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Secretariat for Multidimensional Security

**XLIV MEETING OF THE GROUP OF EXPERTS
FOR THE CONTROL OF MONEY LAUNDERING
September 25-26, 2017
Asuncion, Paraguay**

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**PRESENTATION
STUDY ON NEW TYPOLOGIES IN MONEY LAUNDERING
ESPECIALLY IN THE USE OF VIRTUAL CURRENCY**

Study on new typologies in money laundering, especially in the use of virtual currency

Sub-Working Group on Financial Intelligence Unit and Law Enforcement Agencies

XLIV Meeting of the Group of Experts for the Control of Money Laundering
(GELAVEX)

PROGRAM

I. BACKGROUND

II. OBJETIVE

III. PROPOSED METHODOLOGY

IV. ACCTIONS TAKEN

V. CHALLENGES AND PROPOSALS

I. BACKGROUND

- Recommendations from the Group of Experts' meeting held on September 28 and 29, 2016 in Punta Cana, Dominican Republic.
- Work Plan 2016-2017 approved by CICAD at its sixtieth regular session, held in Nassau, The Bahamas, in November 2016.

II. OBJECTIVES

- Analyze experiences regarding the use of virtual currencies in the region, in order to know the types, most frequent uses and threats they represent to the prevention of money laundering and the financing of terrorism.
- Obtain inputs that can be used to develop a study on virtual currencies as a new typology in money laundering and propose regulatory mechanisms.

III. PROPOSED METHODOLOGY

- Prepare a short questionnaire so that the countries can present their experiences on money laundering and virtual currencies.
- In order to comply with this line of action, it was proposed to create a working group of at least 4 delegations that, together with the coordination of the Sub-Working Group and the Executive Secretariat, could prepare the questionnaire, the reports and a proposal to analyze all the information and develop the study.
- Five replies were received from the following countries: Costa Rica, Dominican Republic, Paraguay, Chile and Trinidad and Tobago.

QUESTIONNAIRE

1. Does your country have allowed and regulated this payment system through virtual currencies?
2. In your country, are there any natural or legal persons condemned or investigated (not under secrecy) for the use of virtual currency in the commission of crimes based on money laundering or money laundering?
3. Has your country developed strategies implemented by Intelligence Units to conduct studies on virtual currencies? (Describe them)
4. Have you conducted training on this topic? If the answer is affirmative it is requested to share the material with the other members of the group? If you know open sources where you can find training materials please include them.
5. Have you identified technological tools, links or portals for the use of virtual currencies? Please describe them
6. How many types of virtual currencies do you know are circulating in your country?
7. Are there minimum legal norms in your country to regulate and control the users of virtual currencies in the process of currency exchange?
8. In what sectors of the economy there is greater use of virtual currency in your country?
9. Are there ATMs in your country with Virtual Currencies? If yes, please specify how many and add a brief description.
10. Have investigations of crimes involving virtual currency been filed? If the answer is yes, please explain the difficulties that have arisen in the investigations?
11. If your previous answer was affirmative, did the investigation result in forfeiture of sums of money in virtual currencies? Briefly explain the situation

VIRTUAL CURRENCY

ASPECTS CONSIDERATED:

- 1) About **the use** of virtual currencies in your country
- 2) On the **regulation of its use** (as payment system and / or exchange rate)
- 3) About conducting **studies and training** in this regard
- 4) Identification of **sectors of the economy** (values) in which there is greater use.
- 5) About **criminal investigations**

1. Use of virtual currencies

- 4 out of 5 countries have identified national and international internet portals (promoted in their country) for the use of virtual currencies. Example:

Chile: <https://www.surbtc.com/chile>

Paraguay: <http://www.bitcoin-py.com>

Costa Rica: <http://www.bitfinex.com/legal/term>

- 4 out of 5 countries report knowing more than one type of virtual currency circulating in their country, being "BitCoin", "Ethereum" and "Litecoin" the main ones.
- 2 of 5 countries (Dominican Republic and Paraguay) have identified ATMs with virtual currencies.

2. On the regulation of its use (as payment system and / or exchange rate)

- **As a payment system:** None of the 5 countries (which have answered the questionnaire to date), have regulated the use of virtual currencies as a payment system. About:
 - **Costa Rica:** *"virtual currencies should be studied from a payment platform perspective" (...) "platforms that use them should not be allowed as long as they are informal, their control structure is unknown, they are not monitored or regulated by the states and the origin and destination of the funds being exchanged are unknown."*
 - **Dominican Rep.:** *"Since they are not considered as foreign currencies under the exchange rate regime, and since they are not issued or controlled by any foreign central bank, they do not receive the guarantees nor the security offered by exchange intermediation nor the free convertibility established in the articles 28 and 29 of the Dominican Monetary and Financial Law. "*
- **As an exchange rate:** Only Costa Rica recognizes minimum legal standards to control users of virtual currencies in the process of exchanges to other legal currencies. In this regard, the Superintendence of Financial Institutions would have issued general regulations with a focus based on the associated risks.

3. About conducting studies and training in this regard

- 3 out of 5 countries report that there are currently strategies developed by their countries to conduct studies on virtual currencies:
 - **Dominican Rep.**: In the National Risk Strategy, a study is planned to be carried out by the Central Bank.
 - **Paraguay**: SEPRELAD is analyzing ROS in order to identify typologies and trends in the use of Bitcoin in Paraguay.
 - **Chile**: The Financial Analysis Unit is developing a study on the operation of virtual currencies in Chile.
- Only 2 of 5 countries (Costa Rica and Dominican Republic) report having conducted talks or training on virtual currencies.

4. Identification of sectors of the economy (values) in which there is greater use.

- In general, the countries indicate that there are still no studies that allow a correct identification, except in the cases of Costa Rica and Paraguay:

→ Costa Rica: real estate, activities of technological services and international communications.

→ Paraguay: Vehicle purchases, courier services from Miami to Paraguay, sale of watches.

5. Criminal investigations

- Based on the information obtained from the 5 countries that have responded to the questionnaire to date, there would be no natural or legal persons condemned for the use of virtual currency in the commission of money laundering crimes (that are not classified).
- There have also been no investigations of crimes using virtual currencies, except in the case of Costa Rica ("Liberty Reserve").
 - **Costa Rica**: The difficulties lie in the lack of regulation and control over people (natural and legal) who offer the service of virtual currencies, especially if they allow users to operate under anonymity. This makes it impossible to know the use that would be given to them as a financial tool.
- There would be no regulation or procedure for the seizure, confiscation and administration of virtual currencies in the 5 countries that have responded so far. Nor have there been forfeitures of sums of money in virtual currencies, but in physical money, movable and immovable property ("Liberty Reserve" case in Costa Rica).

V. CHALLENGES AND PROPOSALS

- 1) Give a new deadline for receiving answers from countries that have not been able to respond the questionnaire on virtual currencies, in order to obtain a more representative sample of the region.
- 2) Develop a study on potential risks of money laundering using virtual currencies in the region, proposing measures and guidelines to be adopted, based on the experiences of FATF countries that already contemplate some type of regulation in their internal legislation.
- 3) Foster training strategies in the region on the use of virtual currencies and their risks as a typology in money laundering

THANK YOU