, doubts remain as to whether the MREMH has a procedure or mechanism for prioritizing MLA cases.

CT477. *Criterion 37.3* – In principle, there are no unreasonable or unduly restrictive prohibitions or conditions to provide MLA in the legislation. In fact, Resolution No. 019-FGE-2021 provides that MLA that may be provided by the FGE, under domestic legislation, includes in section 8.2 the obligation of prosecutors to "execute, under principles of speed and efficiency, the request for international legal assistance that has been delegated to it, in accordance with the domestic legislation in force, and whenever possible, in accordance with the procedures specified in the rogatory by the foreign authority".

CT478. *Criterion 37.4* – In principle, there is no indication in the regulations that the MLA may be denied for improper reasons. In this regard, Resolution No. 019-FGE2021, among the obligations of prosecutors, provides the obligation to "deny the execution of the MLA request in the event that the request incurs in the reasons established in the instrument of international legal

cooperation in criminal matters invoked, that is, in the event that the requests are related to investigations of a political nature or that affect the non bis in idem principle; racial, sexual, religious, ideological or social condition; and, sovereignty, security or fundamental public interests".
a) Without prejudice to the above, the "Practical Guide for International Criminal Assistance" of the FGE (approved by Resolution 019-FGE-2021) establishes that assistance may be refused if the request refers to a tax offence. However, it clarifies that assistance will be provided if the offence is committed by an intentionally false statement made orally or in writing, or by an intentional omission to make a statement, for the purpose of concealing income derived from any other offence.
b) In principle there is no possibility of refusing MLA on the grounds of secrecy or confidentiality requirements of financial institutions or DNFBPs.

CT479. *Criterion 37.5* – The FGE has Resolution No. 050-FGE-2018, which establishes the "policy of action to safeguard the confidentiality and limitation to the use of information required within pre-procedural and procedural investigations, through the activation of international criminal assistance". This resolution provides in its Art. 3 that the documentation related to requests for international judicial cooperation constitutes "confidential information". Additionally, Art. 4 establishes that the officials involved in the procedure of receiving, processing and use of confidential information may not disclose it orally, visually, in writing, recorded on magnetic media or in any other tangible form. Art. 4 adds that the Prosecutor requesting international criminal assistance shall maintain the confidentiality of the evidence and information provided by the requested party, unless its release is necessary for the investigation or proceedings described in the request or for other purposes, for which it shall request the corresponding consent or authorisation.

CT480. *Criterion 37.6* – It is not clear whether, in the face of requests that do not involve intrusive or coercive measures, Ecuador may choose to deny MLA based on the principle of dual criminality.

CT481. *Criterion 37.7* – According to Resolution No. 019-FGE-2021, dual criminality is only a requirement for MLA requests related to coercive measures. Although there is no rule expressly stating this, the authorities state that the dual criminality requirement should be considered fulfilled regardless of whether both countries place the offence within the same category of offence or denominate the offence using the same terminology, as long as both countries criminalize the conduct underlying the offence. This statement appears consistent with the broad provision for cooperation provided by the legal system.

CT482. *Criterion 37.8* – **a)** In principle, the powers contemplated in R. 31 may be used to respond to MLA requests. In this regard, Resolution No. 019-FGE-2021 provides that MLA that may be provided by the FGE, under domestic legislation, includes in section 8.2 the obligation of prosecutors to "execute, under principles of speed and efficiency, the request for international legal assistance that has been delegated to it, in accordance with the domestic legislation in force, and whenever possible, in accordance with the procedures specified in the rogatory by the foreign authority".
b) Beyond the above, Art. 496 of the COIP establishes that the country may develop joint investigations with one or more countries or joint investigative bodies to combat transnational organised crime. Likewise, the country has subscribed instruments to execute special investigation techniques within the framework of MLA. For example, the "Protocol of Cooperation on Controlled Deliveries" of the Network of Anti-Drug Prosecutors of Ibero-America (RFAI), formed in the context of the Ibero-American Association of Public Prosecutors

(AIAMP), which establishes the procedure for the exchange of information and mutual assistance for the execution of the controlled delivery technique. Also mentioned are the "Cooperation Agreement between the Member States of the Conference of Ministers of Justice of the Ibero-American Countries (COMJIB) on Joint Investigation Teams, which establishes the requirements and legal regime applicable to the creation and operation of joint investigation teams; and the "Framework Cooperation Agreement between the States Parties of Mercosur and Associated States for the Creation of Joint Investigation Teams".

Weighting and Conclusion

CT483. Ecuador has a legal basis that allows for the rapid provision of a wide range of MLA in relation to investigations, prosecutions and related proceedings for ML, predicate offences and TF. The FGE is the central authority for most of the instruments and has a case management system. However, there are concerns about the processes for prioritisation of MLA requests by the MRE. Additionally, it is not clear whether, in the face of requests that do not involve intrusive or coercive measures, Ecuador may choose to deny MLA based on the principle of dual criminality. Notwithstanding, the deficiencies are minor in relation to the number of elements satisfactorily covered by the Ecuadorian legal framework on MLA. **Recommendation 37 is rated Largely Compliant.**

Recommendation 38 – Mutual legal assistance: freezing and confiscation

CT484. During the Third-Round evaluation, Ecuador was rated Largely Compliant in the former Recommendation 38. On that occasion, the following deficiencies had been identified: (i) Weaknesses in international seizure and confiscation due to the difficulty in locating assets; (ii) absence of confiscation of assets of equivalent value; and (iii) absence of a specific rule on asset sharing.

CT485. *Criterion 38.1* – Within the framework of MLA, the country has the possibility of identifying, freezing and seizing assets in line with the analysis of Recommendation 37 and considering the elements described in Recommendation 4. In this sense, the Ecuadorian legal framework enables the adoption of provisional measures that could be applied at the request of a foreign competent authority. Regarding the criminal investigation, Art. 549 of the COIP provides for the possibility of issuing measures such as seizure, confiscation, retention and prohibition of alienation. Additionally, Art. 551 empowers the FGE to request the adoption of special orders, which consist of precautionary measures aimed at freezing property, funds and other assets owned or linked to or under the direct or indirect control of natural or legal persons.

CT486. In particular, it should be noted that Ecuador has a law on asset forfeiture (LOED) that expressly provides for the possibility of applying its provisions for international cooperation purposes. In this regard, Art. 59 of the LOED establishes that the provisions of the law shall be applicable in all international judicial cooperation procedures in the investigation, localization, identification, assignment and processing of actions for purposes of confiscation, recovery of assets, extinction of ownership or any other similar legal institution, for which the principle of reciprocity shall be applied.

CT487. Art. 61 of the LOED provides that the FGE shall act expeditiously in responding to requests for international legal assistance on illicit assets sought by other States and which are in the national territory. Once the duly motivated request for international judicial assistance has been submitted, the Attorney General of the State, or whoever he/she designates for the purpose, may adopt precautionary measures on property or order the acts of investigation that are required,

provided that the procedures are contemplated in the national legal system and are not contrary to the Constitution or to the exceptions contained in the instruments of international judicial cooperation invoked for their applicability.

CT488. Finally, Art. 62 provides for provisions on the recognition and enforcement of forfeiture or similar judgments on assets found in the national territory issued by foreign judicial authorities and which are sought by means of international judicial cooperation.

a) Laundered assets may be subject to precautionary measures and also confiscation, in accordance with the analysis of R. 4 criterion 1.a.
b) The proceeds of crime may be subject to provisional measures and also to confiscation, in accordance with the analysis of R. 4 criterion 1.b
c) Proceeds of crime may be subject to precautionary measures and also confiscation, in accordance with the analysis of R. 4 criteria 1.b and c.
d) Instrumentalities intended to be used for the commission of offences may also be subject to provisional measures and also to confiscation, in accordance with the analysis of R 4 criteria 1.b and c.
e) Property of corresponding value may be subject to precautionary measures and also confiscation, in accordance with the analysis of R. 4 criterion 1.d.

CT489. *Criterion 38.2* – Ecuador has the authority to provide assistance to cooperation requests made on the basis of non-conviction-based forfeiture proceedings and related provisional measures. In this regard, Ecuador has the institution of asset forfeiture, and the LOED specifically addresses aspects related to MLA.

