Sixth Enhanced Follow-Up Report and First Technical Compliance Re-rating Report of Colombia

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COLOMBIA: SIXTH ENHANCED FOLLOW-UP REPORT – FIRST RE-RATING REPORT

I. INTRODUCTION

1. In accordance with GAFILAT's Fourth Round procedures, Colombia's Mutual Evaluation Report (MER) was adopted in July 2018. This follow-up report analyses the progress made by Colombia in addressing the technical compliance deficiencies identified in its MER. New ratings are granted when sufficient progress is observed. Overall, the expectation is that countries have addressed most, if not all, technical compliance deficiencies before the end of the third year since the adoption of their MER. This report does not address Colombia's progress in improving its effectiveness. A subsequent follow-up evaluation will analyze the progress made on effectiveness, which may eventually result in a new rating of the Immediate Outcomes.

II. FINDINGS OF THE MUTUAL EVALUATION REPORT

2. In terms of Technical Compliance, the MER rated Colombia as follows:

Table 1. Technical Compliance Ratings, July 2018

R 1	R 2	R 3	R 4	R 5	R 6	R 7	R 8	R 9	R 10
LC	LC	LC	C	LC	PC	NC	PC	C	PC
R 11	**R 12**	**R 13**	**R 14**	**R 15**	**R 16**	**R 17**	**R 18**	**R 19**	**R 20**
C	PC	PC	C	PC	PC	N/A	C	PC	LC
R 21	**R 22**	**R 23**	**R 24**	**R 25**	**R 26**	**R 27**	**R 28**	**R 29**	**R 30**
C	PC	PC	PC	LC	LC	LC	PC	LC	C
R 31	**R 32**	**R 33**	**R 34**	**R 35**	**R 36**	**R 37**	**R 38**	**R 39**	**R 40**
C	LC	PC	PC	PC	LC	LC	C	LC	LC

Note: There are four possible levels of technical compliance: Compliant (C), Largely Compliant (LC), Partially Compliant (PC) and Non-Compliant (NC).
Sources: i) Mutual Evaluation Report of Colombia: https://gafilat.org/index.php/es/biblioteca-virtual/miembros/colombia/evaluaciones-mutuas-4/3286-informe-de-evaluacion-mutua-de-colombia/file

3. Considering the results of the MER, GAFILAT placed Colombia under the enhanced follow-up process[1]. The Executive Secretariat of GAFILAT evaluated Colombia's request for a new technical compliance rating and prepared this report. The request for re-rating was submitted by the country on May 28, 2021, and was accompanied by the necessary supporting documentation within the time limits set out in the procedures.

4. Section III of this report summarizes Colombia's progress in improving technical

[1] The regular follow-up is the default monitoring mechanism for all countries. The enhanced follow-up process is based on the FATF traditional policy that approaches members with significant (technical compliance or effectiveness) deficiencies in their AML/CFT systems, and it involves a more enhanced follow-up process.

compliance. Section IV presents the conclusion and a table showing which Recommendations were re-rated.

III. OVERVIEW OF THE PROGRESS MADE TO IMPROVE TECHNICAL COMPLIANCE

5. This section summarizes Colombia's progress in improving its technical compliance by addressing the technical compliance deficiencies identified in the MER.

3.1. Progress in addressing technical compliance deficiencies identified in the MER

6. Colombia has made progress in addressing its technical compliance deficiencies identified in the MER in relation to the following Recommendations:

- Recommendation 12, originally rated PC,
- Recommendation 13, originally rated PC,
- Recommendation 16, originally rated PC,
- Recommendation 19, originally rated PC,
- Recommendation 22, originally rated PC,
- Recommendation 23, originally rated PC,
- Recommendation 24, originally rated PC,
- Recommendation 33, originally rated PC,
- Recommendation 34, originally rated PC,
- Recommendation 35, originally rated PC,

7. As a result of this progress, Colombia was re-rated in Relation to Recommendations 13, 16, 19, 33 y 34.

Recommendation 12- Politically exposed persons (PEP) (Original rating PC – rating remains)

Criterion12.1

I) Analysis:

(i) FIs supervised by the Financial Superintendence of Colombia (SFC) - FIs subject to core principles, non-banking FIs and trust companies

8. According to the Colombian MER (November 2018), sub-paragraphs a) c) and d) of criterion 12.1 were addressed. However, in relation to criterion 12.1 b), it states that: *Although financial institutions require a second level of approval (a higher hierarchical instance or employee that normally approves the relationship) before initiating a business relationship with a PEP, it is not explicit that "approval from senior managers will be obtained."* (Page 152)

9. In this sense, Art. 4.2.2.2.2.1.5.3. of the External Circular Letter 027 indicates that as regards customers and/or potential customers that have the status of PEP (all types of PEPs, Art. 4.2.2.2.2.1.5.1), in addition to applying the normal know-your-customer procedural measures, supervised entities must: (i) obtain the approval from the higher hierarchical instance or employee for the on-boarding of the customer or to continue with the business relationship (...)

10. Therefore, although External Circular Letter 027 indicates that in order to initiate or continue with the business relationship with a customer the approval from a higher hierarchical instance or employee is required, the deficiency indicated in the MER still persists since it is not clear that the approval from the top management of the financial entity is obtained.

ii) FIs supervised by the Superintendence of Solidarity-Based Economy (SES) – Savings and Credit Cooperatives

11. The Colombian MER notes the following deficiencies: "With respect to existing customers who become PEPs, the only requirement is to inform the board of directors, no approval is required" and that "Savings and credit cooperatives must establish the origin of funds (not the origin of wealth) and conduct ongoing intensified monitoring of the business relationship." (Criterion 12.1.c).

12. In this regard, Title V of the Basic Legal Circular issued by the SES (External Circular 20 of December 2020) states that the procedures to be designed for PEPs (including foreign PEPs) must include at a minimum: (...) Obtain approval for the establishment of the business relationship, or its maintenance when the associate, customer or beneficial owner changes its status to PEP, from a higher hierarchical instance than the one that normally approves the on-boarding of customers, duly authorized and reported to the standing management body, implement more stringent due diligence measures to determine the origin of their resources and provide for more stringent procedures for on-boarding. (…) (Art. 3.2.2.2.1)

13. Regarding the previous, it should be noted that the footnote Nº 22 indicates that "permanent management body" depending on the type of organization refers to management council, directive board or management committee. This partially addresses the deficiency pointed out in the MER, since although the obligation to determine the origin of the resources is addressed, it is not clear that senior management approval is obtained.

iii) FIs supervised by the National Tax and Customs Office (DIAN) – Foreign Exchange Companies

14. The MER notes: "Section 3 of DIAN Circular 13/2006 defines PEPs as those persons included under Article 1 of Decree 1674/2016 but does not consider foreign PEPs. (...) It does not address the beneficial owner."

15. In that sense, DIAN Resolution 0061 of 2017 states that PEPs are those established in Article 1 of Decree 1674 of October 21, 2016 (which includes aspects concerning PEP within Decree 1081 of 2015), or the regulation superseding it. Therefore, the provisions contained in such Resolution would not be applicable to foreign PEPs. However, it should be noted that Decree 830 (26/07/21) added Article 2.1.4.2.9. to Decree 1081 (2015), which defines foreign PEPs. With respect to the previous, the efforts of Colombia in broadening its regulatory framework are highlighted. However, this information could not be assessed by the assessment team given that

this Decree was not issued within the deadline established by the Procedures for the 4th Round of Mutual Evaluations.

16. Consequently, entities engaged in foreign exchange supervised by DIAN still do not comply with the provisions of criterion 12.1.

iv) FIs supervised by the Ministry of Information and Communication Technologies (MINTIC) – Postal Payment Operators (PPOs)

17. The MER points out the following deficiencies applicable to foreign PEPs:

1. There is no obligation to implement a risk management system in accordance with criterion 12.1 (a) to determine whether the beneficial owner is a PEP.
2. PPOs must obtain approval from a more senior employee before initiating or continuing a business relationship with a PEP (which does not necessarily mean "senior management approval").
3. Section 6.2.4 does not cover the obligation under criterion 12.1 (c).

18. Pursuant to Art. 3 of MINTIC Resolution 01292 of May 2021, foreign Politically Exposed Persons (PEPs) are those who hold, or have been entrusted with, prominent positions in international organizations, including directors, deputy directors, members of boards of directors, or any person exercising an equivalent function. Diplomats, foreign public officials, spouse, permanent partner or relative up to the second degree of consanguinity, second degree of affinity or first civil degree and their associates and any person who by reason of their position manage public resources or hold any degree of public power in another country are also considered PEPs.

19. In this sense, the definition described for foreign PEPs corresponds to the FATF Glossary definition for international organization PEPs. Therefore, the obligations mentioned in Resolution 01292 of the MINTIC are not applicable to foreign PEPs (according to the FATF Glossary), consequently, the deficiencies pointed out in the MER still remain.

20. **II) Conclusion:** With regard to the deficiency pointed out for credit unions, External Circular 20 of the SES provides for the obligation to implement stringent CDD measures to determine the origin of their resources.

21. However, there are still deficiencies in relation to the application of criterion 12.1:

i. For FIs subject to basic principles, non-banking FIs, and trust companies it is still not clear that the approval must be obtained directly from the senior management of the financial entity, although External Circular 027 states that in order to initiate or continue with the business relationship with a customer, the approval from a higher hierarchical instance or employee is required.
ii. In the case of credit unions, it is not clear that senior management approval must be obtained before establishing or continuing a business relationship with a PEP, although External Circular Nº 20 establishes that it should be obtained the approval by a higher hierarchy tan the one that normally approved the relationship.
iii. Foreign exchange entities supervised by DIAN do not yet comply with criterion 12.1 because the provisions referred to in Resolution 0061 are only applicable to domestic PEPs.
iv. As for postal payment operators, the definition described for foreign PEPs in Resolution

01292 of the MINTIC corresponds to the FATF Glossary definition for international organization PEPs. Therefore, the obligations mentioned are not applicable to foreign PEPs (according to the FATF Glossary), and the deficiencies pointed out in the MER still remain.

Criterion 12.2

I) Analysis

i) FIs supervised by the Financial Superintendence of Colombia (SFC) – FIs subject to core principles, non-banking FIs and trust companies

22. The MER notes: "the deficiencies identified under the previous criterion also apply to domestic PEPs and legal representatives of international organizations, (...) in the latter case, it does not include prominent positions (i.e., directors, vice directors and members of the board of directors or equivalent function) ..."

23. In this regard, Art. 1.19 of External Circular 027 establishes that international organization PEPs are persons who exercise managerial functions in an international organization. They are defined as directors, deputy directors, members of boards of directors or any person exercising an equivalent function in an international organization. In no case do these categories include officials at intermediate or lower levels.

24. When the Circular refers to PEPs, it should include domestic, foreign, and international organization PEPs. (Art. 4.2.2.2.1.5.1.)

25. Article 4.2.2.2.2.2.1.5.3. indicates that with respect to customers and/or potential customers who have the status of PEP, in addition to applying the normal know-your-customer procedural measures, supervised entities shall: (i) obtain the approval from the higher hierarchical instance or employee for the on-boarding of the customer or to continue with the commercial relationship (...).

26. Therefore, although External Circular 027 states that in order to initiate or continue with the business relationship with a customer the approval from a higher hierarchical instance or employee is required, the deficiency pointed out in the MER still persists since it is not clear that FIs must obtain the approval from the senior management before establishing or continuing business relations with a domestic and international organization PEP.

ii) FIs supervised by the National Tax and Customs Office (DIAN) – Foreign Exchange Companies

27. The MER notes: "Foreign exchange companies, in accordance with Circular 13/2016, must apply enhanced measures with respect to domestic PEPs, but not to persons who have been entrusted with a significant role in an international organization. There is no obligation to determine whether the beneficial owner is a PEP. The applicable circular also requires the need to apply enhanced measures in higher risk cases, with obligations under criteria 12.1 (b) and (d), but no obligation to apply criterion 12.1 (c)."

28. DIAN Resolution 0061 of 2017 states that PEPs are those established in Article 1 of Decree

1674 of October 21, 2016 (that introduces aspects related to PEP within the Decree 1081 of 2015), or the regulation superseding it. Therefore, considering that the aforementioned Decree refers only to domestic PEPs, the provisions contained in said Resolution would not be applicable to international organization PEPs. However, it should be noted that Decree 830 (July 26, 2021) introduced Article 2.1.4.2.9 to Decree 1081 of 2015, that defines foreign PEPs as: "legal representatives, directors, deputy directors and members of the boards of international organizations". However, this information could not be considered since the Decree 830 was issued after the deadline established in the Procedures for the Fourth Round of Mutual Evaluations applicable to the re-rating requests.

29. Consequently, foreign exchange entities supervised by DIAN still do not comply with the provisions of criterion 12.2 for international organization PEPs.

iii) FIs supervised by the Ministry of Information and Communication Technologies (MINTIC) – Postal Payment Operators (PPOs)

30. The MER points out the following deficiencies: "The obligations for PPOs under Art. 6, section 6.2.4 do not extend to persons who have been entrusted with a prominent public function in an international organization or to the beneficial owner. Criteria 12.2 (a) and (b) are partially met in the case of domestic PEPs (same limitations as those included under 12.1 for foreign PEPs)."

