

NATIONAL RISK ASSESSMENT **TERRORISM FINANCING** 2016-2021



MILAFT

Mesa Intersectorial sobre Prevención
y Combate al Lavado de Activos y
al Financiamiento del Terrorismo





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INTRODUCTION



INTRODUCTION

Resolution 51/210 of the United Nations General Assembly, of December 17, 1996, in paragraph 3, subsection f), calls on all States to adopt measures to prevent and counteract, through appropriate domestic measures, the financing of terrorists and terrorist organizations, whether done directly or indirectly, through organizations that also have, or claim to have, charitable, social or cultural objectives, or that also carry out illicit activities (such as illegal arms trafficking, the sale of narcotics and illicit associations, including the exploitation of persons) in order to finance terrorist activities; and in particular to consider, where appropriate, the adoption of regulatory measures to prevent and counteract movements of funds that are suspected of being carried out for terrorist purposes, without impeding in any way the freedom of legitimate capital movements, and that intensify the exchange of information about international movements of this type of funds.

Considering that the financing of terrorism is a cause of deep concern for the entire international community, the General Assembly approved, on December 9, 1999, the International Convention for the Suppression of the Financing of Terrorism, which establishes that "Any person commits an offence within the meaning of this Convention if that person by any means, directly or indirectly, unlawfully and wilfully, provides or collects funds with the intention that they should be used or in the knowledge that they are to be used, in full or in part, in order to carry out: a) An act which constitutes an offence within the scope of and as defined in one of the treaties listed in the annex; or b) Any other act intended to cause death or serious bodily injury to a civilian, or to any other person not taking an active 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 organization to do or to abstain from doing any act."

In this context, the Financial Action Task Force (FATF) recommends that countries take appropriate steps to identify and evaluate the risks of money laundering, terrorist financing and financing of the proliferation of weapons of mass destruction (ML/TF/PF), on an ongoing basis, as well as to manage and mitigate the identified risks (Recommendation N°1), in order to effectively dismantle and disrupt terrorist networks.

Likewise, the FATF proposes that countries should include the financing of terrorism as a predicate crime for money laundering, understanding that the financing of terrorism extends to any person who deliberately supplies or collects funds or other assets by any means, directly or indirectly, with the unlawful intention that they be used, or knowing that they are going to be used, in whole or in part, (a) to carry out a terrorist act(s), (b) by a terrorist organization or (c) by an individual terrorist (Recommendation N°5).

To this end, countries must criminalize the financing of terrorism based on the International Convention for the Suppression of the Financing of Terrorism, and must criminalize not only the financing of terrorist acts, but also the financing of terrorist organizations and individual terrorists, even in absence of a link to a specific terrorist act or acts.

The FATF adds that the financing of terrorism includes the financing of travel by individuals to a State other than their States of residence or nationality with the objective of perpetrating, planning, preparing or participating in terrorist acts or providing or receiving terrorist training.

Thus, the crime of financing terrorism must apply regardless of whether the person alleged to have committed the crime(s) is in the same country or in a different country than the one in which the terrorist(s)/terrorist organization(s) is/are located, or where the terrorist act(s) occurred/will occur.

To prevent funds/assets from being made available to those who commit or attempt to commit the crime of terrorist financing, the FATF calls on countries to implement targeted financial sanctions regimes to comply with United Nations Security Council Resolutions relating to the prevention and suppression of terrorism and terrorist financing (Recommendation N°6).

These Resolutions require countries to freeze without delay the funds or other assets, and to ensure that no funds or other assets are made available, directly or indirectly, to or for the benefit of, any person or entity, either (i) designated by, or under the authority of, the United Nations Security Council within Chapter VII of the Charter of the United Nations, including, in accordance with Resolution 1267 (1999) and its successor resolutions; or (ii) designated by that country pursuant to resolution 1373 (2001).

Since 2013, the country has had a National Strategy to Prevent and Combat ML/TF, whose action plans (2014-2017 and 2018-2020) have been developed and implemented by twenty public agencies coordinated by the UAF, with the support of the Intersectoral Roundtable on Prevention and Combating ML/TF (MILAFT).

The MILAFT is a permanent Commission, whose mission is to advise the President of the Republic in the coordination of the actions, plans and programs of the different institutional actors in matters of prevention, detection and prosecution of ML/TF.

Created through Decree N°1.724, of 2016, of the Ministry of Finance, the Board must also monitor the progress of the objectives set out in the National Strategy.

Its 15 permanent members are:

- Ministry of the Interior and Public Security
- Ministry of Foreign Affairs
- Ministry of Finance
- Ministry General Secretariat of the Presidency
- Carabineros de Chile (through the OS7 Department of Drugs, OS9 Department of Investigation of Criminal Organizations, and the Intelligence Directorate (Dipolcar))
- The Financial Market Commission
- General Directorate of the Maritime Territory and Merchant Marine of the Chilean Navy
- Investigative Police (through the money laundering (Brilac) and organized crime (Brico) investigative brigades)
- Internal Revenue Service
- National Customs Service
- National Service for the Prevention and Rehabilitation of Drug and Alcohol Consumption
- Superintendence of Casinos
- Superintendence of Pensions
- Superintendence of Social Security
- Financial Analysis Unit (acts as Executive Secretariat).

It should be noted that, in 2023, MILAFT invited the following to participate in its technical work tables:

- National Intelligence Agency
- Central Bank of Chile
- State Defense Council
- Comptroller General of the Republic
- Collateral Credit Office
- Chilean Gendarmerie
- Institute of Public Health
- National Prosecutor's Office
- Agricultural and Livestock Service
- Service of civil registration and ID
- Ministry of Economy, Development and Tourism
- Ministry of Justice and Human Rights
- Judicial Branch (Supreme Court)
- General Treasury of the Republic

In line with international standards, in March 2017, Chile, through the Financial Analysis Unit (UAF), in its capacity as coordinator of the National Anti-Money Laundering and Counter-Terrorism Financing System (AML/CTF), presented to the community the National Risk Assessment of Money Laundering and Terrorist Financing (NRA-ML/TF).

The objective of the document was to analyze the threats and economic and legal vulnerabilities that the country has regarding ML/TF, and its consequent impact, so that the authorities can design essential measures and policies to combat them, and exercise an efficient prioritization and allocation of resources.

However, the TF phenomenon, like that of ML, constitutes a permanent and global threat, which requires us to adapt the strategic vision to confront it, in defense of our citizens.

To this end, during 2023, the member institutions of the National Strategy to Prevent and Combat ML/TF, coordinated by the UAF, and with the support of the MILAFT, worked on an update of the NRA, separating it into three

volumes: NRA for money laundering (NRA-ML), NRA for terrorist financing (NRA-TF) and NRA for proliferation financing (NRA- PF).

This NRA-TF identifies and evaluates the updated threats and risks of Chile regarding TF, with the objective of coordinating actions and directing resources that ensure their effective mitigation, within the framework of the National AML/CTF System and complying with the international standards.

To evaluate Chile's risks to the TF, the threats, vulnerabilities and mitigants for the period 2016-2021 were analyzed, based on the methodology implemented in 2017, but adjusted to the most recent FATF recommendations. This is how the guidelines included in the ***"Terrorist Financing Risk Assessment Guidance"*** of July 2019 have been considered, in which the FATF proposes the following objectives and scope (GAFI, 2019, pags. 5,6):

- a. Identify, assess and understand TF risks as an essential part of the dismantling of terrorist networks, and the effective implementation of the risk-based approach.
- b. Develop and maintain an understanding of evolving TF risks, which can present unique challenges to States. From this point of view, the low value of funds or other assets used, and the wide variety of sectors used for TF purposes, can make it difficult to identify TF vulnerabilities and threats.
- c. The purpose of the FATF Guide is to present approaches taken by States based on materiality, context and varying TF threat profiles. In this way, the scope, focus and objectives of a TF risk assessment vary depending on the profile of the threat faced by the State, the national context and the fight against terrorism.
- d. The FATF Standards provide flexibility in how jurisdictions assess their TF risks, and do not prescribe a particular methodology for this purpose.

In order to publicize the evaluation of the country's terrorist financing risks, this document is divided into seven sections: The first addresses the methodology used to prepare the NRA; the second, international standards and the national regulatory framework; and the third, the diagnosis of TF in Chile (context of terrorism and its financing in the country and how the National AML/CTF System works). Meanwhile, in the fourth, fifth and sixth sections, the identified threats, vulnerabilities and mitigating factors are presented. And finally, in the seventh section, the TF risks in the country are determined and evaluated.



CHAPTER I: NATIONAL TF RISK ASSESSMENT METHODOLOGY

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WORK METHODOLOGY

This document applies the methodological basis used in the 2017 NRA-ML/TF, to analyze the context of the 2016-2021 period, with adjustments aimed at strengthening the understanding and analysis of the elements that interact in the matter.

The above, in line with the proposals of international organizations such as the FATF, to carry out an adequate and effective fight against ML/TF/PF.

Thus, the NRA-TF was prepared with a mixed methodology that incorporates quantitative and qualitative information, as well as particular characteristics of the country, which allows identifying, measuring and evaluating national TF risks, and reviewing each of the institutional, regulatory components, and operations associated with the TF phenomenon.

The activities carried out for this purpose are detailed below, as well as the documents considered in the identification and examination of the threats, vulnerabilities and mitigants that will be subsequently addressed in this document.

1. INFORMATION GATHERING: A process of review, analysis and verification of the bibliography related to the topic of TF in the country was carried out, which included, among other matters:

a. Regulation and operation of the National AML/CTF System: To carry out an adequate evaluation of TF risks, it is necessary to know the operation of the National AML/CTF System. Therefore, the evaluation begins with a review of the current operation and regulations of the National AML/CTF System.

Within the framework of this process, the following information was reviewed:

- Regulations related to the Resolutions of the United Nations Security Council (UNSC) on the prevention of terrorism and TF.
- Regulations and regulatory bodies.
- Legal framework regarding terrorism and its financing.
- Convictions for terrorism crimes in Chile.

b. Documents published by international entities: FATF recommendations and reports related to this matter, and reports prepared by non-governmental institutions specialized in the subject, were considered. Likewise, some TF risk assessments developed by other countries (Mexico, Canada, the United States and the United Kingdom) were considered.

c. Chile Mutual Evaluation Report (MER): Published in September 2021 by the Latin American Financial Action Group (Gafilat). This input analyzes the level of compliance with the 40 FATF Recommendations and the degree of effectiveness of the National AML/CTF System.

d. Detection of TF: To identify the phenomenon in Chile, an analysis of TF investigations was carried out, according to data from the National Public Prosecutors Office. In addition, the analysis of information generated from the financial intelligence processes carried out by the UAF was contemplated.

e. Crime of terrorism: This NRA contemplates the analysis of information from convictions and formalized investigations for terrorism to characterize the phenomenon in Chile, according to information provided by the National Public Prosecutors Office between 2010 and 2021. Jointly, information published by the National Consortium for the Study of Terrorism and Responses to Terrorism

(START) was considered, which is an emeritus National Security Center of the University of Maryland (United States)¹ that maintains a database of terrorism events at a global level, which includes more than 200.000 attacks perpetrated since 1970 (Global Terrorism Database, GTD).

f. Working groups with thematic experts:

The results of the working groups with people who, given their experience, knowledge and suitability, constitute a point of reference regarding the understanding of the TF phenomenon, and have been identified to obtain their opinion, were considered.

In this sense, within the framework of the ML/TF/PF Risk Technical Table (MT, by its acronym in Spanish) of the Intersectoral Advisory Commission on Prevention and Combating ML/TF, during 2023 a review of the background information collected regarding terrorism and its financing was carried out, both nationally and in South America. Representatives of institutions that address these matters participated in this MT, both directly and indirectly, including the National Intelligence Agency (ANI, by its acronym in Spanish), the police (Carabineros de Chile and the Investigative Police) and other institutions with permanent participation such as the National Public Prosecutors Office and the Ministry of the Interior and Public Security, among others.

2. IDENTIFICATION OF TF RISKS: Based on the information gathering carried out in the previous stage, the threats, vulnerabilities and mitigants that could impact the country were identified, in accordance with the concepts considered in the Guide *“National money laundering and terrorist financing risk assessment”* of the FATF (2013), from which we proceeded to:

a. Determine current threats: According to the conceptual definitions of the FATF, TF threats refer to a person or group of persons

(natural or legal), with the potential to cause harm to the State, society or the economy, through the collection, movement, storage or use of funds or other assets (of legal or illicit origin), for terrorist purposes. These threats can be internal or external to the country and must be understood as elements that seek to permeate the economies to finance terrorism (facilitators of terrorism, their funds, individuals or groups sympathetic to terrorist organizations) (GAFI, 2019, pág. 8).

• **Threat from groups with national terrorist purposes:**

With the objective of establishing threats that the country could eventually face with respect to the TF, an analysis and systematization of the information obtained regarding the attacks occurred in Chile is carried out, according to the database from the Global Terrorism Database 2022.

• **Threat from groups with foreign terrorist purposes:**

On the international stage, terrorism is addressed as a global phenomenon. For this reason, the regional backgrounds regarding the commission of these crimes are analyzed and, in this way, both regional (at the South American level) and international terrorist organizations are identified. Additionally, information was collected that made it possible to identify people or international organizations with a presence in South America.

b. Identify the risk of misuse of non-profit organizations (NPOs) for TF:

With the purpose of identifying the risk of misuse of NPOs for ML/TF/PF in Chile, the UAF built a methodology aimed at the identification of risk factors, associated with threats, vulnerabilities and their consequences. The measurement of these factors was related to variables that explain their behavior. This mechanism aims to attribute and justify the risk of ML/TF/PF, based on a quantitative

ranking methodology that includes the degree (probability) of exposure of NPOs to being vulnerated (negative event) and the level of impact of these negative events.

c. Determine vulnerabilities: For this methodology, vulnerabilities must be understood as characteristics or intrinsic characteristics of a country that can allow, facilitate or be exploited for the development of TF activities. The determination of Chile's vulnerabilities was carried out based on the analysis of the information generated in the previous points, with special consideration regarding the country's population and economic factors.

d. Determine the mitigants: These are elements that represent a structural or natural barrier or mitigation of the country in the face of a threat. In other words, they are

intrinsic elements of the country context that have the quality of moderating, appeasing or reducing the occurrence of events associated with TF and/or its consequences.

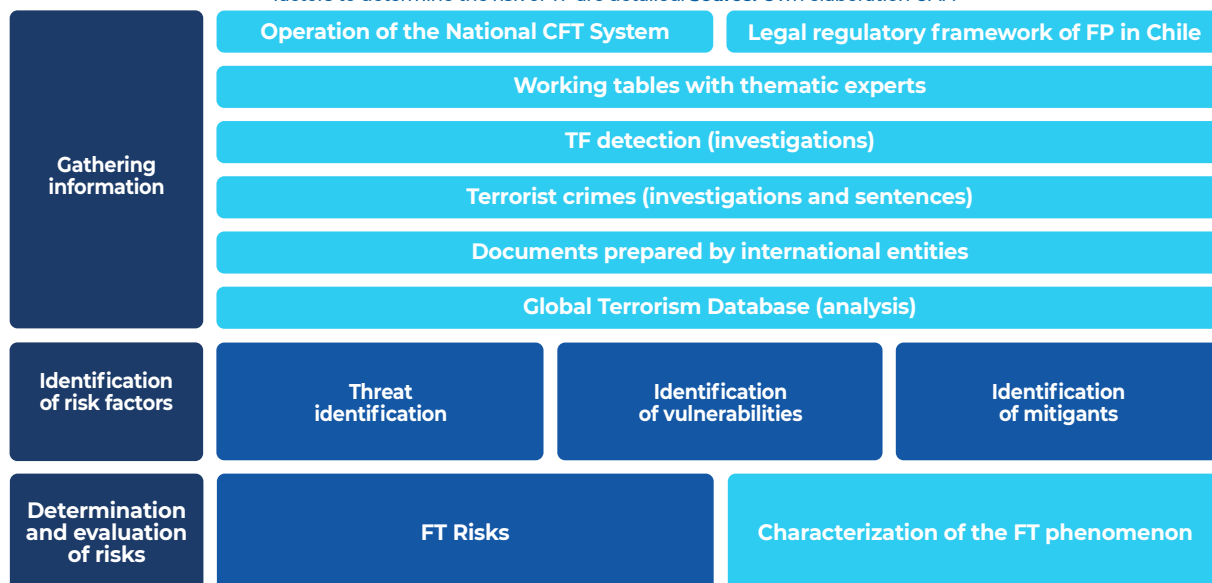
3. DETERMINATION AND ASSESSMENT OF TF RISKS: It is a function that relates four variables: Threats, vulnerabilities, mitigants and impact. In other words, it is the possibility that resources produced by legal or illegal economic activities enter the country's formal economic system, to successfully finance terrorist activities.

Since TF can use assets, both legal and of illicit origin, trace and monitoring of funds becomes difficult. According to the above, and given the low amount of quantitative information, a qualitative analysis to assess the risk of TF in the country was generated.

ILLUSTRATION 1

Summary. National TF Risk Assessment Methodology of Chile

Note: In orange the information processing and characterization of TF, while in blue the factors to determine the risk of TF are detailed. **Source:** Own elaboration UAF.





CHAPTER II: INTERNATIONAL STANDARDS AND NATIONAL REGULATORY FRAMEWORK

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In this chapter, the international instruments on TF and the national regulatory framework will be presented.

INTERNATIONAL STANDARDS RELATED TO TF

FINANCIAL ACTION TASK FORCE (FATF)

The Financial Action Task Force (FATF or GAFI, by its acronym in Spanish) is an intergovernmental body created in Paris, France, in 1989, by the Group of Seven (G7), to establish standards and promote the effective application of legal, regulatory and operational measures to combat money laundering (ML), the financing of terrorism (TF) and other threats related to the integrity of the international financial system such as the financing of the proliferation of weapons of mass destruction.

To this end, it issues a series of Recommendations, recognized as the international standard in the fight against money laundering and the financing of terrorism and proliferation of weapons of mass destruction (ML/TF/PF).

The first 40 Recommendations date back to 1990, a year after the creation of the FATF, to provide a global action plan against money laundering. These Recommendations were reviewed in 1996, in 2001 (after the attack on the United States Twin Towers, 8 Special Recommendations on TF were added) and in 2003 (a Ninth Special Recommendation against TF was incorporated).

Finally, in February 2012, and after two years of review, the FATF approved and published the 40 Recommendations to combat ML/TF, which replaced the 40 Recommendations issued in 1990, and the 9 Special Recommendations against TF issued in 2001.

The FATF plays a central role in providing support to jurisdictions for the correct and effective implementation of the financial provisions of the UNSC Resolutions relating to the prevention/suppression of terrorism and its financing, and in assessing the capacity of countries to prevent, detect, investigate and prosecute TF (GAFI, 2022).

In this context, countries must comply with the FATF standards, which consider the following topics:

1. Legal framework: Countries must criminalize not only TF but also the financing of linked organizations and individuals; ensure that such crimes are designated as predicate crimes of ML; and review the adequacy of laws and regulations relating to NPOs that the country has identified as vulnerable to misuse for TF.

2. Targeted financial sanctions (SFD) and freezing of terrorist assets: Countries must implement SFD regimes to comply with UNSC Resolutions relating to the prevention and suppression of terrorism and TF.