CT490. Art. 58 of the LOED establishes that the procedure of asset forfeiture shall serve to comply with the obligations of any form of judicial, criminal, police or administrative cooperation, under the application of the reciprocity principle, according to the procedures established in the conventions, treaties or agreements subscribed, ratified by Ecuador, or by virtue of any other instrument of international legal cooperation subscribed by any national authority or that is propitiated by virtue of cooperation networks between homologous authorities of both States.

CT491. For its part, Art. 59 of the LOED sets forth that the provisions of said law shall be applicable in all international judicial cooperation procedures in the investigation, localization, identification, assignment and processing of actions for purposes of confiscation, recovery of assets, extinction of ownership or any other similar legal institution, for which the principle of reciprocity shall be applied.

CT492. According to the LOED, the asset forfeiture is applicable in the following cases:
a) The good or goods originating, directly or indirectly, from an (illicit) activity.
b) The good or goods corresponding to the material object of the unlawful activity.
c) The good or goods that originate from the partial or total, physical or legal transformation or conversion of the product, instrument or material object of unlawful activities.
d) The good or goods that are part of or constitute an unsubstantiated increase in its patrimony, when there are facts or circumstances that allow determining that they come from illicit activities, directly or indirectly.
e) The good or goods that have been used as a means or instrument for the execution of illicit activities.

f) The good or goods that, according to the circumstances in which they were found, or their particular characteristics, allow to establish that they are intended for the execution of illicit activities.
g) The good or goods of licit origin, materially or legally mixed up with goods of illicit or unjustified origin or illicit destination.
h) Those that constitute income, rents, profits, gains and other benefits derived from the aforementioned assets related to illicit activities.
i) When the assets used in the commission of unlawful activities have been abandoned, provided that they do not belong to a bona fide third party.
j) The good or goods of the inheritance or the goods coming from a gratuitous act between living persons, when they have been the product of illicit activities.
k) When the goods, profits, proceeds or gains come from the alienation or exchange of others that are presumed to have their origin, directly or indirectly, in illicit activities (...).

CT493. *Criterion 38.3* – Ecuador has legislation that allows it to coordinate seizure and confiscation actions with other countries. Art. 61 of the LOED provides that the FGE shall act expeditiously in responding to requests for international legal assistance on illicit assets sought by other States and which are in the national territory. Once the request for international judicial assistance has been submitted, duly grounded, the FGE may adopt precautionary measures on property or order the acts of investigation that may be required.

CT494. Moreover, the country has mechanisms to manage and dispose of seized and confiscated assets. Decree 503 regulates the "Public Sector Real Estate Management Service". The regulation in question establishes the Technical Secretariat for Public Sector Real Estate Management (INMOBILIAR), as a public law entity, under the Presidency of the Republic, with legal personality, administrative, operational and financial autonomy and national jurisdiction, with its main office in the city of Quito.

CT495. This authority is responsible for coordinating, managing, administering, monitoring, controlling and evaluating the assets of the public sector and the assets provided for by the current legal system, which includes the powers to dispose, distribute, custody, use, alienate, as well as to dispose of their discharge and cancellation, in addition to the specific powers and responsibilities derived from other legal instruments.

CT496. It is also the entity created for the deposit, custody, safekeeping and administration of seized goods and other assets. Art. 6 of the Decree provides that INMOBILIAR is responsible for the deposit, custody, safekeeping, administration and control of goods and other assets seized in any criminal proceeding.

CT497. For its part, the LOED foresees in its Art. 65 that said asset management entity also assumes the management of real and personal property, cash, national and international investments, and other financial or stock market products on which the precautionary measures and judicial sentences of asset forfeiture are based.

CT498. *Criterion 38.4* – The LOED, which is applicable to asset recovery cooperation and MLA, contains a provision relating to the sharing of assets with other countries. In this regard, Art. 63 provides that, by virtue of reciprocal international cooperation through treaties, conventions or agreements signed, approved and ratified by the Ecuadorian State, the assets resulting from the asset forfeiture, which are the subject of a final judgment issued by a national or foreign authority, may be distributed or shared, with the exception of the recovery of public funds. However, it is

not clear whether the sharing of assets is also applicable in cases of confiscated assets beyond the provisions of the LOED.

Weighting and Conclusion

CT499. Ecuador may respond to MLA requests to identify, freeze, seize or forfeit laundered property derived from, proceeds of, instrumentalities used in, or instrumentalities intended for use in, money laundering, predicate offences or terrorist financing; or property of corresponding value. It may also provide assistance to requests made on the basis of non-conviction-based forfeiture proceedings, in which case it may share property. However, it is unclear whether this power also extends to confiscated property. **Recommendation 38 is rated Largely Compliant.**

Recommendation 39 – Extradition

CT500. In the 2011 MER, former R. 39 was rated LC, considering that the possibility of absence of punishment in the case of a crime committed by an Ecuadorian citizen and that no crime has been committed in Ecuador was verified.

CT501. *Criterion 39.1* – **a)** Ecuadorian legislation establishes that extradition may be granted for crimes for which Ecuadorian laws and those of the requesting State stipulate a penalty of imprisonment of not less than one year in its maximum degree and when the purpose of the request is to serve a sentence of not less than one year of imprisonment for crimes defined in Ecuadorian legislation (Extradition Law, Art. 2).
In the case of ML, the minimum penalty is one year of imprisonment (Organic Criminal Integral Code, article 317) and in TF it has a minimum penalty of seven years (Organic Criminal Integral Code, article 367), therefore both crimes are extraditable offences. Additionally, without prejudice to the above mentioned, Article 2 of the Extradition Law establishes that the extradition may include crimes with a penalty of less than one year of deprivation of liberty.
Doubts are generated regarding the speed of the process in view of the fact that it includes a significant number of stages and in certain cases the stipulated deadlines are not indicated in the law, although in practice extradition requests are substantiated in a timely manner.
b) Ecuador has a specific law regulating the extradition process. Chapter II of the Extradition Law establishes the process for handling passive extradition requests. It designates intervening actors, responsibilities and requirements for the presentation of requests, their analysis and resolution. Likewise, Article 8 determines the procedure for action in cases of urgency. Notwithstanding the detailed process, the process does not have clearly established deadlines for some key instances. No deadline is established for the MRE to analyse the documentation received in the framework of the request (Art. 9), no deadline is established for the government authority to send the file under the terms of Art. 10, and no deadline is established for setting the place and date of surrender of the person whose extradition has been requested (Art. 18).
The regulations provided by the country also describe the procedure for active requests from Ecuador (Extradition Act, Art. 22 et seq.). As in the case of passive extradition, the process does not have time limits for the completion of the various stages. No time limit is established for the President of the Supreme Court of Justice to decide whether or not the extradition is appropriate (Art. 24), nor for the MRE to initiate the necessary steps to make the extradition request (Art. 26), nor is there any indication of the actions to be taken in case the extradition is authorised by the other State.

Moreover, although there is a process for prioritizing the granting of the extradition request in the event that more than one country requests it for the same person (Art 15), there is no prioritisation process for the treatment of extradition requests in general when more than one is made concurrently.
Finally, it should be noted that in the information provided by the country there is no case management system.
c) Based on the information provided by the country, it is observed that the regulatory framework of Ecuador does not present unreasonable or undue restrictive conditions to the execution of extradition requests.

CT502. *Criterion 39.2* – **a)** Article 79 of the Constitution of the Republic of Ecuador establishes that in no case shall the extradition of an Ecuadorian national be granted, his or her prosecution shall be subject to the laws of Ecuador. In the same sense, article 2 of the Extradition Law states that extradition may be granted within the limits set forth in the Constitution and article 4 refers to the provisions of the Constitution.
b) Considering that the Constitution of the Republic of Ecuador limits the extradition of its citizens, article 4 of the Extradition Law refers that it will be judged subject to the laws of Ecuador. However, the information provided by the country does not identify the internal procedure to be followed to send the case to its competent authorities in order to convict the crimes contained in the extradition request.

CT503. *Criterion 39.3* – The Extradition Law of Ecuador considers the requirement of dual criminality when defining the instances in which passive extradition applies in its Art. 2. As noted above, it is established that passive extradition shall apply when the laws of the requesting State and Ecuadorian laws assign a maximum penalty of not less than one year of imprisonment and, when the extradition is for the purpose of serving a sentence of not less than one year of imprisonment for a crime criminalized in Ecuador. However, the same article establishes that extradition may be granted for crimes with a lower penalty than the above mentioned, so it is understood that all crimes typified in Ecuador are subject to extradition.

