



# ACTIVITY REPORT

2017

**SEPBLAC**

## CONTENTS

<b>INTRODUCTION</b>	<b>1</b>
<b>ACTIVITY AS A FINANCIAL INTELLIGENCE UNIT</b>	
1. Money laundering and terrorist financing cases	2
2. Cooperation with national authorities	6
3. International exchange of information	7
4. Dissemination of financial intelligence reports	8
5. Cases involving means of payment movements	9
6. Systematic reporting	10
<b>ACTIVITY AS A SUPERVISORY AUTHORITY</b>	
1. Inspections	13
2. Specific supervisory actions	15
3. Supervisory actions	15
<b>REGISTER OF FINANCIAL OWNERSHIP</b>	
1. Data reported	18
2. Consultations	19



## INTRODUCTION

The Executive Service of the Commission for the Prevention of Money Laundering (SEPBLAC) continued to engage in an intense level of activity, both as a Financial Intelligence Unit (FIU) and as the supervisory authority in the field of anti-money laundering and counter terrorist financing. The “2017 Activity Report” summarises and provides data on the volume and intensity of the actions performed in both areas of SEPBLAC’s powers.

In the exercise of its function as an FIU, focusing on the analysis of transactions suspected of involving money laundering or terrorist financing, noteworthy in 2017 was the increase of 6.7% in the financial intelligence reports generated by SEPBLAC and sent to the investigating authorities. In this respect, SEPBLAC’s commitment to produce high-quality financial intelligence, in line with the conclusions of the Mutual Evaluation Report of the Financial Action Task Force (FATF), should be emphasised.

As for exercising its supervisory function, SEPBLAC has been continuously active through on-site inspections and specific supervisory actions geared towards verifying that obliged entities have complied with regulations. The strengthening of SEPBLAC’s inspections since 2013 has underlined the existence of structural shortcomings in the anti-money laundering and counter terrorist financing mechanisms of a series of obliged entities and, consequently, SEPBLAC will foreseeably continue to exert considerable supervisory pressure in the coming years.

SEPBLAC also manages the Register of Financial Ownership (FTF, by its Spanish abbreviation), a new financial investigation instrument combating money laundering and terrorist financing, which came into operation on 6 May 2016. The FTF was fully operational in 2017 and has been updated monthly by the institutions without any notable incidents. As at 31 December 2017, more than 129 million accounts and deposits were registered in its database. During 2017, 6,221 consultations were made by the central government authorities responsible for anti-money laundering and counter terrorist financing.

Lastly, while Juan Manuel Vega, the director of SEPBLAC, was president of FATF, it held its plenary meeting and working groups met from 18 to 23 July 2017 at Valencia’s Ciudad de las Artes y las Ciencias. In her speech, Christine Lagarde, Managing Director of the International Monetary Fund (IMF), underlined the risks to economic stability of money laundering and terrorist financing, and emphasised the close relationship forged between the FATF and the IMF (<http://www.imf.org/en/News/Articles/2017/06/21/sp062217-working-together-to-fight-money-laundering-terrorist-financing>). The important position acquired by Spain in the FATF in recent years shows the maturity and robustness of Spain’s anti-money laundering and counter terrorist financing system.

## ACTIVITY AS A FINANCIAL INTELLIGENCE UNIT

SEPBLAC's essential function as an FIU is to generate intelligence to be used by authorities investigating money laundering and terrorist financing.

The number of cases concerning intelligence generation increased from 6,757 in 2016 to 6,794 in 2017.

	2016	2017	Change 2017/2016
Money laundering and terrorist financing cases	4,990	4,999	0.2%
Cooperation with national authorities	607	651	7.2%
International exchanges	1,160	1,144	-1.4%
<b>TOTAL</b>	<b>6,757</b>	<b>6,794</b>	<b>0.5%</b>

The number of cases opened due to suspicions of money laundering or terrorist financing remained stable, whereas those involving cooperation with national authorities grew by more than 7%. International information exchanges fell by 1.4% on account of the reduction in the flash reports from FinCEN, the US FIU; nevertheless, these exchanges, totalling 1,144, were highly significant.