3. Preventive measures: Countries should apply preventive measures for the financial sector and other designated sectors that could be misused for ML/TF, related to customer due diligence and record keeping, politically exposed persons, reporting suspicious transactions and designated non-financial activities and professions, among others.

4. Illicit border transport of money: Countries must have measures to detect and prevent the cross-border physical transport of currency and bearer negotiable instruments. In addition, they must ensure that their competent authorities have the legal power to detain or restrict currencies, or bearer negotiable instruments, which are suspected of having a relationship with the TF, predicate crimes or are falsely declared or revealed.

5. Legal powers: Countries should equip law enforcement agencies and financial intelligence units (FIUs) with all necessary powers and resources to combat TF, along with other institutional measures (for example, public authorities) investigative, public order and supervisory).

6. TF-related information exchange: Countries should facilitate international cooperation, ensure prompt and constructive domestic and international cooperation, through international instruments, mutual legal assistance, extradition agreements and other forms of international ML/TF cooperation (GAFI, updated to October 2021).

UNSC RESOLUTIONS

The TF's fight has been strengthened by the UNSC Resolutions on the matter. Under Chapter VII (Action in the event of threats to the peace, breaches of the peace or acts of aggression) of the Charter of the United Nations², the Sanctions Committees of the Security Council may take coercive measures to maintain or restore peace and international security. These measures range from economic or other sanctions, which do not involve the use of armed force, to international military intervention.

The use of mandatory sanctions aims to exert pressure on a State or entity to comply with the objectives set by the Security Council, without resorting to the use of force.

In order to prevent and repress terrorism and TF, the UNSC Resolutions binding for Chile on the matter are:

- **Security Council Committee pursuant to resolutions 1267 (1999), 1989 (2011) and 2253 (2015) relating to ISIL (Daesh), Al-Qaida and associated individuals, groups, enterprises and entities.**

The Al-Qaida Sanctions Committee was established on 15 October 1999 by resolution 1267. The Committee has been modified and strengthened by various subsequent resolutions, so that the sanctions cover individuals and entities associated with Al-Qaida wherever they are.³

However, on June 17, 2011, the Security Council unanimously approved resolutions 1988 (2011) and 1989 (2011), separating measures against individuals and entities associated with Al-Qaida from actions against people and entities linked to the Taliban.⁴

On December 17, 2015, the Security Council adopted resolution 2253 (2015) to expand the criteria for inclusion on the sanctions list to individuals and entities supporting the Islamic State in Iraq and the Levant (ISIL, also known as Daesh). For this reason, the Al-Qaida Sanctions Committee 1267/1989 was renamed "ISIL (Daesh) and Al-Qaida Sanctions Committee 1267/1989/2253", and the Al-Qaida Sanctions List is now known as the "Sanctions List against ISIL (Daesh) and Al-Qaida".⁵

This Committee establishes the "List of Sanctions against ISIL (Daesh) and Al-Qaida" as well as the criteria for its inclusion or exclusion. Countries should freeze, without delay, the funds or other assets of persons on the list, and ensure that such funds and other assets are not placed, directly or indirectly, at the disposal or benefit of any person or entity.

Meanwhile, on July 20, 2017, the Security Council approved Resolution 2368 (2017) which reaffirms the asset freeze, the travel ban and the arms embargo that affects all persons and entities on the Sanctions List of ISIL (Daesh) and Al-Qaida.

- **Counter-Terrorism Committee under resolutions 1373 (2001) and 1624 (2005).**

The Counter-Terrorism Committee, based on the provisions of Security Council resolutions 1373 (2001) and 1624 (2005), works to strengthen the capacities of United Nations Member States to

prevent terrorist acts within their borders and in all regions. This Committee was created after the terrorist attacks perpetrated on September 11, 2001 in the United States. To this end, the Resolution establishes that countries must:

- Criminalize the financing of terrorism.
- Freeze without delay the funds of people who participate in the commission of acts of terrorism.
- Deny any type of financial support to terrorist groups.
- Prohibit the provision of shelter or any type of assistance or support to terrorists.
- Exchange information with other governments regarding any group that commits or intends to commit acts of terrorism.
- Cooperate with other governments in order to investigate, detect, arrest, extradite and prosecute persons involved in the commission of such acts.

Criminalize the provision of active or passive support to those who commit acts of terrorism as a crime in national law, and prosecute those guilty of this crime.

UN, OAS AND APEC

Additionally, it is important to mention the United Nations International Convention for the Suppression of the Financing of Terrorism (1999) and the Inter-American Convention of the Organization of American States (OAS) against Terrorism (2002), which urge States to parties to adopt measures to prevent and counter the financing of terrorists, either directly or indirectly, through groups that proclaim charitable, social or cultural intentions, or that are also engaged in illicit activities such as drug trafficking or weapons smuggling. Both Conventions were ratified by Chile in 2002 and 2004, respectively.

Likewise, the country (through various entities, including the UAF) participated in the Counter-Terrorism Working Group of the Asia Pacific Economic Cooperation Forum (APEC), whose mandate ended in 2021, and which aimed to promote security in matters related to trade, human security, proliferation of weapons of mass destruction, strengthening the public-private relationship in the fight against terrorism and safe trade.

NATIONAL REGULATORY FRAMEWORK

LAW N°18.314, WHICH DETERMINES TERRORIST CONDUCT AND ESTABLISHES ITS PENALTY

In Chile, terrorist conduct and the financing of terrorism are classified in Law N°18.314, promulgated in May 1984.

In its article 8°, the Law establishes that "Whoever, by any means, directly or indirectly, requests, collects or provides funds with the purpose of using them in the commission of any of the terrorist crimes indicated in article 2°, will be punished with the penalty of minor imprisonment in its medium degree to major imprisonment in its minimum degree, unless by virtue of the provision of funds he is responsible for a specific crime, in which case he will be punished by the latter title, without prejudice of the provisions of article 294° bis of the Penal Code."

According to article 1° of Law N°18.314, terrorist crimes are those whose purpose is to ***"produce in the population or a part of it the justified fear of being a victim of crimes of the same type, whether due to the nature and effects of the means used, either because of the evidence that it is due to a premeditated plan to attack a specific category or group of people, or because it is committed to extract or inhibit resolutions from the authority or impose demands on it."***

TABLE 1
TERRORIST CRIMES

Source: Own elaboration UAF.

Law N°18.314 article 2° numeral 1	Law N°18.314 article 2° numeral 2, 3, 4 and 5
<p>Penal Code</p> <ul style="list-style-type: none"> • Homicide (article 391°) • Injuries (articles 395° to 398°) • Kidnapping (article 141°) • Child abduction (article 142°) • Sending explosive letters or parcels • Fire and damage (articles 474°, 475°, 476° and 480°) • Offenses against public health (articles 313° d, 315° and 316°) 	<ul style="list-style-type: none"> • Seizing or attacking a ship, aircraft, railway, bus or other means of public transport in service, or carrying out acts that endanger the life, bodily integrity or health of its passengers or crew. • The attack against the life or physical integrity of the Head of State or another political, judicial, military, police or religious authority, or of internationally protected persons, due to their positions.
<p>General Railway Law</p> <ul style="list-style-type: none"> • Derailment (articles 105°, 106°, 107° and 108°) 	<ul style="list-style-type: none"> • Place, send, activate, throw, detonate or shoot bombs or explosive or incendiary devices of any type, weapons or devices of great destructive power or toxic, corrosive or infectious effects. • The illicit association when its objective is the commission of crimes that must be classified as terrorist in accordance with previous numbers and article 1°.

The same legal body, in article 2°, considers the following acts as terrorist crimes:

**LAW N°20.393, WHICH ESTABLISHES THE
CRIMINAL LIABILITY OF LEGAL ENTITIES
IN THE CRIMES IT INDICATES**

Unlike Law N°18.314, whose provisions apply to those natural persons who participate in the financing of terrorist crimes, Law N°20.393, of November 2009, regulates the criminal liability of legal entities with respect to a series of crimes, among them, those contained in article 8° of Law N°18.314. The provisions of this Law apply to legal entities governed by private law and state companies.

Thus, legal entities are responsible for the crimes indicated in article 1° of Law N°20.393, among them, the financing of terrorism, “whether they were committed directly and immediately in their interest or for their benefit, by their owners, controllers, managers, main executives, representatives or those who carry out administration and supervision activities, provided that the commission of the crime was a consequence of non-compliance, on the part of the latter, with the duties of management and supervision.” (Article 3°).

**LAW N°19.913, WHICH CREATES THE
FINANCIAL ANALYSIS UNIT AND MODIFIES
VARIOUS PROVISIONS REGARDING MONEY
LAUNDERING**

Law N°19.913, of December 2003, laid the foundations to implement in the country a system to prevent and control money laundering, with the objective of preventing the use of the financial system, and other sectors of economic activity, to legitimize illicit profits.

In February 2015, Law N°20.818 introduced important modifications to Law N°19.913, among them, the obligation of the natural and legal persons indicated in article 3° of said legal body, to report to the UAF on suspicious transaction reports of ML/TF, which they warn in the exercise of their activities or functions.

The second paragraph of article 3° of Law N°19.913 defines a suspicious operation as “any act, operation or transaction that, according to the uses and customs of the activity in question, is unusual or lacks apparent economic or legal justification, or could constitute any of the conduct contemplated in article 8° of Law N°18.314 (on terrorist conduct), or is carried out by a natural or legal person that appears on the lists of any resolution of the United Nations Security Council, whether it is carried out in isolation or repeatedly.”

In December 2012, the UAF issued Circular N°49 which regulated, among other issues, the FTS implementation regime of UNSC resolutions on TF matters by reporting entities. Subsequently, the UAF made several modifications to these regulations through circulars N°54 (2015), N°55 (2016) and N°60 (2019), highlighting the progressive inclusion of UNSC resolutions that were not initially contemplated in Circular N°49. This is how, currently, it is established that all natural and legal persons indicated in article 3° of Law N°19.913 must permanently review the Sanctions Lists derived from the UN Security Council Committees related to the Taliban, ISIL

(Daesh), Al-Qaida and associated individuals, groups, companies and entities.

In the event of detecting any person, company or entity mentioned in any of the lists against the financing of terrorism, the reporting entities must immediately report it to the UAF, through the Suspicious Transaction Report (ROS, by its acronym in Spanish), so that This Unit may proceed to take the asset freezing measure, established in article 38° of Law N°19.913.

Meanwhile, on July 19, 2016, the Ministry of Finance published in the Official Gazette Decree N°1.724 that creates the Intersectoral Advisory Commission on Prevention and Combating Money Laundering and the Financing of Terrorism, which institutionalizes the National Anti-Money Laundering. and Countering the Financing of Terrorism (AML/CTF) System.

This, in line with the designation of the UAF, in December 2009, as representative of Chile before the Latin American Financial Action Group (Gafilat) and, in that role, coordinator of the National AML/CTF System, whose fundamental pillars are prevention, detection, prosecution and punishment of both crimes.



CHAPTER III: DIAGNOSIS OF THE TF PHENOMENON IN CHILE

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In this chapter, the TF phenomenon in Chile is identified, mainly integrating information regarding:

- Operation of the National AML/CTF System in its three areas (prevention, detection and prosecution-sanction).
- The National Strategy to Prevent and Combat ML/TF, which incorporates approaches from the private and public sectors.
- The Mutual Evaluation Report of Chile by Gafilat and its recommended actions based on this phenomenon.
- The study carried out by the UAF called *“Risk Analysis of the Main Vulnerability Aspects of Non-Profit Organizations (NPOs)”*, in order to identify those NPOs most vulnerable to improper use for TF.

OPERATION OF THE NATIONAL AML/CTF SYSTEM

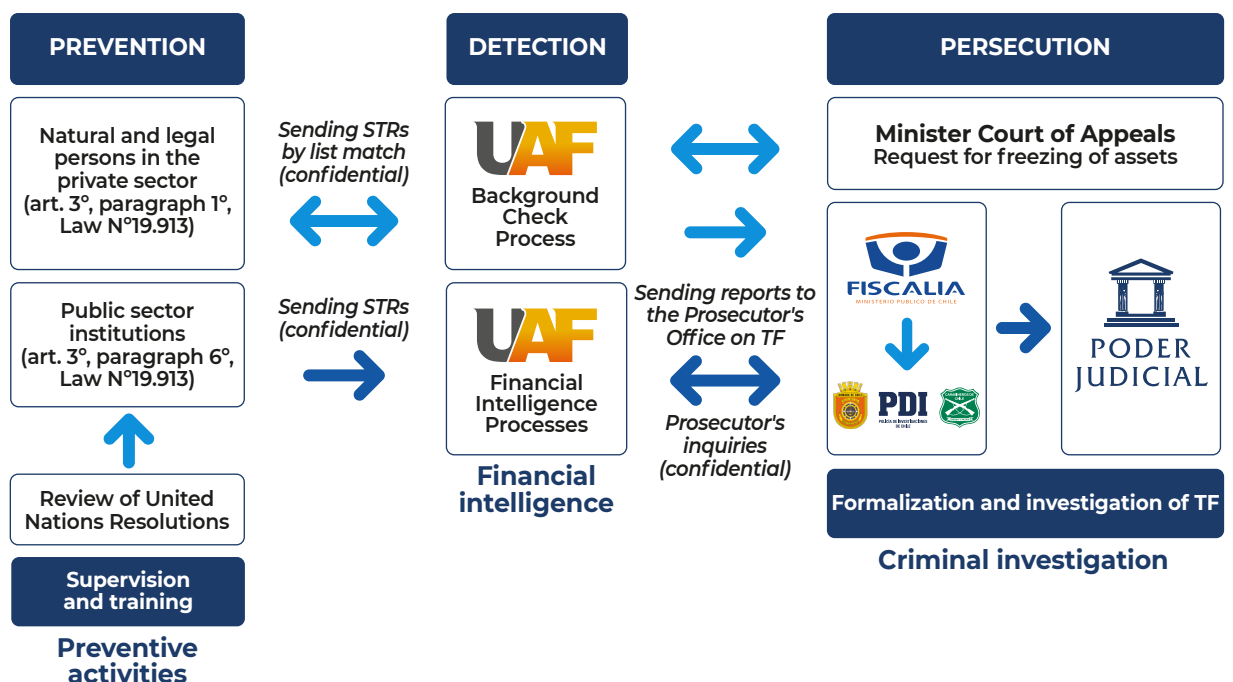
Law N°19.913 constitutes a regulatory structure of the National AML/CTF System, composed of three fundamental pillars: prevention, detection and prosecution-sanction.

The System is made up of public institutions that regulate, supervise and prosecute⁶ ML/TF, in addition to all the reporting entities (SO, by its acronym in Spanish) to report suspicious transactions to the UAF (expressly indicated in article 3° of Law N°19.913).

Below is a summary of the operation of the National AML/CTF System, in the field of terrorist financing.

ILLUSTRATION 2 Summary of the National AML/CTF System Operation

Source: Own elaboration UAF.



PREVENTION

The country's regulatory bodies and natural and legal persons, from the public and private sectors, act in this area, expressly indicated in article 3° of Law N°19.913 (reporting entities).

These entities must implement policies and procedures for the prevention and detection of ML/TF, in accordance with their own organizational characteristics and their risk matrix, all of which must be reflected in a Prevention Manual (Circulars N°49, 54 and 60 of the UAF).

Regarding the detection of alleged operations related to TF, the preventive measures implemented by the reporting entity must aim to ***“detect acts, operations or transactions suspicious of providing funds with the purpose of being used in the commission of any of the crimes, terrorists included in Law N°18.314, as well as those suspected of being requested or collected for the same purpose, whether carried out individually or repeatedly. The same must happen with those operations in which natural or legal persons who appear on the lists of any UNSC resolution act “.*”**⁷

To comply with the above, they must consider the typologies of ML/TF crimes, carry out due diligence on their clients, review the lists of non-cooperative countries, incorporate information on the warning signs associated with TF provided by the UAF, both on its website and in its related documents (circulars N°49 and 54).

On the other hand, it is also established as an obligation to have procedures, in the respective prevention manuals, that ensure the permanent and timely review and checking of the lists of the UNSC Sanctions Committee, as well as the existence of verification means that allow prove compliance with said obligations.

In relation to the detection of natural or legal persons listed in the UNSC resolutions, it is established that the reporting entities, in the

circumstance of ***“detecting any person, company or entity that is mentioned in any of the lists of the UNSC Resolutions that sanction the financing of terrorism and the financing of the proliferation of weapons of mass destruction (...), must immediately send the UAF a ROS informing of said finding, so that the UAF can proceed to take action the asset freezing measure established in article 38° of Law N°19.913.”***⁸ (circulars N°49, 54 and 60).

Finally, as support to the reporting entities, dissemination and training activities are carried out by the UAF (sometimes in coordination with some member institutions of the National AML/CTF Strategy), which provide the knowledge, guidelines and recommendations so that the obligated subjects develop and implement preventive systems against ML/TF and official crimes (in the case of public entities).

Ministry of Foreign Affairs

Through supreme decrees, the Ministry of Foreign Affairs of Chile (Minrel) has ordered compliance with UNSC resolutions on the fight against terrorism and its financing.

- Supreme Decree N°488, of 2001, provides for compliance with Resolution 1373 of the UNSC.
- Supreme Decree N°106 of 2002, provides for compliance with resolutions 1267 (1999), 1333 (2000) and 1390 (2002) of the UNSC.
- Supreme Decree N°129, of 2012, provides for compliance with Resolution N°1.988 of the UNSC.
- Supreme Decree N°214, of 2020, establishes measures that implement UNSC resolutions for the prevention and repression of financing, direct and indirect, of activities that affect international peace and security⁹, with the purpose of applying financial measures and sanctions, in especially, the freezing of

assets. The Decree is applicable to subsequent UNSC resolutions or any other resolutions that reaffirm, add, amend, replace and complement them, including the new Committees created by them. In this way, the decree disseminates information related to the lists, application of measures and financial sanctions, exchange of information and international cooperation.

In addition, it defines the role of the following State administration bodies:

- **Ministry of Foreign Affairs:** It will be the point of contact and liaison with the UNSC and its Committees, as well as with international organizations or entities linked to Decree 214/2020. It is also responsible for receiving information on updates sent by the UNSC to the lists of persons, groups, companies or entities designated by the UNSC Committees established under resolutions 1.267 (1999), 1.989 (2011) and 2.253 (2015) relating to ISIL (Daesh) and Al-Qaida; by resolution 1.988 (2011); through resolution 1.718 (2006); provided for by resolution 1.737 (2006), or to the new Committees that are created by the aforementioned Committee. These updates will be sent by the Ministry of Foreign Affairs to the Financial Analysis Unit.
- **Financial Analysis Unit:** After receiving the information from the Minrel, the UAF may request or adopt, as appropriate and within the scope of its powers, measures aimed at preventing and repressing the financing, direct and indirect, of terrorism and proliferation of weapons of mass destruction. Likewise, the UAF may collect and request information that is pertinent in order to identify people, groups, companies or entities that, on reasonable grounds, meet the criteria to be included or excluded from the lists of people, groups, companies or entities designated by the respective UNSC.

Subsequently, the UAF must issue to the Minrel, with due safeguard and protection, the information collected on the identified people, groups, companies or entities, and will recommend that their inclusion or exclusion be proposed, as appropriate, in the lists prepared by those indicated Committees. Once this information is received, the Minrel will meet with the UAF, in order to analyze said information and the recommendation, to adopt a decision in this regard. Based on the information sent by the UAF, the Minrel may propose to the aforementioned Committees the inclusion or exclusion of people, groups, companies or entities from the lists prepared by them.