CT504. *Criterion 39.4* – Ecuadorian legislation provides for a simplified extradition process in line with criterion 39.4 and is regulated in Article 8 of the extradition law.

Weighting and Conclusion

CT505. Ecuador has an extradition regime that to a large extent addresses the requirements of the standard. Nevertheless, there are some deficiencies that, given the characteristics of the Ecuadorian system, do not have a significant weight, especially if one considers the cooperative nature of the country in this area and also that in practice it grants extraditions in a timely manner. In particular, there are no defined deadlines for each phase of the extradition process, and there is no system for case management and prioritisation when appropriate. Additionally, the country does not have an internal procedure for the purpose of having the competent authorities convict the crimes contained in extradition requests of its citizens. Based on the above, **Recommendation 39 is rated as Largely Compliant.**

Recommendation 40 - Other forms of international cooperation

CT506. In its 2011 MER, Ecuador was rated PC for former R.40. It was recommended that the agreements signed by the RIs' supervisors be modified to expressly include the possibility of exchanging information with other supervisors on AML/CFT matters. Additionally, the importance of speeding up the procedures to join the Egmont Group was pointed out.

CT507. *Criterion 40.1* – The main competent authorities are able to provide a wide range of international cooperation in AML/CFT matters and with respect to predicate offences, as described in subsequent sections. This includes spontaneous exchanges and upon request. Notwithstanding, there is no evidence that all authorities are able to co-operate promptly.

CT508. It should be noted that, beyond the particular aspects of each entity, Ecuador is required to provide the greatest possible assistance with regard to AML/CFT investigations and prosecutions under the United Nations Convention against Transnational organised Crime, Palermo Convention (Art. 12) and the International Convention for the Suppression of TF (Art. 18), to which the country is a member.

CT509. *Criterion 40.2* – **a)** The UAFE is empowered by the AML/CFT Law to carry out cooperation programs with similar bodies, exchange general and specific information on ML/TF matters and execute cooperation agreements (Art. 12). Additionally, the UAFE is part of the Egmont Group and uses its secure network for the exchange of information between FIUs.
Meanwhile, the FGE has the power to forward, spontaneously and proactively, information on allegedly punishable acts in other countries to foreign competent authorities (Resolution No. 019-FGE-2021, Art. 7). These provisions enable the exchange of information on AML/CFT matters.
SENAE is empowered by the Organic Code of Production, Commerce and Investments, Art. 211, paragraph f, to coordinate activities and exchange information with foreign institutions. For its part, the country stated that the SRI is empowered to exchange information based on more than 20 bilateral agreements and 3 multilateral cooperation agreements. With regard to the CIES, the State Public Security Law establishes in Article 15, paragraph c, the function of co-ordination and articulation of activities both with institutions at the national level and with intelligence institutions of other States. Finally, the country informed that the NP is empowered to offer cooperation and exchange information through international INTERPOL membership agreements.
With respect to the SB, the regulations provide for the possibility of signing agreements with foreign competent authorities, and the country provided bilateral agreements that the SB signed for the exchange of information with its counterparts.
Regarding the SCVS, it is empowered to share information with foreign authorities based on Art. 10, paragraph 25 of Book II of the COMF.
b) Under the AML/CFT Law, the functions of the UAFE include promoting and implementing international cooperation programs with similar bodies to exchange general and specific information on ML/TF matters within the framework of their competencies, and to carry out joint actions through agreements (Art. 12, paragraph d and 25). It also has the power to act as a counterpart under international instruments signed by Ecuador (Art. 12, paragraph e). The UAFE has the EGMONT information management manual which establishes the procedure and means through which the exchange of information between this institution and its foreign counterparts must be carried out. Specifically, it regulates the use and access to the EGMONT platform. Based on the above, it is concluded that it is empowered to use the most efficient means to co-operate.
For its part, the country notes that the FGE has signed the AIAMP. This agreement, in its third clause, establishes the communication channels prioritizing those that allow the transfer of data electronically. Additionally, the FGE, through its Anti-Money Laundering Unit, is part of the GAFILAT Asset Recovery Network (RRAG), which is a suitable channel for the exchange of information with foreign counterparts.
The country noted that the SRI has an instruction for operational management that regulates the international exchange of information upon request and spontaneously. These instructions refer to the use of physical and digital media and encrypted data transmission.

In the case of the SB, the means for the exchange of information are included in the respective cooperation agreements signed between the institution and its foreign counterparts. This situation was corroborated in the agreements submitted by the country.
In relation to the NP, it is part of Interpol, Ameripol and the Asset Recovery Network of GAFILAT, so it has the possibility of exchanging information through these fast and efficient channels.
CIES is a member of the TEZKA intelligence network that includes more than 22 jurisdictions and has access to its information exchange and cooperation protocols. SENAE is part of WCO and the IRS is a member of the Global Forum on Transparency and Exchange of Information for Tax Purposes, both authorities provide and receive international cooperation through these institutions.
There is no information available to corroborate that the SCVS is authorised to use the most efficient means to co-operate.
c) The UAFE uses the mechanisms and secure channels of the EGMONT Group for the exchange of information with its foreign counterparts.
The agency has procedures for the exchange of information with its foreign counterparts. Such procedures are regulated in Res. No UAFE-DG-2017, which provides that the exchange of information may be in response to a request (Chapter IV) or sent spontaneously (Chapter V).
In the same regard, both the UAFE and the FGE and NP have designated points of contact within the framework of the RRAG. Ecuador is a member of AMERIPOL with participation through the NP and is also a member of INTERPOL. The FGE and the NP exchange information through the latter. The FGE participates in REMPM, AIAMP and IberRed.
In addition, the UAFE has signed memorandums of understanding with a large number of counterpart FIUs with the aim of establishing channels for the exchange of information. In the same sense, the SB has mechanisms for the exchange of information based on bilateral agreements signed for such purposes. These were provided by the country for identification: (https://www.superbancos.gob.ec/bancos/convenios-con-organismos-internacionales/).
The SRI exchanges information through the Global Forum on Transparency and Exchange of Information for Tax Purposes and the SENAE does the same as a member of the WCO.
The information provided by the country does not evidence the existence of a mechanism or specific channels for the exchange of information in which the SCVS participates.
Through Resolution No. 019-FGE-202, the FGE approved a Practical Guide for international criminal assistance which is a support document for prosecutors to guide the course of passive and active requests that provides guidance on the use of channels for the transmission of information.
d) The country informed that there are parameters to categorize the requests for information received by the UAFE, and that it applies the standard procedures of the EGMONT Group for information management. In the same sense, the FGE has a guideline document on the management of files and procedures for ICA requests, which addresses the prioritisation of the execution of requests. Finally, the country stated that the prioritisation system that applies to the SB should be regulated in each of the cooperation agreements signed by the agency.
There is no information available to identify prioritisation processes for the execution of requests that apply to the other national authorities.
e) In the case of the UAFE, the country reported that it has procedures for safeguarding information that involve the destruction or elimination of all physical or digital evidence as established in the Manual for the treatment of information on the EGMONT platform (UAFE-DG-S-2017-001, Art. 15).
Through Resolution No. 019-FGE-202, the FGE approved a Practical Guide for international criminal assistance which is a support document for prosecutors effectively follow up on passive and active requests that provides guidance on the use of channels for the transmission of

information. Additionally, Article 4 of Res. 050-FGE-2018 prohibits officials from disclosing information.
The country reports that the NP has the duty to maintain confidentiality for all its investigative processes in line with the COIP (Art. 584). In the same sense, any database of Ecuador's SENAE must be protected (Organic Code of Production, Trade and Investment, Art. 255). The country also indicated that the SRI complies with OECD regulations and ISO 27000 standards on information security.
In the case of the SB, the institution has an Information Security Management Manual with the objective of maintaining the confidentiality, availability and integrity of its information assets. Regarding the SCVS, no clear processes are identified for safeguarding the information received.

CT510. *Criterion 40.3* – The UAFE has among its responsibilities the validation and supervision of international cooperation agreements with other FIUs (Resolution No UAFE-DGVR20170017, Art. 10, paragraph 1.2.1.1, subsection a). It also has the power to prepare draft agreements with international organizations on AML/CFT matters (Resolution No. UAFE-DGVR20170017, Art. 10, paragraph 1.3.1.3, subsection c). The country provided an extensive list of 25 agreements signed by the UAFE with foreign counterparts.