31. MINTIC Resolution 01292-2021 points out in Article 6.6.2.3 the intensified measures for domestic and international organization PEPs (defined in this regulatory framework as foreign PEPs) that include a procedure, in which the approval from a higher hierarchical instance or employee in charge of such relationships must be obtained before establishing (or continuing, in the case of existing customers) such business relationships and performing ongoing intensified monitoring on such relationship.

32. Therefore, the deficiencies described in the MER in relation to criterion 12.2 still persist for both international organization PEPs and domestic PEPs.

33. **II) Conclusion:** Regarding the deficiencies described for FIs subject to core principles, non-banking FIs and trust companies, the deficiencies noted in the MER partially remain as it is not clear that FIs should obtain senior management approval before establishing or continuing business relationships with domestic and international organization PEPs.

34. With regard to the deficiencies described for foreign exchange entities supervised by DIAN, the provisions of criterion 12.2 for international organization PEPs are still not complied with.

35. Regarding the deficiencies noted in criterion 12.2 of the MER for PPOs, they have not yet been addressed for both international organization and domestic PEPs.

Criterion 12.3

I) Analysis:

i) FIs supervised by the Financial Superintendence of Colombia (SFC) – FIs subject to core principles, non-banking FIs and trust companies

36. The MER notes that the obligations of FIs supervised by the SFC do not include close associates of all types of PEPs.

37. Art. 4.2.2.2.2.1.5.2. of External Circular 027 states that: SARLAFT must contain effective, efficient, and timely mechanisms that allow identifying that a customer and/or potential customer: (iv) is a close associate of a PEP, when the PEP is a partner or associate of a legal person and, in addition, owns directly or indirectly a shareholding of more than 5% of the legal person, or exercises control of the legal person, in the terms of Article 261 of the Code of Commerce. Additionally, such mechanisms should allow the identification of the beneficial owner of a customer and/or potential customer that holds the status of PEP.

38. Therefore, the obligations established through SARLAFT of FIs supervised by the SFC are applicable to PEPs' close associates. However, persistent deficiencies in criteria 12.1 and 12.2 impact full compliance with criterion 12.3.

ii) FIs supervised by the Superintendence of Solidarity-Based Economy (SES) – Savings and Credit Cooperatives

39. The MER notes that the obligations of credit unions do not include close members of all types of PEPs.

40. Art. 3.2.2.2.2.1 of External Circular 020 states that: SARLAFT must provide for more demanding on-boarding and transaction monitoring procedures for domestic or foreign persons, whether as associate, customer, or beneficial owner. (...) However, footnote 19 refers to the fact that the status of member of a Cooperative is acquired: 1. For the founders, from the date of the incorporation meeting, and 2. For those who join at a later date, from the date on which they are accepted by the competent body. Additionally, the footnote Nº 20 establishes that clients are all natural or legal persons with whom the entity establishes or maintains a contractual relationship for the provision of any service and/or supply of any product; and that savings and credit cooperatives, multi-active and integral with savings and credit component can only offer their financial services to those legal or natural persons that are associate.

41. Therefore, due to the nature of Credit Unions, the members that integrate them are called associates. In this sense, the concept of "associate" does not refer to close associates of a PEP.

42. However, it should be mentioned that Decree 830 of July 26, 2021 introduced Article 2.1.4.2.10 on "close associate" to Decree 1081 (2015), establishing that "close associate are legal persons that have as managers, shareholders, controlling persons a PEP listed in Article 2.1.4.2.3 (…)", but there is no definition about close associates that are individual, nor the reason why that category is assigned.

43. Regarding the foregoing, Colombia's efforts to broaden its regulatory framework are recognized; However, it should be noted that this information could not be assessed by the assessment team, since the issuance of Decree 830 was not prior to the six-month period before the Plenary meeting set forth in the Procedures of the Fourth Round of Mutual Evaluations applicable to re-rating requests.

44. Therefore, the obligations established for Credit Unions do not seem to be applicable to PEPs' close associates. Persistent deficiencies in criteria 12.1 and 12.2 impact full compliance with criterion 12.3.

iii) FIs supervised by the National Tax and Customs Office (DIAN) – Foreign Exchange Companies

45. The MER describes that there are no requirements for foreign exchange companies to address obligations under criterion 12.3.

46. In that regard, DIAN Resolution 0061 of 2017 defines that PEP status extends to "spouses or permanent partners and family members of PEPs, up to the second degree of consanguinity or affinity."

47. However, it does not address close associates of all types of PEPs and persistent deficiencies in criteria 12.1 and 12.2 impact full compliance with criterion 12.3.

iv) FIs supervised by the Ministry of Information and Communication Technologies (MINTIC) – Postal Payment Operators (PPOs)

48. The MER describes that there are no requirements for PPOs to address obligations under criterion 12.3.

49. Resolution 01292 does not address the requirements of criteria 12.1 and 12.2 applicable to members of a family or close associates of all types of PEPs under criterion 12.3.

50. **II) Conclusion:** FIs supervised by the SFC rely on provisions mentioning close associates of PEPs for the application of SARLAFT measures.

51. However, foreign exchange companies and Credit Unions do not yet have provisions for close associates of PEPs. For their part, PPOs still don't comply with the requirements of criteria 12.1 and 12.2 applicable to members of a family or close associates of all types of PEPs.

52. Likewise, persistent deficiencies in criteria 12.1 and 12.2 impact full compliance with criterion 12.3.

Criterion 12.4

53. **I) Analysis:** The MER points out as a deficiency that there are no requirements that address the obligation established under criterion 12.4.

54. In that sense, Art. 4.2.2.2.2.1.1.1.3. of External Circular 027 applicable to FIs supervised by the SFC that offer life insurance policies, establishes the obligation to adopt reasonable measures to identify the beneficiaries and the beneficial owners of the beneficiaries.

55. When the beneficiary of a life insurance policy is a legal entity and the insurance entity determines that this beneficiary represents a higher risk, the supervised entity must adopt enhanced measures, which must include effective measures so that, at the time of payment, the identity of the life insurance policy beneficiary's beneficial owner is identified and verified.

56. However, it is not apparent that the provisions referred above explicitly establish that the measures should be implemented to determine if the beneficiary or beneficial owner are PEP, which should be conducted at the latest in the moment of the payment. Additionally, when higher risks arise, there is still no obligation to inform senior management before proceeding with the payment of the policy so that more detailed examinations of the business relationship with the owner of the policy can be conducted and a STR can be considered.

57. **II) Conclusion:** FIs offering life insurance policies should have procedures in place to identify the beneficiaries or BO of the beneficiary. However, it does not explicitly include the obligation of determining PEP status. Also, when higher risks arise, there is still no obligation to inform senior management before proceeding with the payment of the policy so that more detailed examinations of the business relationship with the owner of the policy can be conducted and a STR can be considered. In addition, the findings of criteria 12.1 to 12.3 could affect the identification of PEPs by FIs offering life insurance policies under criterion 12.4.

Overall Conclusion on Recommendation 12

58. Colombia has made significant efforts through the approval of External Circular 20 of the SES which obligates credit unions to implement stringent CDD measures to determine the origin of their resources, so the deficiency identified in that aspect has been addressed. Moreover, FIs supervised by the SFC, pursuant to External Circular 027, rely on provisions mentioning close associates of PEPs for the application of SARLAFT measures (criterion 12.3).

59. However, there are still moderate deficiencies that need to be addressed in criteria 12.1, 12.2, 12.3, and 12.4. It is therefore proposed that the rating be maintained as **Partially Compliant.**

Recommendation 13 – Correspondent banking (original rating PC – Re-rated to C)

Criterion 13.1 a)

60. **I) Analysis:** According to the MER, the country does not address the provisions under criterion 13.1 a). In that sense, Art. 4.2.2.2.2.1.2.4.2. of External Circular 27 2020 of the SFC (CJB 27/20) establishes that when dealing with transnational correspondent relationships, supervised entities have the obligation to gather sufficient information that allows them to understand the nature of the business and determine the reputation of the entity and quality of supervision to which it is subject in its respective jurisdiction, including if it has been subject to ML/TF sanction or intervention by the control authority

61. **II) Conclusion:** The deficiency has been completely addressed by External Circular 027 of 2020. Criterion 13.1 (a) is **Met**.

Criterion 13.2 a) y b)

62. **I) Analysis:** SFC's SARLAFT addresses and regulates in detail the measures to be adopted by financial entities in relation to payable through accounts (PTA).

63. In this respect, Article 4.2.2.2.2.1.2.4.8. Of External Circular 27 2020 of the SFC (CJB 27/20), in relation to PTAs, provides that supervised entities must implement measures to ensure that the represented bank has conducted adequate CDD procedures on customers who have direct access to the accounts of the correspondent bank and that it is also able to provide relevant information in relation thereto at the request of the correspondent bank.

64. Additionally, in relation to the deficiencies identified for this criterion, CBJ 27/20 clearly defines in line with the FATF glossary the concept of "shell bank."

65. **II) Conclusion:** The deficiency has been completely addressed by External Circular 027 of 2020 of SFC. Criterion 13.2 (a) is **fully Met**.

Criterion 13.3

66. **I) Analysis:** The SFC's SARLAFT adequately sets out the actions to be taken by financial entities in relation to shell banks.

67. CCBJ 27/20 states that supervised entities must establish mechanisms to avoid, with respect to the correspondent relationship with a shell bank, the initiation, continuity, and use of their accounts by the latter (Art. 4.2.2.2.2.1.2.2.4.6).

68. **II) Conclusion:** The deficiency has been completely addressed by CBJ 027 of 2020 of SFC. This criterion is **Met**.

Overall Conclusion on Recommendation 13

69. From the analysis performed it is verified that the country has fully addressed the deficiencies identified in relation to criteria 13.1 (a), 13.2. (a) and (b), and 13.3. Recommendation 13 is therefore rated as **Compliant**.

Recommendation 16 – Wire transfers - Original rating: PC (re-rated C)

Criterion 16.1

70. **I) Analysis:** The Risk Management System for Money Laundering and Terrorist Financing (hereinafter "SARLAFT") of the Financial Superintendence of Colombia (hereinafter "SFC") regulated in detail the measures to be adopted by financial entities in relation to wire transfers, whether domestic or international.

71. In this regard, paragraph 5 of Chapter IV, Title IV, Part I of External Circular 027 of 2020 (of September 2020) establishes that both ordering and beneficiary entities must ensure that international transfers contain required and accurate information on the originator and beneficiary.

72. With respect to the deficiencies identified in this criterion, the aforementioned rule provides that the information of the originator and beneficiary that must remain with the transfer or related message through the payment chain, is "*the account number or transaction reference*

number or, otherwise, a unique reference number of the transaction that allows it to be traced." Also, that *"the ordering entities must verify the accuracy of the information required on the originator."* This provision applies both to transfers made through SWIFT (section 5.1.1.1) and those made through money remitters (hereinafter "MVTS") or any other system (5.1.2).

73. Consequently, the deficiencies pointed out in the MER have been overcome.

74. **II) Conclusion:** The deficiencies have been completely remedied by External Circular 027 of 2020 of SFC. This criterion is Met.

Criterion 16.2

75. **I) Analysis:** The SFC's SARLAFT regulates in detail the measures applicable to grouped (or batch) wire transfers.

76. In this regard, numeral 5 of Chapter IV, Title IV, Part I of External Circular 027 of 2020 (of September 2020) establishes that, in the case of several international transfers from a single originator grouped in a single batch processing file for transfer to several beneficiaries, the file must contain accurate information on the originator and complete information on the beneficiary (section 5.1.3).

77. It should be noted that such information must remain with the transfer or related message throughout the payment chain, and it is required that the account number or transaction reference number or, otherwise, a unique transaction reference number be retained to enable the transaction to be traced. Also, supervised entities must verify the accuracy of the information required on the originator and the beneficiary.

78. Consequently, all the elements of the criterion have been addressed by the regulations, so the deficiency indicated in the MER has been overcome.

79. **II) Conclusion:** The deficiency has been addressed by External Circular 027 of 2020 of SFC. This criterion is **Met**.

Criterion 16.3

80. **I) Analysis:** For wire transfers, the SFC's SARLAFT establishes a minimum threshold of USD 1,000 and regulates in detail the measures applicable to them.

81. In this regard, numeral 5 of Chapter IV, Title IV, Part I of External Circular 027 of 2020 of the SFC (of September 2020) establishes that, in the event that the amount of the transfer is equal to or less than the equivalent of USD 1,000, ordering entities must request, at least, the following information regarding the originator:
(i) name and surname (in the case of natural persons), or name or company name (in the case of legal persons); and
(ii) the account number or reference number of the transaction or, otherwise, a unique reference number of the transaction that allows it to be traced.

82. Furthermore, the regulation establishes that ordering entities must request the following minimum information from the beneficiary, which must remain with the transfer or related message through the payment chain: (i) name and surname in case of natural persons), or name or company name (in case of legal persons), and (ii) the account number or transaction reference number or, otherwise, a unique transaction reference number that allows it to be traced.

83. Consequently, all the elements of the criterion have been addressed by the regulations, so the deficiency indicated in the MER has been overcome.