Within the framework of UNSC resolution 1.373 (2001), and the successive resolutions that reaffirm, add, amend, replace and complement it, for the collection and request of pertinent information, with the purpose of identifying individuals, groups, companies or entities that have committed, commit or attempt to commit acts of terrorism, or participate in them, or facilitate the commission of any aforementioned act that threatens international peace and security, the UAF, acting within its powers, may exchange information with its foreign counterparts.

- **Law N°21.163, of 2019:** Incorporated the UNSC resolutions regarding the financing of terrorism and the proliferation of weapons of mass destruction, in article 38° of Law N°19.913.

Dissemination and Training Activities

The UAF has a Training Plan aimed at both the private and public sectors, which develops content for the prevention and detection of ML/TF, and guides the use of warning signs on the matter and the implementation of procedures that allow the sending timely and confidential STRs.

The training activities place special emphasis on the obligation of reporting entities to permanently review and check their clients in the lists issued by the UNSC Resolutions on TF and PF.

Through the Virtual Learning Platform, the UAF teaches the e-Learning courses “Tools for the strategic prevention of money laundering and terrorist financing” (aimed at compliance officers in the private sector) and “Tools to establish an Anti-Money Laundering and Anti-Corruption Preventive System in public institutions” (aimed at responsible officials, who not only address the issue of TF, but also have an exercise module for the identification of operations suspicious of this crime.

Added to this is that, to guide reporting entities, and the general public, regarding situations that should be considered suspicious of ML/TF/PF, the UAF prepared and issued an updated version of its Red Flags Guide, which describes the behaviors or characteristics of certain people or transactions, which could lead to the timely detection of a “suspicious operation” of the aforementioned crimes. Likewise, on the institutional website, the UAF has a specific explanatory booklet on terrorist financing.¹⁰

DETECTION

1. Report of Suspicious Operation due to a coincidence on the UNSC list

The obligated subjects must permanently review the lists of the UNCRS and immediately report to the UAF, without prior analysis, through a ROS, if any match is found on the list, so that the UAF can proceed to take the asset freezing measure established in article 38° of Law N°19.913¹¹.

Within 24 hours following receipt of information (through a ROS) that proves that the natural or legal persons identified in the lists prepared by the UNSC intend to carry out an act, transaction or financial operation, the UAF must request a

minister of the Court of Appeals of Santiago, the adoption of necessary measures to prevent the use, exploitation, benefit or destination of any type of property, securities or money subject to an act, transaction or operation, without prior notice to the affected person and for a certain period. The validity of the measures decreed by the Minister of the Court may not exceed thirty days, extendable by reasoned resolution.

2. Report of Suspicious Operation linked to possible TF activities:

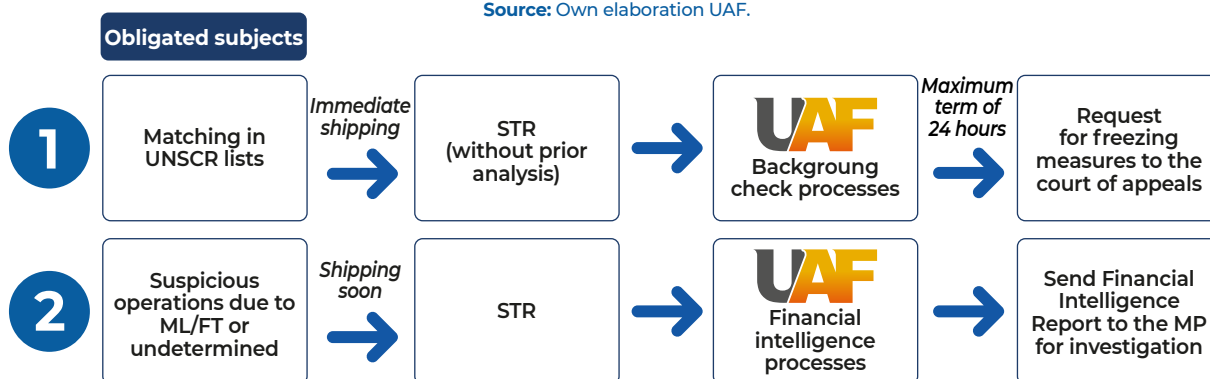
When any of the natural or legal persons expressly indicated by article 3° of Law N°19.913 notices, in the exercise of their activity or functions, any act, operation or transaction that, in accordance with the regulations and anti-money laundering and anti-money laundering practices, financing of terrorism, meets the “suspicion” criteria, has the legal obligation to send this information to the UAF, through a Suspicious Transaction Report (ROS).

To do this, the reporting entities must analyze the operations and determine, according to the policies and procedures of their own ML/TF preventive systems, whether or not they are in the presence of a suspicious operation that must be reported to the UAF.

Once the STR is received, the UAF activates its financial intelligence processes, with the aim of detecting indicative signs of ML or TF. If there are any, the UAF prepares and sends confidentially and in a timely manner a Financial Intelligence Report to the Public Ministry, the only institution responsible for investigating and criminally prosecuting both crimes in the country.

ILLUSTRATION 3
Reason for reporting STRs to the UAF and its analysis process

Source: Own elaboration UAF.



STRs associated with TF

In the period 2016-2021, the reporting entities sent 43 STRs to the UAF with information associated with TF. Of them, 37 were sent by the

financial sector and 6, by designated non-financial professional activities (DNFBP), as seen in the following table:

TABLE 2
ROS received by the UAF associated with TF in the period 2016-2021

Source: Own elaboration UAF.

Sector type	STRs received by TF	STRs received due to matches in UNSC list	Total ROS received by TF
Financial sector	13	24	37
DNFBP	2	4	6
Total	15	28	43

Of the 43 STRs received, 28 contained information on matches with people listed in the UNSC Resolutions. However, after applying financial intelligence processes, the UAF verified that the identified reports corresponded to cases of homonymy and, therefore, the STRs were filed.

Regarding all the STRs that the UAF has received between 2016 and 2021 (44.420 STRs for suspicions of ML/TF), it can be noted that the UAF's intelligence processes have not detected signs of TF, after guiding the search to the establishment of links of all those reported with

terrorist actions or financial flows aimed at providing funds for said actions.

UNSC Resolution 1373

From 2016-2021, Chile has not received requests to freeze assets from third countries, under UNSC Resolution 1.373. Likewise, Chile does not have domestic lists, so it has not made requirements to other countries in this framework. As a separate section, and with respect to Resolutions 1.267 (1999), 1.989 (2011) and 2.253 (2015) regarding ISIL

(Daesh) and Al-Qaida; by the Security Council Committee established pursuant to resolution 1.988 (2011); Chile has not made requests for delisting or enlistment of persons or entities to the committees indicated.

PERSECUTION AND SANCTION

The investigation and criminal prosecution of TF crimes is directed, exclusively, by the Public Prosecutor's Office. This has a Specialized Unit in Economic, Environmental Crimes, Cybercrimes and Associated Money Laundering (ULDDECO), which, in addition to the crimes that can be deduced from its own name, investigates terrorism and its financing.

The work of the Public Ministry in matters of TF is supported by the Chilean Investigative Police (PDI), through the Money Laundering Brigade (BRILAC), the Police Intelligence Headquarters (JIPOL), the Police Intelligence Brigade (BIP) and the Special Police Investigation Brigade (BIPE), and the Carabineros of Chile, through the Carabineros Intelligence Directorate (Dipolcar), the Drug Department (OS7) and the Department of Criminal Organizations (OS9).

TF investigations in Chile

Regarding activities aimed at financing terrorist conduct, according to information provided by the Public Prosecutor's Office, during the period 2015 to 2021, 6 TF investigations were initiated, ruling out formalization or imputation in all investigations carried out.

TABLE 3
Terrorist financing investigations, by year

Source: Prepared by UAF, with information from the Public Prosecutor's Office.

TF investigations	Year							
Crime	2015	2016	2017	2018	2019	2020	2021	Total
Raise/Provide funds for terrorists article 8°, Law N°18.314	1	1	2	0	2	0	0	6

In relation to these investigations, we sought to determine possible links with illicit activities that generate a large amount of cash, or with certain NPOs. In this way, all of them were prosecuted, with the aim of requesting intrusive measures for their proper investigation (lifting of bank secrecy, telephone interceptions or others). However, none of them was formalized¹², since it was not possible to establish (1) certain assumptions regarding the criminal type or, (2) the participation of the accused¹³. In this sense, in Chile there have been no formalizations for the crime of TF in the observed period.

Likewise, in TF investigations in Chile:

- There have been no cases linked to people listed in the UNSC Resolutions.
- No designations of terrorist entities have been made under the UNSC Resolutions.
- There have been no convictions in TF matters.

However, Chile has formalized accusations of domestic conduct for terrorist acts, resulting in convictions in this regard. Thus, in the country there are cases related to the investigation of terrorism, which are relevant for the analysis of the persecution of the TF.

Investigations for terrorist crimes (Law N°18.314)

Next, and since it has not been possible to establish conduct typical of TF crime in the country, an analysis of the investigations carried out by the Public Prosecutor's Office is presented in which Law N°18.314 was invoked to identify terrorist conduct and, with it, analyze and identify the modus operandi of the different actors who have carried out terrorist acts in Chile.

According to data from the Public Prosecutor's Office, in the period 2010-2021¹⁴, there are 20 investigations¹⁵ formalized for terrorist crimes in Chile, of which in 3 the closure of the investigation was determined prior to the corresponding trial.

In the 17 formalized investigations, 22 sentences were obtained, of which 10 were convictions and 12 were acquittals. Of the 10 final convictions obtained, in 3 the rulings were based on crimes contained in the anti-terrorist legislation (Law N°18.314). Meanwhile, in the other 7 sentences, the facts were reclassified, eliminating the presumption of terrorist conduct, and they were convicted based on Law N°17.798 (control of weapons and explosives) and other crimes contained in the Penal Code. In these cases, despite having carried out an asset investigation, no antecedents associated with TF behavior were found.

Analysis of convictions for terrorist crimes (Law N°18.314)

Regarding the 10 convictions from the 2010-2021 period, 3 were related to legislation on terrorist conduct, which are detailed below:

- **Conviction Ruling RUC 0900969218-2, of October 22, 2010:** An organized group of people, armed with weapons and accelerant liquid, headed to a route that connects the cities of Victoria and Curacautín in the southern part of the country (Region of La

Araucanía) to set up barricades and interrupt traffic. The people proceeded to violently intimidate the crew members of the stopped vehicles, shot at the vehicles that tried to avoid the barricades, caused damage, stole goods from a nearby toll booth, and set fire to a transport truck that stopped as a result of the excesses.

As a result of the above, a person was convicted of the crimes of illicit association and frustrated homicide, both of a terrorist nature, in accordance with articles 1° and 2° of Law N°18.314, for which the sentence of 602 days of prison was imposed. In addition, the same person was sentenced for the crime of arson contemplated in article 477° of the Penal Code, to a sentence of three years and one day.

- **Sentence RUC 0900697670-8, of September 14, 2012:** An organized group of people equipped with firearms, chainsaws and other elements, headed to a route in the commune of Vilcún in the southern part of the country (Region of La Araucanía) to form barricades and cut off the route, and violently intimidate crew members of cargo and transport vehicles, with the purpose of causing damage to said vehicles and using them to block traffic.

In this case, a person was convicted of the crime of terrorist threats, contained and sanctioned in article 7°, paragraph 2 of Law N°18.314, and for simple damages provided for in article 487° of the Penal Code. Consequently, the penalty of 61 days in prison for each crime was determined.

- **Sentence RUC 1400674179-8, March 2018:** This case is related to explosive attacks in the Metropolitan Region.
 - The first incident involved the placement of an explosive device inside a passenger transport train, which caused structural damage and damage to the health of people who were there.

- The second incident consisted of the placement of explosive devices of identical characteristics and manufacture in two police stations, located in the communes of El Bosque and Santiago Centro, which caused various structural damages.
- The third incident took place in a subspace adjacent to the underground passenger transport, located at the Escuela Militar station on Line 1, where an explosive device was placed that caused various structural damage and damage to the health of people passing through there.

For these events, a person was sentenced to fifteen years in prison based on the terrorist crimes of placing, activating and detonating an explosive device, possession or possession of a bomb (article

2° N°4 in relation to articles 1° and 3° of Law N°18.314), in addition to a sentence of 8 years for attacking property for public use (article 485° Penal Code). These actions meant the determination of a total sentence of 23 years in prison.

From the analysis of the sentences, regarding acts of a terrorist nature sanctioned by the Courts of Justice, it is possible to identify a similar modus operandi on the part of the subjects convicted in the southern part of the country, with the main objective being the interruption of traffic, destruction of transport vehicles, cargo and forestry machinery, for which they have used firearms, incendiary devices and others through intimidation.

A different case was the event that occurred in the Metropolitan Region, in which explosive devices (metallic container with black powder) were used that caused damage to people's health.

TABLE 4
Summary. Terrorist acts sanctioned by the Courts of Justice

Source: Prepared by UAF, based on information from convictions in terrorist matters issued by the Judiciary.

Identified organizations	Region	Type of action	Weapons used
Arauco Malleco Coordinator (CAM)	The Araucanía	Roadblocks, burning of vehicles, intimidation.	Firearms, chainsaws, arson attacks.
Anarchic groups	Metropolitan	Attacks on institutions and infrastructure (public transportation and police institutions).	Explosive devices.

In these cases, it was not possible to establish conduct typical of the TF crime, since the events had a low level of sophistication and were perpetrated with scarce inputs and/or resources.

NATIONAL STRATEGY TO PREVENT AND COMBAT ML/TF AND ACTION PLAN 2018-2020

With the aim of protecting the country from the serious damage caused by ML/TF crimes, the Government of Chile launched, in December 2013, a National Strategy to prevent and combat both crimes, with an Action Plan that was developed between the years 2014 and 2017.

During 2018, the second version of the National AML/CTF Strategy was built as an instance of integration, organization and inter-institutional coordination in the areas of prevention, detection and criminal prosecution of ML/TF, in order to strengthen the integrity of the sectors. financial and non-financial of the country.

The 2018-2020 Action Plan was the result of the work of 17 public institutions, supported by the Intersectoral Roundtable on Prevention and Combating ML/TF, which was oriented towards six strategic lines identified by the member entities of the EN¹⁶: **(1)** Update of AML/CTF regulations, **(2)** Risk-based supervision, **(3)** Asset investigation and increase in confiscation, **(4)** Strengthening capabilities and skills for the prevention and combat of ML/TF (Training), **(5)** Inter-institutional cooperation and coordination, and **(6)** Financing of terrorism and the proliferation of weapons of mass destruction.

Through Axis N°6, two fundamental aspects were addressed:

1. Evaluate and formulate proposals for legal reforms necessary for the incorporation of international regulations on TF and PF, and full compliance with international standards: To comply with this purpose, in July 2019 the Law was published in the Official Gazette N°21.163, which incorporated the UNSC resolutions referring to TF and proliferation in article 38° of Law N°19.913.

2. Carry out operational and coordination adjustments between the institutions in charge of the prevention, detection and prosecution of TF and PF: During the period, meetings were held to coordinate operational aspects regarding the prevention, detection and prosecution of TF and PF.

In 2023, the members of the National Strategy began the work of preparing a new Action Plan, with a view to the years 2023-2027, through 5 permanent work tables on: Legislative update, ML/TF/PF Risks, Supervision and Regulation, Criminal Prosecution and Financial Intelligence.

RESULTS OF THE MUTUAL EVALUATION OF CHILE BY GAFILAT

The Latin American Financial Action Group (Gafilat for its acronym in Spanish, former Gafisud) is a regionally based intergovernmental organization that promotes the implementation and continuous improvement of policies to combat ML/TF.

It was formally created on December 8, 2000 in Cartagena de Indias, Colombia, under the FATF model; therefore, it adheres to its 40 Recommendations and, in addition, supports its members to implement them, through training measures and mutual evaluations.

Chile's evaluations correspond to the years 2006, 2010 and 2019-2021. The latter was carried out within the framework of the IV Round of Mutual Evaluations. The period evaluated included the actions adopted by our country between 2015 and 2019, both years inclusive, to prevent and combat ML/TF, according to the new FATF Methodology (approved in 2012), which includes review criteria for technical compliance with the 40R of the FATF (country's regulatory framework) and the real effectiveness of the National

AML/CTF System, based on a risk approach (measured through 11 Immediate Results). During the evaluation process, and in its capacity as Chile's representative before Gafilat, the UAF acted as coordinator and liaison point.

In July 2021, the Plenary of Gafilat Representatives approved the Final Report of the Mutual Evaluation of Chile, which was published in September of that year. Of the 40Rs, the country achieved 12 Compliant, 18 Mostly Compliant, 9 Partially Compliant and none Not

Compliant. Regarding the effectiveness of the National AML/CTF System, the country was rated in 3 Immediate Results with "Substantial", 7 "Moderate" and 1 "Low". With these levels of compliance, the Plenary decided to subject the country to an intensified monitoring process, which means that Chile, every six months, must report on the progress made to overcome the deficiencies detected.

Regarding the TF, the findings and actions recommended by Gafilat are the following:

Technical Compliance	<p>Recommendation 5 (Terrorist financing crime) Partially Compliant¹⁷:</p> <p>Main findings: Not all the acts listed in the conventions that are part of the annex to article 2° of the International Convention for the Suppression of the Financing of Terrorism are found.</p> <p>Recommendation 6 (Targeted financial sanctions related to terrorism and terrorist financing) Partially Compliant.</p> <p>Main findings: Absence of internal regulations to comply with the provisions of UNSCR 1267 and its successors, as well as with respect to 1373 regarding the freezing of terrorist funds, and their seizure. Additionally, it was noted that the country has not formally designated an authority that centralizes the necessary powers to comply with UNSCR 1267.</p>
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Effectiveness

Immediate Result 9 (TF investigation and prosecution) **Moderate Level**¹⁸:

Main findings:

- The country has TF detection and investigation capacity, which is consistent with its risk profile, although there are certain limitations in the coordination between Law Enforcement Authorities (AOP) and in the adequate understanding of the TF risk level of some authorities.
- Chile has the specialized unit ULDDECO, which is a unit attached to the National Prosecutor's Office that provides support and advises prosecutors also on TF matters. This unit plays a fundamental role due to its coordinated work with the UAF, allowing the assigned prosecutors to carry out the corresponding investigations.
- The UAF and ULDDECO largely understand the risks of TF. However, other law enforcement authorities have more limited knowledge and present opportunities for improvement in this regard.
- Chile has not formalized TF cases, although it has carried out investigations, which have been discarded because the respective hypotheses were not verified. Now, from the analysis of important cases in which acts of terrorism have been investigated and condemned, it is concluded that there are mechanisms for investigation, coordination and exchange of intelligence information that would also be applied to possible TF cases.
- There are prosecutors designated for cases of organized crime and they are called upon to take on TF cases that may arise, although they retain responsibility and investigate other criminal offenses of common crime. In this sense, it is appreciated that these prosecutors can develop their TF investigations appropriately and have the support and advice of the ULDDECO for these cases.
- The ANI has the legal power to lift the secrecy of intelligence information, which would allow it to be used as background information in TF criminal cases. However, although they have provided information to the MP, it is not verified that this power was exercised, which limits its use.
- The UAF and the MP, including its ULDDECO unit, have access to multiple integrated databases, which is reflected as a strength for TF investigations.
- Deficiencies in the classification and the exceptional rule that does not allow criminal liability for minors under 18 years of age for TF may limit the effectiveness of the system.
- The UAF has the means and knowledge to analyze potential TF cases and report them to ULDDECO. To date, no Financial Intelligence reports have been generated by the UAF through TF¹⁹.
- Chile has certain measures that can be used as alternative mechanisms when a conviction for TF is not possible.