CT511. As for the SB, it has the power to execute legal agreements through its Superintendent (COMF, art 69, paragraph 4). Based on this power, the agency has signed cooperation agreements with Mexico, Brazil, Cayman Islands, Uruguay, Guatemala, Costa Rica, Colombia, Panama, Nicaragua, Curacao, Peru and the U.S. Treasury Department.

CT512. Regarding the FGE, the information provided by the country indicates that this institution has the power to sign agreements and memorandums of understanding with foreign counterparts. In this regard, the country reports that the FGE entered into 34 instruments with counterpart entities for the exchange of information.

CT513. The Organic Statute of Management by Process of the SNA regulates the attributions of the international relationship of the SNA. In this regard, although the institution does not have the power to sign agreements, it may propose and prepare international projects and treaties on customs matters (paragraph 6.5.3.1.3, subsection c). The COMF in its book II, Art. 10, paragraph 22 the SCVS has the power to sign cooperation agreements with other international organizations.

CT514. In the case of the NP, the country indicated that it may do so through the Ministry of Government according to the Constitution (Art. 154, paragraph 1). This article indicates the power of the ministers to exercise the steering role of public policies in the area under their responsibility and to issue the agreements and administrative resolutions required for their management.

CT515. *Criterion 40.4* – The SRI has an instruction that regulates the exchange of information at the international level for tax purposes, both spontaneously and upon request, which contemplates the duty to provide feedback. In the case of the SB and the SCVS, although there is no specific regulation governing the feedback process, this obligation may be included in the agreements signed by the institutions. In the case of the UAFE, the duty to provide feedback on information sent and received is regulated in Chapter VI of Resolution 2022-132.

CT516. The SENAE has no documentation regulating the obligation to provide feedback in terms of this criterion.

CT517. *Criterion 40.5* – **a)** There is no evidence, in general, that the applicable legislation for international cooperation contemplates unreasonable, undue or very restrictive conditions for the

exchange of information and provision of assistance, specially: (a) It is not noticed that FIs and DNFBPs can be excused in secrecy or confidentiality laws for not providing information; (b) It is not verified that the country can be excused in the existence of a preliminary investigation, investigation or proceeding in progress to deny information and; (c) It is not noticed that the country can be excused because the nature or condition of the requesting authority of the counterpart differs from its foreign counterpart.
However, it is verified that the Practical Guide for ICA issued by the FGE states on page 45 that assistance may be refused if the request refers to a tax offence, however, assistance may be provided if the offence is committed by an intentionally false declaration or by an intentional omission of declaration, with the purpose of concealing income from any other offence. The country noted that assistance may be refused when the request for assistance relates to the following measures: a) seizure and sequestration of property; and b) inspections and seizures, including house searches and raids, in accordance with international instruments of international judicial cooperation.
b) In general, there is no evidence that the legislation applicable to international cooperation contemplates the rejection of a request for assistance based on regulatory requirements for FIs or DNFBPs to maintain secrecy or confidentiality.
c) In general, there is no evidence that the legislation applicable to international cooperation contemplates the rejection of a request for assistance based on the existence of a preliminary investigation, investigation or proceeding in progress in the requested country.
d) In general, there is no evidence that the legislation applicable to international cooperation contemplates the rejection of a request for assistance on the grounds that the nature or status of the requesting authority of the counterpart differs from that of the foreign counterpart.

CT518. *Criterion 40.6* – The UAFE is a member of the Egmont Group and applies the Egmont Group's Best Practice Principles on information exchange.

CT519. With specific regard to the FGE, there are regulations that govern the treatment of information obtained as a result of the ICA. It states that the information obtained in this framework may not be used for purposes other than those indicated in the request (Resolution No. 050-FGE-2018, Art. 5). In the event that it is required for cases other than the original ones, the prosecutor must request authorisation from the central authority of the requested party as indicated in the aforementioned article.

CT520. In the case of the SRI, according to the Multilateral Convention on Mutual Administrative Assistance in Tax Matters (CCAM), Art. 22, paragraph 4, to which Ecuador adheres, although the information that this authority exchanges cannot be used for purposes other than tax, an exception applies when the information can be used for other purposes in accordance with the laws of both jurisdictions and when the authority that provides the information gives its consent. However, it is worth mentioning that Ecuador has not received or sent requests for use for other purposes in application of the Multilateral Convention or any other international instrument in force. Likewise, the information that comes from an exchange of information with other countries is considered reserved, so it would not be made available to other authorities, in accordance with Resolution No. NAC-DGERCGC10-00694 of the SRI in its Article 1.

CT521. In the case of the SB, the country reported that the cooperation and information exchange agreements signed by the authority state that it will be used only for the purposes requested and that the information exchanged must be used for the purposes for which it was requested, within the legal and regulatory principles of each member state and observing the principle of confidentiality. It is worth mentioning that the country indicated that the officers and employees

of the SB maintain confidentiality agreements on the information that will come into their possession due to the exercise of their functions.

CT522. Regarding the National Police, Article 584 of the COIP establishes that the actions of the Prosecutor's Office, the judge, the personnel of the Specialised Integral System of Investigation, Legal Medicine and Forensic Sciences, the National Police and other institutions involved in the preliminary investigation shall be kept confidential, without prejudice to the right of the victim and the persons under investigation and their lawyers to have immediate, effective and sufficient access to the investigations, when they request it.

CT523. Regarding the SCVS and SENAE, it is not evident in this instance that they have controls and safeguards to ensure that the information received is used only for authorised purposes.

CT524. *Criterion 40.7* – Pursuant to Resolution No. 050-FGE-2018, the FGE is prohibited from disclosing information received under multilateral, bilateral or MOU agreements signed by Ecuador. In case the release is necessary for an investigation or proceeding for purposes other than the original request, the consent of the Requested Party must be sought (Art. 4).

CT525. The authorities of the UAFE are required to maintain secrecy on the information received by virtue of their position. This includes information received as a result of the exchange of information with foreign authorities (Art. 15 of the AML/CFT Law). In the same sense, this authority has a Manual for the treatment of information received within the framework of the Egmont Group (UAFE-DG-S-2017-001) where security measures and confidentiality of information are established.

CT526. According to Art. 225 of the Organic Code of Production, Trade and Investment, all the content of SENAE's databases is protected information, unauthorized access or misuse of the information contained therein, could lead to sanctions as established in the criminal code. The country also informed that SENAE officials must sign confidentiality agreements. The evaluation team was also informed that the international instruments that apply to the SRI signed by Ecuador apply confidentiality provisions based on the OECD models. Additionally, the SRI has regulated the treatment of confidentiality and reserve of the information received in the framework of an international treaty through the Instructions for the Operational Management of the automatic international exchange of information of financial accounts of non-residents. The general confidentiality criteria of these authorities are eventually applied to the information received within the framework of international cooperation.

CT527. As in previous criteria, the country reported that the agreements signed by the SB apply confidentiality clauses. In the case of the SCVS, Article 10 of the Securities Market Law establishes its attributions, indicating that information to foreign authorities may only be delivered in accordance with the terms of authorised uses and confidentiality indicated in bilateral or multilateral cooperation agreements, and in no case shall it include information declared reserved for national security reasons. Notwithstanding the above, no measures have been identified to safeguard the confidentiality of the information.

CT528. Regarding the UAFE, Art. 26 of Resolution 2022-132 states the possibility for the authority to reject a request for information. The information provided did not allow identifying provisions regarding the confidentiality of information received in the framework of international cooperation for the other authorities included in the criterion. Likewise, it was not possible to ascertain the treatment to be given by the Ecuadorian authorities to requests made by competent authorities that cannot guarantee the effective protection of the information.

CT529. *Criterion 40.8* – The NP and the FGE may make use of protocols of different networks and agencies of which it is part to apply investigative techniques and obtain information on behalf of its foreign counterpart as long as they are not contrary to domestic legislation.

CT530. With respect to cases of the UAFE, it should be clarified that the country stated that the agency does not carry out investigations since it is an operational, financial and administrative FIU.

CT531. *Criterion 40.9* – The UAFE has a legal basis to provide international cooperation in AML/CFT matters. In this regard, the AML/CFT Law sets forth in Art. 12 the duty to implement cooperation programs for the exchange of AML/CFT information with similar national units. For its part, Art. 25 of the same law states that the UAFE shall co-operate with its counterparts in other states in the exchange of information on ML/TF matters on the basis of the principle of reciprocity.