84. **II) Conclusion:** The deficiency has been addressed by External Circular 027 of 2020 of SFC. This criterion is **Met**.

Criterion 16.4

85. **I) Analysis:** The SFC's SARLAFT regulates in detail the measures applicable to wire transfers involving amounts below the USD 1,000 threshold.

86. In this regard, numeral 5 of Chapter IV, Title IV, Part I of External Circular 027 of 2020 of the SFC (of September 2020) establishes that, in the event that the amount of the transfer is equal to or less than the equivalent of USD 1,000, ordering entities must request the minimum information regarding the originator and the beneficiary, referred to in criterion 16.3.

87. In addition, the regulation provides that ordering entities must verify the accuracy of the minimum information required on the originator whenever, according to the entity's risk analysis, there is a risk of materialization of ML/TF with respect to such transfer (Sections 5.1.1.1 and 5.1.2).

88. The standard contemplates that in case there is a risk of materialization of ML/TF, i.e., when there is a suspicion of ML/TF, the information on the originator must be accurately verified.

89. Consequently, the deficiency identified in the MER has been overcome.

90. **II) Conclusion:** The deficiency has been addressed by External Circular 027 of 2020 of SFC. This criterion is **Met**.

Criterion 16.5

91. **I) Analysis:** (i) The SFC's SARLAFT regulates in detail the measures applicable to domestic wire transfers.

92. In this regard, numeral 5 of Chapter IV, Title IV, Part I of External Circular 027 of 2020 of the SFC (of September 2020) establishes that, in the case of domestic transfers, minimum information on the originator must be maintained with the transfer or related message through the payment chain, without prejudice to any additional information that each entity considers relevant (section 5.2).

93. In this regard, the information required regarding the originator is as follows:

- In case of natural persons: (i) name and surname; (ii) ID type and number, address, telephone number, city, and (iii) account number or transaction reference number or,

otherwise, a unique reference number of the transaction that allows it to be traced.

- In case of legal persons: (i) name or corporate name, NIT, type, and identification number of the person acting as legal representative, domicile, telephone number, city, and (ii) account number or transaction reference number or, otherwise, a unique reference number of the transaction that allows it to be traced.

94. It is also provided that the domestic transfer may include the information about the account number or transaction reference number or, otherwise, a unique transaction reference number that allows tracing the transaction, provided that: (i) this number allows the transaction to be traced back to the originator and/or beneficiary, and (ii) the beneficiary entity can obtain the originator's information by other verifiable means.

95. Consequently, the deficiency identified in the MER on this regard has been overcome.

96. (ii) In relation to postal payment service operators (PPOs), Resolution 01292 of 2021 of May 31, 2021 (PPO SARLAFT) included a series of detailed requirements related to the information on the originator and beneficiary, in addition to the information on the unique identifier of the money order. Consequently, the deficiency identified in the MER on this regard has been overcome.

97. **II) Conclusion:** The deficiency has been addressed by External Circular 027 of 2020 of SFC and Resolution 01292 of 2021 of the Ministry of Information and Communication Technologies. This criterion is **Met**.

Criterion 16.6

98. **I) Analysis:** As indicated in the analysis of criteria 16.1 and 16.5, the deficiencies identified with respect to domestic transfers have been overcome through External Circular 027 of 2020 of the SFC and Resolution 01292 of 2021 of the Ministry of Information and Communication Technologies.

99. Consequently, the deficiency identified in the MER on this regard has been overcome.

100. **II) Conclusion:** The deficiency has been addressed by External Circular 027 of 2020 of SFC and Resolution 01292 of 2021 of the Ministry of Information and Communication Technologies. This criterion is **Met**.

Criterion 16.8

101. **I) Analysis:** External Circular 027 of 2020 of the SFC (subsection 5.1) regulates the minimal information to be kept regarding the originator and the beneficiary that must accompany the transfer. This includes the account number of the originator and the beneficiary or, in case there is no account, an unique number for the transaction that allow tracing it.

102. Although, the above-mentioned circular does not specifically stablish that the ordering financial institution should not be allowed to execute the wire transfer if it does not include information on the originator and the beneficiary. It was verified that the entities cannot execute a transfer in the cases in which they do not have that minimal information. Also, it should be noted that the aforementioned circular establishes that financial institutions "must have effective risk-

based policies and procedures to determine: (i) when to execute, reject or suspend an electronic transfer that lacks of the necessary information about the originator or the beneficiary" (sub numerals 5.1.4 and 5.1.5 of CE 027)

103. **II) Conclusion:** The deficiency has been addressed by External Circular 027 of 2020 of SFC. This criterion is **compliant**.

Criterion 16.9 to 16.12

104. **I) Analysis:** The SFC's SARLAFT regulates in detail the measures applicable to intermediary financial institutions. The following is an analysis of the applicable criteria according to the Evaluation Methodology:

105. *(i) Criterion 16.9:* Section 5.1.4 (paragraph 1) establishes that, for international wire transfers, entities acting as intermediaries must ensure that all information on the originator and beneficiary accompanying the wire transfer is retained with the transfer. Consequently, the requirements of the criterion are satisfied.

106. *(ii) Criterion 16.10:* Section 5.4 establishes that supervised entities, including intermediaries, must comply with the criteria and processes for handling, keeping, and preserving the information obtained from the originator and beneficiary, in accordance with Art. 96 of the Organic Statute of the Financial System (EOSF). In turn, Art. 96 of the EOSF establishes that the documentation must be kept for a minimum period of 5 years. Consequently, the requirements of the criterion are satisfied.

107. *(iii) Criterion 16.11:* Section 5.1.4 (3rd paragraph) establishes that the intermediary entity must take reasonable measures, corresponding to direct payment processes, to identify international wire transfers that lack the necessary information on the originator or on the beneficiary. Consequently, the requirements of the criterion are satisfied.

108. (*iv)* Criterion 16.12: Section 5.1.4 (4th paragraph) states that the intermediary entity must have risk-based policies and procedures in place to determine: (a) when to execute, reject or suspend a wire transfer lacking required originator or required beneficiary information; and (ii) the appropriate follow-up action. Consequently, the requirements of the criterion are satisfied.

109. Consequently, all the elements of the corresponding criteria have been addressed by the regulations, so the deficiency indicated in the MER has been overcome.

110. **II) Conclusion:** The deficiency has been addressed by External Circular 027 of 2020 of SFC. Therefore, the criteria are **Met**.

Criteria 16.13 to 16.15

111. **I) Analysis:** The SFC's SARLAFT regulates in detail the measures applicable to beneficiary institutions. The following is an analysis of the applicable criteria according to the Evaluation Methodology:

(i) *Criterion 16.13:* Section 5.1.5 (1st paragraph) establishes that beneficiary entities must take

reasonable measures to identify international transfers that lack the required information on the originator or on the beneficiary. These measures may include post or real-time monitoring, where feasible. Consequently, the requirements of the criterion are satisfied.

(ii) *Criterion 16.14:* Section 5.1.5 (2nd paragraph) establishes that, for wire transfers, beneficiary entities must verify the identity of the beneficiary, if the identity has not been previously verified, and keep this information for a period of at least five years. Consequently, the requirements of the criterion are satisfied.

(iii) Criterion 16.15: Section 5.1.5 (3rd paragraph) states that the beneficiary entity must have risk-based policies and procedures in place to determine: (i) when to execute, reject or suspend a wire transfer lacking required originator or required beneficiary information; and (ii) the appropriate follow-up action. Consequently, the requirements of the criterion are satisfied.

112. Consequently, all the elements of the corresponding criteria have been addressed by the regulations, so the deficiency indicated in the MER has been overcome.

113. **II) Conclusion:** The deficiency has been addressed by External Circular 027 of 2020 of SFC. Therefore, the criteria are **Met**.

Criterion 16.16

I) Analysis

114. (i) The SFC's SARLAFT regulates in detail the measures applicable to MVTS.

115. In this regard, paragraph 5 of Chapter IV, Title IV, Part I of External Circular 027 of 2020 (of September 2020) establishes in its section 5.1.2 the minimum originator information that must remain with the transfer or related message through the payment chain, which includes the account number or transaction reference number or, otherwise, a unique transaction reference number that allows it to be traced (item iv). Consequently, the deficiency identified in the MER on this regard has been overcome.

116. (ii) In relation to postal payment service operators (PPOs), as already indicated under criterion 16.5, Resolution 01292 of 2021 of May 31, 2021 (PPO SARLAFT) included a series of detailed requirements related to the information on the originator and beneficiary, such as the account number or transaction reference number, in addition to the information on the unique identifier of the money order. Consequently, the deficiency identified in the MER has been overcome.

117. **II) Conclusion:** The deficiencies have been addressed by External Circular 027 of 2020 of SFC and Resolution 01292 of 2021. This criterion is **Met**.

Criterion 16.17

118. **I) Analysis:** The SFC's SARLAFT established in detail the measures applicable to MVTS.

119. In this regard, paragraph 5 of Chapter IV, Title IV, Part I of External Circular 027 of 2020

(of September 2020) establishes in section 5.3 that when both the originator and the beneficiary of a transfer use the same supervised entity, the latter must, in addition to what is indicated in its SARLAFT, take into account all the information of both the originator and the beneficiary, in order to comply with the duty to report suspicious transactions. Consequently, the deficiency identified in the MER has been overcome.

120. **II) Conclusion:** The deficiency has been addressed by External Circular 027 of 2020 of SFC. This criterion is **Met**.

Overall conclusion on Recommendation 16

121. From the analysis performed it is verified that the country has fully addressed the deficiencies identified in relation to criteria 16.1,16.2,16.3, 16.4,16.5, 16.6, 16.8, 16.9, 16.10, 16.11, 16.12, 16.13, 16.14, 16.15, 16.16 and 16.17.

122. Thus, considering that the country has fully addressed the deficiencies, it is appropriate to rate Recommendation 16 as **Compliant.**

Recommendation 19 – Original rating: PC (re-rated C)

Criterion 19.2

123. The MER points out as a deficiency in criteria 19.2 and 19.3 that there are no obligations in place incorporating the requirements set out under these criteria.

124. **I) Analysis:** The country adequately regulates the treatment that financial institutions must comply with in relation to higher-risk countries.

125. In this regard, the country presented information on the measures adopted by the competent authorities, which are described individually below:

i) FIs supervised by the Financial Superintendence of Colombia (SFC)

126. Article 4.2.2.2.1.9. and subsequent articles of CBJ 027/20 issued by the SFC establishes the obligation for supervised entities to have procedures for the application of effective countermeasures proportional to the risks, in line with FATF R.19, in business relations with natural or legal persons and FIs from higher-risk countries when: a) the FATF makes a call to do so and b) when the supervised entity so considers regardless of the FATF call.

ii) FIs supervised by the Superintendence of Solidarity-Based Economy (SES)

127. Article 3.2.2.2.2.3. of External Circular 20 establishes the obligation for credit unions to apply countermeasures proportional to the risks in their operations with higher risk countries or jurisdictions identified by the FATF. The Circular sets out a series of countermeasures to be considered, in line with FATF R.19, without prejudice to referring to all countermeasures provided for in paragraph 2 of the IN of this Recommendation.

iii) FIs supervised by the National Tax and Customs Office (DIAN)

128. Article 2 of Res. 29 of 03/26/2020 issued by the DIAN provides for the treatment of business relations with higher-risk countries. Currency exchange professionals are required to establish enhanced control procedures, effective and proportional to the risks, for persons or entities coming from non-cooperative countries or countries that do not apply the FATF Recommendations. When it is unable to apply the corresponding countermeasures, it must refuse the purchase or sale of foreign currency offered and interrupt the business relationship with the customer.

iv) FIs supervised by the Ministry of Information and Communication Technologies (MINTIC)

129. Art. 6.2.8 of Resolution 1292 of 2021 issued by the MINTIC sets forth the obligation for postal payment operators (PPOs) to apply specific elements of enhanced CDD with respect to higher-risk countries, including those listed by the FATF.

130. Consequently, in relation to the deficiency noted in the MER on compliance with criterion 19.2, the country, through its competent authorities (SFC, DIAN, SES and MINTIC), adequately addressed all elements.

131. **II) Conclusion:** The deficiency has been addressed through regulations specifically noted in the analysis. This criterion is **Met**.

Criterion 19.3

132. **I) Analysis:** The country adopted adequate measures to ensure that FIs are aware of the concern that higher-risk countries imply.

133. In this regard, it submitted information on the measures implemented by the corresponding supervisory authorities (SFC, SES, DIAN and MINTIC).

i) FIs supervised by the Financial Superintendence of Colombia (SFC)

134. Article 4.2.2.2.1.9. of CBJ 027 of 2020 issued by the SFC establishes the duty for supervised entities to permanently review the FATF lists of non-cooperative countries and high-risk jurisdictions.

ii) FIs supervised by the Superintendence of Solidarity-Based Economy (SES)

135. Title V of External Circular 20 of 12/18/2020 issued by the SES establishes the duty for solidarity organizations to regularly check FATF lists of high-risk countries. Additionally, when special FATF communications are issued in this respect, the SES shall inform credit unions so that they may apply, if applicable, the respective measures.

iii) FIs supervised by the National Tax and Customs Office (DIAN)

136. Art. 2 of Res. 29 of 03/26/2020 issued by the DIAN, directs exchange professionals to the FATF web page for its consultation in order to keep themselves up to date on the highest-risk countries included in the list.

iv) FIs supervised by the Ministry of Information and Communication Technologies (MINTIC)

137. Art. 6.2.8. of Res 1292 of 2021 issued by the MINTIC, sets forth the duty of PPOs to regularly check the FATF listings of higher-risk countries on its web page.

v) Other measures

138. The UIAF website has a section explaining what the list of non-cooperative countries and high-risk jurisdictions consists of and refers reporting institutions and other users to the list of non-cooperative countries referred to on the FATF website.