A detailed breakdown of the different types of intelligence generation is provided in the following three sections.

### 1. Money laundering and terrorist financing cases

In 2017, 4,999 money laundering or terrorist financing cases were opened for analysis by SEPBLAC, up 0.2% on 2016.

	2016	2017	Change 2017/2016
Reports of suspicious activity	4,842	4,812	-0.6%
Alerts of SEPBLAC/Public authorities/other	148	187	26.3%
<b>TOTAL</b>	<b>4,990</b>	<b>4,999</b>	<b>0.2%</b>

Following the sizeable increases in recent years, reports of suspicious activity have stabilised, those from non-financial obliged entities have decreased and those submitted by the financial sector have increased moderately.

	2016	2017	Change 2017/2016
Financial obliged entities. Art. 2(1)(a) to (i) Law 10/2014	3,920	3,992	1.8%
Non-financial obliged entities. Art. 2(1)(j) to (y) Law 10/2014	922	820	-11.1%
<b>TOTAL</b>	<b>4,842</b>	<b>4,812</b>	<b>-0.6%</b>

A total of 3,992 reports were received from financial institutions (obliged entities listed under paragraphs (a) to (i) of Art. 2(1) of Law 10/2010), 72 more than in 2016. This is the opposite to the suspicious activity reports from non-financial obliged entities (Art. 2(1)(j) to (y) of Law 10/2010) which declined by 102 with respect to 2016, a year when they had posted a rise of 41% compared to 2015.

The number of cases opened on grounds other than suspicious activity reports of obliged entities increased by 26% with respect to the previous year and the decline in reports received from public authorities was offset by the significant increase (144%) of alerts generated at SEPBLAC.

	2016	2017	Change 2017/2016
SEPBLAC (alerts)	50	122	144.0%
Public authorities	94	52	-44.7%
Other sources	4	13	225.0%
<b>TOTAL</b>	<b>148</b>	<b>187</b>	<b>26.3%</b>

A total of 6,607 cases were closed in 2017.

**Financial obliged entities, paragraphs (a) to (i) of Art. 2(1) of Law 10/2010**

	2016		2017	
	Cases	Entities	Cases	Entities
Banks	2,646	40	2,662	39
Savings banks	5	1	1	1
Credit cooperatives	179	26	156	23
Branches of EU credit institutions	84	18	84	18
Branches of non-EU credit institutions	5	2	5	1
EU credit institutions operating under the freedom to provide services	2	1		
Electronic money institutions	1	1	39	2
Specialised lending institutions	39	9	13	7
Currency-exchange bureaux and money transfer agencies	7	3	3	2
Payment institutions	911	25	1,000	22
Investment services firms and branches	12	9	7	7
Insurance companies (life insurance sector)	19	10	14	9
Pension fund management entities	2	1	1	1
Collective investment institution management companies	1	1	2	1
Venture capital fund management companies	2	2	1	1
Mutual guarantee companies	5	3	4	3
<b>TOTAL</b>	<b>3,920</b>	<b>152</b>	<b>3,992</b>	<b>137</b>

As mentioned, the overall figure of suspicious activity reports from financial institutions grew moderately by 1.8% in 2017 with respect to the previous year.

Although the increase in percentage terms of electronic money institutions is significant individually (39 reports in 2017 compared with one in 2016), the banks remain SEPBLAC's main information providers, representing 66.7% of the total suspicious activity reports from financial institutions and 55.3% of the overall figure of reports from all the obliged entities in 2017. This weight is similar to that recorded in 2016.