CT532. *Criterion 40.10* – Although the regulations provided by the country do not make direct reference to the obligation of the UAFE to provide feedback to its foreign counterparts on the use of the information provided, as a member of the Egmont Group, the UAFE has access to the group's feedback forms and protocols.

CT533. Likewise, Resolution No. UAFE-DGVR20170017 establishes in its Art. 1.3.1.3 the duty of the agency to maintain permanent communication with international, national and institutions in charge of combating ML/TF within the framework of international relations.

CT534. *Criterion 40.11* – **a)** The UAFE has the power to exchange information with its foreign counterparts (AML/CFT Law Art. 12 and 25) without any restrictions in the regulations provided by the country on the information it may provide.
b) In line with the above, the information provided does not show any limitations on the information that the UAFE may provide to similar foreign agencies. This exchange will be carried out on the basis of the principle of reciprocity (AML/CFT Law, Art. 25). It should also be noted that exchanges of information within the framework of the Egmont Group are carried out on the basis of the Principles and Best Practices for International Cooperation among FIUs.

CT535. *Criterion 40.12* – With respect to SF supervisors, there are sectoral regulations that empower the SB, through the Superintendent, to enter into and execute acts, contracts and legal agreements (COMF, Art. 69) from which a wide range of international cooperation agreements signed by this institution are derived. The SCVS is empowered to sign cooperation agreements and conventions with other international organizations (COMF, book II, Art. 22, paragraph 10). The SCVS signed the IOSCO agreement in 2016.

CT536. *Criterion 40.13* – From the information provided by the country there is no evidence of restrictions that apply to financial supervisors when sharing information with their foreign counterparts. However, the country informed that, in the case of the SB, the exchange of information will be subject to the terms agreed in the agreements signed by the country.

CT537. In the case of the SCVS, the country provided information (detailed in sub-criterion 40.13) that allows for the exchange of information with its foreign counterparts.

CT538. *Criterion 40.14* – **a)** The country informed that for the cases of a) information sharing in the regulatory field; **b)** sharing of prudential information and; **c)** sharing of AML/CFT

information, the SB shall abide by the terms of the signed agreements. The agreements provided show the possibility of exchanging regulatory information. The SCVS is empowered to exchange information under the terms of the COMF (Book III, Art. 10, paragraph 10). No restriction on the information that may be shared has been identified.

CT539. *Criterion 40.15* – In the case of the SB, the power to consult on behalf of its foreign counterparts is established in each case in the agreements signed by the SB with its counterpart. In the case of the remaining financial supervisors, there are no rules that allow financial supervisors to consult on behalf of their foreign counterparties.

CT540. *Criterion 40.16* – The country indicates that in the case of the SB, the conditions that regulate information sharing are contained in the agreements signed. The same situation was reported for SCVS.

CT541. *Criterion 40.17* – Law enforcement authorities in Ecuador are empowered to exchange information available domestically with foreign counterparts for intelligence or investigative purposes related to ML, associated predicate offences or TF, including the identification and tracing of assets that are proceeds and instrumentalities of crime.

CT542. It should be noted that the NP is an active member of INTERPOL and AMERIPOL. As a member of these bodies, it cooperates with its counterparts at regional and international level for intelligence and investigation purposes in ML/TF matters. Likewise, the NP has a designated point of contact in the RRAG specifically for information sharing for the identification and recovery of proceeds of crime. The FGE also has access to INTERPOL's cooperation mechanisms and has a designated point of contact in the RRAG. The FGE is a member of the Inter-American Association of Public Prosecutor's Offices (AIAMP).

CT543. *Criterion 40.18* – The NP and the FGE may make use of protocols of different networks and agencies of which it is part to apply investigative techniques and obtain information on behalf of its foreign counterpart as long as they are not contrary to domestic legislation. With regard to the NP, there are specific regulations that empower it to execute searches and police operations requested by international judicial authorities within the framework of INTERPOL (Organic Statute of Process Management of the NP, Art. 213, paragraph h). Meanwhile, the COIP empowers the FGE to carry out special investigative techniques as part of international cooperation. For further information please refer to the analysis of R. 31.

CT544. *Criterion 40.19* – Art. 496 of the COIP establishes that the country may develop joint investigations with one or more countries or joint investigative bodies to combat transnational organised crime. According to the information provided, the FGE also has the power to establish bilateral or multilateral agreements for specific purposes.

CT545. For its part, the NP has the power to coordinate joint operations with public or private international entities within the scope of its competencies (Organic Statute of Process Management of the NP, Art 166, paragraph i). In this regard, the Interpol area is granted, for example, the power to manage reciprocal police assistance, coordinate the exchange of information for the execution of police operations and to attend international criminal assistance requested by national and international judicial authorities; and to coordinate and execute the search and police operations requested by the corresponding judicial authorities at the request of international authorities, among others.

CT546. *Criterion 40.20* – The FGE and the NP have co-ordination and management functions for the exchange of information regarding international cooperation (Resolution No 001-FGR-2018, Art. 9, paragraph 1.3.1.6, subsection c item 4 and Organizational Statute by process of the NP, Art 40 subsection g, respectively). The country informed that the UAFE has the possibility to exchange indirect information, the same applies to the FGE, the SB and the NP. In the case of the SRI, the country indicated that in order for the exchange of indirect information to proceed, it must have the approval of the jurisdiction that originally provides the information.

Weighting and Conclusion

CT547. In general, law enforcement authorities and the UAFE have clear legal powers to provide a wide range of international cooperation in AML/CFT matters and with respect to predicate offences. They also have mechanisms for the efficient exchange of such information and the protection of confidentiality. While these authorities have memoranda of understanding or are part of international organizations that promote international cooperation, there are concerns about the legal basis and the procedures in place, particularly at the SCVS. Notwithstanding, most of the elements of R. 40 are largely addressed. **Recommendation 40 is rated Largely Compliant.**

Summary of Technical Compliance - Key Deficiencies

Compliance with FATF Recommendations		
Recommendation	**Rating**	**Factor(s) Underlying the Rating**
1. Assessing risks and applying a risk-based approach	LC	• Risks related to certain threats with potential impact on the country's risks, such as fraud, illegal money collection, physical transportation of money, usury and computer crimes have not been assessed in depth. • There is no detailed information on the RBA resource allocation and regarding the adoption of additional mitigating measures to prevent or mitigate ML/TF. • Exemptions from AML/CFT measures for leasing or financial leasing companies are not based on a demonstrated low risk of ML/TF, nor on the occurrence of strictly limited and justified circumstances, nor based on the fact that transactions falling under the standard are carried out by a natural or legal person on an occasional or very limited basis. However, this is a minor deficiency. • Sectoral regulations do not contain express provisions establishing a duty for RIs to take enhanced measures to address the higher risks identified in the NRA, or for RIs to incorporate information from the NRA in their risk assessments. • Even when the competent authorities seek to ensure compliance with the obligations under Recommendation 1, there are some challenges in supervision with RBA as discussed in the corresponding Sections. • There is no evidence that the duty to keep risk assessments up to date is covered with respect to the securities sector, remittance companies, DNFBPs under the supervision of the SCVS and DNFBPs under the supervision of the UAFE. • In the case of DNFBPs under supervision of the UAFE regulations provide for the duty to implement risk mitigation measures, but there is no requirement that these policies must be approved by senior management (Art. 3 and 5 of Resolution UAFE-DG-2020-0089, 30-IX-2020). • There are no provisions in the sectoral regulations that establish that simplified CDD measures may not be applied when there is suspicion of ML/TF.
2. National cooperation and co-ordination	LC	• Ecuador does not currently have nationwide AML/CFT policies based on the risks identified.
3. Money laundering offence	C	•
4. Confiscation and provisional measures	C	•
5. Terrorist financing offence	LC	• The criminal offence does not cover the financing of the travel of an individual to provide or receive terrorist training.