139. Consequently, the elements of criterion 19.3 were incorporated into the regulations and the deficiency identified in the MER was addressed.

140. **II) Conclusion:** The deficiency has been addressed through regulations specifically noted in the analysis. This criterion is **Met**.

Overall conclusion on Recommendation 19

141. Colombia has made significant efforts through the approval of different regulatory frameworks applicable to FIs supervised by the SFC, DIAN, SES, and MINTIC.

142. From the analysis performed it is verified that the country has fully addressed the deficiencies identified in relation to criteria 19.2 and 19.3. Recommendation 19 is therefore rated as **Compliant**.

Recommendation 22 – Original rating: PC – (rating remains)

Criterion 22.1

143. **I) Analysis:** Criterion 22.1 of the MER describes the following deficiencies:

i) There is no explicit obligation established in a Law to apply CDD as required by the standard.
ii) Real estate agents who are classified as reporting institutions do not have the full obligation to identify the customer and there is no prohibition to perform transactions when these cannot be performed, as required by R.10. (...) the beneficial owner identification process does not fully comply with the requirements of the standard set out in the IN to R.10.
iii) Dealers in precious metals and stones are not classified as AML/CFT reporting institutions.
iv) Lawyers, other legal services, accountants are not required to apply AML/CFT obligations. In the case of Notaries, there are no specific measures requiring the identification of the beneficial owners of the customers who perform transactions, or the beneficiaries of the service provided by the customer, as required by criterion 10.5.
v) Authorized trust companies should comply with the CDD requirements established for FIs and

therefore the comments on R.10 also apply.[2]
vi) CDD obligations and the identification of the BO of DNFBPs under the supervision of Supersociedades are not consistent with requirements of Rec. 10.

144. **Regarding deficiency i)**, there is no new information available to consider it addressed.

145. **Regarding deficiency ii)**, Art. 5.3.1 of External Circular 2020-01-680161 (100-000016) of December 2020 issued by the Superintendence of Companies, establishes minimum CDD measures to be applied by real estate agents, which includes among others, the obligation to identify the customer and the beneficial owner by making use of the tools at its disposal.

146. Moreover, if the RI cannot conduct the CDD satisfactorily, it must evaluate the relevance of initiating or terminating the legal or contractual relationship, as well as the appropriateness of reporting the operation as suspicious.

147. Thus, considerable progress has been made, although there are still annual income thresholds that differentiate 2 AML/CFT regimes to be applied. The first one establishes an annual income threshold of approximately USD 7MM, above which companies acting as real estate agents must apply the measures of the AML/CFT/FPWMD Self-Control and Risk Management System (SAGRILAFT). As for the second, the Minimum Measures regime[3], it must be applied when the real estate services company has had annual revenues equal to or greater than approx. USD 700,000 and up to approx. USD 7MM. Thus, real estate companies are excluded from the obligation to apply AML/CFT measures when their revenues are below the threshold of approx. USD 700,000, and therefore the deficiency has not been completely overcome. It is important to take into account that the obligation to apply CDD measures is not contemplated for real estate agents operating as natural or physical persons, since the measures of Chapter X of the CBJ of the Superintendence of Companies are only mandatory for companies.

148. Furthermore, it is noted that the measures established in criterion 10.19 should not be subject to evaluation by the RI.

149. Regarding deficiency iii), Art. 4.2.2 of the External Circular mentioned above refers to the fact that the standard is applicable to the precious metals and stones trading sector in the following cases:

> 1° Companies in the sector subject to the application of SAGRILAFT, when:
> a. When they are subject to the surveillance or control exercised by the Superintendence of Companies pursuant to the provisions of Articles 84 and 85 of Law 222 of 1995;
> b. When they are regularly engaged in the trade of precious metals and precious stones; and
> c. Those that, as of December 31st of the immediately preceding year, have obtained Total Revenues equal to or greater than approximately[4] USD 7MM, [1]thirty thousand (30,000) SMLMV (current monthly minimum legal wages).

[2] Colombia complies with criterion 10.1. However, there are a number of significant deficiencies under R.10. Colombia partially complies with criteria 10.2 through 10.5 and 10.7 through 10.10. Criteria 10.6, 10.13, 10.16, and 10.20 are not complied with. Therefore, it partially complies with most of the criteria. (p. 151 of Colombia's MER)

[3] Article 6.2 of Chapter X, External Circular 2020-01-680161 (100-000016).

2° Companies of the sector subject to the application of the Simplified Measures Regime, when:
a. When they are regularly engaged in the trade of precious metals and precious stones; and
b. As of December 31st of the immediately preceding year, they have made Total Revenues equal to or greater than approximately USD 7MM, thirty thousand (30,000) SMLMV (current monthly minimum legal wages).

150. In this regard, it is verified that there is an annual income threshold for dealers of precious metals and stones that exercise the activity as a company to apply the respective measures, so they are excluded from this obligation when their annual income is below the threshold of USD 700,000. As in the previous case, those who exercise the activity as a natural person are not required to apply CDD measures. For this reason, the deficiency has not been fully overcome in line with the standard.

151. With regard to deficiency iv), in accordance with Articles 4.2.3 and 4.2.4 of the aforementioned External Circular,[5] legal services and accounting services sector are required to comply with AML/CFT measures only when they function as a company, and must apply the SAGRILAFT when such companies have annual revenues in excess of approximately USD 7MM. In case their annual revenues are lower than the indicated amount, but are above the threshold of approximately USD 700,000, they must apply the Minimum Measures Regime. In the event that the aforementioned companies have annual revenues below the USD 700,000 threshold, they are not considered RIs.

152. Furthermore, lawyers and accountants who practice as natural persons do not have the status of reporting institutions and therefore do not have to apply CDD measures.

153. Moreover, no measures are noted in relation to the deficiencies identified in the MER relating to notaries.

154. In relation to deficiency v), no measures are noticed to overcome it.

155. Regarding deficiency vi), External Circular 2020-01-680161 (100-000016) establishes CDD measures to be applied by DNFBPs under the supervision of the Superintendence of Companies, which includes, among others, the obligation to identify the customer and the beneficial owner. However, although the respective regulation constitutes a significant improvement, there is still a threshold of annual income (USD 700,000 approx.) for such DNFBPs

[5] **4.2.3. Legal services sector**
a. When they are subject to the surveillance or control exercised by the Superintendence of Companies pursuant to the provisions of Articles 84 and 85 of Law 222 of 1995;
b. Whose economic activity registered in the company register or the economic activity that generates the highest Ordinary Activity Income for the Company according to the applicable regulations, is the one identified with code 6910 of ISIC Rev. 4 A.C; and
c. Those that, as of December 31st of the immediately preceding year, have made Total Revenues equal to or greater than approximately thirty thousand (30,000) SMLMV.

4.2.4. Accounting services sector
a. When they are subject to the surveillance or control exercised by the Superintendence of Companies pursuant to the provisions of Articles 84 and 85 of Law 222 of 1995;
b. Whose economic activity registered in the company register or the economic activity that generates the highest Ordinary Activity Income for the Company according to the applicable regulations, is the one identified with code 6920 of ISIC Rev. 4 A.C; and
c. Those that, as of December 31st of the immediately preceding year, have made Total Revenues equal to or greater than approximately thirty thousand (30,000) SMLMV.

to apply the corresponding preventive measures. Additionally, no measures have been taken to address the situation of those who exercise the activities and professions designated under R.22 as natural persons, and they are not required to apply CDD measures.

156. Notwithstanding the foregoing, the country's progress in terms of expansion of the DNFBPs universe that are included in the AML/CFT preventive system should be borne in mind. In particular, it is highlighted that, based on the aforementioned regulatory reforms, the Supersociedades has the power to provide specific instruction at any time to any legal person subject to its supervision, which is not an Obliged entity to SAGRILAFT or to the Regime of Minimum Measures, so that it implements the measures indicated in the Chapter X. In other words, the agency has the possibility of requiring the respective entities to implement the SAGRILAFT or the Minimum Measures Regime, in accordance with its instructions. (Numeral 7).

157. **II) Conclusion:** Although it is highlighted that regulatory adjustments have been conducted that imply progress to the country, it is not verified that the obligation to implement CDD measures has been established by Law. Although progress has been noted through the issuance of regulations, and the lowering of the threshold applicable to reporting institutions that are companies, the deficiency vi) has not been sufficiently overcome due to the fact that the legal framework in general does not cover companies below the annual income threshold, nor natural persons exercising DNFBP activities, which impacts mainly in the real estate, lawyers and accountants sectors

158. Additionally, it is noted that the deficiencies pointed out in the MER under criteria 22.1 b, c, d, and e) are still pending to be addressed in order to comply with the standard.

Criterion 22.3

159. **I) Analysis:** The deficiencies noted in the MER are as follows:

i) The SIPLAFT Resolution for Coljuegos[6] contains a definition and a list of domestic PEPs, but no reference is made to international PEPs.
There are no risk management systems in place to determine whether the customer or beneficial owner is a PEP, to obtain senior management approval, or to establish the source of funds as required by R.12.
ii) For DNFBPs under the supervision of the Superintendence of Companies there are no risk management systems to determine whether the customer or beneficial owner is a PEP.
iii) In the case of notaries, the instructions do not include any specific measures required by R.12 with respect to higher-risk business relationships or for international PEPs.

160. Regarding the first deficiency, Coljuegos Resolution 20215000012784 of January 2020 defines foreign PEPs and internationally organization PEPs according to the FATF Glossary, and under this legal framework it should be understood that when reference is made to PEPs, all types of PEPs are included.

[6] Industrial and Commercial Company of the Colombian State which is Administrator of the Rent Monopoly of Games of Luck and Chance

161. In this sense, the second article mentions that the approval from the Board of Directors or Legal Representative must be obtained to establish or continue business relations with customers who are PEPs and to implement enhanced due diligence measures, for which greater controls or mechanisms must be applied to identify the customer or BO of a customer that is a PEP, including the origin of its resources. Thus, the deficiency mentioned is addressed.

162. In relation to the second deficiency, Art. 5.3.2 of chapter X of external circular 2020-01-680161 of the Superintendence of Companies, within the framework of the application of the Regime, SAGRILAF establishes the application of an enhanced due diligence process for PEPs (all types of PEPs) that includes the identification that a counterpart or its BO is a PEP. The aforementioned enhanced CDD process for PEPs is not part of the measures applied in the Minimum Measures Regime, for the case of DNFBPs with annual revenues below approx. USD 7MM and above approx. USD 700,000.

163. However, the deficiencies noted in criterion 22.1 with respect to the thresholds that limit the application of AML/CFT measures to all categories of DNFBPs, and the lack of obligation for DNFBPs that are natural persons, have an impact on addressing this deficiency.

164. Regarding the third deficiency, there is no new information available to consider it addressed.

165. **II) Conclusion:** Although the deficiency related to Casinos has been overcome, and progress has been made in terms of PEPs, the deficiencies identified in the MER for DNFBPs supervised by the Superintendence of Companies and Notaries still remain.

Criterion 22.4

166. Chapter X of the CBJ establishes obligations related to new technologies. Nevertheless, Nevertheless, the deficiencies point it out in criterion 22.1 and 22.3 are applicable to this criterion.

167. Provisions related to additions to R.15 will be analyzed in the corresponding section.

Overall conclusion on Recommendation 22

168. From the analysis performed, it is verified that, although progress has been recorded, the country has partially addressed the moderate deficiencies identified under criteria 22.1 and 22.3. Therefore, the rating of **Partially Compliant** should be maintained.

Recommendation 23 – Original rating: PC – (rating remains)

Criterion 23.1

169. **I) Analysis:** The MER notes the following deficiencies:
i) Most of the lawyers, accountants, real estate agents and precious metal and stones dealers are not subject to STR obligations.
ii) Notaries are not required to submit STRs.

170. Regarding the first deficiency, according to External Circular 2020-01-680161, entities regulated by the Superintendence of Companies must report to UIAF all Suspicious Transactions they detect in the ordinary course of their business or activities, which is a relevant progress.

171. However, according to the analysis made in this report, regarding the overcoming of the weaknesses of criterion 22.1 it is still not clear that the obligation to report suspicious transactions is applicable to all lawyers, accountants, real estate agents and dealers in precious metals and stones due to the thresholds established in the regulation for the application of AML/CFT measures and that said regulation only applies to companies and not to those who exercise those activities or professions as natural persons (individuals).