The remarks made last year about the reports from certain credit institutions continue to be valid. First, the difficulty of finding genuine signs of money laundering in a significant number of suspicious activity reports should be pointed out. In certain cases, it would have been feasible to demonstrate that there were no links between the operations and criminal activities by analysing such operations in more depth. In this respect, the legal obligation should be noted whereby reports of suspicious activity should be preceded by a structured special examination process involving the analysis of all the related operations, parties to the operation and relevant information.

Second, a significant number of suspicious activity reports referred to well-known operations that have been reported for years, which should have been avoided by correctly applying preventive measures and customer due diligence, instead of performing such operations and reporting them subsequently to SEPBLAC. Consequently, the duty of abstaining from

performing operations as set forth in Article 19 of Law 10/2010 should be recalled; a duty which concurs with the eminently preventive purpose of the law.

The level of reports from payment institutions was slightly higher than that of the previous year, when it declined notably which, at that time, was considered to be consistent with a higher degree of monitoring of this sector's transactions in recent years and improved control over its agents. This led to the detection of many instances of unlawful behaviour and, consequently, the number of their reports stabilised or decreased.

**Non-financial obliged entities, paragraphs (j) to (y) of Art. 2.1 of Law 10/2010**

	2016		2017	
	Cases	Entities	Cases	Entities
Notaries	398	--	383	--
Land, mercantile and moveable property registrars	271	--	158	--
Lawyers	19	17	24	21
Auditors, accountants and/or tax advisers	18	17	9	9
Casinos	5	2	18	6
Property developers and estate agents	47	20	44	24
Jewellery, gemstones and precious metals trade	32	5	6	3
Art and antiques	0	0	1	1
Cash-in-transit companies	46	3	49	2
Postal services (giro or international transfers)	5	1	9	1
Lotteries or other gambling	67	10	98	11
Art. 2(1)(o)	2	2	0	0
Art. 2(1)(k), without granting loans/credits	10	3	19	3
Brokerage of loans or credit	1	1	2	1
National Greenhouse Gas Emission Rights Registry administrator	1	1	0	0
Other independent professionals (Art. 2(1)(ñ))	0	0	0	0
<b>TOTAL</b>	<b>922</b>	<b>82</b>	<b>820</b>	<b>82</b>

The reports from obliged entities and professionals under Art. 2(1)(j) to (y) of Law 10/2014 declined from 922 in 2016 to 820. In 2016 they had risen very significantly by 41% with respect to 2015.

In 2017 notaries and land and mercantile registrars represented around 59% of the total reports of non-financial obliged entities. Both groups had posted a considerable increase in reports in 2016 with respect to preceding years. However, there were 113 fewer reports from registrars in 2017 than in 2016 as a result of the application of stricter criteria. The reports are channelled through their respective centralised prevention bodies.



The small number of reports received from lawyers engaging in activities subject to the provisions of regulations on the prevention of money laundering and terrorist financing stands out. Only 21 legal professionals submitted reports to SEPBLAC in 2017, representing a minimal percentage of a very wide-ranging group of professionals, whose work entails a potentially high risk when they perform activities other than legal assistance, such as their involvement in the design of corporate structures, the use of their bank accounts to channel clients' operations in real estate transactions or transactions relating to the administration and management of clients' wealth, without correct verification, in certain cases, of the lawful source of the capital.

The number of suspicious activity reports from auditors, accountants and tax advisers also remained low; only nine professionals reported nine transactions, despite the inherent risk in their professional activity, described in numerous typologies reports. Real estate sector professionals should also be mentioned, whose number of reports held at similar levels to those of the previous year. These reports are based on objective data, such as the high amount and the nationality of the parties involved, but continue to show a lack of knowledge of their customers and inadequate analysis to verify the lawful source of the funds used in transactions.

The total number of suspicious transactions reports whose analysis concluded in 2017 was 5,078.

## 2. Cooperation with national authorities

Requests for cooperation from national authorities, in the exercise of the assistance function envisaged in Article 45(4)(a) of Law 10/2010, increased by 7.2% in 2017 and 44 more requests were received.