Compliance with FATF Recommendations		
Recommendation	**Rating**	**Factor(s) Underlying the Rating**
6. Targeted financial sanctions related to terrorism & TF	PC	• Resolution UAFE-DG-2022-0095 (of March 21, 2022) provides for UAFE to communicate to the MREMH about persons or entities for which there is a reasonable basis to conclude that they meet the criteria for UNSCR designation. However, there is no procedure regulating the criteria by which the MREMH must eventually make a designation proposal. • There is no rule or mechanism to adopt the standard listing procedures and forms adopted by the 1267/1989 and 1988 Committees. • Although Resolution UAFE-DG-2022-0095 establishes in the procedure that the authorities shall provide relevant information, there are no mechanisms or provisions that instruct to provide as much information as possible on the proposed names, as well as a statement of the case containing as many details as possible for the listing. • Resolution 023-FGE-2022 (March 18, 2022) provides that, in the event that the FGE receives a request from another country to freeze the property, funds and other assets of natural or legal persons identified as terrorists and included in the UNSC general list, the FGE shall proceed with the measures to obtain the freezing order (Art.3.2). The request of the requesting country must be made on reasonable grounds to establish the location of the person and his or her property. However, it is not clear that these country requests correspond to those of UNSCR 1373. • There is no evidence that the country has a regulatory framework that allows for a quick decision as to whether the criteria for designation under UNSCR 1373 are satisfied. • There is no evidence of a rule that establishes a principle of assessment of evidence based on reasonable grounds to decide whether a designation under UNSCR 1373 is appropriate. • There is no evidence of a sufficiently clear rule or mechanism to require foreign counterparts to adopt targeted financial sanctions related to UNSCR 1373. • There are no rules or procedures in place to operate ex parte against a person or entity that has been identified and whose proposed designation is under consideration. • The freezing measure cannot be applied without delay within the terms established by the standard (i.e., within a period not exceeding 24 hours from the time the UNSC list is updated), although it can be ordered within a period of less than 54 hours. • Although the UAFE resolution enables an electronic channel for citizens to make complaints when they know of persons included in the lists (Art. 3), the regulatory framework does not provide that these measures must be implemented by all natural or legal persons.

Compliance with FATF Recommendations		
Recommendation	**Rating**	**Factor(s) Underlying the Rating**
		• Ecuador does not have a general prohibition in place for the provision of funds or assets to designated persons or entities. • The regulation does not refer to the notification of attempted transactions, although RIs must report attempted TF suspicious transactions. • Ecuador has no regulations to protect the rights of third parties acting in good faith when implementing the obligations contained in Recommendation 6. • There is no evidence on the procedures for submitting delisting requests to the UN 1267/1989 Committee and 1988 Committee in the case of designated individuals and entities that, in the opinion of the country, do not meet or no longer meet the criteria for designation. • Resolution UAFE-DG-2022-0095 provides in Art. 10 that any person or entity included in the lists, or the relatives of the deceased, may request their exclusion to the office of the UNSCR Ombudsman and, in the event that the request is submitted to the UAFE, it provides that this body will transfer the request to the MREMH to act before the UNSC. Notwithstanding the above, MREMH does not have procedures for submitting delisting requests to the UN 1267/1989 Committee and 1988 Committee in the case of designated individuals and entities that, in the opinion of the country, do not meet or no longer meet the criteria for designation. • As for the possibility of delisting persons and entities that meet the criteria of UNSCR 1373, there is no procedure for listing or delisting in line with said UNSCR. • Ecuador does not have a designation procedure that properly address criteria of UNSCR 1373. As a result, there are no procedures in place to review the respective designations. • The country does not currently have a procedure to facilitate the review of designations by the 1988 Committee, including those of the Focal Point mechanism established in accordance with UNSCR 1730. • The country does not currently have a procedure to inform designated individuals and entities of the availability of the UN Ombudsman's Office, in accordance with UNSCR 1904, 1989 and 2083, to accept delisting requests. • With respect to UNSCR 1373, there is no procedure for authorizing access to funds necessary for basic expenses or fees.
7. Targeted financial sanctions related to proliferation	PC	• Considering the different stages that occur from the time the list is updated until the TFS is finally ordered and notified to the RI, the freezing measure cannot be applied without delay within the terms established by the standard (i.e. within a period not exceeding 24 hours

Compliance with FATF Recommendations		
Recommendation	**Rating**	**Factor(s) Underlying the Rating**
		from the time the UNSC list is updated), although it can be ordered within a period of less than 54 hours. • The country established a TFS system applicable to RIs. There is no regulation requiring all natural and legal persons to freeze, without delay and without prior notification, funds and other assets of designated persons and entities in FP matters. • The country does not have a rule that prohibits its citizens or persons or entities within its territories from providing funds or other assets to designated persons or entities, or for the benefit of designated persons or entities unless they have licenses or authorizations or similar notified in accordance with the relevant UNSCRs. • Administrative sanctions applicable to non-compliance are provided for, although they present certain deficiencies in terms of their proportionality and dissuasiveness, as indicated in Recommendation 35. • There is no evidence that the MREMH has procedures in place to manage delistings in line with the provisions of UNSCR 1730. • There is no evidence of the existence of a procedure to authorize access to funds or other assets under the conditions set forth in UNSCR 1718 and 2231, as well as the terms of UNSCR 1730. • The regulatory framework does not include provisions related to the treatment of contracts, agreements or obligations prior to the designation of persons or entities as subjects of TFS for FP.
8. Non-profit organisations	LC	• The monitoring matrix for higher risk NPOs has been recently implemented and, as of the date of the on-site visit, no specific measures had been carried out to monitor compliance with the requirements of Recommendation 8 by the identified NPOs. • Notwithstanding the above with respect to the sanction of dissolution or termination of activities, there is no evidence of a range of proportional or dissuasive sanctions for non-compliance with the requirements of the NPOs, such as warnings, fines, suspension of activities, etc. • As of the date of the on-site visit, no measures had been taken to ensure effective cooperation or exchange of information between the UAFE and FGE with the MIES and MREMH.
9. Financial institution secrecy laws	LC	• The secrecy regulations applicable to FIs do not indicate the compliance exception to comply with the exchange of information under the terms of R.13, R.16 and R.17. • There is a minor deficiency of scope with respect to FIs not covered by the AML/CFT system in that leasing or financial leasing companies are not included as RIs.
10. Customer due diligence	LC	• There is a minor deficiency of scope with respect to FIs not covered by the AML/CFT system in that leasing or

Compliance with FATF Recommendations		
Recommendation	**Rating**	**Factor(s) Underlying the Rating**
		financial leasing companies are not included as RIs (but it is a low materiality sector). • Regarding CDD obligation by Law, the scope of Art. 4 of the AML/CFT Law is applicable only for insurance and FIs regulated and supervised by the SB and SEPS, but not for the securities sector and STDV. • There is no provision for criterion 10.2c for the securities sector. • The definition of BO of LPs established in the different regulatory frameworks for FI does not comprehensively address the identification of the natural person through shareholding, control by other means and who occupies the position of senior management officer. In other words, each regulatory framework establishes a different definition of the BO. • There are no provisions related to paragraphs (a-c) of criterion 10.12. • There is no indication that in those higher risk cases in which it is determined that the beneficiary is a person or legal structure, the identification and verification of the identity of the beneficial owner of the beneficiary at the time of payment is included as a measure. • It is not clear that the banking entities when completing the verification after the commercial relationship has been established do so as soon as reasonably possible. • Although the obligation to implement greater controls is established, these controls or procedures that banking and insurance entities are required to have in the event of such cases are not defined. • In the case of remittance companies, the application of simplified CDD measures does not correspond to the identification of minor risk factors, but to the threshold established in the applicable regulation. • Except for the remittance sector, the other FIs lack provisions related to not opening accounts, not initiating commercial relations, not making transfers or terminating the transaction when CDD measures cannot be complied with. • There are no provisions that establish the obligation to consider making a STR of customers for which the FI is unable to comply with relevant CDD measures. • Except for banks and the securities sector, the other FIs do not seem to have provisions that establish the possibility that, upon suspicion of the existence of ML or TF, and if they believe that if they carry out the CDD procedure they will alert the customer, they may not carry out the CDD procedure but instead file a STR.
11. Record keeping	PC	• The record keeping obligation by law is not applicable to the securities and remittance sector. • The Law and the sectoral regulations do not refer to the preservation of records on transactions below the described thresholds.