172. Regarding the second deficiency, it should be mentioned that Section 7.2.1 of Administrative Instruction N° 17 of the Superintendence of Notaries (October 27, 2016) was analyzed in the MER of Colombia, where it is established: (d) Notaries have a dual regime (Art. 7.2.1 of Administrative Instruction 17 of the Superintendence of Notaries. (October 27, 2016)): the obligation to report all transactions to the UIAF (RON) and the obligation to immediately report all suspicious transactions as soon as they perceive them as such, according to the alerts and documents attached to the Public Deeds, the transaction may be considered suspicious under the terms of the "AML/CFT Guidelines for Notaries." According to 7.2.2 of the Resolution: "Notaries are not required to file STRs when a legal entity supervised by the SFC participates in the legal transaction." The reporting rules established for notaries and the exception are not provided for by the standard.

173. Considering that there are no measures in place subsequent to the date of the MER, the conclusions arrived at in the MER are maintained.

174. **II) Conclusion:** Although there has been relevant progress in terms of the obligation to report suspicious transactions, there are still concerns as to whether such obligation is applicable to subjects below the threshold and that such regulation only applies to companies and not to those who exercise such activities or professions as a natural person (individual). Consequently, the deficiency is partially addressed.

175. Regarding the second deficiency, considering that there is no information subsequent to that analyzed in the MER, the conclusions of the respective report are maintained and, therefore, it is partially compliant.

Criterion 23.2

176. **I) Analysis**: The MER notes that DNFBPs under the supervision of Supersociedades are not obliged to have independent audits on AML/CFT. Regarding the requirements established in R.18.2, it should be noted that the SARGLAFT of Supersociedades sets forth that each entity of a commercial group should adopt its own AML/CFT system (Article 4), which is not consistent with thew standard.

177. According to External Circular 2020-01-680161, the Superintendence of Companies recommends as a good business practice to conduct audits that include the review of the effectiveness and compliance of the SAGRILAFT (Art. 5.1.4.6).

178. In this sense, it seems that the provisions of the Circular described above in relation to conducting internal audits is optional for entities regulated by the Superintendence of Companies, for which it is not clear whether they should be independent or outsourced. In this sense, it should be noted that the deficiency refers to the lack of a requirement for independent audits.

179. Although relevant measures were reported in relation to internal audits, there are still doubts as to how to address the deficiency indicated in relation to independent audits.

180. **II) Conclusion:** Although the country provided relevant information regarding audits of an internal nature for DNFBPs regulated by the Superintendence of Companies (only those DNFBPs that are companies and subject to the SAGRILAFT regime, that is, that have had annual revenues above the threshold of USD 7MM approx.), concerns remain regarding whether the deficiency indicated in the MER has been addressed, therefore the criterion remains as partly met.

Criterion 23.3

181. **I) Analysis:** The MER notes that DNFBPs under Supersociedades supervision are not obliged to apply countermeasures when dealing with persons from countries included in the FATF Public Statements (as required in R.19.2), and that these obligations can only be demanded to the reporting entities as described in R.22.

182. Pursuant to External Circular 2020-01-680161, the Superintendence of Companies added the obligation to perform enhanced due diligence in relations with customers or companies from countries rated as high-risk by the FATF, as well as to apply other Reasonable Measures. (Art. 5.3.2)

183. The referred article describes some enhanced CDD measures to be implemented in cases of customers associated with high-risk countries, which would correspond to what is established in paragraph 2.a of IN R.19.

184. This regulatory adjustment, which represents an important progress with respect to the situation at the time of the ME, is only applicable to those DNFBPs that are companies and as long as they have obtained annual incomes over USD 7MM and therefore must be subject to the application of the measures established in the SAGRILAFT regime. Moreover, the Minimum Measures Regime does not contemplate the application of enhanced CDD measures for customers associated with high-risk countries.

185. Notwithstanding the foregoing, the country's progress in terms of expansion of the DNFBPs universe that are included in the AML/CFT preventive system should be borne in mind. In particular, it is highlighted that, based on the aforementioned regulatory reforms, the Supersociedades has the power to provide specific instruction at any time to any legal person subject to its supervision, which is not an Obliged entity to SAGRILAFT or to the Regime of Minimum Measures, so that it implements the measures indicated in the Chapter X. In other words, the agency has the possibility of requiring the respective entities to implement the SAGRILAFT or the Minimum Measures Regime, in accordance with its instructions. (Numeral 7).

186. **II) Conclusion:** Considering the information provided by the country, the deficiency is partially addressed.

Criterion 23.4

187. **I) Analysis:** The MER notes that for most DNFBPS, except for those regulated in the OESF (fiduciary companies), there is no protection by a law for directors, officers, and employees from both criminal and civil liability for breach of any restriction on disclosure of information imposed by contract or by any legislative, regulatory, or administrative provision, as it is requested in C.21.1.

188. There is no information available to consider this deficiency addressed.

189. **II) Conclusion:** The criterion is maintained as partly met.

Overall conclusion on Recommendation 23:

190. From the analysis performed, it is verified that, although progress has been recorded, the country has partially addressed the moderate deficiencies identified under criteria 23.1, 23.2, 23.3, and 23.4. Therefore, the rating of **Partially Compliant** for Recommendation 23 should be maintained.

Recommendation 24 – Original rating: PC – (rating remains)

Criterion 24.2

191. **I) Analysis:** The conclusions of the Colombian NRA state that, within the framework of CDD, the main problem identified is the availability of, and access to beneficial ownership information. In the same line of thought, it refers to some deficiencies detected in the MER in relation to the access of information on BO by the competent authorities.

192. Although the development and publication of the 2019 NRA is a transcendent measure of profound impact on the AML/CFT system, such general assessment does not expressly address the assessment of ML/TF risks associated with all types of legal persons created in the country, as provided for in this criterion. This to the extent that the country must identify, evaluate, and understand the ML/TF vulnerabilities of each of the diverse types of companies, in order to determine which are riskier and to what extent they are being or may be misused for ML/TF. From the information provided by Colombia there is no evidence of such analysis and whether it has identified the ML/TF risks in relation to all types of legal persons created in the country, especially the SAS that represent 54% of the companies in Colombia.

193. **II) Conclusion:** Considering the information provided by the country, the criterion is non-compliant.

Criterion 24.6

194. **I) Analysis:** Pursuant to the fourth paragraph of Article 68 of Law 2010 of 2019 applicable to all taxpayers, the Single Registry of Effective, Beneficial or Real Ownership (RUB) is created, whose operation and administration will be in charge of the National Directorate of Taxes and Customs (DIAN) and will be implemented by means of a resolution issued by said entity seeking interoperability with the Single Tax Registration Office (RUT).

195. The referred Law describes that for tax purposes the beneficial owner, final or real beneficiary must be determined.[7]

196. For its part, there are existing regulations on AML/CFT matters of the SFC (Art. 1.3, 4.2.2.2.1.1.1.1.2. et seq. of External Circular 027-2020), the Supersolidaria (Title V External Circular 20-2020), the Superintendence of Companies (External Circular 2020-01-680161), the DIAN (Res. 0061-2017), MinTIC (Res. 01292-2021). COLJUEGOS has been working on a regulation that includes provisions related to BO, according to the standard.

197. **II) Conclusion:** The country has created the RUB and has a BO identification procedure applicable to taxpayers coupled with the obligation of RIs regulated by the SFC, DIAN, SES, MINTIC, Superintendence of Companies to identify the BO of their customers. Likewise, Article 68 of Law 2010 provides that the sanctioning regime will be the one provided in Article 651 of the Tax Statute when this information is not delivered or is delivered erroneously, upon request of the DIAN and the one provided in Article 658-3 of said Statute when the obligation to register and update the RUB is not complied with.
Article 658-3 also specifies that the entities registered in the RUB may be sanctioned for failure to update the information within the month after the event that triggers the update. This constitutes a relevant progress and should be highlighted.

198. Without prejudice to the importance of the measures reported, entities should have reasonable mechanisms in place to gather, keep, and update the information on the identification of the BOs, as well as an express procedure for such update by legal persons before the RUB, which could not be determined with the information provided. Even if the sanctions mentioned above exist, including for failure to update the information within a month after the event that triggered the update, there is no express obligation for entities to have procedures in place to gather and keep accurate and updated information on the BO as defined by the standard, nor the obligation to make the information available to competent authorities, except for the DIAN. In this sense, the criterion is partly met.

199. Additionally, the analysis of this criterium is applicable to shortcomings indicated in criteria 24.1, 24.7 al 24.10.

[7] For all tax purposes regulated in the Tax Statute, including for the purposes of Articles 631-5 and 631-6, beneficial owner is understood as any natural person who ultimately owns, controls, or benefits directly or indirectly from a legal person or unincorporated structure. It is understood that a natural person is a beneficial owner, final or real beneficiary, when he/she meets any of the following conditions:

a) Natural person who, directly and/or indirectly, owns 5% or more of the capital or voting rights of the legal person or unincorporated structure, or

b) Natural person who, individually or considering his family group up to the 4th degree of consanguinity or affinity, exercises direct and/or indirect control over the unincorporated legal person or structure. The control shall be determined, considering articles 260 and 261 of the Code of Commerce, article 260-1 of the Tax Statute and other rules that modify or complement them, applying the following procedure:

i. Natural person who has direct and/or indirect ultimate material control and/or controlling interest or participation over the property,

ii. In case there is no certainty that the natural person identified in step (i) corresponds to the beneficial owner, final or real beneficiary, the natural person having control over the legal person or unincorporated structure must be identified by any other means,

iii. In the event that the natural person is not identified in steps (i) and (ii), the natural person who holds the position of the most senior managing or directing official within the legal person or unincorporated structure shall be identified, or

c) Natural person who benefits from 5% or more of the income, profits or assets of the unincorporated legal person or structure.

Criterion 24.13

200. **I) Analysis:** Article 68 of the 2010 Law provides that the sanctioning regime will be that provided for in Article 651 of the Tax Statute when the BO information is not submitted or is submitted erroneously, at the request of the DIAN, and that provided for in Article 658-3 of said Statute when the obligation to register and update the RUB is not complied with. Article 658-3 also specifies that the entities registered in the RUB may be sanctioned for failure to update the information within the month after the event that triggers the update. This constitutes a relevant progress and should be highlighted.

201. However, the standard requires that there must be liability and proportional and dissuasive sanctions, as applicable, to all legal or natural persons that do not comply with the requirements, so it is not evident that there are specific sanctions in case of non-compliance of all the requirements set forth in the standard, such as the obligation to maintain BO information for at least 5 years or for failure to provide information on the BO to the competent authorities. In addition, sanctions are only applicable to entities registered in the RUB, but there is no sanctioning framework for the natural person that does not comply with the requirements.

202. **II) Conclusion:** Considering the information provided by the country, the criterion is partly met.

Criterion 24.15

203. **I. Analysis:** The country reports that it is in the process of improving this criterion.

204. **II. Conclusion:** Since the country has indicated that it is in the process of improving this criterion and has not presented supporting information, the criterion has not been met.

Overall conclusion on Recommendation 24

205. From the analysis performed it is verified that the country has partly addressed the deficiencies identified in relation to criteria 24.1, 24.2, 24.6, 24.7, 24.8, 24.9, 24.10, 24.13, and 24.15 which are moderate. In consequence, the rating of Recommendation 24 as **Partially Compliant** should be maintained.

Recommendation 33 – Original rating: PC (re-rated C)

Criterion 33.1

206. **I) Analysis: The MER notes two deficiencies: (i) The f**unctioning of the national statistic system set forth in CONPES 3793 could not be established; and (ii) authorities were not complying with their obligation to report quarterly statistical information to UIAF, as provided by law.

207. Regarding the first deficiency, the UIAF implemented the "AML/CFT Statistical System," the purpose of which is to collect and disseminate relevant information on the ML/TF prevention and sanction system. The UAF developed forms to be used by the entities when reporting statistics. The respective forms were updated during 2020.

208. The statistical system is fed with information on:

- *Supervision (on-site and off-site), sanctioning and training of reporting institutions.*
- *Judicial Assistance*
- *Assets Recovery*
- *Sentences*
- *Confiscations*
- *Precautionary measures*
- *Assets Forfeiture*
- *Confiscation of currency*
- *Extraditions*

209. The authorities that provide statistical information are the following:

- *Information and Financial Analysis Unit (UIAF)*
- *SFC*
- *Ministry of Justice (MinJusticia)*
- *Attorney General's Office (FGN)*
- *Comptroller's Office*
- *Fiscal and Customs Police of the National Police (POLFA)*
- *Special Assets Association (SAE SAS)*
- *Coljuegos*
- *National Gaming Council (CNJSA)*
- *National Tax and Customs Office (DIAN)*
- *Superintendency of Notaries and Registry (SuperNotariado)*
- *Superintendence of Private Surveillance and Security (SuperVigilancia)*
- *Superintendence of Companies (SuperSociedades)*
- *Superintendence of Transportation (SuperTransporte)*
- *National Superintendence of Health (SuperSalud)*
- *Ministry of Information and Communication Technologies (MinTIC)*
- *Ministry of Sports (MinDeporte)*
- *Superintendence of Solidarity-based Economy (SuperSolidaria)*
- *Central Board of Accountants (JCC)*

210. From the information provided, it is noted that Colombia maintains statistics on STR received and disseminated, ML/TF investigations, prosecutions, and convictions; frozen, seized, and confiscated assets; and mutual legal assistance or other international cooperation requests made and received, in line with the requirements of sub-criteria of Recommendation 33.