Recommended actions:

- Correct the technical deficiencies of the CTF regulatory framework, particularly those related to the criminal classification of TF.
- Develop specific protocols that guarantee the effective coordination and prioritization of the investigation of TF cases among law enforcement authorities.
- Promote greater articulation and cooperation between authorities, UAF, ANI, MP and others, with powers regarding the implementation of policies and strategies regarding TF.
- Continue the training and specialization process in the competent authorities in TF matters. In particular, it is recommended to develop specific CTF training aimed at the AOP and the Judiciary, addressing both the modalities it can adopt and the relevant aspects for its effective investigation and processing.
- Deepen the level of understanding of TF risk by the competent authorities. In particular, it is recommended to increase the dissemination of typologies, warning signs and documents associated with TF risks.

Effectiveness

Immediate Result 10 (TF preventive measures and financial sanctions) **Moderate Level:**

Main findings:

- Chile has a regulatory framework to apply DFS related to TF that allows the freezing of assets, although certain technical deficiencies and challenges for implementation without delay are noted in sectors that have difficulties in permanently reviewing the lists and, therefore, therefore, for immediate reporting - although it should be noted that the most material sectors of the financial sector generally have the possibility of acting promptly.
- The country, through the UAF, updates the UNSC lists and its updates on its website in a timely manner, which can be consulted on its website by all Reporting entities (RE).
- Financial OSs have automated systems for detecting coincidences with UN lists and their subsequent reporting, but the level of knowledge in general is lower in DNFBP sectors, particularly in some relevant actors such as notaries.
- The freezing of assets of people listed by the UNSC is by order of a Minister of the Court of Appeals, at the request of the UAF, which has planned mechanisms to require the implementation of the measure urgently. Notwithstanding this, in certain cases the prompt implementation of the measures could be impacted by the stages provided for by the procedure.
- The UAF carried out a relevant study on NPOs where the subsector with the greatest exposure to TF is identified, and carries out permanent monitoring of those considered to be at highest risk. However, there is little coordination with the competent authority to supervise said sector and its supervision of its regulated entities in the matter is perceived as not very robust.
- The RE have sent ROS in cases allegedly related to people listed in UNSCR 1267, and the UAF has carried out the analysis of these in periods of up to 3 hours. Now, these have been cases of homonymy, so the freezing of assets has not been carried out in such cases.
- The country has not received notifications related to assets or funds of persons designated in accordance with UNSCR 1373. On the other hand, although it has a mechanism for this purpose, Chile has not designated persons under UNSCR 1373 either, in principle it is consistent with your risk profile.

Recommended actions:

- Reform the regulatory framework to ensure the implementation of TF DFS without delay by all RE. In particular: modify the regulations so that the SFD can be implemented without delay, expand the scope of the freezing measures so that they are applied generally and not only by the reporting RE, establish a general prohibition on the provision of funds or other assets to designated persons or entities or for their benefit, extend the validity period and address the other technical deficiencies identified in relation to Recommendation N°6. Issue additional guidance and conduct outreach and feedback activities with all RE, especially DNFBPs, in order to that they better understand their CTF obligations and properly verify UNSC lists.
- Strengthen coordination between the UAF and the NPO regulatory authority, in order to join forces to apply focused and proportional measures, as well as to guide the supervision processes for NPOs identified as having a higher risk to be used for TF.
- Deepen the training of NPOs, in order to create greater awareness of the TF problem and its impact.
- Raise awareness in the NPO sector, which due to the nature of its activities has greater exposure to TF risk, as well as provide guidance regarding the CTF measures that must be applied.
- Establish a system that notifies or alerts the RE when there is a change in the UNSC lists.

NATIONAL NON-PROFIT ORGANIZATIONS (NPOS) AND RISK OF MISUSE FOR ML/TF/PF

According to the FATF, terrorist organizations raise funds through legitimate sources, including legitimate charities or businesses, self-financing, criminal activities, and state sponsors, among others. Thus, an important part of the funds used for the TF are of legal origin, even though the link between organized crime and terrorist cells is relevant and increasingly important. (as an example: sale of drugs and TF, oil smuggling and TF, etc.) (GAFI, 2015, pág. 13).

According to the FATF, NPOs can be misused in various ways or even become direct vehicles for taking advantage of their legal structure and the social good they promote. Both factors allow them to finance terrorist activities or the proliferation of weapons of mass destruction and/or hide the true purpose of integrating goods of illicit origin.

The legal structure of an NPO is an element that allows, among other things:

- Network with potential donors and/or remitters of funds.
- Protect and facilitate the request, collection, concealment and/or diversion of licit and/or illicit funds, mix both types of funds, and finally deliver or channel them to the TF or PF, and/or eventually hide or disguise their illicit origin.
- Make the traceability of funds difficult in cases where products such as cash are used, or in NPOs that are outside formality and do not use established asset movement channels.

To finance terrorism, large transacted funds are not necessarily required, so other indicators such as origin/destination of money and use of NPOs are highly relevant.

NPOs have characteristics that make them particularly attractive to terrorists, or vulnerable to the TF. According to the FATF, they are subject to more lax regulation than financial institutions. In general terms, three ways to violate these organizations are indicated:

- Diversion of donor funds.
- Use of fake organizations that are set up as legitimate entities.
- The entity fulfills its mission, but it does so through the use of terrorist organizations (GAFI, 2015).

Likewise, according to the FATF, financial products and services available through the formal financial sector serve as means to move funds that support terrorist organizations and finance their actions. The speed and ease with which these funds flow within the international financial system allows terrorists to move funds efficiently and often undetected.

For terrorist groups, the important thing is to receive these resources, hiding their source and destination, as long as the activity being financed goes unnoticed.

CHARACTERIZATION OF NPOS IN CHILE

Chile has a large and diverse NPO sector, which exceeds 300.000 entities registered with the Internal Revenue Service (SII). Within this framework, to identify the risk of misuse of NPOs for ML/TF/PF in Chile, in 2019 the UAF developed a ***“Risk Analysis of the Main Aspects of Vulnerability”*** of said sector, in order to identify those NPOs most vulnerable to misuse of TF activities.

The purpose of this mechanism was to attribute and justify the risk of ML/TF/PF, based on a quantitative ranking methodology, which includes the degree (probability) of exposure of NPOs to being violated (negative event), and the

level of impact of these negative events (for more detail on the methodology, review Annex N°1).

The risk model allowed us to identify which categories of NPOs, as well as which NPOs, present a higher level of risk of misuse for ML/TF/PF in Chile, information that is shared with the competent authorities in the matter.

In this context, the existence of risks was identified in the NPO sector which, according to the risk analysis at an aggregate level, are mainly in those of the type corporations, trade associations, foundations and other NPOs that are mainly represented by religious institutions.

According to the information on amounts of cash operations (over USD 10,000), there were relevant volumes of movements concentrated in a small group, both of the NPOs themselves and their representatives, a situation that generates spaces of vulnerability.

On the other hand, the result of the analysis at the individual level showed that, approximately, a proportion of 5% of the total NPOs in the country are categorized as having very high and high risk. In relation to this group, cultural and sports organizations, neighborhood associations and community organizations, and other types of NPOs, concentrated more than 80% of this risk group, approximately.

Finally, the existence of natural and legal mitigators was detected that have provided a framework for the development of the activity. However, there are elements of risk linked to the large number of NPOs established, the high concentration of resources maintained by a small sector, and the level of both national and international exposure.

The NPO Risk Analysis report generated data that was used by the UAF as an input or monitoring mark, with the purpose of identifying the most vulnerable NPOs.

In this regard, through the search for patterns in the UNSC lists and/or national lists, the system helps in determining risk coincidences in the sector, regardless of the existence of a ROS.

The main inputs on which this analysis is based are based on geographic risk, population impact, exposure to the use of cash, degree of association with public services and degree of participation in the banking system, among others.

It is important to keep in mind that the competent authorities that are related to NPOs, both in the process of their constitution, supervision, granting of public funds or development of social projects, are obliged to report suspicious operations to the UAF. Therefore, if in the exercise of their functions they detect unusual operations or suspicions of ML or TF with respect to these NPOs, they are obliged to report them in a ROS to the UAF, with the purpose of generating the corresponding financial intelligence processes.

CHAPTER IV: THREATS OF TERRORISM FINANCING



CHAPTER IV: THREATS OF TERRORISM FINANCING

According to the conceptual definitions of the FATF, TF threats are understood as those persons or group of persons (natural or legal), with the potential to cause harm to the State, society or the economy, through the collection, movement, storage or use of funds or other assets (of legal or illicit origin), for terrorist purposes.

These threats can be internal or external to the country and must be understood as elements that seek to permeate the economies to finance terrorism (facilitators of terrorism, their funds, individuals or groups sympathetic to terrorist organizations) (GAFI, 2019, pág. 8).

If a jurisdiction has active terrorist organizations operating at the national/regional level, this will likely increase the likelihood of TF. However, the FATF suggests that a jurisdiction facing a low terrorism risk could still face a significant TF risk, given the cross-border nature of TF.

Regarding this, the FATF recommends that countries take a broad approach in collecting information on domestic/foreign terrorist threats, given that a low terrorism risk level implies that terrorist individuals/entities would not be using domestic funds for terrorist attacks. However, actors could still exploit the vulnerabilities to raise or store funds/assets domestically, or transfer the funds to other jurisdictions.

The factors associated with the risk of TF are also different from those associated with the risk of ML. In this sense, while the transfer of funds in low amounts could have low risk from an asset laundering point of view, it could be an indicator of high risk for the TF, when considered in conjunction with other factors (reporting thresholds) or the limited amount of funds needed to carry out terrorist acts).

Considering that TF threats could include national or international organizations, their facilitators, funds, their past, present and future TF activities, and the population that sympathizes with this type of organization, this section identifies the

main threats the country faces for the financing of terrorism, which are grouped into:

- **Threat from groups with national terrorist**

purposes: With the objective of establishing threats that the country could eventually face with respect to the TF, an analysis and systematization of the information obtained on the attacks carried out in Chile is carried out according to the database of the Global Terrorism Database 2022 .

- **Threat from groups with foreign terrorist**

purposes: On the international stage, terrorism is addressed as a global phenomenon. For this reason, the regional antecedents regarding the commission of these crimes are analyzed and, in this way, both regional (at the South American level) and international terrorist organizations are identified. Additionally, information was collected that made it possible to identify people or international organizations with a presence in South America.

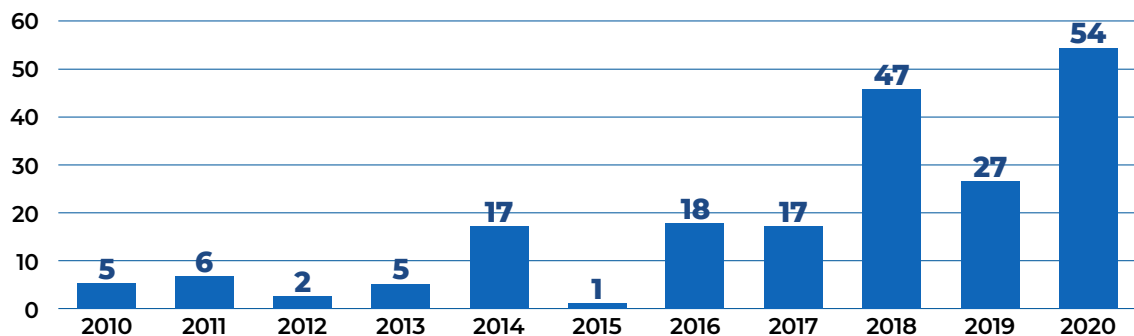
THREAT FROM GROUPS WITH NATIONAL TERRORIST PURPOSES

The next section addresses the presence of terrorism at the national level and its financing. In particular, it is linked to the description of the terrorist actions identified in the country.

Based on the information published by the Global Terrorism Database 2022²⁰, between 2010 and 2020, 199 actions of possible terrorist nature have been carried out in the country by different groups²¹. In this regard, 71 people suffered injuries as a result of these acts, which are mainly concentrated in 2014, with 37% of the total (26 people), followed by 2019 with 27% (19 people)²². The evolution of the events recorded by year is detailed below:

GRAPHIC 1
Evolution of possible terrorist events.
Number of possible events in the period 2010-2020.

Source: Prepared by UAF, with information extracted from the Global Terrorism Database, August 2022, University of Maryland.



In the period analyzed, 8 deaths linked to these acts were recorded. Of the total, 2 people lost their lives in 2013; 1, in 2014; 2, in 2016 and 3, in 2020 (GTD, 2022).²³

On the other hand, the regions that concentrate acts of possible terrorist nature correspond to La Araucanía and Metropolitana, with 49% and 26%, respectively, while a smaller proportion are found in the regions of Biobío (17%), Los Ríos (3 %) and Valparaíso (3%)²⁴ (GTD, 2022).

In general terms, these types of acts correspond mainly to attacks against facilities and/or infrastructure (58%), followed by bombs or explosions (21%), armed assault (15%), kidnapping (2%), incidents with barricades (2%), murder (1%) and unarmed assault (1%) (GTD, 2022).

The type of weapon used consists mainly of incendiary devices (49%), firearms (26%) and explosives (21%). The remaining 4% involved attacks on critical infrastructure (electrical), chemical substances (acid and metal foil to make explosive devices) and physical attack.

Based on the terrorist actions previously systematized, of the total attacks registered in Chile in the period 2010-2020, the organizations can be grouped into two categories:

- **Groups linked to rural violence:** Those who carry out violent actions or attacks perpetrated mainly in the southern part of the country.
- **Anarchist groups:** They seek the extinction of the State or any system of hierarchical order with attacks perpetrated mainly in the country's capital.

GROUPS LINKED TO RURAL VIOLENCE

Between 2010 and 2020, 98 acts of possible terrorist nature linked to groups related to rural violence have been perpetrated in the southern macrozone of Chile. In these it was possible to identify, mainly, the Weichan Auka Mapu organization and the Arauco-Malleco Coordinator (CAM, by its acronym in Spanish), among others. (GTD, 2022).

93% of these attacks have been carried out between the Biobío and Los Ríos regions. When considering the subset of these regions, or geographical area, of the total attacks recorded in this area, 71.4% were concentrated in the La Araucanía Region, 18.4% in the Biobío Region, 3.1% in the Los Ríos²⁵ and 5.1% in the Metropolitan Region²⁶ (GTD, 2022).

Below, the main characteristics of these groups are developed, considering the possible terrorist actions carried out:

TABLE 5
Operation of groups linked to rural violence in Chile 2010-2020

Source: Prepared by UAF with information extracted from the Global Terrorism Database developed by the University of Maryland, updated as of August 2022.

Pattern / Group	Rural Violence
Geographic area of operation	The linked groups are mainly positioned in the south of the country, in the regions of Biobío, La Araucanía and Los Ríos.
Characteristics or type of action perpetrated	71.4% of the attacks have been on facilities and/or infrastructure and 16.3% have been through armed assaults. To a lesser extent, there are records of attacks with bombs/explosions (4.1%), kidnapping (4.1%), taking of hostages and arson (3.1%) and unarmed assault (1%).
Attack target	The targets of the attacks are concentrated in the commercial sector (44%), against civilians and private property (19%) and against religious institutions and/or figures (16%). To a lesser extent, public transportation (7%), police institutions (5%) and government institutions (4%), among others (5%), have been attacked.
Weapons used	They have mainly used arson attacks with intentional fire (57%) and actions with firearms (37%). ²⁷ To a lesser extent, attacks with explosives or other objects have been recorded (6%).
Number of linked injuries	16
Number of linked deaths	6

However, it is possible to affirm that these groups are positioned in the south of the country, where different acts of violence have been generated. The main objectives were private agricultural properties in the area, forest products companies, churches and forestry machinery. The events that were carried out were through intentional arson attacks, using, for example, devices constructed

from a fuel drum or explosives containing black powder or other similar devices (GTD, 2022).

ANARCHIST GROUPS

Between 2010 and 2020, 30 acts of possible terrorist nature linked to anarchist groups have been attributed, in which the following organizations were identified:

- Voltaire Argandoña Autonomous Command.
- Nucleus of Agnostics of the New Urban Guerrilla.
- Informal Anarchist Federation.
- Earth Liberation Front.
- Fire Cell Conspiracy.
- Individualists Tending towards the Wild.
- Anarcho-feminist extremists.

- Anti-government extremists.
- Seditious accomplices /Faction for Revenge.
- Earth Liberation Front.
- Other anti-systemic organizations not detailed²⁸. (GTD, 2022).

All of the actions related to anarchist groups were carried out in the central zone, particularly in the Metropolitan (90%) and Valparaíso (10%) regions (GTD, 2022).

Below, the main characteristics of these groups are developed, considering the terrorist actions carried out:

TABLE 6
Operation of anarchist groups in Chile 2010-2020

Source: Prepared by UAF with information extracted from the Global Terrorism Database developed by the University of Maryland, updated as of August 2022.

Pattern / Group	Anarchist and/or Antisystemic Groups
Geographic area of operation	Anarchist groups are positioned mainly in the central area of the country, in the Metropolitan and Valparaíso regions.
Characteristics or type of action perpetrated	These groups have been characterized by perpetrating explosive or bomb attacks (70%), attacks on facilities or infrastructure (20%) and, to a lesser extent, murder (7%) and armed assault (3%).
Attack target	These groups have attacked various sectors, mainly the commercial sector (37%), civilians and private property (17%) and police institutions (13%). To a lesser extent, public transportation, religious institutions and figures, the media, and government institutions have been the subject of actions.
Weapons used	Preferably, they have used explosive agents of different types (70%), intentional incendiary attacks (20%) and chemical substances (acid and metal foil to make explosive devices) as means (7%), among others.
Number of linked injuries	38
Number of linked deaths	1

However, anarchist groups have carried out attacks on various sectors, mainly seeking the destruction of vehicles, churches, public transportation and private companies (banks, supermarkets, universities, restaurants). They have also attacked people of political and business relevance, events that were carried out, usually,

through attacks with bombs or explosives of artisanal or homemade manufacture, self-made and/or improvised, made with black gunpowder, match heads, dynamites or others. The intentional arson attacks were carried out entirely with accelerants or fuel elements (GTD, 2022).

The above shows the low complexity of the inputs or precursors required. Regarding the type of attack and the means used, these do not imply the need for relevant financing or economic support. In this same order, the facts show that no means or financing have been required for the transportation of the groups.

Below is an example of a domestic case, whose judicial process is ongoing (as of the date of publication of this document), which describes the history of two lawless offenders, from 2006 to 2020.

NATIONAL CASE ANARCHIC GROUPS FOR INVESTIGATIONS OF TERRORIST CRIMES (LAW N°18.314)

In Chile and Spain, two people have been identified in activities with anarchist and terrorist connotations.