The number of requests received from the Civil Guard remained stable with respect to the previous year and amounted to 212. The National Police made 48 more requests than in 2016 which totalled 262 in 2017. As regards the Tax Revenue Service, requests from the National Fraud Investigation Office decreased and those from the Customs and Excise Department increased.

“Other requests” refer to those made by other official agencies (22 requests), the National Securities Market Commission (7) and regional police forces, including most notably the Mossos d'Esquadra which sent 12 requests for information.

	2016	2017	Change 2017/2016
Public prosecution service and courts	35	34	-2.9%
National Police	214	262	22.4%
Civil Guard	206	212	2.9%
Customs Department - Tax Revenue Service	69	77	11.6%
National Fraud Investigation Office – Tax Revenue Service	38	16	-57.9%
Other requests	45	50	11.1%
<b>TOTAL</b>	<b>607</b>	<b>651</b>	<b>7.2%</b>

SEPBLAC values highly its cooperation with investigating authorities with the result that, to complement the financial intelligence reports it generates as an FIU, SEPBLAC's information is integrated and used in economic and financial investigations against crime.

### 3. International exchange of information

In the international sphere, the number of requests for information from other FIUs rose by 23.3% to 609.

The five countries which submitted the largest number of requests to SEPBLAC were: the United Kingdom (150), the Netherlands (77), Belgium (34), France (34) and Germany (28). In comparison with the five countries which submitted most requests in 2016, the 2017 list includes Belgium and Germany.

The number of requests made by SEPBLAC in 2017 also rose and was 55.1% higher than in 2016. The majority of the requests were sent to the following countries: Germany (17), France (14), the Netherlands (14), Portugal (9) and the United Kingdom (8). Most of the above countries also make most requests, ahead of the United States and Switzerland (6 requests), and Belgium and Panama (5 requests).

	2016	2017	Change 2017/2016
Requests for information received from FIUs	494	609	23.3%
Requests for information sent to FIUs	107	166	55.1%

The spontaneous receipt of information from other FIUs, without SEPBLAC as the receiving FIU being required to respond, decreased very sharply by 41% owing to the exceptional number of flash reports sent by FinCEN in previous years.

The flash reports sent by SEPBLAC to other FIUs, arising from information sent voluntarily where it is considered that it may be of interest to the country affected, also without the latter being expected to respond, increased by 27% in 2017 with respect to the previous year.

	2016	2017	Change 2017/2016
Spontaneous reports received from other FIUs	500	294	-41.2%
Spontaneous reports sent to other FIUs	59	75	27.1%

Information exchanges (requests for information and spontaneous reports) totalled 1,144.

#### 4. Dissemination of financial intelligence reports

The number of cases arising from suspicious transactions reports, the analyses of which concluded in 2017, amounted to 5,048. These cases relate not only to reports received during 2017 but also to cases which had been opened in 2016.

The 5,078 cases closed in 2017 generated a total of 5,914 financial intelligence reports, 372 more than in 2016, which represents an increase of 6.7%, similar to that recorded the previous year, and shows a rising trend in the generation of reports disseminated to various agencies. The table below shows the breakdown of these reports:

	2016	2017
International cooperation	49	105
Judicial authorities and special public prosecution services	97	94
National Police	2,663	2,743
Civil Guard	1,376	1,648
National Fraud Investigation Office – Tax Revenue Service	1,084	1,078
Customs Department - Tax Revenue Service	167	165
Other agencies	106	81
SEPBLAC (provisionally closed)	1,611	1,409

Noteworthy is the striking increase in the number of reports for the Civil Guard, 19.8% higher than in the previous year; the level of reports sent to other agencies remained basically the same and included, most notably, 2,743 reports sent to the National Police in 2017, which represented 46.4% of the total. The number of reports issued which were disseminated to other countries' FIUs, since the result of the analysis performed is of interest to them, was more than double that in 2016 and amounted to 105 reports.