211. As regards to the second deficiency, the statistical information should be reported on a quarterly basis. The country accompanied updated statistical information, therefore the deficiency identified in the MER is considered to be addressed.

212. **II) Conclusion:** Based on the preceding analysis, it is considered that the deficiency has been addressed. Consequently, the criterion is found to be **Met**.

Overall conclusion on Recommendation 33

213. From the analysis performed, it is verified that the country has addressed the deficiency identified in relation to criterion 33.1. Therefore, Recommendation 33 is rated as **Compliant**.

Recommendation 34 – Original rating: PC – (re-rated C)

Criterion 34.1

214. **I) Analysis:** The country provided information on various actions undertaken to provide feedback to reporting institutions and also on the guidelines developed to strengthen their risk management.

215. Regarding the UIAF, it implemented two free and unrestricted access e-learning courses for all citizens:

- General Module - What you should know about money laundering and terrorist financing. It deals with general aspects about these crimes, regulations, national AML/CFT system, among others.
- Specific Module: Risk of corruption and money laundering is intended to help prevent and detect possible cases of money laundering from corruption, in order to reduce the negative effects arising from these actions at all levels of society.

216. In addition, it has a "UIAF Technical Support Chat" channel, which consists of a space where reporters can address concerns regarding the Online Reporting System (SIREL).

217. Among other actions, the creation of the Committee of Compliance Officers and Responsible Officials by the Financial Superintendence of Colombia (SFC), in order to have regular feedback processes with its supervised entities, and the publication of the "Best Practices Guide for the construction of segmentation models related to ML/TF risk factors" (2020) can be highlighted.

218. With respect to the Superintendence of Companies, the country reported on the delivery of various trainings, in addition to the response to 303 consultations on the prevention and mitigation of ML/TF/FPWMD risk in the period from January 2019 to March 2021.

219. For its part, the Superintendence of Companies between 2019 and 2020 has issued the following guidelines on AML/CFT/FPWMD risk management:

- Frequently Asked Questions Chapter X of the Basic Legal Circular No. 100-00005 of 2017, as amended in its entirety by External Circular No. 100-000016 of 2020- Comprehensive AML/CFT/FPWMD Self-Control and Risk Management Regime and reporting suspicious transactions to the UIAF (2021):
- Guidance on New Money Laundering and Terrorist Financing Risks associated with Covid-19 (2020), and
- The Role of the Statutory Auditor's Office in the Fight against Transnational Bribery, Money Laundering and Terrorist Financing (2019).

220. Finally, measures such as the following were reported:

- The National Tax and Customs Office (DIAN) issued Resolution 29 of 2020, by which it expressly established the obligation to issue guidelines and feedback to foreign exchange purchase and sale professionals.
- The Superintendence of the Solidarity-based Economy provided in the sectorial regulation that it will offer feedback on a regular basis, physically and/or virtually, to the supervised solidarity organizations in order to guide them in the application of the ML/TF measures.
- The Ministry of Information and Communication Technologies provided, in the regulation applicable to the Postal Payment Services Operators sector, that it will offer them guidance and feedback on a regular basis in order to support them in the application of the regulatory framework and the implementation of SARLAFT, for which the Postal Payment Services Operator may address their concerns to the Sub-Directorate of Postal Affairs of the Ministry.
- COLJUEGOS included in the sectoral regulation a provision on guidance and feedback to be provided to its supervised entities regarding the scope and compliance with the provisions on the ML/TF/FPWMD Prevention and Control System.

221. As can be seen from the information described above, the country has provided feedback to financial institutions and other reporting institutions, and published relevant guidelines for the purpose of managing ML/TF risks.

222. Consequently, the deficiency identified in the MER has been **fully** overcome.

223. **II) Conclusion:** Based on the preceding analysis, it is considered that the deficiency has been **fully** addressed. Consequently, the criterion is found to be **Met**.

Overall conclusion on Recommendation 34

224. From the analysis performed, it is verified that the country has **fully** addressed the deficiency identified in relation to criterion 34.1. Recommendation 34 is therefore rated as **Compliant**.

Recommendation 35 – Original rating: PC – (rating remains)

Criterion 35.1

225. **I) Analysis:** The MER notes the following deficiencies: (i) There are a full range of financial and administrative sanctions (and in some cases criminal) that allow for proportional and dissuasive application of sanctions for all financial institutions except for postal operations (domestic transfers) where there is no clear link between the sanctions and the AML/CFT requirement; and (ii) The range of sanctions available does not cover all DNFBPs, or their directors and senior management.

226. Regarding the first deficiency, Law 1955 of 2019 amended the sanctioning regime of Law 1369 of 2009, corresponding to postal operators.

227. This reform established a range of sanctions that includes the possibility of sanctioning "any other form of non-compliance or violation of the legal, regulatory, contractual or regulatory

provisions regarding postal services," which includes the sector's AML/CFT obligations (Art. 149, which amends Art. 37 of Law 1369).

228. In addition, a range of sanctions is provided for, including a written warning (which may be published in the postal operators' registry for 1 year), a fine of up to 400 current monthly minimum legal wages, suspension for up to 2 months, and cancellation of the license and removal from the registry.

229. Considering the above, it is noticed that a range of proportional and dissuasive sanctions has been established and the link between the violation of the sector's AML/CFT regulations and the possibility of applying sanctions in the face of such non-compliances has been specified.

230. In relation to the second deficiency, the country has made progress in expanding the universe of DNFBPs subject to AML/CFT obligations, due to the amendment of the regulatory framework of the Superintendence of Companies applicable to the real estate and construction agents, trade of precious metals and stones, legal services, and accounting services sectors (in accordance with the reforms of Chapter X of the Basic Legal Circular (CBJ) of the Superintendence of Companies).

231. Now then, as analyzed in R.22 (the analysis of which is referred to for the sake of clarity), the regulation in force provides for thresholds as from which the corresponding sectors shall be obliged to implement AML/CFT measures.

232. In this sense, there are doubts as to whether the subjects that are below the threshold provided by the regulations are subject to AML/CFT measures and, therefore, excluded from the possibility of receiving sanctions for non-compliance with such measures.[8]

233. Additionally, in the case of the accounting services sector, there are doubts as to whether individual accountants are effectively covered, since the regulation refers to "companies."

234. Furthermore, there are no measures to consider that the deficiencies identified in relation to the provision of corporate and trust services and notaries have been addressed.

235. By virtue of the above, despite the expansion of the spectrum of reporting institutions covered by the AML/CFT system, there are still actors yet to be included, so the deficiency cannot be considered fully addressed.

236. **II) Conclusion:** Based on the preceding analysis, it is considered that the first deficiency identified in the MER has been addressed. Consequently, the component of the criterion applicable to financial institutions has been met.

[8] Notwithstanding the foregoing, the country's progress in terms of expansion of the DNFBPs universe that are included in the AML/CFT preventive system should be borne in mind. In particular, it is highlighted that, based on the aforementioned regulatory reforms, the SuperSociedades has the power to give specific instruction at any time to any legal person subject to its supervision, which is not an Obliged entity to SAGRILAFT or to the Regime of Minimum Measures, so that it implements the measures indicated in the Chapter X. In other words, the agency has the possibility of requiring the respective entities to implement the SAGRILAFT or the Minimum Measures Regime, in accordance with its instructions. (Numeral 7).

237. Regarding the second deficiency, based on the preceding analysis it is considered that the deficiency identified in the MER has been partially addressed, therefore the criterion is partially met.

Criterion 35.2

238. **I) Analysis:** Paragraph 8 of Chapter X of the CBJ of the Superintendence of Companies provides for the possibility of applying sanctions to both the obliged company and the compliance officer, the statutory auditor, and the administrators, which addresses to a large extent the aspect indicated in the MER regarding the possibility of sanctioning directors and senior management of the DNFBPs regulated by said agency.

239. However, since there are thresholds above which the real estate and construction agents, precious metals and stones trading, legal services and accounting services sectors are subject to AML/CFT measures, those below such thresholds would also be excluded from the sanctioning regime.

240. Additionally, doubts remain about the application of sanctions with respect to the corporate and trust service providers and notaries sector, so the deficiencies identified in the MER in relation to these sectors remain.

241. **II) Conclusion:** Although there is progress derived from the amendments to the regulatory and sanctioning framework of the Superintendence of Companies, the universe of reporting institutions has yet to be expanded to reach all DNFBPs that should be under the AML/CFT regime. Therefore, moderate deficiencies still remain, so the criterion is maintained as partly met.

Overall Conclusion on Recommendation 35

242. From the analysis conducted, it is verified that the country has **partially** addressed the deficiency identified in relation to criterion 35.1 and **partially complied** with the deficiency identified in relation to criterion 35.2. Therefore, the rating of **Partially Compliant** for Recommendation 35 should be maintained.

3.2) Progress on Recommendations that have changed since the approval of the MER

243. Since the adoption of the MER in July 2018, the FATF has amended Recommendations 2, 7, 15, 18 and 21. Considering the previous, the following section analyzes the compliance of the country with the new requirements in the standard.

Recommendation 2 – Original rating: LC – (rating remains)

Criterion 2.1

244. **I) Analysis:** The MER points out the following deficiencies under this criterion:

245. i) National AML/CFT policies are included in several documents, such as the National

Development Plan 2014-2017 and the National Intelligence Plan, which were made based on the main risks. However, given the recent adoption of the new NRA in December 2016 there are still some risks that are yet to be addressed.

246. The country reported on measures adopted in relation to addressing certain risks through the adoption of the NRA 2019, led by the Financial Information and Analysis Unit (UIAF) and the National AML/CFT/FPWMD Public Policy, which was approved by the Colombian state last August 9, 2021, through the adoption of the Conpes Document 4042.

247. The elaboration of these two documents is important progress for the country. Notwithstanding this, the objective of the NRA was to identify, quantify and understand the ML/TF risks, in order to generate an action plan that was included in the new AML/CFT public policy, while it has not yet addressed the risks. However, due to procedural aspects, the evaluation of the Conpes 4042 document approved on August 9, 2021, may be conducted, within the framework of a subsequent re-rating process.

248. ii) There are national committees and mechanisms in place to coordinate AML/CFT matters at the national level, but inter-institutional collaboration between UIAF and supervisors, and UIAF and customs authorities needs to be strengthened.

249. **Analysis:** The country reported on measures implemented to strengthen collaboration and instructional cooperation between UIAF and DIAN, determining that on November 29, 2016, both agencies signed an inter-institutional cooperation agreement, which allowed the development of Version 2 of the Technical Annex, which was signed on January 16, 2020. Through said agreement, the UIAF has access to different databases, namely:

- Travelers' declarations of foreign currency or securities for amounts over USD 10,000, upon entry or exit of the country, through any port, airport, or cross-border crossing.
- Foreign currency withholdings made by the customs authority when passengers did not declare foreign currency or securities above USD 10,000.
- Information on temporary retention of merchandise by the DIAN.
- Administrative records of offenders for the imposition of sanctions in customs matters, applied by the DIAN.
- Information on exports and imports, which describes who made them, where, what items, their value, among others.
- Form 230 and Form 240: includes information on taxes.
- Form 210 and Form 110: includes information on income taxes.

250. Additionally, the country reported that the UIAF signed on October 29, 2019, three pacts with supervisors in order to coordinate the development of its activities in a more effective and coordinated manner. Therefore, there is considerable progress in strengthening inter-institutional collaboration between UIAF, and supervisors and UIAF and customs authorities. Additionally, the country has provided information on the meetings held with each of the entities that have subscribed to any of these mechanisms and reported the implementation of training with the aim of improving the understanding of ML/TF/FPWMD risk and in order to provide feedback on important results in this area (Example: Dissemination of the outcomes of the 2019 NRA).

251. **Conclusion:** Regarding the deficiencies identified in the MER, it is considered that the reported measures partially address the remaining issues.

Criterion 2.2

252. **I) Analysis:** The MER notes the following deficiencies in this criterion: CCICLA is not the only body responsible for AML/CFT policies at the national level, as there are other bodies through which these issues are discussed, and it is not clear how these authorities coordinate.

253. The country has indicated that it is currently working on a draft Decree that modifies its structure and functions of the CCICLA, to strengthen and make its subcommittees more operational, give them functions in TF and FPWMD matters, among others. Now, due to procedural aspects, its evaluation may be conducted when it enters into force.

254. **II) Conclusion:** There is no information available to evaluate this criterion.

Criterion 2.3

255. **I) Analysis:** The financial supervisory authorities ratified on October 29, 2019, the "Pact of financial supervisors for cooperation, information exchange and compliance with FATF standards" which includes among its general commitments the establishment of protocols to access information for the proper fulfilment of AML/CFT/CPF purposes, as well as the exchange of knowledge and useful cooperation to comply with the FATF standards on RBA supervision, among other aspects.

256. In addition to the changes to criterion 2.3 in terms of "competent authorities cooperate and, where appropriate, coordinate and exchange information with each other," the MER notes the following deficiencies in this criterion: (i) It is unclear whether cooperation arrangements between supervisors and other national authorities are being implemented and address the country's AML/CFT deficiencies. (ii) An information sharing agreement between UIAF and DIAN was signed in November 2016, but it is not yet implemented and there are some concerns regarding the scope of this agreement.