Activities in Chile (2006-2010)

Starting in 2009, the individuals were accused, along with 12 other people, of being part of an illicit association, whose objective was to attack the established social order, people and public and private property, through the perpetration of crimes of terrorist nature, especially the placement of explosive and incendiary devices of various types, in different places in the Metropolitan Region. In July 2012, the Court acquitted the two people of the charges against them, as the perpetrator of the crimes of placing explosive devices and as perpetrators of the crime of placing incendiary devices.²⁹

Activities in Spain (2013)

The individuals were arrested in Spain in November 2013, accused of attacking the Basilica del Pilar in Zaragoza. The Spanish Public Prosecutor's Office accused them as material authors of the following crimes:

- Membership in a terrorist organization (Informal Anarchist Federation-International Revolutionary Front or FAI/FRI, Coordinated Anarchist Groups or GAC).
- Terrorist injuries.
- Terrorist havoc.
- Conspiracy to commit a crime of terrorist attacks.

As a result of the above, they were sentenced to 12 years in prison for their participation in the attacks³⁰. They arrived in Chile in March 2017, after serving two years in prison in Spain and after the rest of their sentence was commuted due to their expulsion from the country.

Activities in Chile (2017-2020)

In July 2020, both were arrested in Chile accused of three criminal acts that took place in the Metropolitan Region, related to the sending of explosive devices to different people and institutions. The main crimes charged correspond to shipment of explosives, homicide, injuries and terrorist kidnapping, and other crimes of Law N°17.798, on weapons control. In this regard, this case is in judicial proceedings as of the date of publication of this document.³¹

THREAT FROM GROUPS WITH FOREIGN TERRORIST PURPOSES

The next section addresses the presence of terrorism in South America and its financing. In particular, it is linked to the description of terrorist organizations, both regional and international, that have been designated by States under UNSCR 1373, due to the detection of their presence and/or operation in the region, or because they are considered eventual threats to the region due to their level of operation at a global level.

Linked to the above, the 2021 Global Peace Index is used as a reference³². According to this, the behavior of the region (South America) suffered a

decline in the index as a result of six countries dropping their score, specifically, due to the deterioration in the domain of security and protection, driven by the development of violent protests in several countries. With this, the region as a whole experienced the second largest drop in this index at an annual level, and was positioned in fifth place in peace levels, with respect to nine regions measured, behind Central America and the Caribbean, the Asia Pacific, North America and Europe. (The Institute for Economics and Peace, 2021, pág. 19).

Below is the ranking of the South American States based on the Global Peace Index and, in detail, the countries that have designated terrorist organizations:

TABLE 7
Ranking of South American States in the 2020 Global Peace Index

Source: UAF own elaboration based on Global Peace Index (GPI) 2021.

Note: The indicator has the range between 1 and 163, where 1 has the highest level of peace.

State	Ranking	Score	Peace level
Uruguay	47	1.817	High
Chile	49	1.831	High
Argentina	68	1.945	Half
Paraguay	75	1.997	Half
Perú	86	2.034	Half
Ecuador	88	2.044	Half
Bolivia	105	2.140	Half
Brasil	128	2.430	Low
Colombia	144	2.694	Low
Venezuela	152	2.934	Very Low

In this regard, the GPI maintained that, in 2019 compared to 2014, the feeling of security fell across the board in South America, more than in any other region in the world. In this sense, more than half of the population of Venezuela, Brazil, Paraguay, Argentina and Chile said they felt less safe (The Institute for Economics and Peace, 2021, pág. 59).

Countries, within the framework of UNSCR 1373, have the option to explicitly designate entities and/or persons as terrorists. There are also other terrorist lists such as the United States, called Foreign Terrorist Organizations (FTO), within the framework of the State Department's terrorist and state sponsors of terrorism designations. Likewise, the Council of the European Union (EU) publishes the so-called EU Terrorist List, which is binding on all Member States.

TABLE 8
**Summary of countries that make designations
of persons/entities of a terrorist nature**

Source: Own elaboration UAF.

State	Designates terrorist persons/entities
Argentina	YES
Colombia	YES
Paraguay	YES
Uruguay	NO
Chile	NO
Perú	NO
Ecuador	NO
Bolivia	NO
Brasil	NO
Venezuela	NO

In relation to the designation of terrorist entities in the region, Argentina, Colombia and Paraguay have made explicit the designation of entities and people through different instruments. While Argentina built a public list through the Ministry of Justice, Paraguay issued a decree in which the organizations were mentioned in detail, and Colombia, as a result of the deliberation of the country's Security Council, designated the organizations contained in the lists published by the European Union and the United States.

In the same way, there is the possibility that States recognize and address the presence of a terrorist group in their territory without listing them. For example:

- Peru recognizes, through official documents and means, such as the Mutual Evaluation of the Fourth Round of Gafilat and the Congress of the Republic, the current operation of a terrorist organization (Sendero Luminoso); however, it has not exercised the designation of persons and/or entities.

- Something similar occurs in Paraguay, which recognizes three organizations as domestic criminal groups, without listing them: **(i)** the Paraguayan People's Army (EPP), **(ii)** the Armed Peasant Group (ACA) and **(iii)** The Army of Marshal López (EML).

As of June 2023, the States of South America have not issued official communications or regulations that modify the designations of terrorist persons or entities, within the framework of the powers granted by UNSCR 1373.

The following table presents examples of jurisdictions that have published a listing under UNSCR 1373 and the respective links:

TABLE 9
**Example of countries that have made designations of
terrorist persons/entities and associated lists/resolutions**

Source: Document "Good Practices on procedures and/or mechanisms for the domestic designation or execution of requests from third countries in line with United Nations Security Council Resolution 1373", published by Gafilat in July 2021.

Country(ies)	Detail / Link
Argentina	https://repet.jus.gob.ar/
Colombia	https://id.presidencia.gov.co/Documents/200117-Acta-Consejo-Seguridad-Nacional.pdf
Paraguay	Within the framework of cooperation in the fight against terrorism, it has recognized Al Qaeda, Isis, Hamas and Hezbollah as international terrorist organizations, through Executive Decree N°2307/19.
European Union	https://www.consilium.europa.eu/es/policies/fight-against-terrorism/terrorist-list/
United States of America	Appointments are announced publicly, along with identifying information about the appointee. The designee's name and identifying information are disseminated to the public through multiple channels, including immediate addition to OFAC's public SDN list. The public can access the SDN List through OFAC's website at www.treasury.gov/sdn .
United Kingdom	https://www.gov.uk/government/publications/financial-sanctions-consolidated-list-of-targets/consolidated-list-of-targets

Next, with the purpose of analyzing this phenomenon, international terrorist organizations are addressed (that is, originating outside of South America), with a presence in the region and that have been designated by States and/or organizations. Subsequently, the terrorist organizations in the region (South America) that have been designated and/or recognized by States and/or organizations will be described.

INTERNATIONAL TERRORIST INDIVIDUALS OR ORGANIZATIONS WITH A PRESENCE IN SOUTH AMERICA

According to the United States Department of State, during 2020, global terrorist organizations, such as ISIS, Al-Qaida and Hezbollah, had a limited presence or small groups of sympathizers in the region, seeking funding and support activities, despite its geographical distance.

The following table shows a summary of the designations of these entities by South American countries, the European Union, the United States and the United Kingdom.

TABLE 10
Summary of the designations made by different countries to combat terrorism

Source: Own elaboration UAF. (*) Refers to the military wing of Hezbollah

ORGANIZATIONS DESIGNATED BY:						
Entity	USA	United Kingdom	European Union	Argentina	Colombia	Paraguay
Hezbollah	✓	✓	✓(*)	✓	✓	✓
Islamic State (ISIS-DAESH)	✓	✓	✗	✓	✓	✓
Al-Qaida	✓	✓	✗	✓	✓	✓
Hamas	✓	✓	✓	✗	✓	✓

Below are the international terrorist organizations with a presence in the region:

HEZBOLLAH

Of Lebanese origin, known as the “Party of God,” Hezbollah was formed in 1982 after Israel's invasion of Lebanon. It is a radical group inspired by the Iranian revolution, a country with which it maintains close ties, as well as with Syria. This organization is characterized by its complexity of formats, since it is found as a political party, social movement, military branch, among others (U.S. Department of State, 2021).

This organization has been designated as terrorist in the region by Argentina, Colombia and Paraguay. Likewise, it is on the lists of the United States and the European Union. Its presence has been confirmed, mainly, in the triple border area shared by Argentina, Brazil³³ and Paraguay. Likewise, the United States Department of State (US) has indicated the presence of sympathizers in Venezuela.(U.S. Department of State, 2020, pág. 196)

The US State Department noted that, between 2013 and 2017, Hezbollah operatives in charge of planning attacks or storing weapons were arrested in countries in the region, specifically in Bolivia and Peru. Likewise, regarding the triple border, it indicates that the area has been attractive for people involved in the financing of

international terrorism³⁴. This, in the context of the unregulated flow of people, goods and money. For this reason, a joint task force was established in 2019 between the US, Argentina, Brazil and Paraguay³⁵ (U.S. Department of State, 2020, pág. 190).

Among the actions or situations identified in some countries in the region, there are the following:

- **Paraguay:** In 2017, Paraguayan law enforcement forces, in coordination with their American counterparts, arrested a group of individuals of Lebanese origin, suspected of having links with Hezbollah. This group was in Ciudad del Este involved in money laundering and drug trafficking operations. Some of the members had ties to the US (U.S. Department of State, 2018, pág. 210).
- **Brazil:** In 2018, an individual investigated for his role as a Hezbollah financier who operated in the triple border area was arrested (U.S. Department of State, 2021). According to investigations by the Argentine Financial Information Unit (UIF), the individual served as leader of an organization called “Clan Barakat”, with an operations center in Ciudad del Este in Paraguay. The Clan has been associated with smuggling crimes, counterfeiting of money and documents, ML and TF, among other crimes (UIF-AR, 2018).

Subsequently, in 2020, the General Directorate of Migration of Paraguay announced that the detainee was extradited from Brazil to Paraguay, a country where a case was pending for the immediate production of public documents with false content³⁶ (Dirección General de Migraciones República del Paraguay, 2020).

- **Argentina:** In relation to the above, the FIU of Argentina, in 2018, ordered the freezing of assets belonging to Hezbollah and its members in the country³⁷. In this sense, Argentina has carried out a series of investigations within the framework of the groups that operate in the triple border (UIF-AR, 2018). Additionally, the country created a public registry of people and entities linked to acts of terrorism and its financing³⁸, through which it designated Hezbollah as a terrorist entity. (Ministerio de Justicia y Derechos Humanos de Argentina, s.f.) Regarding the Argentine case, Hezbollah was involved³⁹ in the 1992 attacks on the Israeli embassy in Argentina and in the 1994 attack on the Argentine Israelite Mutual Association (AMIA) in Buenos Aires.(U.S. Department of State, 2021)

Based on information from the US State Department, Hezbollah receives financial support from different Middle Eastern states, complemented by weapons, training and explosives, and political and diplomatic aid. The organization also receives funds, in the form of private donations, from groups related to its cause. These may have legal origin or from illegal activities such as goods smuggling, passport falsification, drug trafficking, money laundering, card fraud, among others (U.S. Department of State, 2021).

In this regard, the FATF presented a case from 2012, in which a US Court exercised a civil action and confiscation order, following an investigation that determined the use of the financial system and the used car market to wash assets. In the scheme, funds were transferred from Lebanon to the US to

purchase and ship used cars to Africa for resale. Hezbollah members and sympathizers were involved in the scheme through cash smuggling, among other illicit acts (GAFI, 2013, pág. 19).

ISLAMIC STATE (ISIS – DAESH)

This religious fundamentalist group adopted the name Islamic State in 2013 (ISIS or Daesh in English), following the renaming of a faction of Al-Qaida in Iraq. This terrorist organization defined its objectives, mainly, in Iraq and Syria with the purpose of establishing a State called “caliphate” based on its particular interpretation of the Koran⁴⁰. In 2019, the territorial defeat of ISIS was marked in both Iraq and Syria; however, its threat continues based on terrorist attacks around the world (U.S. Department of State, 2021).

Within the framework of the UNSCR on terrorism and its financing, the Islamic State and its individual members, whether natural persons and/or entities, are on sanctions lists contained in resolutions 2368 (2017) and 2253 (2015).⁴¹

The Islamic State has been designated as a terrorist organization in the region by Argentina, Colombia and Paraguay, and is on the lists of the United States and the European Union. These designations are made within the framework of the classification of ISIS as a global threat due to its followers around the world (United Nations, 2019).

In Brazil, within the framework of investigations carried out for the 2016 Olympic Games, various inquiries have been reported on the web with the purpose of dismantling cells dedicated to promoting racist and terrorist violence (U.S. Department of State, 2019, pág. 192). Along with this, in the same year, 8 Brazilian citizens were convicted, based on the Anti-Terrorism Law, for promoting the Islamic State (ISIS) and terrorist acts through social networks. These convictions were obtained from the dismantling of a network prior to the Olympic Games (U.S. Department of State, 2018, pág. 198).

Based on US State Department history, the Islamic State derived most of its funding from criminal activities in Iraq and Syria. The crimes corresponded mainly to economic extortion of civilians, oil smuggling and robberies. It is estimated that the organization maintains reserves of money in territories that have been its domain, and depends on reliable courier networks and money services companies to move its financial resources (U.S. Department of State, 2021).

As an example, the FATF exposed a financing scheme through different types of fraud in Spain, between 2007 and 2012, associated with simulated traffic accidents with the purpose of collecting previously contracted insurance policies. In this way, the money was intended to finance the trip of fighters to join the Islamic State (GAFI, 2015, pág. 16).

AL-QAIDA

Al-Qaida was formed in 1988 during the war between Russia and Afghanistan, in which the group collaborated to finance, recruit, transport and train fighters for the Afghan resistance. Based on religious fundamentalism, it proposes eliminating Western influence from the Muslim world and establishing a State called “caliphate”, based on its worldview and interpretation of the Koran. At the international level, the State system that Al-Qaida postulates would be at the center of the world order (U.S. Department of State, 2021).

Regarding the UNSCR on terrorism and its financing, both Al-Qaida and its individual members, whether natural persons and/or entities, are on sanctions lists contained in UNSCR 1267 (1999), 1989 (2011), 2253 (2015) and 2368 (2017). These, under the operation of the Sanctions Committee that also addresses the Islamic State.

Al-Qaida has been designated as a terrorist organization in the region by Argentina, Colombia and Paraguay. It is also on the lists of the United States and the European Union. In the region,

there is a record of the presence of members of the terrorist organization, mainly in Brazil. (U.S. Department of the Treasury, 2021).

In Brazil, the Office of Foreign Assets Control (OFAC) of the US Department of the Treasury designated members of a network of individuals affiliated with Al-Qaida based in the South American country. This measure targets three natural persons and two entities⁴² in charge of providing support to the terrorist organization (U.S. Department of the Treasury, 2021).

Based on information from the US State Department, Al-Qaida is funded primarily through donations from like-minded individuals and others who link financial aid to humanitarian causes. It has been indicated that some funds are diverted from Islamic charities (U.S. Department of State, 2021).

As an example, the FATF showed a financing scheme that, since 2007, used a non-profit organization located in Pakistan as a front to provide financial and logistical support to Taliban fighters. Likewise, the organization recruited students for the purpose of terrorist actions in Afghanistan (GAFI, 2014, pág. 46).

In 2011, the UNSC implemented a sanctions regime that separated the Taliban (UNSCR 1988) from Al-Qaida (UNSCR 1989). The 1988 Council notes that the persons and entities included in the 1988 Sanctions List are individuals, groups, companies and entities associated with the Taliban that constitute a threat to the peace, stability and security of Afghanistan. (CSNU, 2023).

In relation to the mandate to combat TF, Resolution 1988 (2011) “calls on all States to freeze without delay the funds and other financial assets or economic resources of designated persons and entities.” Supreme Decree 129 (2015) of the Ministry of Foreign Affairs of Chile provides for compliance with this resolution within the national legal system.

On the other hand, as of May 2023, the United States does not have the Taliban designated among foreign terrorist organizations (State Department listing and Executive Order 13224).

HAMAS

Hamas was established in 1987 at the beginning of the first Palestinian uprising, or intifada, which emerged as the Palestinian branch of the Muslim Brotherhood⁴³. Its objective is the establishment of a State and destruction of Israel, for which it uses violence through an armed wing that has carried out attacks against Israel, including suicide attacks with explosives on the civilian population. Along with this, it entails an active participation in Palestinian politics, where it has held high positions that have served as a financing base, along with charitable activities, private donations and Palestinian expatriates (START, 2015).

Hamas has been designated a terrorist organization in the region by Colombia and Paraguay. This organization was also designated by the United States and the European Union. In 2020, the US Department of Justice announced an indictment of former Venezuelan regime official Adel El Zabayar on narcoterrorism charges for working with the FARC, Hezbollah and Hamas guerrillas. (U.S. Department of State, 2021).

Based on information from the US State Department, this organization has received financing, weapons and training from different States in the Middle East. Likewise, it receives funds from its own charities and groups related to the Palestinian cause (U.S. Department of State, 2021).

As an example, the FATF exposed a financing scheme through a non-profit organization located in Canada, which between 2006 and 2007 transferred funds to the Ministry of Telecommunications in Gaza, which was under the control of Hamas. The money was later sent to the families of the organization's combatants by postal mail (GAFI, 2014, págs. 62-63).

SOUTH AMERICAN TERRORIST ORGANIZATIONS DESIGNATED BY STATES AND/OR ORGANIZATIONS

According to information collected from local terrorist groups active in the region, dissident groups of the Revolutionary Armed Forces of Colombia (FARC) and the National Liberation Army (ELN) were identified in Colombia. Likewise, various terrorist attacks by the Shining Path have been confirmed in Peru.

The following table shows a summary of the designations of these entities by South American countries, the European Union, the United States and the United Kingdom.

TABLE 11
Summary of the designations made by different countries to combat terrorism

Source: Own elaboration UAF.

ORGANIZATIONS DESIGNATED BY:						
Entity	USA	United Kingdom	European Union	Argentina	Colombia	Paraguay
National Liberation Army (ELN)	✓	✓	✓	✗	✓	✗
Dissident revolutionary armed forces of Colombia (FARC-EP)	✓	✗	✗	✗	✗	✗
Shining Path (SL)	✓	✓	✓	✗	✓	✗

NATIONAL LIBERATION ARMY (ELN)

It is designated as a terrorist organization both by the Colombian State⁴⁴ and on the official lists of the United States⁴⁵ and the European Union⁴⁶. This group is of Colombian origin and is strategically positioned on the porous border that divides this country with Venezuela (U.S. Department of State, 2020).

The ELN was formed in the mid-1960s and was inspired by the Cuban revolution. It was characterized by a high ideological component, combining its Marxist-Leninist perspective with liberation theology, a religious movement inspired by the social changes announced by the Catholic Church at the Second Vatican Council. The group's objectives included kidnappings, extortion, and attacks on Colombia's economic infrastructure (InSightCrime, 2021).

Currently, the ELN, along with other organizations⁴⁷, is operational in Colombia. For this reason, the 2018 Fourth Round Mutual Evaluation Report, by Gafilat, maintains that Colombia faces a high risk of financing local terrorism based on criminal activities, such as drug trafficking, kidnapping, extortion, illegal mining, among other illicit acts (Gafilat, 2018, pág. 20).