The number of reports sent to the Tax Revenue Service's National Fraud Investigation Office remained stable (1,078 reports) and a smaller number was sent to the Customs and Excise Department (165 reports) and to the judicial authorities and public prosecution service (94 reports).

"Other agencies" includes, most notably, 51 intelligence reports sent to the Mossos d'Esquadra.

A total of 1,409 cases were provisionally closed by SEPBLAC without external dissemination, since proof of links of transactions or parties involved with money laundering or terrorist financing could not be found or confirmed.

## 5. Cases involving means of payment movements

After several years of continuous growth, the records of cash seizures received by SEPBLAC – which were issued as a result of action taken at customs pursuant to the regulations on means of payment movements – decreased by 14% in 2016 and by a further 22.6% in 2017, reaching a total of 466. The records of cash seizures in domestic movements remained stable.

	2016	2017
Records of seizures at the border	602	466
Records of seizures within the country	41	41
Information proceedings concerning means of payment	31	17
<b>TOTAL</b>	<b>674</b>	<b>524</b>

Article 45(3) of the implementing regulations of Law 10/2010 provides for so-called “information proceedings” in situations where, while it is not appropriate for the means of payment to be seized, customs officials or police officers consider that the information may be of relevance to the police or tax authorities. In 2017 a total of 17 cases of this type were opened.

## 6. Systematic reporting

The number of transactions included in systematic reporting (statutory monthly return) envisaged in Article 20 of Law 10/2010, continued to grow in 2017. The growth rate of 48% in the last three years is significant.

	2016		2017	
	Transactions	Entities	Transactions	Entities
Commercial banks	325,019	50	330,336	46
Savings banks	167	2	178	2
Credit cooperatives	6,892	42	6,836	46
Specialised lending institutions	3,226	5	5,056	2
Branches of foreign EU credit institutions	97,204	23	94,463	28
Branches of foreign non-EU credit institutions	1,824	4	1,849	4
Foreign EU credit institutions operating under the freedom to provide services	10	1	9	1
Electronic money institutions	0	0	65	1
Insurance companies (life insurance)	1,350	12	1,458	7
Insurance companies operating under the freedom to provide services (life insurance)	7	1	27	1
Securities firms and agencies	1,888	17	2,358	14
Branches of foreign EU investment firms	159	1	82	2
Collective investment institution management companies	659	12	271	13
Pension fund management companies	0	0	1	1
Venture capital fund management companies	11	4	18	5
Venture capital companies	0	0	2	1
Payment institutions	1,683,007	33	1,735,096	32
Branches of payment institutions	6,084	2	4,559	2
Currency-exchange bureaux	3,874	5	8,699	9
Casinos	752	13	1,482	13
Banco de España	70	1	141	1
Customs Department - Tax Revenue Service	25,333	1	27,344	1
Official Credit Institute	0	0	81	1
General Council of Notaries	30	1	28	1
<b>TOTAL</b>	<b>2,157,566</b>	<b>230</b>	<b>2,220,439</b>	<b>234</b>

As in the previous year, reported transactions were affected by the application of the provisions of Article 27(1)(b) of the implementing regulations of Law 10/2010, establishing that obliged entities remitting money are to report transactions for an amount of more than €1,500 to SEPBLAC. This article of the implementing regulations reduced the notification threshold for money remittance transactions from €3,000 to the current €1,500. This was reflected once again in the increase of 3.1% in the number of transactions reported in 2017 which have grown by 12% since 2015.

For this reason, payment institutions were once more the main source of reported transactions in the monthly returns, with a total of 1,735,096 in 2017. They are followed by the banks which reported a total of 330,336 transactions, a slightly higher figure than in 2016.

