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The Prevention and Detection System of Money Laundering, Terrorism Financing, and Public Official Offenses in the Chilean Public Sector

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The prevention and detection system of money laundering (ML), terrorism financing (TF), and public official offenses in the Chilean public sector

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The prevention and detection system of money laundering (ML), terrorism financing (TF), and public official offenses in the Chilean public sector

The prevention and detection system of ML/TF/Public Official Offenses refers to a set of policies and procedures established to prevent and/or detect unlawful acts in the government administration.

This system seeks to ensure that public institutions are not used for the commission of crimes. The system reinforces the commitment these institutions and their officials have to the highest standards of transparency and probity in the government administration.



This system must include all public officials, regardless of their type of employment.



Prevention System of ML/TF/Public Official Offenses

Minimum components that public institutions must implement:

Identification and evaluation of risks

- Operational risks associated with activities carried out by third parties
- Risks of activities linked to public official offenses



Internal organization: Roles and responsibilities

- Define the responsible official who must implement, coordinate, and control the ML/TF/Public Official Offenses Prevention System



Prevention and Detection Policies of ML / TF / Public Official Offenses

- Implementation of the Prevention System of ML/TF/Public Official Offenses
- Dissemination and Training
- Confidentiality
- Control Environment,
- Ethics and Probity Manual for public officials
- Knowledge of the current laws of Probity and Transparency
- Contracts with clients, suppliers, contractors, or third-party service providers

Prevention System of ML/TF/Public Official Offenses

Minimum components that public institutions must implement:

Procedures for Prevention and Detection of ML/TF/Public Official Offenses

- Detection of suspicious transactions
- Communication mechanism for suspicious transactions
- Mechanism for reporting suspicious transactions

Monitoring of the Prevention and Detection System of ML/TF/Public Official Offenses

- Continuous monitoring
- Regular monitoring
- Selective monitoring



All these components must be contained in a ML/TF/Public Official Offenses Prevention manual. To achieve that, the UAF generated a model to formulate and implement a ML/TF/Public Official Offenses Prevention System that was distributed by the Ministry of Finance through Circular Letter No. 14 and available on the UAF website



Suspicious Transaction Reports (STRs) ML/TF/Public Official Offenses

Types of STRs in the public sector

1

STR detected in the business processes of an institution



An auditor in the exercise of his/her functions

EXAMPLE



detects unusual operations of his/her supervisors that may be linked to ML/TF/Public Official Offenses

Types of STRs in the public sector

2

STR associated with activities potentially linked to acts of corruption or another public official crime within the institution



STRs are generated when acts, operations, or unusual transactions involving one or more officials may be linked to ML predicated on a public official offense

Information that a STR must contain

When a suspicious transaction is detected, the following basic information must be registered and sent to the UAF:

1. Individualization of the person or entity reported
2. Address of the reported person or entity
3. People or entities linked to the reported
4. Activities of the reported person or entity
5. Description of the act, operation, or transaction reported
6. Red flag indicators



Information that a STR must contain



STRs do not have a submission period established. However, public institutions must send them to the UAF as soon as suspicious transactions are detected, based on the information gathered quickly and expeditiously.

Suspicious Transaction Report (STR):

The STR sent to the UAF by a reporting entity

STR received by the UAF

The financial intelligence report that the UAF sends to the Public Prosecutor's Office

It is **NOT** a COMPLAINT

It does **NOT** result in a COMPLAINT

It is **NOT** filing a COMPLAINT

A STR triggers an administrative activity
A complaint activates a judicial proceeding

Public sector statistics: number of STRs received from public institutions.



224 STRs were submitted by the public sector to the UAF between 2015 - 2018



31 STRs submitted by public institutions between 2015 - 2018 had indications of ML/TF

Confidentiality of the information

Law n°
19.913

Public Officials

Official responsible

UAF's Officials

The obligation to report suspicious transactions does not waive the obligation of Public Officials to file a complaint with the Public Prosecutor's Office or the Courts of Justice when offenses are detected in the exercise of their functions, or to take action to pursue possible administrative responsibilities when appropriate

Entities that are obliged to report and ...

...in **good faith**....

... provide **information** to the UAF ...

... are **exempt** from all legal liability...

(Article 3 of Law n ° 19.913)

Law n°19.913 guarantees the confidentiality of the information delivered to the UAF as well as the identity of who provides it. Also, the law protects people and institutions participating in the UAF's reporting process from being civilly or criminally prosecuted for engaging in communications with the UAF.



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Thank you

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