Colombian authorities estimate there are 3.000 active members of the ELN, of which approximately half are in camps on the other side of the border with Venezuela. Of the latter, there are 36 ELN camps strategically positioned on the Venezuelan side (U.S. Department of State, 2019, pág. 182).

In 2017, the ELN was found to be the deadliest terrorist group in the region, after being responsible for 21 deaths in 49 incidents (includes the deadliest attack in the region with 5 deaths). Meanwhile, in 2018, the ELN carried out 87 attacks resulting in the death of 48 people (The Institute for Economics and Peace, 2018, pág. 39) (The Institute for Economics and Peace, 2019, pág. 41).

Within the framework of the ceasefire and Peace Treaty between the Colombian government and the FARC, and despite the operation of dissident factions of the FARC, it is noted that the ELN has taken over the vacuum left by this group, which has led to the control of strategic geographical positions (The Institute for Economics and Peace, 2018) (U.S. Department of State, 2020, pág. 182).

Regarding its presence in Venezuela, the US State Department maintains that the ELN is present in 12 of the 24 Venezuelan states. The group is linked to extortion, smuggling and illegal mining, among others (U.S. Department of State, 2020, pág. 196).

Among the most recent events that occurred in Venezuela, in 2018, a confrontation was recorded between the ELN and the Bolivarian National Guard (GNB) in the border state of Amazonas, an attack that caused the death of three Guard officers and 10 others were injured. This attack would have been generated in response to the arrest of ELN members by the GNB. In other events, there are reports of clashes between local criminal organizations with the ELN, in states characterized by the illegal extraction of precious metals (U.S. Department of State, 2019, pág. 209).

DISSIDENT REVOLUTIONARY ARMED FORCES OF COLOMBIA (FARC-EP)

The dissidents of the Revolutionary Armed Forces of Colombia – People's Army (FARC-EP) have been identified as factions of the FARC⁴⁸ (guerrilla group started in the mid-1960s, located in the rural axis with presence in 25 of the 32 departments of Colombia) that did not support demobilization within the framework of the peace process that began in 2016 (InSightCrime, 2019).

For this reason, dissident groups that are made up of former FARC members and people who have joined the organization after the peace process were designated as a terrorist organization by the United States in January 2021.⁴⁹

In this regard, Colombia's 2018 Fourth Round Mutual Evaluation Report warned of the high risk that dissident members of the FARC would become criminal organizations, transforming transition camps into bases from which they can continue committing crimes. As a result of this, the presence of the FARC-EP, along with other criminal groups, means that Colombia presents a high risk of local TF based on drug trafficking, kidnapping, extortion, illegal mining, among others (Gafilat, 2018, pág. 20).

Colombian authorities estimate there are 2,600 FARC dissidents, who carry out violent attacks and other methods that allow them to maintain drug trafficking and related criminal activities, especially in geographic areas previously dominated by the FARC (U.S. Department of State, 2020, pág. 182). These groups have a presence in 19 departments of Colombia, which include border areas with Venezuela, Brazil and Ecuador (InSightCrime, 2019).

In 2018, dissident members of the FARC carried out 34 attacks in which 24 people died (The Institute for Economics and Peace, 2019, pág. 41).

SHINING PATH (SL)

It has been designated as a terrorist organization by Colombia⁵⁰, the United States⁵¹ and the European Union⁵², while Peru recognizes it as such⁵³, in terms of its validity and operation, without designating it on the list of terrorist groups.⁵⁴

The SL emerged in the 1970s, from a dissident faction of the Peruvian Communist Party, which decided to opt for an armed path. The terrorist organization was fundamentally influenced by the Maoist philosophical doctrine, which is why they assume people's war as a method of action (InSightCrime, 2021).

The Congress of Peru mentions that, currently, there are terrorist remnants of the SL, or also called "neosenderismo"⁵⁵, which carry out armed

actions sporadically. They are geographically positioned in the area of the valleys of the Apurímac, Ene and Mantaro rivers (area called VRAEM) and live off their alliance with drug trafficking. In addition, they carry out ambushes on members of the Armed Forces and National Police, as well as harassment of military bases. In Lima and other cities in the interior of the country they act through front organizations known as the "Movement for Amnesty and Fundamental Rights" and also the "Front of Unity and Defense of the Peruvian People", which recruit the population to register as a party politician before the National Elections Jury (Congreso Nacional del Perú, 2021).

In relation to size, it is estimated that the members of the SL number between 250 and 300 people, a figure that includes between 60 and 150 armed combatants. The financing method is from taxes collected from organizations that traffic narcotics, for both security and drug transportation. Founders and other historical members of the SL are serving sentences for terrorism and, currently, actions have been implemented that have allowed the arrest of members of the leadership of the rearmed SL (U.S. Department of State, 2020, págs. 191, 192) (Gafilat, 2019, pág. 20).

According to the Fourth Round Mutual Evaluation Report of Peru, the country identified the SL as a source of terrorist threat, which is why the processes surrounding the financing of terrorism focus on the action of the SL and its link with activities such as drug trafficking, drugs and coca cultivation (Gafilat, 2019, pág. 20).

In line with the above, in Peru 165 people have been convicted of terrorism, and another 7 individuals for conduct related to its financing. Regarding the latter, the convictions are mainly associated with the provision of funds to members of the SL based on drug trafficking. In this sense, terrorism and its financing are related to drug trafficking activities fundamentally originating in the VRAEM, along with crimes such as extortion, hitmen, among others (Gafilat, 2019, pág. 63).

Peru experienced an improvement in measuring the impact of terrorism. In this context, in 2019 there were no incidents or deaths, unlike four deaths and four incidents that marked the previous year. Regarding the latter, the events were attributed to SL, an organization that shows a decline in the frequency of its attacks (The Institute for Economics and Peace, 2020, pág. 49). In detail, members of the SL attacked a military police patrol resulting in 3 officers being murdered in the VRAEM. In another incident in the area, members of the SL murdered a soldier and injured two others during an attack on a patrol (U.S. Department of State, 2020, pág. 192).

In aggregate terms, SL has perpetrated 35 of the 51 attacks recorded in the country between 2002 and 2018, while the rest have been attributed to unknown actors and indigenous groups (The Institute for Economics and Peace, 2019, pág. 41).

Below is a summary table that incorporates the information provided for each organization described above, which includes ideological principles, types of actions identified, and main sources of financing identified.

TABLE 12
Identified terrorist organizations in South America, designated by States and/or organizations

Source: Own elaboration UAF. (*) Refers to the Revolutionary Armed Forces – People's Army (EP)

Country of origin	Terrorist organization identified	Appointed by	Ideological principles	Type of actions identified	Main financing sources identified
Colombia	National Liberation Army (ELN)	- USA - United Kingdom - European Union - Colombia	It is defined as having a Marxist-Leninist orientation and influenced by the Cuban revolution.	Attacks on the country's infrastructure (oil, commercial, etc.), attacks against police and/or armed forces, and kidnappings.	Drug trafficking along with illegal mining and crimes such as extortion, hitmen, among others.
Colombia	Revolutionary Armed Forces of Colombia (FARC)	- USA (*)	Far-left insurgent guerrilla organization, based on the ideology and principles of Marxism-Leninism.	Violent actions such as: murders, kidnappings and torture, sexual violence against women and girls, land seizures and attacks on infrastructure.	Drug trafficking, kidnapping, extortion and illegal mining, among others.
Peru	Shining Path (SL)	- USA - United Kingdom - European Union - Colombia	It was fundamentally influenced by the Maoist philosophical doctrine, which is why they assumed people's war as a method of action.	Armed attacks, ambushes on members of the armed forces and police, and attacks against military bases.	Drug trafficking and income from transportation protection and security services of organizations dedicated to drug trafficking. Along with crimes such as extortion, hitmen, among others.

IDENTIFIED THREATS

Based on the above background, it is possible to identify four threats that could permeate the National AML/CTF System to collect, move, store or use funds or other assets (of legal or illicit origin) for the purpose of financing terrorist activities.

Two threats are from activities with internal terrorist purposes in Chile, and two others, given their characteristics, have a presence in other countries in the region.

Below is a summary of the threats detected:

TABLE 13
Synthesis of identified threats

Source: Own elaboration UAF.

Detected threat	Description	Threat type
Threat from groups with national terrorist purposes	<p>Groups linked to rural violence: Actions with terrorist purposes associated with groups in the context of rural violence located in the southern part of the country.</p> <p>Anarchic groups: Activities with terrorist purposes of groups that seek the elimination of any form of system or organization, particularly the structure of the State, located mainly in the Metropolitan Region.</p>	Internal (direct)
Threat from groups with foreign terrorist purposes	<p>Organizations with terrorist purposes originating in South America: These correspond to terrorist organizations originating in different states in South America and that, given their framework of action, have been recognized and identified by different countries and international organizations.</p> <p>Organizations with international terrorist purposes with a presence in South America: They constitute activities in South America of terrorist organizations with global reach. Along with this, different states in the region have identified and designated these groups as terrorist organizations.</p>	External (indirect)

In this way, in Chile there is the presence of two groups, associated with rural violence and anarchists, identified as threats. While, at the regional and international level, there are terrorist organizations originating both in countries in the region and in other continents. Regarding these, in the last decade, in Chile there is no history that allows us to glimpse the existence of activities associated with these organizations.



CHAPTER V: IDENTIFICATION OF VULNERABILITIES RELATED TO THE FINANCING OF TERRORISM

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Although in Chile the Courts of Justice have not issued sentences for TF, this does not imply that TF activities cannot be carried out in the country. Even more so if one considers that the people in charge of terrorist acts, in general, are different from the people who finance them, and given the cross-border nature of TF.

For the National AML/CTF System, vulnerabilities are characteristics or intrinsic characteristics of a country that can allow, facilitate or be exploited for the development of TF activities.

A low terrorism risk implies that terrorist individuals/organizations are not using domestic funds for terrorist attacks. However, actors could still exploit vulnerabilities to raise or store funds/assets domestically, or move funds to other jurisdictions.

This section identifies the main vulnerabilities of the country based on the results presented in the Mutual Evaluation Report (MEI) of Chile and aspects specific to the nation. The vulnerabilities are mainly associated with:

1. Understanding TF risk.
2. TF legal framework.
3. Nonprofit organizations.
4. New payment products and services.
5. Extensive borders and presence of free zones.

1. VULNERABILITIES ASSOCIATED WITH UNDERSTANDING TF RISK

According to the IEM of Chile, the level of understanding of the TF risk in the country, by the regulated entities and authorities and institutions related to this phenomenon, is dissimilar. According to the document, the authorities that make up the National AML/CTF System, both public and private, must have greater knowledge regarding the different modalities that TF can present, beyond those related to the UNSCR lists.

The gaps around the knowledge of the TF risk by the members of the AML/CTF System open a vulnerability so that possible TF actions are not prevented, detected and investigated by the country.

2. VULNERABILITIES ASSOCIATED WITH THE TF LEGAL FRAMEWORK

Chile presents technical deficiencies with respect to the legal framework of TF, as established by international standards. The FATF technical compliance recommendations related to TF are partially complied with by the country:

- Recommendation 5 regarding the criminal classification of the crime of terrorist financing: Partially Complied.
- Recommendation 6, targeted financial sanctions related to terrorism and terrorist financing: Partially Compliant.

In this context, Chilean legislation presents the following deficiencies with respect to the classification of TF (Gafilat, 2021, pág. 242):

- The national regulatory framework does not contemplate certain acts included in the International CTF Agreements.
- Chilean legislation does not exclusively criminalize the act of financing an individual terrorist.
- The legislation does not cover the financing of travel for the purposes of providing or receiving terrorist training.
- TF's maximum penalty does not comply with the proportionality and deterrent nature required by this criterion.
- The regulations do not fully cover the requirement for the application of criminal liability of legal entities.

Regarding the implementation of the TF SFD, the IEM highlighted the absence of internal regulations to comply with the provisions of UNSCR 1267 and its successive ones, as well as with respect to UNSCR 1373, regarding the freezing of terrorist funds and their seizure, identifying the following deficiencies:

- **Scope of the SFD:** The implementation of the measures to freeze the assets of terrorist funds in the country is provided only with respect to the reporting entities and does not have a general scope.
- **Implementation without delay⁵⁶ of the SFD:** In this aspect, there are doubts regarding whether the regime or procedure in the country allows the implementation of the SFD “without delay.”
- **Measures to freeze terrorist funds:**
 - ▶ The freezing obligation does not fall on all natural and legal persons in the country.
 - ▶ Doubts remain about whether the freezing measure could be revoked in cases other than cases of homonymy or removal from the list.
 - ▶ There are no provisions that provide that the freeze can be applied with respect to all funds and assets required by the international standard.
 - ▶ There are no provisions that prohibit all persons within the national territory from providing funds or other assets to designated persons or entities or for their benefit. (Gafilat, 2021, pág. 243)

These technical compliance deficiencies result in a vulnerability for the National AML/CTF System, since TF activities could occur that, due to the country's legal framework, could not be stopped financially or criminally condemned.

3. VULNERABILITY ASSOCIATED WITH NPOS

According to the FATF, NPOs can be misused in various ways or even become direct vehicles for taking advantage of their legal structure and the social good they promote. Both factors allow them to finance terrorist activities or the proliferation of weapons of mass destruction and/or hide the true purpose of integrating goods of illicit origin.

According to the FATF, NPOs, being legitimate actors at the international level, can easily enjoy the operational advantages that globalization implies, the same ones that terrorist organizations seek to access, including (GAFI, 2014):

- Greater mobility.
- Network interconnection.
- Depth of access in areas of conflict or poor governance.
- Logistics networks and diversified financial services.
- Decentralized administration and communications.
- Greater capabilities to reach the public.

As indicated by the FATF, an example of the above is the resilience that the Al-Qaida network has shown thanks to its ability to decentralize its communications and administration, in addition to diversifying its financing, recruitment and logistics networks. Other terrorist groups also manage their logistics networks through various NPO subsidiaries and charitable institutions.

At the national level, the UAF developed, in 2019, a document called *“Risk Analysis of the Main Aspects of Vulnerability”* of NPOs, in order to identify those most vulnerable to the improper use of TF. From the information analyzed, it was noted that the following risk elements exist:

- **Speed in the creation of NPOs:** The country has a positive rate of creation of new NPOs (that is, they increase year by year), which could facilitate the integration of NPOs that serve as means for the commission of crimes related to ML /TF. Likewise, it increases the total number of entities being susceptible to misuse.
- **Diversity of activities:** NPOs can use generic economic lines, a situation that could make it difficult to monitor and supervise the corporate purpose for which an entity was created. The diversity of economic activities can help entities increase their income, which would make their monitoring and traceability difficult for supervisory institutions.
- **Access to a high proportion of public funds:** NPOs have the possibility of accessing public financing, meeting certain requirements to be considered of public interest. Therefore, NPOs could be established with the objective of capturing and misusing public funds for ML/TF activities.
- **High distribution of NPOs in the country:** All communes in the country have at least one registered NPO. This atomization, especially in some low-population communes, could represent an opportunity for people who could use NPOs in remote areas and/or with low oversight capacity on the part of the authorities. In this regard, there are some communes located in extreme regions (north and south) that present a relevant number of OSFL compared to the size of their population, which could constitute a warning sign, regarding the type of services they provide to the community.

- **High concentration of income and flows in a few entities:** 7.5% of NPOs (foundations and corporations) concentrate approximately 81% of income and 85% of paid staff⁵⁷. This shows the magnitude of concentration in the sector, which could generate possibly relevant contagion effects.

The risk elements described would be attractive factors for misuse as fundraising vehicles, front entities and/or capturing public funds for the purposes of illicit activity.

Chile's IEM also indicates that the inspection processes are not focused on TF prevention issues, which would prevent the country from applying effective, proportional and dissuasive measures to NPOs vulnerable to misuse for TF, in accordance to a risk-based approach.

Therefore, the aforementioned situations constitute potential vulnerabilities that could be exploited by the threats identified for the TF.

4. VULNERABILITIES ASSOCIATED WITH NEW PAYMENT PRODUCTS AND SERVICES

One of the emerging vulnerabilities is related to the new payment products and services that have emerged globally. These have become relevant, especially since the second half of the last decade, in part, thanks to new technologies whose characteristics make them attractive for ML/TF.

The FATF report “Emerging Terrorist Financing Risk”, published in October 2015, addresses the emerging phenomena identified to that date in TF cases. In this regard, it indicates that new payment methods, electronic and online, present an emerging vulnerability with respect to TF, which could increase in the short term as its use increases or becomes widespread.

Some of the characteristics that these products and services share include:

- **Lack of border barriers:** Access is possible globally, without border barriers, which results in greater speed in the transfer of funds, regardless of the place of origin and destination.
- **Difficulty in identifying the beneficial ownership:** Given the possibility of carrying out a high number of transactions in a short period, the non-existence, in practice, of border barriers, and the diversity of products that can be used (some of which offer anonymity given their construction), the identification of the beneficial ownership is difficult, regardless of whether they can be traced.

Among the products and services analyzed in the report, the following stand out:

- **Virtual assets:** Designed to convey value online. Their main features are that they offer anonymity to transfer funds internationally (both at the user and transaction level) and allow funds to be moved quickly from one country to another. Therefore, payment products and services through virtual assets have potential use by criminal groups, and present ML/TF risks.
- **Prepaid cards:** These correspond to cards that are preloaded with a fixed amount of money or electronic value. According to the report, the prepaid cards of greatest concern correspond to open-loop cards, which allow money to be transferred from ATMs. In TF terms, these cards could be loaded locally and then transported out of the country without an obligation to declare them. Once arrived in the TF high-risk country, the funds could be converted back to cash.
- **Payment services through the Internet:** They provide the client with online mechanisms to access pre-funded accounts, which can be used to transfer funds to other accounts of the same provider. Recipients of funds may not have an obligation to register with the provider to receive funds.

Therefore, people/entities with possible terrorist links could carry out TF activities and use these products and services, taking advantage of their anonymity characteristics to hide the origin/destination of the funds and the final beneficiary. The speed in the movement of funds to make their traceability more complex, and the lack of border barriers and intermediaries (in the case of virtual assets) to move funds through different jurisdictions, also with the aim of making the traceability of the funds more difficult themselves, would make it difficult to prevent, detect and/or stop this flow of illicit assets.

However, the attributes of these new payment products and services, which involve both virtual assets such as prepaid cards and online payment services, lead to vulnerabilities in the National AML/CTF System.

5. BORDERS AND VULNERABILITIES AGAINST TF

The FATF, through the document “Terrorist Financing Risk Assessment Guidance”, published in 2019, along with characterizing TF as a cross-border phenomenon, indicated the importance of considering the analysis of border vulnerabilities as a factor in determining risks of this type of activities (GAFI, 2019, pág. 33).

Regarding its land borders, Chile totals 6,339 kilometers, of which 171 km correspond to the common border with Peru; 860 km, with Bolivia, and 5,308 km, with Argentina.

The national territory has two triple borders located in the north, also called the northern macrozone, in the regions of Arica y Parinacota and Antofagasta. In the first, Chile coincides with Peru and Bolivia, while, in the second, it converges with Bolivia and Argentina.