Three groups of obliged entities should be noted, not on account of the share of their reported transactions as a percentage, but because they have notably exceeded the number of transactions reported in 2017 with respect to the previous year. First, electronic money institutions should be mentioned. 2017 was their first year as reporting entities, with 65 transactions reported by only one institution. Currency-exchange bureaux posted an increase of 124% in the number of transactions notified in 2017. Finally, securities firms and agencies reported 2,358 transactions, 25% more than in 2016 and, although in a smaller number, those reported by life insurance companies show an upward pattern each year.

	2016	2017
Cash transactions not recognised in a bank account (Art. 27(a) and (b) of the implementing regulations of Law 10/2010)	1,640,295	1,665,773
Transactions with or by residents of designated territories or countries (Art. 27(c) of the implementing regulations of Law 10/2010)	286,032	293,247
Transactions involving transfers of funds to or from designated territories or countries (Art. 27(c) of the implementing regulations of Law 10/2010)	414,357	396,651
Adjustment for transactions included in several categories simultaneously	-323,802	-293,985
<b>Subtotal</b>	<b>2,016,882</b>	<b>2,061,686</b>
Means of payment movements (Form S1) (Art. 27(d) of the implementing regulations of Law 10/2010)	45,956	43,859
Transactions not executed (Ministerial Order EHA/2619/2006) (Art. 27(g) of the implementing regulations of Law 10/2010)	93,714	113,369
Other	1,014	1,525
<b>TOTAL</b>	<b>2,157,566</b>	<b>2,220,439</b>

In terms of the numbers of transactions reported, those of the types envisaged under Article 27(1)(a) and (b) of the implementing regulation stand out: a) transactions involving physical movement of currency of over €30,000 not recognised in a bank account and b) cash remittances of amounts of over €1,500, totalling 1,665,773 transactions, a figure which is very much in line with that recorded in 2016.

Transactions of the types envisaged in Article 27(1)(c) transactions with or by residents of designated territories or countries, or which involve transfers of funds to or from territories or countries designated by the Order of the Minister of Economic Affairs and Competitiveness, of over €30,000 held at similar levels in 2017; the former grew very slightly and the latter decreased by only 4.3% to close to 400,000 transactions.

Reports of means of payment movements decreased once again in 2017, on this occasion by 4.6% to 43,859 transactions.

So-called "transactions not executed", envisaged in Article 27(1)(g) in relation to Ministerial Order EHA/2619/2006 on specific money laundering prevention measures referring to entities engaging in currency exchange or money transfers, where the customer is unable or refuses to submit the necessary documentation, which had risen by 23.9% in 2016, rose by 21% in 2017 to a total of 113,369 transactions.

	2016	2017
Entering Spain	6,393	7,175
Leaving Spain	9,611	9,216
Movements within Spain	4,389	3,543
Means of payment delivered to obliged entities	5,849	4,835
Means of payment withdrawn from obliged entities	7,858	6,439
Other	11,856	12,651

As for reports on cross-border movements of cash and movements of cash within Spain, on this occasion inbound movements of cash increased by 12.2% and outbound movements of cash fell by 4.1%, consequently cash movements within Spain fell as they did in 2016, in 2017 they fell by 19.2%.

Reports of both cash withdrawals and deposits at obliged entities followed the previous years' declining trend; it was steeper in 2017 and amounted to approximately 18%.

"Confirmation of entry" reports (6,613) and "confirmation of exit" reports (6,038) are recorded under "Other".

The adjustment of reports received requires taking into account transactions/movements reported simultaneously in various categories, the erroneous reports and those received without form S1, which amounted to 23,853.

## ACTIVITY AS A SUPERVISORY AUTHORITY

In 2017, SEPBLAC continued with an intensive level of supervisory and inspection activity.