Compliance with FATF Recommendations		
Recommendation	**Rating**	**Factor(s) Underlying the Rating**
		• There is a minor deficiency in scope, since financial leasing entities are not covered as RIs.
12. Politically exposed persons	LC	• There is a minor deficiency in scope, since financial leasing entities are not covered as RIs. • The provisions as regards establishing the origin of funds and wealth are not applicable to the beneficial owners of PEPs. • There are no provisions in relation to life insurance policies to take reasonable measures to determine whether the beneficiaries and/or the beneficiary's BO are PEPs, which must be done at the time of payment at the latest. • No provisions are found when higher risks are identified, in terms of FIs informing senior management before proceeding with the payment of the policy to conduct more in-depth examinations of the entire business relationship with the policy holder and consider the preparation of a STR.
13. Correspondent Banking	PC	• The regulations do not indicate the duty for FIs acting as a correspondent entity to gather information on its represented entity to understand the nature of its activity, its reputation, the quality of supervision and if they have been subject to ML/TF investigations. • The rule does not indicate the duty to assess the AML/CFT control systems of the respondent bank. • In case of the existence of transfer accounts in other places, the standard does not specify the duty to be satisfied that the represented bank complied with the CDD process on the customers who have access to their accounts. • The rule also does not explicitly refer to the duty of the correspondent bank to take measures to satisfy itself that the respondent bank is in a position to provide CDD information upon request. • No reference is made to the duty of FIs to satisfy themselves that the represented banks do not allow their accounts to be used by shell banks.
14. Money or value transfer services	LC	• The licensing is applicable only for legal entities that provide MVTS and not for natural persons that may offer these services. • However, the measures for identification of legal person MVTS providers are not applicable to natural persons providing such services. • Natural persons MVTS are not regulated in AML/CFT matters.
15. New technologies	PC	• Ecuador has not yet conducted a risk analysis that allows the identification and evaluation of ML/TF risks that may arise with respect to the development of new business practices, new products, new delivery mechanisms, new technologies or technologies under development.

Compliance with FATF Recommendations		
Recommendation	**Rating**	**Factor(s) Underlying the Rating**
		• There is no evidence of the obligation of risk assessment prior to the launching or use of new practices and technologies. • The measures being taken by FIs to manage and mitigate risks associated with new technologies are not known. • There are no legal measures in place to prevent offenders or their associates from owning, being beneficial owners, or having a majority or significant shareholding, or occupying a management role in a VASP. • There is no sanctioning framework in place to enforce sanctions for VASPs operating without registration or licensing. • There is no information on the range of sanctions that may be applied. • There are no provisions addressing the application of sanctions to directors and senior managers of the VASPs. • The weaknesses indicated in the analysis of R. 22 and 23 regarding preventive measures impact compliance with criterion 15.9. • There are still no specific provisions for this sector regarding thresholds for the application of occasional CDD. • There are no provisions for VASPs regarding compliance with the aspects associated with R. 16 • Deficiencies raised in the analysis of R. 6 and 7 impact compliance with criterion 15.10. • Deficiencies raised in the analysis of R. 37 to 40 impact compliance with criterion 15.11.
16. Wire transfers	LC	• In the case of MVTS, for transactions of less than USD 10,000, only basic information is required, i.e., the account number or the unique reference number that allows tracking of the transaction of both the originator and the beneficiary is not required. This applies to both international and domestic transfers. • There are no risk-based provisions to determine when to execute, reject or suspend a transfer in the absence of originator and beneficiary information and the appropriate follow-up action. Particularly in the case of MVTSs, there do not appear to be provisions in relation to compliance with criterion 16.12 • They do not have reasonable measures in place to enable them to identify cross-border wire transfers lacking originator and beneficiary information that also include either post-event or real-time monitoring, where feasible. • For MVTS regulated by the SCVS, regarding the obligation to require from the customer only basic information, such as identification number, full names and surnames, address and telephone number for transactions under the threshold of USD 10,000 does not seem to verify the identity of the beneficiary. • There are no risk-based provisions to allow FIs determine when to execute, reject or suspend a transfer

Compliance with FATF Recommendations		
Recommendation	**Rating**	**Factor(s) Underlying the Rating**
		in the absence of originator and beneficiary information and the appropriate follow-up action. • It is not clear that the regulations provide for the obligation of MVTSs to file a STR in the country affected by the suspicious electronic transfer and that it should provide the relevant information on the transaction to the respective Financial Intelligence Unit.
17. Reliance on third parties	NC	• There is no evidence that the regulatory framework includes provisions that, in cases of reliance on third parties, require to immediately obtain the necessary information on elements (a)-(c) of the CDD measures contained in Recommendation 10. • The regulations establish the obligation of RIs with respect to taking measures to satisfy themselves that the third party will provide, upon request and without delay, copies of identification data and other relevant documentation relating to CDD requirements. • The regulations establish the RI's obligation with respect to being satisfied that the third party is regulated, supervised or monitored, and that it has implemented measures to comply with CDD and record keeping requirements, for compliance in accordance with Recommendations 10 and 11. • The regulations do not establish provisions requiring RIs relying on third parties residing in another country to take into account available information on the level of risk in that country. • The regulatory framework does not contain provisions that address the case of financial institutions that rely on third parties that are part of the same financial group.
18. Internal Controls and Foreign Branches and Subsidiaries	PC	• The COs of RIs under the purview of the UAFE are not required to have a management level (this is relative because they do not have companies). • The RJPM Codification 385 establishes in its first general provision that there are natural and legal persons exempted from forming the compliance committee and appointing COs: i) insurance producing agents (natural and legal persons); ii) insurance claims adjusters (natural and legal persons); iii) risk inspectors (natural and legal persons) and; iv) reinsurance intermediaries (legal persons). • Entities in segments 4 (assets over USD 1,000,000 up to USD 5,000,000 and 5 (assets up to USD 1,000,000) under the SEPS are not required to have a CO with managerial rank. • The regulation does not establish that remittance companies are required to have a CO with senior management rank. • Private insurance system institutions are not required to have an external and independent audit of the system. • The country does not have regulations requiring the obligation to implement AML/CFT programs at FI financial group level.

Compliance with FATF Recommendations		
Recommendation	**Rating**	**Factor(s) Underlying the Rating**
		• The regulation does not make reference to the obligation to establish procedures to share information at group level (subsidiaries and/or branches) required for CDD compliance. • The Law does not establish the obligation for the majority of the RIs of the financial system to comply at group level, the audit and/or AML/CFT functions and other AML/CFT information mentioned in criterion 18.2.b in relation with customers. • The law does not establish the procedure that FIs should follow in case the host country does not allow the appropriate implementation of AML/CFT measures. • In the case of FI regulated by RJPM Codification 385 - Insurance, securities, and remittance sectors, the law does not establish the obligation of subsidiaries established abroad by Ecuadorian financial entities to apply the strictest law on AML/CFT matters between the regulations of the host country and Ecuador. • There is a minor deficiency of scope with respect to FIs not covered by the AML/CFT system in that leasing or financial leasing companies are not included as RIs.
19. Higher-risk countries	LC	• Notwithstanding the information provided by the country in relation with the measures provided in FI regulations, doubts remain as to whether the country has a framework to apply countermeasures proportional to the risks in cases required by FATF, or regardless of the fact that FATF has made a call in such sense. • There is a minor deficiency of scope with respect to FIs not covered by the AML/CFT system in that leasing or financial leasing companies are not included as RIs.
20. Reporting of suspicious transaction	C	•
21. Tipping-off and confidentiality	PC	• The regulation does not contemplate the protection that corresponds to FI members when they disclose information and/or report, in good faith, ML/TF suspicions before the FIU in violation of contractual and/or legislative restrictions.
22. DNFBP: Customer due diligence	PC	• The deficiencies contained in R.10 are also applicable to these reporting institutions. • In general terms, DNFBPs do not have the legal framework for recording all transactions or operations. • The deficiencies pointed out regarding new technologies have an impact on criterion 22.4. • In cases where it is possible for DNFBPs to rely on third parties, the corresponding legal framework is not in place.
23. DNFBP: Other measures	LC	• Deficiencies identified in R. 18. • Deficiencies identified in R. 19. • There are no provisions regarding compliance with criterion 21.1 for DNFBPs.