For the purposes of land border control, Chile has 34 crossings enabled in border complexes (Unidad de Pasos Fronterizos, 2022). However, more than 290 illegal or unauthorized border

crossings have been identified throughout the territory. In this regard, it is worth mentioning that the regions of Antofagasta and Maule each have more than 30 non-enabled crossings (Carabineros de Chile, 2022, pág. 48).

In relation to this, the FATF has indicated that borders can be vulnerable to different terrorist activities and their financing. These may be the target of: (a) physical transportation of money, into or out of the State, with the purpose of supporting terrorist activities (as smuggling); (b) the flow of funds or goods, within or outside the jurisdiction, through the financial or commercial sector; (c) use of borders to send material support intended to recruit, train or facilitate terrorism (GAFI, 2019, pág. 33).

Linked to the above, among other phenomena with a presence on national borders, smuggling and irregular migration have been identified. As for the smuggling of species, it has been indicated as one of the crimes that affect both Chile and neighboring countries (Minrel, 2017). Regarding irregular migration, between 2014 and 2020 the estimates of foreigners in the country increased (INE/DEM, 2021).

In this way, in the area of terrorist activities or their financing in Chile, the extension of national borders is established as a vulnerability, specifically non-enabled border crossings, because individuals or organizations could use them for the transit of people (members, adherents and sympathizers, among others), weapons or their components, money (cash flow) or assets for the TF.

FREE TRADE ZONES AND TF ACTIVITIES

In relation to free trade zones (or free trade zones, ZF or FTZ hereinafter), different studies have warned of their possible misuse for the development of illicit cross-border activities. In this regard, analyzes carried out by the FATF, the OECD-EUIPO and the World Bank warn of the presence of illegal activities within the framework of the development of trade linked to the operations of the FTZs.

In the context of ML/TF vulnerabilities associated with FTZs, the FATF has noted that these have been characterized by the use of cash as the primary means of payment. In this sense, it points out that cash presents a risk for FTZs given its qualities of anonymity, the absence of financial institutions in its use, the lack of an audit trail and its portability. Furthermore, the special characteristics of FTZs may impair banks' ability to manage associated risks (GAFI, 2010, pág. 15).

In relation to the use of cash in areas where FZs have been established at the national level, based on the analysis of the⁵⁸ bank Cash Operations Report (ROE) for the period 2016-2021, it is observed that the geographical areas where FZs were established (regions of Tarapacá and Magallanes and Chilean Antarctica) averaged the highest number of ROE per one hundred thousand inhabitants. It should be noted that, in the case of the Iquique FTZ, the regions of Arica y Parinacota and Antofagasta were among the regions that averaged the most transaction records per one hundred thousand inhabitants.

Meanwhile, regarding the movement of cross-border cash by natural persons (or bearer negotiable instruments) in amounts that exceed USD 10,000, in the period 2017-2021, the northern zone (regions of Arica y Parinacota and Tarapacá) concentrated over 92% of the Cash Shipping and Transportation Declarations (DPTE)⁵⁹ in the different years, being the outposts of Colchane and Diego Aracena Airport, in the Tarapacá Region, and Chungará and Chacalluta, in the Arica y Parinacota Region, which concentrate the largest proportion of these declarations.

This is how the regions of the northern zone, mainly the regions of Tarapacá and Arica and Parinacota, concentrate two of the most relevant cash movement indicators (ROE and cross-border DPTE) at the national level, partly influenced by the location of the ZF from Iquique.



CHAPTER VI:

IDENTIFICATION OF MITIGANTS RELATED TO THE FINANCING OF TERRORISM

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According to the FATF, mitigants are elements that represent a barrier or structural mitigation in the face of a threat. In other words, they are inherent factors of the country context that act as a barrier against the occurrence of unwanted events associated with ML/TF. Below are the main mitigating factors identified in Chile, according to the FATF, the IEM and the country's own.

1. COORDINATION OF THE NATIONAL AML/CTF SYSTEM

Since 2003, Law No. 19,913 has been in force, which laid the foundations for the prevention, prosecution and criminal sanction of ML and TF, to which in 2009 Law No. 20,393 was added, which establishes the autonomous criminal liability of legal entities.

The IEM points out that in Chile there are mechanisms for investigation, coordination and exchange of intelligence information that would also be applied to possible TF cases. This is based on the analysis of cases in which acts of terrorism have been investigated and condemned, regardless of the fact that no TF cases have been formalized in the country. In this sense, the report highlights the following:

- **Criminal investigation:** The country has the detection and investigation capacity of the TF. In fact, there is a specialized criminal investigation unit⁶⁰ of the Public Ministry that provides support and advises prosecutors on TF matters, playing a fundamental role due to its coordinated work with the UAF and allowing the assigned prosecutors to carry out the corresponding investigations.

The Chilean criminal system is made up of prosecutors designated for organized crime cases, who are also responsible for investigating TF events. They can carry out their TF investigations appropriately and have the corresponding support and advice to do so.

- **Asset investigation:** For the investigation of the TF, the Public Ministry and the UAF have access to various integrated databases (in agreement with other institutions) that allow them to carry out asset surveys in all the TF cases that they investigate. Likewise, there is a legal basis to take precautionary measures on the assets of those investigated, and initiate ML investigations into the base crime of TF. Furthermore, in matters of financial intelligence, the UAF has the tools to analyze potential TF cases and report them to the Public Ministry.

- **TF detection and analysis capacity:** The IEM of Chile highlights the UAF in terms of its ability to detect and analyze potential TF cases in a timely manner, and immediately report it to the Public Ministry. It also highlights that both entities have training and knowledge in TF matters, largely understand the associated risks, and have access to multiple integrated databases, which is reflected as a strength for carrying out investigations of this type.

Derived from the above, in the event of a TF case occurring, the country has coordination tools between the respective authorities to carry out an investigation in this matter.

In addition, the country has a training plan for both ML and TF, which permanently includes content related to the findings of the ENR, typologies and warning signs of TF, courses that are carried out both in the e-Learning modality as in person.

2. SUPERVISION OF COMPLIANCE WITH SFD MEASURES BY REPORTING ENTITIES AND SFD MONITORING SYSTEMS

In relation to supervisory tasks, the UAF has the power to supervise compliance by the reporting entities with the measures related to TF SFDs and, in case of non-compliance, initiate administrative sanctioning processes, in accordance with the regulations AML/CTF.

In relation to the application of UNSC resolutions, the authorities that guarantee compliance are the Minrel (which receives notifications from the UNSC through its permanent mission to the UN, and is responsible for their dissemination to the competent national entities) and the UAF (main supervisor in charge of verifying compliance with these measures by the reporting entities (review of UNSC lists and implementation of ML/TF Prevention Manuals)).⁶¹

Additionally, there is a process to designate the national list (within the framework of UNSC Resolution 1373), to prevent the listed persons/entities from having access to funds destined for terrorist actions, although to date there are no persons included.

Derived from the above, and from what is stated in the Chilean IEM, it is considered that there are different possibilities to interrupt TF activities, even when it is not possible to obtain a conviction for TF.

- **UNRCS consultation mechanisms:** The UAF has on its website links to the UN pages with lists of the respective resolutions on this matter, to which all obligated subjects and the general public have access.

- **Reporting of STRs to the UAF:** The reporting entities must permanently review the lists of the UNSCRs and immediately report to the UAF, without prior analysis, through a STR, if any match is found. In this context, once the STR is received, the UAF analyzes the

information contained therein and, if the coincidence is verified, the request for a measure to freeze funds is presented to the minister of the corresponding Court of Appeals. Then, send a report to the Public Ministry so that it can carry out the analysis and continue with the procedures it considers. Between the years 2016 to 2021, a total of 43 STRs have been received by TF, 28 of which were associated with the UNSC lists.

- **UNSC list verification compliance measures:**

The UAF has implemented measures to verify compliance with the obligations of verification of the lists and implementation of the measures by the reporting entities, in order to strengthen their application.

Between the years 2015 and 2019, the UAF detected 339 non-compliance in the review and verification of the lists of UNSC resolutions by the reporting entities, which led to 268 administrative sanctioning processes that ended with a sanction, which is equivalent to a 79.1% of the total non-compliance sanctioned by the UAF in the period.

- **Feedback:** The UAF provides feedback to reporting entities on the adequate implementation of these measures, and offers during the year various versions of its e-Learning courses, which contain modules that address TF.

Although to date no measures have been adopted to freeze the assets of designated persons in accordance with UNSCR 1267, 1989 and 1988, according to the Chilean IEM, the competent authorities are in a position to apply the existing mechanisms to implement SFD.

In this regard, the IEM highlighted that in Chile the authorities competent in the freezing processes have online communication, which allows it to be expedited in a timely manner. In addition, the UAF established an automatic analysis mechanism through control tools, which allows information to be cross-referenced with all

the available databases to which it has access, including the UNSCR lists, generating alerts in case of there is any coincidence with said lists.

Additionally, within the framework of the UAF's financial intelligence and monitoring processes, various technological systems and products are used. This is how the UAF's ROS monitoring systems allow a prioritization-assignment process and, if applicable, a complete analysis process with added value. In addition, they incorporate the UNSC lists and also integrate the information that the UAF reviews through an internal analysis tool. In particular, it has the following analysis systems:

- **Strategic Monitoring System:** Detection system, continuous search, recursive patterns and typologies of ML/TF risk that generates automatic alerts to the operational analysis process, sending them through interactive visualizations that contain a high probability of coincidence with any of the programmed typologies, which even allows us to detect and initiate new intelligence cases.
- **Risk matrix:** In possible cases of TF, the UAF has a risk matrix that continuously reviews the information from the lists derived from the UNSCR, countries and zones of conflict or high risk, and other sources, in order to detect associated movements to this crime and give them priority treatment. This system carries out constant monitoring of transactions and risk subjects, and issues relevant alerts that activate the prioritization mechanisms of the respective analysis.

On the other hand, the IEM of Chile pointed out that the UAF has the means to quickly analyze potential TF cases, and to report them to the Public Ministry. As part of the TF STR analysis process, the UAF primarily prioritizes the identification of possible terrorist networks. If the STR involves an NPO, all the background information contained in different databases is verified, as well as the information of the people or entities that could be related.



CHAPTER VII: DETERMINATION AND EVALUATION OF THE RISKS OF FINANCING TERRORISM

CHAPTER VII: DETERMINATION AND EVALUATION OF THE RISKS OF FINANCING TERRORISM

The following chapter describes the main arguments and conceptual evaluations that support the matrix crosses carried out, and that support each identified TF risk factor. This chapter is made up of two sections: The first is related to the technical elements considered for determining TF risks in the country; and the second, with the individualized description of the TF risks with the purpose of exposing the background that argues for their weighting.

1. ELEMENTS CONSIDERED FOR DETERMINING TF RISKS IN CHILE

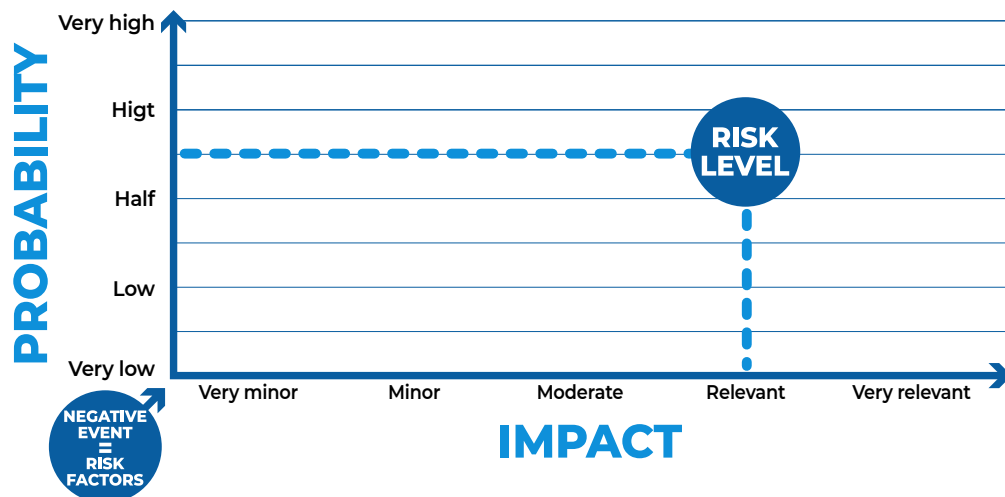
The assessment of TF risks differs from that of ML risks, given that these are criminal phenomena of a different nature. As a foundation, the TF does not necessarily require the use of assets of illicit origin for its mission, and a part of the funds may have a legal origin, making it difficult to trace and monitor them. Given the above, a qualitative analysis was generated to assess the TF risks in the country, based on the survey of threats and

vulnerabilities, considering the level of associated impact.

Risk is understood as a function that relates three variables or dimensions: **(1)** threats, **(2)** vulnerabilities and **(3)** impact. That is, it is the possibility that resources produced by legal or illicit economic activities enter the country's formal economic system, to successfully finance terrorist activities. The above happens when a threat takes advantage of the country's identified vulnerabilities in this matter (economic, legal, etc.).

The degree of certainty or the probability of occurrence of these negative events, and their impact, represent the level or scale of risk, a metric that allows us to differentiate events considered more probable than other less frequent ones. In this evaluation, the metric used for the risk level or scale considers qualitative variables.

ILLUSTRATION 4
Determination and assessment of TF risk
Source: Own elaboration UAF.



The elements included in these dimensions were collected from different sources, mentioned in the Work Methodology section of Chapter I of this document.

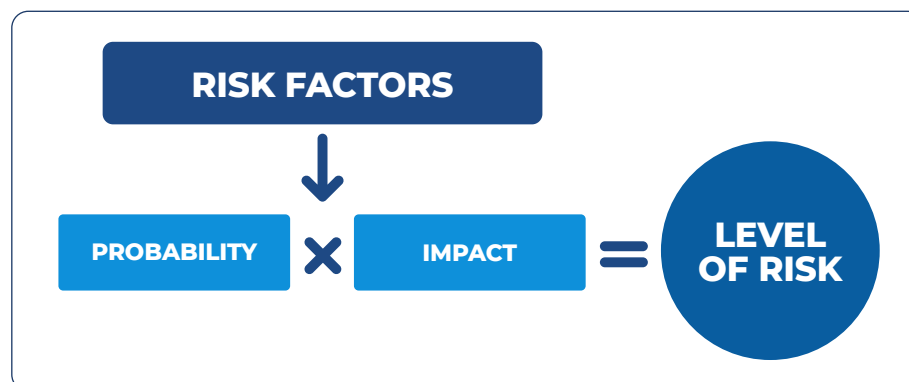
Threats and vulnerabilities are related to the estimated probability of occurrence of TF risks,

while the impact variable is associated with the degree of estimated negative consequences of their materialization.

The interrelationship between the estimated probability and impact is what determines the level or scale of the TF risk.

ILLUSTRATION 6 TF Risk

Source: Own elaboration UAF.



In the first instance, the evaluation of the identified threats and their manifestation in the country was considered, through the analysis of a set of information from both public sources and those linked to the National AML/CTF System. This evaluation was qualitative in nature, defining the order of relevance of each threat, based mainly on the analysis of the information collected for each of them.

Thus, a rating scale was used that includes a range of values between 1 and 5, with 1 being the lowest incidence and 5 representing the highest incidence in the estimated TF risk level. These ratings are arranged on a five-level scale that denotes an estimate of the probability of occurrence, ranging from “very low” to “very high,” whose assessment corresponds to expert judgment to achieve a global vision that is not possible to obtain with the current quantitative data available for the TF phenomenon in Chile.

After the above, the identified vulnerabilities were assessed. For this dimension, a qualitative evaluation criterion was used, associated with expert judgment based on the analyzes described in the chapter on the identification of vulnerabilities. Three of the five identified vulnerabilities were assessed in a differentiated manner, which are associated with: NPOs, new payment products and services, and borders, with respect to each threat, incorporating the context of incidence of each one and how each one of them could benefit from the country's vulnerabilities, considering that not all threats would derive the same benefit from the identified vulnerabilities, given their own characteristics.

Two cross-cutting vulnerabilities were also considered: Understanding TF risk and TF legal framework. The identified threats could take advantage of these two vulnerabilities without carrying out major specific maneuvers, unlike what could happen with the other three vulnerabilities described.

Once the above was concluded, a cross matrix was created that related both dimensions (threats and vulnerabilities), the risks were determined and an assessment scale associated with the estimated probability of occurrence of each one was assigned.

ILLUSTRATION 7 Threats-Vulnerabilities Matrix

Source: Own elaboration UAF.

VULNERABILITY	Very high	Half	High	High	Very high	Very high
	High	Low	Half	High	High	Very high
	Half	Low	Half	Half	High	High
	Low	Low	Low	Half	Half	High
	Very low	Very low	Low	Low	Low	Half
		VERY LOW	LOW	HALF	HIGH	VERY HIGH
THREAT						

With this Threat-Vulnerability crossing matrix, 12 TF risks were established.⁶²

TABLE 14
TF Risks

Source: Own elaboration UAF.

THREAT	TF RISKS
Rural violence groups	1. Through NPO. 2. Through the violation of the border for the illicit transportation of money, drug trafficking and smuggling, among other crimes. 3. Using new paid products and services.
Anarchic groups	4. Through NPO. 5. Using new paid products and services. 6. By violating the border for the illicit transportation of money, drug trafficking and smuggling, among other crimes.
Terrorist organizations originating in South America	7. Through NPO. 8. Using new paid products and services. 9. By violating the border for the illicit transportation of money, drug trafficking and smuggling, among other crimes.
International terrorist organizations, with a presence detected in South America	10. Through NPO. 11. Using new paid products and services. 12. Through the violation of the border for the illicit transportation of money, drug trafficking and smuggling, among other crimes.

Subsequently, the eventual impact was estimated, that is, the importance of the negative effects that the occurrence of these events entails, with the aim of distinguishing between present threats and their estimated impact, from those in which there is no major impact background of its presence at the national level, and its estimated impact in case of detection.

The logic applied was similar to that used in the assessment of vulnerabilities, considering evaluation criteria of a qualitative nature, associated with expert judgment, based on the estimation of the estimated impact of the occurrence of these negative events, according to the information analyzed in previous sections.

The result of this methodology allows us to establish the risk level of the 6 risks identified as the main ones regarding TF in the country. This result is obtained from a matrix representation

that related the estimated probability of occurrence of the identified risks and their eventual level of impact. This result establishes the risk levels of each one.

**ILLUSTRATION 7
Probability-Impact Matrix**

Source: Own elaboration UAF.

PROBABILITY	VERY LIKELY	Half	High	High	Very high	Very high
	LIKELY	Low	Half	High	High	Very high
	MODERATE	Low	Half	Half	High	High
	LOWER PROBABILITY	Low	Low	Half	Half	High
	UNLIKELY	Very low	Low	Low	Low	Half
		MILD	MINOR	MODERATE	RELEVANT	VERY RELEVANT
IMPACT						

From the above, it follows that the TF risks identified in Chile are:

TABLE 15
TF Risks

Source: Own elaboration UAF.