	2016	2017
Inspections	65	61
Specific supervisory actions	0	5
Requests for reports on the creation of entities	179	166
Requests for reports on qualifying holdings	55	72
Requests for reports on amendment of articles of association	16	20
Requests for reports on structural changes	25	22
<b>TOTAL</b>	<b>340</b>	<b>346</b>

In 2017, 346 actions were carried out, including on-site inspections and specific supervisory actions, and the necessary reports on the creation of entities and changes in shareholder structure, amendments of the articles of association or changes to the structure of financial institutions were prepared.

### 1. Inspections

SEPBLAC's decision as to what inspections to conduct takes a risk-based approach to ensure supervisory attention is focused on the economic sectors, the obliged entities in these sectors and the aspects of their activity which pose a greater risk from the standpoint of preventing money laundering and terrorist financing. The supervisory cycle must be shorter and more intensive whenever a heightened risk is perceived.

In drawing up its inspection plans, SEPBLAC takes into account: i) the distinction between financial institutions subject to prudential supervision and other obliged entities; ii) the big difference in the economic significance of the various obliged entities; and iii) their differing vulnerability to the risk of money laundering and terrorist financing.

It is with these factors in mind that the Commission for the Prevention of Money Laundering and Monetary Offences approves SEPBLAC's on-site inspection plan each year.

The 2017 inspection plan included the performance of 57 inspections, nevertheless, it was decided that six of them would be transferred to the 2018 inspection plan. This was because of the workload created by the complexity and scale of the inspections of the ten largest credit institutions envisaged in the 2016 plan, which meant that they were still ongoing in 2017.

In all cases, the inspections are thematic in nature: the scope of the inspections refers to the verification of compliance with specific obligations under anti-money laundering and counter terrorist financing regulations and is the same for all obliged entities in any given sector of activity. Thus an overall view of each sector subject to inspection can be obtained, at the same time as the results of the various inspections of obliged entities making up these sectors can be compared.



Of the 61 inspections conducted in 2017, 34 were of obliged entities in the financial sector, 14 of which were of credit institutions. These figures include the inspections of the ten largest credit institutions envisaged in the 2016 plan which were extended into 2017. The credit institutions inspected include the largest in the sector in balance sheet terms, such that over 75% of the total banking system was covered.

Inspections of credit institutions have focused on: (i) verifying compliance with obligations on employee training; and (ii) operations in the form of cash deposits subsequently transferred abroad, since they constitute a high risk typology in terms of money laundering and terrorist financing. Without prejudice to the individual conclusions regarding each inspected institution and the disciplinary action that might be agreed, these inspections make it possible to obtain an overall picture and to identify specific areas where the need for improvements to the banking system in general is discernible. In particular, aspects regarding the application of due diligence measures and procedures for the detection and reporting of transactions stand out.

The remaining inspections of financial institutions correspond to the securities and insurance sectors, payments and electronic money institutions, specialised lending institutions, mutual guarantee companies and currency-exchange bureaux.

As regards non-financial obliged entities, inspections were carried out in various sectors. Noteworthy in terms of the number of inspections, are those concerning lawyers and, to a lesser degree, the real estate sector, casinos and art and antiques companies, which had not been inspected in previous years.

<b>Inspections</b>	2016	2017
Credit institutions	13	14
Specialised lending institutions	0	5
Mutual guarantee companies	0	1
Electronic money institutions	3	2
Payment institutions	2	1
Currency-exchange bureaux	7	2
Investment services firms and collective investment institution management companies	10	5
Insurance companies, brokerages and pension fund management companies	4	4
Estate agents	2	5
Casinos, lotteries and online gambling	5	4
Auditors, accountants and tax advisers	1	1
Notaries and registrars	0	2
Lawyers	15	9
Jewellers	0	1
Art and antiques	0	4
Real estate firms	3	1
<b>TOTAL</b>	<b>65</b>	<b>61</b>

As is legally required, SEPBLAC sends the inspection reports to the Secretariat of the Commission for the Prevention of Money Laundering and Monetary Offences for the exercise of its specific powers, including those relating to the application of the penalty system.