257. On this regard, the country reported on measures implemented to strengthen collaboration and instructional cooperation between UIAF and DIAN, determining that on November 29, 2016, both agencies signed an inter-institutional cooperation agreement, which allowed the development of Version 2 of the Technical Annex, which was signed on January 16, 2020. It contains the specific measures related to information sharing among both agencies, with a detail of data to be exchange, delivery means, and security conditions.

258. Through said agreement, the UIAF has access to different databases, namely:

- Travelers' declarations of foreign currency or securities for amounts over USD 10,000, upon entry or exit of the country, through any port, airport, or cross-border crossing.
- Foreign currency withholdings made by the customs authority when passengers did not declare foreign currency or securities above USD 10,000.
- Information on temporary retention of merchandise by the DIAN.
- Administrative records of offenders for the imposition of sanctions in customs matters, applied by the DIAN.
- Information on exports and imports, which describes who made them, where, what items, their value, among others.

- Form 230 and Form 240: includes information on taxes.
- Form 210 and Form 110: includes information on income taxes.

259. Additionally, the country reported that the UIAF signed on October 29, 2019, three pacts with supervisors in order to coordinate the development of its activities in a more effective and coordinated manner. Therefore, there is considerable progress in strengthening inter-institutional collaboration between UIAF, and supervisors and UIAF and customs authorities.

260. Lastly, the country has provided information on the meetings held with each of the entities that have subscribed to any of these mechanisms and reported the implementation of training with the aim of improving the understanding of ML/TF/FPWMD risk and in order to provide feedback on important results in this area (Example: Dissemination of the outcomes of the 2019 NRA).

261. In this regard, in accordance with paragraphs 89 and 90 of the MER, Colombia has the Inter-Agency Coordination Committee for the Control of Money Laundering (CCICLA) which is the general coordinating body for the development and implementation of national policies to combat ML/TF. It is comprised of a number of key agencies with AML/CFT responsibilities, such as the UIAF (which functions as its Secretariat), the Treasury, the Ministry of Justice, Defense, and the Attorney General. The Committee acts as the policy coordination body, but not for operational coordination. Other mechanisms are used to coordinate the implementation of national policies, such as the Inter-Agency Group to Combat Terrorism (GILFOT); the Coordination Centre against the Finances of National, Transnational and Terrorist Criminal Organizations (C3FTD); the Inter-Agency Committee to Combat Smuggling; the Committee to Combat Trafficking in Persons, which, in general terms, work in practice.

262. The country has reported that the UIAF has signed since 2017 a large number of inter-agency agreements: more than 33, with different agencies. This shows a commitment to achieve better cooperation and national coordination.

263. Moreover, the UIAF and FGN increased their cooperation and coordination capacity by signing the Inter-Agency Agreement, which is reflected in the number of working tables and in the number of intelligence report disseminations.

264. **II) Conclusion:** With regard to the new requirement under criterion 2.3, the country reported on measures regarding the progress made in the enforcement of mechanisms that would allow the UIAF, especially, and law enforcement authorities and supervisors to cooperate and, as appropriate, coordinate and exchange information among each other at the domestic level in relation to the development and implementation of AML/CFT policies and activities.

265. Regarding the deficiencies identified in the MER, it is considered that the reported measures mostly address the remaining issues.

Criterion 2.4

266. **I) Analysis:** The country reported progress in relation to CPF policies and coordination pursuant to the amendments under Recommendation 2. Notwithstanding the relevance of these measures, it should be noted that the amendment to the standard is not in force to allow its assessment, in compliance with the FATF Methodology.

267. However, the MER describes the following deficiencies under criterion 2.4:
i) The scope of the agreement between the Ministry of Foreign Affairs, the Attorney General's Office, the UIAF, and the Financial Superintendence of Colombia on PF matters is not clear.
ii) There is no clarity in relation to the actions conducted by the government of Colombia in relation to compliance with UNSC Resolutions and FATF Standards against the financing of proliferation.

268. In this sense, it should be highlighted that the country is currently conducting coordination actions with virtually 33 public entities, which include supervision agencies, judicial authorities, and other competent authorities, for the development of public policies on AML/CFT/FPWMD matters. The diagnosis, as well as the action plan and follow-up, includes matters related to the risk of FPWMD in the country, and it sets forth certain actions to solve such problem.

269. **II) Conclusion:** Considering that policies, coordination, and cooperation among domestic authorities in relation to the element of financing of proliferation, as included under R.2, will be in force as from the fifth round of mutual evaluations, this report cannot include its assessment.

270. It should be noted that deficiencies indicated under criterion 2.4 still remain

Criterion 2.5

271. **I) Analysis:** Competent authorities for the prevention and combat of ML/TF have cooperation and coordination mechanisms in this area, which establish measures of confidentiality and use of information, and they should ensure compliance with Law 1581 (2012) that generally provides for the protection of personal information. Consequently, the new requirement in relation to data protection and privacy standards is addressed.

272. **II) Conclusion:** The country complies with the provisions of criterion 2.5.

Overall conclusion on Recommendation 2

273. From the analysis performed, it is verified that the country has addressed the new requirements under criteria 2.3 and 2.5. Consequently, and taking into account that criteria 2.1, 2.2, 2.3 and 2.4 still show minor deficiencies identified in the MER, Recommendation 2 should remain as **Largely Compliant.**

Recommendation 7 – Original rating: NC - (rating remains)

Criterion 7.1

274. **I) Analysis:** The country provided information on the obligation by financial institutions and DNFBPs to regularly monitor UNSC Resolutions 1718 and 1737 of 2006, and successor resolutions.

275. Moreover, the country reported that at the heart of the CCICLA a bill of law is being drafted in order to adopt and implement mechanisms to comply with UNSC Resolutions relating to PF, in line with Recommendation 7. For its drafting, the UIAF relied on the technical assistance of the UNODC. Notwithstanding the above, due to procedural aspects, its evaluation may be conducted

when it enters into force

276. **II) Conclusion:** There is not sufficient information to determine that the country enforces financial sanctions without delay in proliferation financing matters

Criterion 7.2 to 7.5

277. **I) Analysis:** The country provided information on the obligation by financial institutions and DNFBPs to regularly monitor UNSC Resolutions 1718 and 1737 of 2006, and successor resolutions.

278. As reported above, the country reported that at the heart of the CCICLA a bill of law is being drafted in order to adopt and implement mechanisms to comply with UNSC Resolutions relating to PF, in line with Recommendation 7, especially the freezing obligation. For its drafting, the UIAF relied on the technical assistance of the UNODC. Notwithstanding the above, due to procedural aspects, its evaluation may be conducted when it enters into force. Therefore, there is not sufficient information to determine that these criteria are met.

279. **II) Conclusion:** There is no information available to evaluate these criteria.

Conclusion on Recommendation 7

280. From the analysis made, it can be verified that the country has not addressed the elements of R. 7. Therefore, the rating of **Non-Compliant** for Recommendation 7 should be maintained.

Recommendation 15 – Original rating: PC – (rating remains)

Criterion 15.1 and 15.2

281. **I) Analysis:** Pursuant to the ME, R.15 shows the following deficiencies under criteria 15.1 and 15.2:

i) The NRA of 2016 does not reflect a specific analysis of ML/TF risks in relation to new products, business practices, delivery mechanisms, or new or developing technologies.
ii) There are no requests for postal transfer operators (MINTIC) in relation to criterion 15.1.
iii) There are no requirements for reporting institutions under the scope of the MINTIC to conduct risk assessments before launching new products, business practices, or technologies.
iv) There are no requirements for PPOs, in line with criterion 15.2.b.

282. The country reported that in the final draft of the 2019 NRA, a detail of the risk rating at the country level and for each of the 19 sectors under evaluation can be observed, both for ML and TF. Regardless of the importance of such document, such assessment does not seem to include a specific analysis of ML/TF risks in relation to new products, business practices, delivery mechanisms, or new or developing technologies.

283. The country reported that article 5 of Resolution 1292 (May 31, 2021) determined that postal payment operators licensed by the MinTIC should develop activities that would allow to identify and evaluate the potential risks that, due to the implementation of new technologies,

products, and/or business practices, may arise in the operation of postal payment services, including obligations relating to the identification and registry of risk events in the ML/TF matrix, and the definition of risk events and their corresponding causes. Notwithstanding the above, there are still concerns that these elements may not sufficiently address the deficiencies noted in the MER.

284. **II) Conclusion:** Regarding the deficiencies identified in the MER, it is considered that the reported measures do not address the remaining issues.

Criterion 15.3

285. **I) Analysis:** a) Pursuant to the NRA of 2019, it was determined that for the use of the proceeds of crime, different strategies are used, among them the use of technology for ML (crypto assets).

286. However, specific ML/TF risks associated to VA and VASP activities and operations do not seem to have been identified and assessed.

287. b) To the date of this analysis, there is no information that allows to verify the use of a RBA to ensure that ML/TF prevention measures are commensurate to the risks.

288. c) The definition of virtual assets included under External Circular 2020-01-680161 is in line with the FATF Glossary.

289. Moreover, pursuant to Art. 4.2.6, companies that provided virtual assets services regulated[9] by the Superintendence of Companies, should conduct AML/CFT measures established by this regulatory body. However, there is a threshold to determine their condition as VASP[10], therefore, not all entities devoted to this activity are addressed.

[9] a. Companies conduct, for or on behalf of a natural or legal person, one or more of the following activities that, individually or in groups, equal to one hundred (100) or more SMLMV:

1. Exchange between virtual assets and legal currency;

2. Exchange between one or more forms of virtual assets;

3. Transfer of virtual assets;

4. Custody or administration of virtual assets or instruments that allow controlling virtual assets;

5. Participation in, and provision of financial services in connection with an issuer's offering or sale of a Virtual Asset; and

6. In general, services related to virtual assets; and

b. As of December 31st of the immediately preceding year, they have made Total Revenues equal to or greater than approximately three thousand (3,000) SMLMV or assets equal or higher to five thousand (5,000) SMLMV.

[10] It should be noted that the Supersociedades shall provide the specific instruction at any time to any Company subject to its supervision, that is not an Obliged Company to SAGRILAFT or the Minimum Measures Regime, to implement the measures indicated in the Chapter X, in other words, it shall implement SAGRILAFT or the Minimum Measures Regime, according with its instructions. (Numeral 7)

290. VASP regulated by the Superintendence of Companies have mechanisms in place to identify, evaluate, manage, and mitigate their ML/TF risks (Article 5.2.1 and successive resolutions of External Circular 2020-01-680161). However, obligations relating to criteria 1.10 (c), (d) and 1.11 (a) do not seem to have been developed.

291. **II) Conclusion:** To the date of this analysis, the country does not seem to have included all VASPs as reporting institutions to comply with all measures described under R. 15.

292. Additionally, even if it is positive that the Superintendence of Companies regulated certain categories of VASPs, requirements associated to criteria 1.10 and 1.11 do not seem to have been addressed.

Criterion 15.4

293. **I) Analysis:** The country reported that they are developing actions in relation to the measures applicable to VASPs.

294. In this sense, the SFC structured—in coordination with the national government—a pilot that will allow financial system entities (in partnership with virtual asset exchange platforms) to test cash-in and cash-out operations in financial deposit products on behalf of a VASP in a controlled operations environment, called Sandbox, using technological innovations for the management of ML/TF risks, protection of the operational and financial consumer, following international guidelines on the matter.

295. This initiative aims at enabling all participants to measure the effectiveness of recent technological developments in the verification of digital identity and traceability in VA transactions.

296. Among the requirements of the Sandbox pilot project, one of the conditions established was that the VASPs applying to participate in the project should be incorporated as a business company in Colombia.

297. The country stated that all natural or legal persons that regularly or professionally conduct any of the activities considered business activities by law must register in the Company Register as a businessperson at the chamber of commerce with jurisdiction in the domicile of the businessperson or place of location of the respective business establishment and register with the Single Tax Registration Office (RUT).

298. II) Conclusion: Although relevant measures have been reported, as of the date of this analysis, it does not seem that the aspects contained in criterion 15.4 (a) and (b) have been addressed.

Criterion 15.5

299. **I) Analysis:** The country reported that, in the development of its supervisory function, the Superintendence will verify that the reporting institutions under Chapter X, including VASPs, comply with the provisions set forth in the aforementioned chapter. In case of non-compliance, sanctions may be applied, based on the institutional capacity, the supervision matrix, and the corresponding supervision cycle. However, sanctions may not be applied to those individuals or

legal entities that conduct VASP activities without the required authorization or registration.

300. Furthermore, it was reported that in order to identify individuals or legal entities that conduct VASP activities without the required authorization or registration, a questionnaire is being developed for the more than 30,000 companies that must report financial information to the Superintendence, in order to determine which companies are VASPs or receive virtual assets as contributions.

301. **II) Conclusion:** Although relevant measures have been reported, as of the date of this analysis, it does not seem that the aspects contained in criterion 15.5 have been addressed.

Criterion 15.6

I) Analysis:

302. a) Pursuant to article 4.2.6 of External Circular 2020-01-680161 of the Superintendence of Companies, the VASP sector is under surveillance and control of such authority as long as the entity complies with the requirements set forth in paragraphs a) and b) above.