Compliance with FATF Recommendations		
Recommendation	**Rating**	**Factor(s) Underlying the Rating**
24. Transparency and beneficial ownership of legal persons	LC	• The country does not have an assessment of the ML/TF risks associated with legal persons. • Except for RIs and the SRI's BO registry, there are no provisions to ensure that all persons, authorities and entities mentioned in this R., and the company itself (or its directors, liquidators or other persons involved in the dissolution of the company), must maintain the information and records referred to for at least five years from the date on which the company is dissolved or otherwise ceases to exist, or five years from the date on which the company ceases to be a customer of the professional intermediary or financial institution. • Although certain proportionality and dissuasiveness has been identified in the sanctions for non-compliance with obligations described in the Companies Law, these sanctions are subject to the Superintendent's criteria and are not applicable to individuals who do not comply with the requirements of R.24. • The authorities that make up the AML/CFT system do not appear to have mechanisms for monitoring the quality of information received from international exchanges.
25. Transparency and Beneficial Owner of other Legal Arrangements	LC	• There is no evidence that trust management companies are required to maintain basic information on other regulated agents of the trust and service providers to the trust, including advisers, investment dealers, accountants and tax advisers. • The deficiencies identified in Recommendations 37 to 40 impact criterion 25.6.
26. Regulation and Supervision of Financial Institutions	LC	• Entities engaged in financial leasing are not covered as RIs. • Supervisory bodies are able to carry out consolidated and cross-border prudential supervision. However, there are no provisions applicable for AML/CFT purposes. • Except for entities under the orbit of the SB, there is no evidence that the frequency and intensity of supervision of FIs is determined on the basis of risk or according to the individual profile of each RI considering internal policies or controls. • There is no evidence that the findings of the NRA are part of the process of frequency and intensity of supervisions. • The frequency and intensity of supervision is not determined according to the characteristics of FIs, including diversity and quantity. • The SEPS and SCVS are not required to periodically review the evaluation of the risk profile of FIs under their supervision.
27. Powers of supervisors	C	•
28. Regulation and supervision of DNFBPs	PC	• There is no evidence that CDD procedures applied by FIs regulated and supervised by the UAFE and SCVS allow preventing criminals, their associates or BO, from

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		obtaining professional accreditation or from controlling or holding a management position in the DNFBP. • The frequency and intensity of AML/CFT supervision of DNFBPs is not based on the understanding of ML/TF risks, taking into account the characteristics of DNFBPs, in particular their diversity and number. • There is no legal framework establishing that the frequency and intensity of supervisions are based on an understanding of the risk taking into account the ML/TF risk profile of the DNFBPs and the degree of discretion allowed to them under the risk-based approach, when assessing the adequacy of the DNFBPs internal AML/CFT controls, policies and procedures.
29. Financial Intelligence Units	C	
30. Responsibilities of Law Enforcement and Investigative Authorities	C	
31. Powers of law enforcement and investigative authorities	C	
32. Cash couriers	PC	• The declaration regime for the entry or exit of cash does not cover bearer negotiable instruments. • There are concerns as to whether there is a regime applicable to the export of money and BNI through containers. • It is considered that the fine equivalent to 30% of the undeclared amount is not sufficiently proportional and dissuasive in cases of recidivism.
33. Statistics	C	
34. Guidance and feedback	C	
35. Sanctions	PC	• There are concerns about the sanctions that may be applied by the SCVS to entities in the securities sector that fail to comply with AML/CFT regulations, since the sanctions regime described above appears to be applicable to the prudential regime. • No sanctions for non-compliance with AML/CFT preventive measures are applied to directors and senior managers in the banking, real estate, remittance and precious metals and stones sectors.
36. International instruments	C	
37. Mutual legal assistance	LC	• There are concerns as to whether the MREMH has a procedure or mechanism for prioritizing MLA cases. • It is not clear whether, in the face of requests that do not involve intrusive or coercive measures, Ecuador may

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		choose to deny MLA based on the principle of dual criminality. • According to Resolution No. 019-FGE-2021, dual criminality is only a requirement for MLA requests related to coercive measures. However, it is not clear that the dual criminality requirement should be considered fulfilled regardless of whether both countries place the offence within the same category of offence or denominate the offence using the same terminology, as long as both countries criminalize the conduct underlying the offence.
38. Mutual legal assistance: freezing and confiscation	LC	• It is not clear whether the sharing of assets is also applicable in cases of confiscated assets beyond the provisions of the LOED.
39. Extradition	LC	• The regulation does not clearly establish timeframes for all steps of the extradition process (active and passive). • The regulation does not establish a prioritisation process for the treatment of extradition requests in general when more than one is made concurrently. • There is no case management system. • In cases where extradition is denied because the extradition is of an Ecuadorian citizen, there is no identification of the internal procedure to follow to send the case to the competent authorities to convict the offences contained in the extradition request.
40. Other forms of international cooperation	LC	• The SCVS is not endowed with the possibility of using the most efficient means to co-operate. • The SCVS has no specific mechanism or channels for the exchange of information in which it participates. • There are no parameters for prioritizing requests for information received by the SVCS and SENAE. • The SCVS does not have processes for safeguarding information. • The SENAE does not have documentation that regulates the obligation to provide feedback in terms of criterion 40.4. • The country may refuse assistance if the request refers to a tax offence in certain cases. • The SCVS does not have controls and safeguards to ensure that information received is used only for authorised purposes and measures to ensure confidentiality of information. • The SB, SCVS, FGE, SENAE and SRI do not have regulations indicating the duty to deny a request for information if the counterpart cannot guarantee its confidentiality. • The SCVS does not have the power to make inquiries on behalf of its international counterpart.

Table of Acronyms and abbreviations used in the MER

Acronym	Meaning
Art.	Article
BCE	Central Bank of Ecuador
COIP	Comprehensive Criminal Organic Code
RJPM Codification 385 - Insurance	Monetary Policy Board Resolutions Codification 385 Private Insurance System Institutions
RJPM Codification 385 - Securities	Monetary Policy Board Resolutions Codification 385 Stock Exchanges-Securities Brokerage Houses Fund and Trust Management
RJPM Codification 385 - Trusts	Monetary Policy Board Resolutions Codification 385 Stock Exchanges-Securities Brokerage Houses Fund and Trust Management
COMF	Organic Monetary and Financial Code
COPE	Comprehensive Criminal Organic Code
CTN	National Technical Commission in charge of the lists of "Most Wanted for cases of extreme social commotion, crimes against public safety and/or terrorism"
ICSFT	United Nations International Convention for the Suppression of the Financing of Terrorism
DAE	Strategic Analysis Department
DAO	Operations Analysis Department
DCAI	International Cooperation and Affairs Department of the Attorney General's Office
DINARDAP	National Data Registry Department
DNPLA	National Department for the Prevention of Money Laundering
AF	Assets Forfeiture
FP	Financing of the Proliferation of Weapons of Mass Destruction
FGE	Attorney General’s Office
FOSII	Ibero-American Intelligence Services Forum
GEIRA	Inter-Agency Asset Recovery Liaison Group
ER	Executive report
FIR	Financial Intelligence Report
INMOBILIAR	Technical Secretariat for Public Sector Real Estate Management
IOS	Report on Suspicious Transactions (UAFE)
JPRMF	Monetary and Financial Policy and Regulation Board
AML/CFT Law	The Organic Law on the Prevention, Detection and Eradication of the Money Laundering and Crime Financing
LOED	Assets Forfeiture Organic Law
MINGOB	Ministry of Government
MIES	Ministry of Economic and Social Inclusion
MRE	Ministry of Foreign Affairs and Human Mobility
CO	Compliance Officer

NP	National Police
VASP	Virtual Assets Service Providers
RRAG	GAFILAT Asset Recovery Network
REGO	Official Gazette
RESU	Reporting of cash transactions above the threshold
ROII	Reporting of unusual and unjustified economic transactions or operations.
UNSCR	United Nations Security Council Resolutions
RMS	Risk Management System
SNI	National Intelligence Secretariat
SETECI	Technical Secretariat for International Cooperation
RI	Reporting Institution
SRI	Internal Revenue Service
SENAE	National Customs Service of Ecuador
NFS	National Financial System
SCVS	Superintendence of Companies, Securities and Insurance
SEPS	Superintendence of Popular and Solidarity Economy
SB	Superintendence of Banks
RBS	Risk-based supervision
SIT	Special investigative techniques
UA-FGE	Anti-Money Laundering Unit of the Attorney General's Office
UAFE	Financial and Economic Analysis Unit
UNCAC	United Nations Convention against Corruption

GAFILAT