THREAT	TF RISKS	RISK LEVEL
Rural violence groups	1. Through NPO.	Half
	2. Through the violation of the border for the illicit transportation of money, drug trafficking and smuggling, among other crimes.	Half
	3. Using new paid products and services.	Low
Anarchic groups	4. Through NPO.	Low
	5. Using new paid products and services.	Low
	6. By violating the border for the illicit transportation of money, drug trafficking and smuggling, among other crimes.	Low
Terrorist organizations originating in South America	7. Through NPO.	Very low
	8. Using new paid products and services.	Very low
	9. By violating the border for the illicit transportation of money, drug trafficking and smuggling, among other crimes.	Very low
International terrorist organizations, with a presence detected in South America	10. Through NPO.	Very low
	11. Using new paid products and services.	Very low
	12. Through the violation of the border for the illicit transportation of money, drug trafficking and smuggling, among other crimes.	Very low

Given the crossings carried out, the 12 identified risks were determined and evaluated, of which 2 were assessed as medium level risk, related to rural violence groups, while another 4, at low level (1 is related to rural violence groups) and 3 with anarchic groups). Likewise, 6 risks of very low estimated level were identified, related to foreign South American or international terrorist organizations with a presence in South America.

2. INDIVIDUALIZED DESCRIPTION OF TF RISKS FOR CHILE

Below is an individualized description of the identified medium-level risks of TF in the country, related to “rural violence groups”. For these purposes, general background information linked to two factors is presented: **(i)** borders and **(ii)** NPOs.

Within the framework of risk determination, it is necessary to specify that the vulnerabilities associated with **(i)** the understanding of the TF risk and **(ii)** the TF legal framework were considered transversal vulnerabilities, so the threats could take advantage of these situations regardless of their characteristics. Given the above, they were not considered at a specific level in this section.

1. RISK OF TF FROM RURAL VIOLENCE GROUPS THAT TAKE ADVANTAGE OF EXTENSIVE BORDERS TO PHYSICALLY TRANSPORT MONEY OR ASSETS

Rural violence groups that operate mainly in the southern part of the country, which could use the extensive national borders for the purpose of mobilizing money and/or assets intended to finance their actions.

Given the existence of rural violence groups in Chile, mostly identified in the southern part of the country, the frequency of their criminal activities, as well as the characteristics of their attacks, mainly of an incendiary nature, a **medium level of TF risk is estimated** in terms of violating the border to fulfill their tasks.

TF RISK LEVEL:

Half

Although there is no associated evidence of border violations to commit their activities, it is not ruled out that these groups may use and/or violate the border as a means to finance or support their activities.

General Background:

- Between 2010 and 2020, 98 acts of possible terrorist nature linked to groups related to rural violence have been perpetrated in the southern macrozone of Chile. (GTD, 2022).
- 2 convictions have been issued related to legislation on terrorist conduct, linked to rural violence in the southern macrozone of Chile.
- According to the same sentences, it is determined that the actions used corresponded, mainly, to roadblocks, burning of vehicles, intimidation using firearms, chainsaws, and arson attacks.
- Chile has 34 crossings enabled in border complexes. However, more than 290 illegal or unauthorized border crossings have been

identified throughout the territory. As an example, the regions of Antofagasta and Maule each have more than 30 non-enabled passes.

- FATF has indicated that borders may be vulnerable to different activities associated with: (a) physical transportation of money; (b) the flow of funds or goods, within or outside the jurisdiction, through the financial or commercial sector; (c) use of borders to send material support intended to recruit, train or facilitate terrorism.
- Studies by the FATF, OECD-EUIPO and the World Bank have warned of the misuse of commercial operations linked to free trade zones or free trade zones for the development of illicit cross-border activities.
- Chile has two free zones, in the Tarapacá region (Iquique) and in the Magallanes and Chilean Antarctic region (Punta Arenas), with intensive use of cash.
- Phenomena associated with smuggling (species, drugs, among others) and irregular migration have been identified at national borders.
- Based on international evidence, groups (associated with rural violence) could physically transport cross-border money. They could also receive support of a different nature across borders (material support, training, recruitment, among others). Likewise, in order to finance their activities, they could establish alliances with other criminal phenomena present on national borders.

2. RISK OF TF FROM RURAL VIOLENCE GROUPS THROUGH MISUSE OF NON-PROFIT ORGANIZATIONS (NPOS)

Rural violence groups that operate mainly in the southern part of the country could misuse NPOs with the purpose of accessing financing for terrorist actions.

Given the existence of rural violence groups in Chile, mostly identified in the southern part of the country, the frequency of their criminal activities, as well as the characteristics of their attacks, mainly of an incendiary nature, a **medium level of TF risk is estimated** in terms of potential violation or misuse of NPOs as a means to finance or support their activities.

TF RISK LEVEL:

Half

Although there is no history of possible misuse of NPOs at the national level for these specific purposes, it is not ruled out that in the future these groups may use the NPO structure as a means of transiting funds to finance their activities.

General Background:

- According to the FATF, NPOs can be misused or become direct vehicles for taking advantage of their legal structure, where both factors allow financing terrorist activities.
- Chile has a large and diverse NPO sector, which exceeds 300.000 entities registered with the Internal Revenue Service (SII).
- Chile has a high registration and creation rate of new NPOs, which could facilitate the integration of NPOs that serve as means for the commission of crimes related to TF.
- In Chile, NPOs can use generic economic lines, a situation that could make it difficult to monitor and supervise the corporate purpose for which an entity was created.

- NPOs in Chile can access public financing and, with this, could be established with the objective of capturing and misusing State funds for TF activities.
- All communes in Chile have at least one registered NPO. This atomization, especially in some low-population communes, could represent an opportunity for the TF, because they could use NPOs in remote areas and/or with low oversight capacity on the part of the authorities.
- In Chile, 7.5% of NPOs (foundations and corporations) concentrate more than 80% of income and paid staff. This high concentration could generate relevant contagion effects.



ANEXXES

ANEXXES

ANNEX N°1: NPO STUDY METHODOLOGY, RISK FACTORS AND GENERAL RESULTS

To identify the risk of misuse of NPOs for ML/TF/PF in Chile, the Strategic Intelligence Area of the UAF built a methodology that included the identification of risk factors associated with threats, vulnerabilities and their consequences. The measurement of these factors was related to variables that explain their behavior, according to the following:

RESULTS OF THE AGGREGATE RISK LEVEL AND AT A DISAGGREGATE LEVEL, BY NPO CATEGORY

Result of the aggregate risk level, by NPO category

8 subdivisions or categories of NPOs were considered, which were ranked, assigning an 8 to those considered to have the greatest impact (probability) and 1 to those with the least impact (probability). The categories included were: Corporation, trade association, cultural and sports organizations, foundation, neighborhood associations and community organizations, educational corporation, union and other NPOs.

Among the risk factors considered are:

TABLE 16
Risk factors considered

Source: Own elaboration UAF.

RISK FACTOR'S
Cash operations over USD10,000 carried out by NPOs or their legal representatives (Cash Operations Reports, ROE).
International exposure of NPOs to countries considered at risk for ML/TF/PF.
Number of communes (and associated population) in which the NPO is present.
Identification of whether the legal representative of the NPO is a public official.
Number of different economic activities registered in the SII.
Judicial criminal cases in which NPOs, their legal representatives or their families are involved.
Identification of NPOs that receive state funds.
Amount of STRs associated with NPOs.
Communal geographic risk.
Others.

The result of this model allowed us to identify which categories of NPOs present a higher level of risk of misuse for ML/TF/PF. The NPOs with the highest levels of risk of misuse (very high and high risk levels) were corporations, followed by other NPOs, trade associations, and foundations.

Meanwhile, those with the lowest risk include neighborhood associations and community organizations, educational corporations and unions, due to the lower power of expansion or chain effect.

TABLE 17
Determination of risks associated with NPOs

Source: Own elaboration UAF.

NPO SUBTYPE	RISK LEVEL
Corporation	Very high
Another NPO	High
Trade association	High
Foundation	High
Cultural and sports organizations	Half
Neighborhood associations and community organizations	Low
Educational corporation	Low
Labor union	Low

These results do not indicate that all unions, municipal corporations or neighborhood associations are considered low risk, but rather that, at an aggregate level, this category has a lower relative weight than other organizations in terms of risk and impact. In particular, it can be seen that each category of NPOs presents, at least, a small subset of entities considered high risk or greater exposure.

Individual risk level result

It should be noted that for each type of NPO, a risk model similar to the previous aggregate model was applied to identify the ML/TF/PF risk level of each of the NPOs present in the country. The need to apply a model by NPO category comes from the wide level of differences between them, whether in size, dispersion, and transactions, among others.

To categorize NPOs, a 5-level ML/TF abuse risk scale was considered, according to the hierarchy of results: Very high, high, medium, low and very low.

When disaggregated by type of NPO, around 5.0% of the total NPOs registered in Chile are categorized as very high and high risk. Of this subset of higher-risk entities, 80.8% are concentrated in three categories of NPOs: 33.3% correspond to cultural and sports organizations, 30.4% to neighborhood associations and community organizations, and 17.1% to other NPOs, which also correspond to the categories of NPOs that have the greatest number of entities.

It should be noted that the geographical areas with the greatest relative presence of very high and high risk entities are the regions of Arica y Parinacota, Tarapacá, Magallanes and Chilean Antarctica, Antofagasta, Metropolitana and Aysén. While the areas that concentrate a greater proportion of low-risk entities are the regions of La Araucanía, Ñuble, Biobío and Los Lagos.

ANNEX N°2: DEFINITION AND CRITERIA REGARDING TERRORIST ATTACKS APPLIED BY THE GLOBAL TERRORISM DATABASE (GTD)

The GTD defines a terrorist attack as the threatened or actual use of unlawful force and violence by a non-state actor to achieve a political, economic, religious or social objective through fear, coercion or intimidation. In practice, this means that to consider an incident for inclusion in the GTD, the following three attributes must be present:

- The incident must be intentional. The result of a conscious calculation on the part of a perpetrator.
- The incident must involve some level of violence or immediate threat of violence, including violence against property as well as violence against people.
- The perpetrators of the incidents must be subnational actors. The database does not include acts of state terrorism.

Additionally, at least two of the following three criteria must be present for an incident to be included in the GTD:

- **Criterion 1:** The act must be aimed at achieving a political, economic, religious or social goal. In terms of economic objectives, the exclusive pursuit of profit does not satisfy this criterion. It must involve the search for deeper and more systemic economic change.
- **Criterion 2:** There must be evidence of an intent to coerce, intimidate, or convey some other message to an audience (or audiences) larger than the immediate victims. It is the act taken as a whole that is considered, regardless of whether each individual

involved in performing the act was aware of this intention. As long as any of the planners or decision makers behind the attack intend to coerce, intimidate, or publicize, the intentionality criterion is met.

- **Criterion 3:** The action must be outside the context of legitimate war activities. That is, the act must be outside the parameters permitted by international humanitarian law (particularly the prohibition of deliberately attacking civilians or non-combatants).



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BIBLIOGRAPHY

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FOOTNOTES

FOOTNOTES

1. University research and education center comprised of an international network of scholars committed to the scientific study of the human causes and consequences of terrorism in the United States and around the world. More information at: <https://www.start.umd.edu/about/about-start>
2. Relating to "Action in case of threats to the peace, breaches of the peace or acts of aggression."
3. For more details see: <https://www.un.org/securitycouncil/es/sanctions/1267>
4. For more details see: <https://www.un.org/securitycouncil/es/sanctions/1988>
5. Resolution available at: <https://documents-dds-ny.un.org/doc/UNDOC/GEN/N17/223/49/PDF/N1722349.pdf?OpenElement>
6. Among the institutions are, in addition to the UAF, the Central Bank of Chile, the Commission for the Financial Market, the ministries of the Interior and Public Security, the Treasury and Foreign Affairs, the Public Ministry, the general directorates of Pledge Credit and the Maritime Territory and Chilean Merchant Navy, Internal Revenue Service, National Customs Service, superintendencies, police and the Judiciary.
7. It is also established that the reporting entities must use the same Preventive System implemented for the detection, analysis and reporting of suspicious operations related to the crime of money laundering, incorporating the pertinent modifications in order to comply with the requirements of the UAF established in relation to the FT (For more details consult UAF circular N°54).
8. For more details, consult circulars N°49, 54 and 60 issued by the UAF.
9. Decree 214 repealed Decree 227 of 2016, which established measures that implement the resolutions issued by the UNSC, in matters related to the prevention and repression of terrorism and the financing of terrorism.
10. Guide and booklet available on the UAF website, News and Training menu, UAF Documents section.
11. Among the measures that may be ordered will be understood to include the prohibition of transfer, conversion, disposal or movement of funds or other assets during the period of validity of the measure.
12. The formalization of the investigation is the communication that the prosecutor makes to the accused, in the presence of the Guarantee Judge, that an investigation is being carried out against him regarding one or more specific crimes (Fiscalía Nacional, 2022).
13. In the aforementioned TF investigations, different judicial terms were applied according to the investigation carried out (provisional file, power not to initiate an investigation, definitive dismissal and principle of opportunity), highlighting that one of the investigations was grouped with another investigation, namely, a terrorism investigation, since the financing budgets were not credited.
14. The historical number of registered cases is considered.
15. It is considered that a case is equivalent to a different Single Case Role (RUC), which may have more than one sentence (conviction/acquittal).
16. Among the institutions are, in addition to the UAF, the Central Bank of Chile, the Commission for the Financial Market, the ministries of the Interior and Public Security, the Treasury and Foreign Affairs, the Public Prosecutor's Office, the general directorates of Pledge Credit and the Maritime Territory and Chilean Merchant Navy, Internal Revenue Service, National Customs Service, superintendencies, police and the Comptroller General of the Republic.
17. Partially fulfilled corresponds to the fact that there are moderate deficiencies (GAFI, updated to October 2021, pág. 154).
18. A moderate level corresponds to the fact that the immediate result has been achieved to a large extent, few improvements are necessary (GAFI, updated to October 2021, pág. 162).
19. This corresponds to the period between the years 2015-2019.
20. See Annex N°2.
21. Of the attacks recorded, in 71 it was not possible to identify or attribute them to a specific group.
22. Due to the processing of the information, in the group that includes people with injuries, the distinction is not made between the subset of victims and the subset of perpetrators who were injured in these attacks.
23. As with what happened with injured people, there is no distinction in the universe of deceased people between victims and perpetrators.
24. Within the proportion, 2% could not be identified, but later the regions of Los Lagos (1%) and Maule (0.5%) were registered.
25. 2% (2 attacks) are identified as having occurred in the southern part of the country, with the region in which the attack occurred not being established.
26. It corresponds to 5 attacks that were perpetrated on religious institutions in 2018 (on dates prior to the religious visit of Pope Francis to Chile, in January 2018).
27. These correspond to short and long firearms.
28. Due to the processing of the data, the proportion of attacks according to each identified group is not shown so as not to generate distortion in the presentation of the figures.
29. Of the other 12 people investigated and charged, 6 were definitively acquitted and 6 obtained acquittals.
30. However, the conviction was reduced to 4 and a half years by the Spanish Supreme Court, considering only one of the crimes for which they were convicted.
31. Cause RUC: 1900795167-4 RIT: 107-2023.
32. The Global Peace Index (GPI) not only measures the presence or absence of war. It captures the absence of violence or fear of violence in three domains: Security, ongoing conflict, and militarization.
33. In 2011, the presence of Islamic fundamentalists in Brazil was confirmed, among whom were Hezbollah agents.
34. The US State Department points out that Paraguay promoted a Border Security Law that, due to different factors, mainly interagency coordination, has not had the expected effects.
35. Regarding the measures adopted within the framework of the triple border, the Central Bank of Paraguay increased actions against illegal exchange houses in the area. In this way, he ordered the closure of more than 50 unauthorized exchange houses in 2018, actions which were carried out with the cooperation of the National Police (U.S. Department of State, 2019, pág. 204).

36. According to Judicial Official Letter N°762 issued to the General Directorate of Migration by the Criminal Court of Guarantees N°4.
37. The freezing measure was issued in exercise of the legal powers of the FIU by Law N°26.734, regulated by Decree M°918/2012.
38. Registry in charge of the Ministry of Justice of Argentina that derives its lists of terrorist groups designated by the UN, prosecutions for terrorism and information from the FIU. Available in: <https://repet.jus.gob.ar/#entidades>
39. It is maintained that he participated together with Iran.
40. Holy book of Islam.
41. Systematized information on the official website of the Financial Analysis Unit, available at: https://www.uaf.cl/asuntos/lista_resoluciones_ONU.aspx
42. The details of the designated natural persons and entities can be found on the official website of the US Department of the Treasury, available at: <https://home.treasury.gov/policy-issues/financial-sanctions/recent-actions/20211222>
43. It constitutes a social and political organization that promotes principles of Islam. The Muslim Brotherhood has a presence in most Arab states.
44. The terrorist organization is designated in the Minutes of the Colombian Security Council that met in January 2020.
45. Designated in 1997.
46. Section 15 of the list of entities.
47. In Colombia's Mutual Evaluation Report, the ELN is addressed within the organized armed groups (GAOS) that operate at the local level. The ELN is appointed in the National Security Council held in January 2020.
48. As a result of the peace process, the FARC currently formed a political party with the purpose of achieving its inclusion in the political system.
49. The United States decided to remove the FARC from its list of terrorist organizations in 2021. Within this framework, approximately 13,000 former FARC combatants (guerrillas and militiamen) continue to participate in the peace and integration processes. (U.S. Department of State, 2019, pág. 182)
50. The terrorist organization is designated in the Minutes of the Colombian Security Council that met in January 2020.
51. Designated in 1997.
52. Section 15 of the list of entities.
53. As an example, they have created the "terrorism never again" program, inaugurated in 2013 by the Congress of the Republic of Peru.
54. The Fourth Round Mutual Evaluation Report of the Republic of Peru 2019 indicates that the country has not designated terrorist entities or individuals.
55. Term referenced by Jaime Antezana in his book "From Shining Path to Neosenderismo articulated to drug trafficking", edited by the Pontifical Catholic University of Peru in 2009.
56. According to the FATF, the phrase without delay means "ideally, within hours of a designation by the UNSC or its Sanctions Committees." (GAFI, updated to October 2021, pág. 133). In this sense, a period of "without delay" within 24 hours is considered. (GAFI, 2021, pág. 105)
57. According to the information available in various studies and based on the sample obtained for this document.
58. "Cash transactions" are considered those in which the means of payment or collection is paper money or metallic money (bills or coins). Therefore, bank transfers, vouchers, checks or other commercial documents are ruled out. Cash operations that exceed USD 10,000, or its equivalent in Chilean pesos, must be reported compulsorily to the UAF.
59. Article 4° of Law N°19.913 obliges the National Customs Service to send to the Financial Analysis Unit the DPTE of all those who carry or transport currency in cash, or bearer negotiable instruments, to and from the country, for an amount that exceeds USD 10,000, or its equivalent in other currencies.
60. The Specialized Unit in Economic, Environmental Crimes, Cybercrimes, and Associated Money Laundering (ULDDECO).
61. Failure to comply with these obligations may result in sanctions that could include fines of up to USD 206,000 (in repeated cases, up to USD 618,000), depending on the value of the dollar observed when the sanction is applied.
62. The crosses carried out identified 12 risks in total, of which 6 were classified at a medium or low level, and the other 6, at a very low level. The latter were not considered in the subsequent analysis of the arguments of the identified risks.

CRÉDITOS

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- Ministerio Público
- Dirección General del Crédito Prendario
- Gendarmería de Chile
- Instituto de Salud Pública
- Servicio Agrícola y Ganadero
- Ministerio de Economía, Fomento y Turismo
- Ministerio de Justicia y Derechos Humanos
- Poder Judicial
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