303. b) Based on the provisions of Articles 84 and 86 of Law 222 of 1995, and Decree 1074 of 2015, the Superintendence of Companies is responsible for the surveillance and enforcement of sanctions on AML/CFT matters in relation to companies, including those devoted to the provision of VA services under the corresponding thresholds (Article 4.2.6 of External Circular 2020-01-680161).

304. **II) Conclusion:** The Superintendence of Companies has the powers to regulate, supervise, and enforce sanctions on AML/CFT matters to certain categories of VASPs, including those required according to numeral 7 of Chapter X, a fact that should be highlighted.

305. However, taking into account the thresholds described under the regulations, not all VASPs would be subject to AML/CFT regulations and supervisions. In this regard, while the country reports that the Superintendence of Companies has the power to request any company under its supervision to implement the SAGRILAFT or the Regime of Minimal Measures, according to section 7 of Chapter X, there are doubts on the supervision and monitoring of those VASP there are under the threshold. Therefore, the criterion is partly met.

Criterion 15.7

306. **I) Analysis:** To March 31, 2021, the Superintendence of Companies has conducted 9 virtual training sessions, addressed to more than 2,833 individuals (including compliance officers, managers, and general audience) on the new Chapter X of CBJ and published a Frequently Asked Questions document on Chapter X of the Legal Basic Legal Circular 100-00005 of 2017, comprehensively amended by External Circular 100-000016 of 2020: Comprehensive AML/CFT/FPWMD Self-Control and Risk Management Regime and reporting suspicious transactions to the UIAF (2021).

307. Likewise, within the framework of the Sandbox project mentioned above, the UIAF is currently drafting technical annexes for VASPs that will participate on the project to send

suspicious transaction reports. Additionally, the country informed that the authorities conducted 27 meetings and raise awareness activities with VASPs. There where meetings with pilot alliances on cash-in and cash-out related to exchanges of virtual assets. Also, the general training addressed to reporting entities also are aimed at this sector as well.

308. **II) Conclusion:** Considering the information provided by the country in relation to the trainings developed by the Superintendence of Companies, the criterion is partially met.

Criterion 15.8

309. **I) Analysis:** Pursuant to External Circular 2020-01-680161, the Superintendence of Companies has the power to sanction[11] with fines, successive or not, of up to 200 current monthly minimum legal wages[12] (approx. USD 47,600) all VASPs that are supervised by said entity and covered under the Comprehensive AML/CFT/FPWMD Self-Control and Risk Management Regime, as well as their managers, statutory auditors, and compliance officers. (Article 8) In this framework the country informed that criminal sanctions can be applied to directors, legal representatives, managers and employees of VASPs, in case of breach of the criminal law.

310. **II) Conclusion:** Even if External Circular issued by the Superintendence of Companies points out its sanctioning power, the provisions of criterion 15.8.a have not been addressed yet. In this context, the provisions of criterion 15.8.b are partially addressed.

Criterion 15.9

311. **I) Analysis:** Pursuant to External Circular 2020-01-680161, VASPs regulated by the Superintendence of Companies should adopt a risk management system called "Comprehensive AML/CFT/FPWMD Self-Control and Risk Management Regime (SAGRILAFT)," which includes, among other things: (i) the application of counterpart due diligence measures, (ii) **the application of enhanced due diligence measures** when the counterpart (1) is a PEP; (2) is located in non-cooperative countries and high-risk jurisdictions; (3) **to know the counterpart and its virtual assets,** (iii) the obligation to duly register the information submitted by the counterpart during the due diligence process, and to keep supporting documents during at least ten (10) years from the date of the last document; (iv) the duty to report suspicious transactions; and (v) the duty to ensure the confidentiality of suspicious transaction reports.

312. Additionally, the provisions included in the MER in relation to criterion 22.5 on reliance on third parties are applicable to VASPs regulated by the Superintendence of Companies. R. 17)

313. Article 5.3.2 of External Circular also provides for the obligation of companies to apply enhanced CDD measures in case of operating with counterparts located in higher-risk countries as identified by the FATF. R. 19)

314. Likewise, paragraph 5.1 on SAGRILAFT elements provides for internal controls. R. 18)

315. Moreover, the Sandbox pilot takes into account aspects associated to R.16, as long as

[11] Item 3 of Article 86 of Law 222 of 1995 points out that the Superintendence of Companies is empowered to apply fines or sanctions, successive or not, of up to 200 (two hundred) SMLMV, to whoever fails to comply with its orders, the law, or statutes.

[12] To October 1, 2021[12], the amount in USD of a current monthly minimum legal wage is USD 238.

entities controlled by the Financial Superintendence participate, that according to its regulation (SARLAFT) should establish measures and controls to avoid the risk of ML/TF through electronic transactions.

316. Notwithstanding the important actions reported by the country, some areas still lack progress:

- There is no information available to consider the measures relating to criteria 10.9, 10.10, 10.11, 10.20, 11.1, 11.2 (except for records gathered through CDD), 11.3, 11.4, 12.3, 21.2 addressed.
- In relation to PEPs (applicable to all its categories), to conduct business relationships, approval is required from the highest authority or employee, which is not necessarily senior management. (12.1b)
- Limitations are noted in relation to the approach to criterion 20.2 with respect to attempts to perform operations.
- There are no provisions related to R.16 (15.9.b).

317. **II) Conclusion:** The country has made considerable progress in the area of VASPs (regulated by the Superintendence of Companies). Notwithstanding the relevance of the reported measures, there are still areas that need to be addressed in relation to R. 10, 11, 12, 16 and 20. Therefore, the criterion is partly met.

Criterion 15.10

318. **I) Analysis:** Art. 5.3.1 of External Circular 2020-01-680161 applicable to VASPs regulated by the Superintendence of Companies, states: "To ensure compliance with Colombia's international obligations, regarding the application of provisions on freezing and prohibition of handling of funds or other assets, travel ban and arms embargo, of persons and entities designated by the United Nations Security Council, related to the Financing of Terrorism, in line with Article 20 of Law 1121 of 2006[13] and FATF Recommendations 6 and 7, the Reporting Institutions must regularly check the mandatory lists".

319. In the event that any property, asset, product, fund or right of ownership in the name or under the administration or control of any country, person or entity included in these Mandatory Lists is identified or verified, the Compliance Officer shall immediately report it to the UIAF and bring it to the attention of the Attorney General's Office. The information shall be sent to the UIAF through the e-mail cumplimientogafi67@uiaf.gov.co. (…)"

320. Notwithstanding, doubts remain as to whether the above obligation addresses the

[13] ARTICLE 20. Procedure for the publication and compliance with the obligations related to international mandatory lists for Colombia in accordance with International Law. The Ministry of Foreign Affairs shall communicate the lists of persons and entities associated with terrorist organizations, binding on Colombia based on International Law and shall request competent authorities to verify databases with the purpose of determining the possible presence or transit of persons included in the lists or property or funds related to them.

Authorities consulted shall perform the pertinent verifications and report to the Public Prosecutor's Office, which shall assess the appropriateness of the information and communicate the outcomes to the United Nations Security Council through the Ministry of Foreign Affairs.

Individuals who are aware of the presence or transit of a person included in one of the lists mentioned or of property or funds related to them shall timely report such situation to the Security Administrative Department (DAS) and the Financial Information and Analysis Unit (UIAF) for the performance of their corresponding duties. Provision of this information shall be governed by the liability regime provided for in Section 42 of Law 190 of 1995.

requirements on freezing of assets indicated in criteria 6.5 d) and e) on TF. Moreover, it does not seem to have provisions under criterion 6.6 g).

321. Regarding R.7, it does not seem to address the aspects indicated in criteria 7.2 d and e, 7.3 and 7.4 d.

322. **II) Conclusion:** Although the VASPs regulated by the Superintendence of Companies have the obligation to report assets or any type of property associated with persons or entities listed in TF matters, the moderate deficiencies identified in the MER in relation to R.6 y 7 do not seem to be addressed. Therefore, the criterion is partly met.

Criterion 15.11

323. **I) Analysis:** The provisions contained in the analysis of Recommendations 37 to 40 of the Colombian MER are applicable to this evaluation criterion.

324. **II) Conclusion:** The criterion is considered mostly met.

Overall conclusion on Recommendation 15

325. From the analysis performed, it is verified that the country has addressed the new requirements under criteria 15.3 and 15.11. Consequently, and bearing in mind that the other criteria still have the moderate deficiencies identified in the MER, Recommendation 15 should be maintained as **Partially Compliant.**

Recommendation 18 – Original rating: C – (rating remains)

Criterion 18.2

326. **I) Analysis:** The 2018 MER rated R.18 as Compliant and all requirements of criterion 18.2 were considered to be met with respect to the provision of information at group level and information sharing, including risk management, compliance, audit, etc., as well as on safeguards on data confidentiality.

327. Notwithstanding the above, the Risk Management System for Money Laundering and Terrorist Financing ("SARLAFT") of the Financial Superintendence of Colombia updated by External Circular 027 of 2020 (of September 2020) regulated additional aspects related to the exchange of information at the financial group level.

328. In this regard, section 4.2.2.2.2.1.3 on "know-your-customer in financial conglomerates" complemented the existing measures and provided that entities may share information on their customers obtained during their know-your-customer procedure with other receiving supervised entities, provided that:

- The issuing and receiving supervised entities belong to the same financial conglomerate.
- The respective financial holding company issues guidelines for the exchange of information among the supervised entities that make up the financial conglomerate. Said guidelines must include policies to ensure the integrity, sufficiency and truthfulness of the information obtained in the know-your-customer procedures that are subject to the

information exchange processes among the entities.

329. Additionally, it is established that it is up to the respective receiving financial entity to (i) evaluate the sufficiency and relevance of the information received according to its business model, customer profile and ML/TF risk profile; and (ii) request additional information it considers relevant and necessary to conduct an adequate and effective ML/TF risk management.

330. Consequently, it is considered that, at the financial group level, within the CDD framework, it is feasible to exchange information and analysis of transactions or activities that appear unusual, and it is understood that branches and subsidiaries may receive such information when it is relevant and appropriate for risk management. Indeed, this is also in accordance with criterion 21.2 which states that the provisions on the prohibition of tipping off are not intended to prevent information sharing under Recommendation 18.

331. **II) Conclusion:** Based on the previous analysis, the new elements of criterion 18.2.b are fully met. Consequently, the Criterion is **Met**.

Overall conclusion on Recommendation 18

332. From the analysis performed, it is verified that the country has **fully** addressed the requirement under criterion 18.2b. Consequently, taking into account the remaining elements of R.18 are met, Recommendation 18 should be maintained as **Compliant.**

Recommendation 21 – Original rating: C – (rating remains)

Criterion 21.2

333. **I) Analysis:** The 2018 MER rated R.21 as Compliant and considered that all requirements of criterion 21.2 were met with respect to tipping-off.

334. Meanwhile, as noted in the analysis of R.18, the Risk Management System for Money Laundering and Terrorist Financing ("SARLAFT") of the Financial Superintendence of Colombia updated by External Circular 027 of 2020 (dated September 2020) regulated additional aspects related to the exchange of information at the financial group level, and provided for the possibility of sharing information on CDD and unusual transactions.

335. Therefore, it is considered that the measures prohibiting the disclosure of SARs do not inhibit the exchange of information at the financial group level, as established in Recommendation 18.

336. **II) Conclusion:** Based on the previous analysis, the new elements of criterion 21.2 are fully met. Consequently, the Criterion is **Met**.

Overall conclusion on Recommendation 21

337. From the analysis performed, it is verified that the country has fully addressed the requirement under criterion 21.2. Consequently, taking into account the remaining elements of R.21 are met, Recommendation 21 should be maintained as **Compliant**.

IV. CONCLUSION

338. In general, Colombia continues making important progress in relation to addressing the technical compliance deficiencies identified in its MER and has been re-rated in relation to Recommendations 13 to **Compliant**, 16 to **Compliant**, 19 to **Compliant**, 33 to **Compliant** and 34 to **Compliant**.

339. In view of Colombia's progress since the adoption of its MER, its technical compliance with FATF Recommendations was re-rated as follows:

Table 2. Technical Compliance Ratings, December 2021

R 1	R 2	R 3	R 4	R 5	R 6	R 7	R 8	R 9	R 10
LC	LC	LC	C	LC	PC	NC	PC	C	PC
R 11	**R 12**	**R 13**	**R 14**	**R 15**	**R 16**	**R 17**	**R 18**	**R 19**	**R 20**
C	PC	*C*	LC	PC	*C*	N/A	C	*C*	LC
R 21	**R 22**	**R 23**	**R 24**	**R 25**	**R 26**	**R 27**	**R 28**	**R 29**	**R 30**
C	PC	PC	PC	LC	LC	LC	PC	LC	C
R 31	**R 32**	**R 33**	**R 34**	**R 35**	**R 36**	**R 37**	**R 38**	**R 39**	**R 40**
C	LC	*C*	*C*	PC	LC	LC	C	LC	LC

Note: There are four possible levels of technical compliance: Compliant (C), Largely Compliant (LC), Partially Compliant (PC) and Non-Compliant (NC).

340. Colombia will continue in the enhanced follow-up process and will continue to report to GAFILAT on the progress made to strengthen its implementation of AML/CFT measures.