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2022 International Narcotics Control Strategy Report

REPORT

BUREAU OF INTERNATIONAL NARCOTICS AND LAW ENFORCEMENT AFFAIRS

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2022 International Narcotics Control Strategy Report (INCSR) Volume II: Money Laundering

Argentina

OVERVIEW

Narcotics trafficking and public corruption present significant anti-money laundering/combating the financing of terrorism (AML/CFT) challenges to Argentina. The Tri-Border Area (TBA), shared with Brazil and Paraguay, is home to multi-billion-dollar trade-based money laundering (TBML), counterfeiting, drug trafficking, and smuggling. Additionally, many of the money laundering (ML) organizations in the TBA have suspected links to the terrorist organization Hizballah.

Argentina has not made material AML/CFT progress in recent years. Argentina has yet to conduct an AML national risk assessment (NRA) or develop national strategies to combat ML/terrorist financing (TF). The National Committee for Combating Money Laundering and Terrorist Financing has yet to propose AML/CFT policies. Limited regulatory and criminal enforcement capabilities continue to raise concerns about the government's ability to significantly reduce the flow of illicit proceeds.

VULNERABILITIES AND MONEY LAUNDERING METHODOLOGIES

Contraband smuggling, narcotics trafficking, and public corruption are significant sources of illicit proceeds. Tax evasion and the sale of counterfeit goods generate significant revenue. The lack of effective regulatory oversight of financial institutions, money value transfer services, exchange houses, real estate, and gaming contribute to their susceptibility to ML/TF activity.

Argentina lacks adequate controls to prevent cross-border transport of contraband and bulk cash, and authorities have detected numerous TBML schemes. The cash-intensive economy and a

large informal sector create additional ML/TF opportunities.

Argentina has 10 free trade zones and a special customs area in the province of Tierra del Fuego. Argentina is not a financial offshore center. Instead, high taxes and tight capital controls often prompt citizens to move their wealth abroad. Government-imposed capital controls drive activity into the informal exchange market and increase the use of cash. Narcotraffickers and money launderers use the illegal market to launder illicit funds.

The government does not prohibit or heavily regulate digital assets. Specific regulations mostly relate to reporting and tax regimes. In May 2021, Argentina's central bank and the National Securities Commission issued a joint statement warning about the risks of virtual currencies. They note ML/TF risks and potential noncompliance with foreign exchange regulations. Argentines adopted the use of virtual currencies early, in part to circumvent capital controls, and are increasingly engaging in their use.

Gaming operators are covered under Argentina's AML/CFT regulation. The headquarters of the Argentine Football Association and several high-profile local football clubs were raided by police in 2021, as part of an investigation into alleged ML and tax evasion related to the transfer of professional football players to Mexico.

KEY ANTI-MONEY LAUNDERING (AML) LAWS AND REGULATIONS

Argentina has comprehensive customer due diligence and suspicious transaction report regulations and politically exposed persons are subject to enhanced due diligence. In 2021, the financial intelligence unit (FIU) issued a new resolution regarding the identification and verification of ultimate beneficial owners of legal persons.

Argentina and the United States have a mutual legal assistance treaty and customs mutual assistance agreement in place and participate in the Argentina-U.S. Dialogue on Illicit Finance, a bilateral initiative to identify and address shared ML/TF threats and vulnerabilities. Argentina Customs maintains an active trade transparency unit to combat TBML through shared analysis of trade data with the United States.

The FIU is a member of the Egmont Group of FIUs. Argentina is a member of the Financial Action Task Force (FATF) and the FATF of Latin America, a FATF-style regional body. Its most recent mutual evaluation report is available at: <https://www.fatfgafi.org/media/fatf/documents/reports/mer/MER%20Argentina.pdf>

AML LEGAL, POLICY, AND REGULATORY DEFICIENCIES

Effective implementation of the AML regime continues to be a challenge. Argentina has not initiated an AML NRA. It completed (but has not yet published) its CFT/counter-proliferation NRA. Many designated non-financial businesses and professions (DNFBPs) have no sectoral regulator, and the FIU does not have the resources to adequately supervise them for AML/CFT compliance.

Lack of political will and institutional independence for AML/CFT enforcement agencies, combined with a slow judicial system, results in a low number of convictions for AML/CFT-related crimes.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

The FIU has an outsized role in the AML/CFT regime due to a lack of interagency coordination, its role as the supervisor of DNFBPs, and its unique authority to serve as a party to criminal prosecutions on AML/CFT cases. Argentina needs to continue to strengthen and professionalize its FIU. On October 29, 2021, the FIU president and vice president resigned after the FIU's lead prosecutor in an ongoing corruption case reported the FIU president for alleged harassment and threats against members of the FIU criminal litigation staff.

According to FIU data, there were 35 ML convictions in 2019 (the latest available summary data). In February 2021, legal authorities convicted and imprisoned a local businessman (Lázaro Baez) and 21 other defendants for laundering \$55 million in assets derived from corruption in public contracting during the Kirchners' presidencies (2003-2015). In September 2021, a bitcoin operator was convicted and sentenced to prison and a fine for laundering over \$400,000 for Mexican drug traffickers.

Argentina's ML enforcement regime effectiveness, as measured by convictions, asset forfeiture, and regulatory enforcement, is limited. Systemic deficiencies in Argentina's justice system persist, including lengthy delays, a lack of judicial and prosecutorial independence, and inexperience with financial crimes among judges and prosecutors.