## **2. Specific supervisory actions**

Aside from the inspections themselves, SEPBLAC performed certain specific supervisory actions in 2017 which led to five reports that were submitted to the Secretariat of the Commission for the Prevention of Money Laundering and Monetary Offences:

- Two monitoring reports on the activity of two credit institutions relating to their customers' high-risk operations in the form of cash deposits subsequently transferred abroad. The reports' purpose was to assess the practical effectiveness of the measures adopted by these institutions to address the shortcomings detected in the corresponding inspections.
- Two reports on the application of due diligence measures and the procedures for the detection and reporting of transactions of two credit institutions relating to specific real estate operations of their customers.
- A report on certain relevant incidents detected in the statutory monthly return of four credit institutions belonging to the same group.

## **3. Supervisory actions**

The legislation envisages the need for SEPBLAC to issue a report on matters relating to its powers in particular administrative procedures, primarily concerning financial institutions.

Thus, the functions conferred on SEPBLAC by Article 4 of Law 10/2014 include the following:

- Reporting on the adequacy of internal control measures envisaged in the programme of activities (Art. 45(4)(i)) during procedures to create credit institutions.
- Report on procedures concerning the prudential assessment of acquisitions and increases in shareholdings in the financial sector (Art. 45(4)(i)).

Similarly, SEPBLAC also issues reports when the following occur:

- Amendments to articles of association of payment institutions and electronic money institutions.
- Structural modifications, mergers, divisions or global transfers of assets and liabilities in which a bank or an insurance company is involved, or any agreement that has similar economic or legal effects to the foregoing.

SEPBLAC's reports are geared towards protecting the integrity of the Spanish financial system and reducing the risk of money laundering and terrorist financing. Institutions authorised to operate in Spain are required to have an internal anti-money laundering structure within their organisation and adequate procedures in place to deter and prevent money laundering and terrorist financing.

- Creation of financial institutions:

In 2016 and 2017, SEPBLAC received requests for reports from sectoral supervisors and from the General Secretariat of the Treasury and Financial Policy, as listed below:

	2016	2017
Banco de España	103	100
National Securities Market Commission	62	51
Directorate General of Insurance and Pension Funds	0	2
General Secretariat of the Treasury and Financial Policy	14	13
<b>TOTAL</b>	<b>179</b>	<b>166</b>

- Acquisition of qualifying holdings in financial institutions:

In 2016 and 2017, SEPBLAC was requested to issue reports on the acquisition of qualifying holdings, essentially by the sectoral supervisors as listed below:

	2016	2017
Banco de España	5	14
National Securities Market Commission	42	44
Directorate General of Insurance and Pension Funds	7	14
Regional Government of Andalusia	1	0
<b>TOTAL</b>	<b>55</b>	<b>72</b>

- Amendments to articles of association of payment institutions (Article 5 of Royal Decree 712/2010 of 28 May 2010 on the legal regime governing payment services and payment institutions, with reference to Article 1) and of electronic money institutions (Article 6 of Royal Decree 778/2012 of 4 May 2012 on the legal regime governing electronic money institutions, with reference to Article 1).

Amendment of the articles of association of payment institutions and electronic money institutions will be subject to the authorisation and registration procedure established in Article 1 of their respective royal decrees, mentioned above, which state that the Minister for Economic Affairs shall have responsibility for authorising the creation of payment institutions and electronic money institutions, following a report by the Banco de España and SEPBLAC on the matters for which they have competence.

	2016	2017
General Secretariat of the Treasury and Financial Policy	16	20
<b>TOTAL</b>	<b>16</b>	<b>20</b>

- Structural modifications at banks and insurance companies:

Under the twelfth additional provision of Law 10/2014 of 26 June 2014 on the regulation, supervision and solvency of credit institutions (in the case of banks), and Article 90 of Law 20/2015 of 14 July 2015 on the organisation, supervision and solvency of insurance and reinsurance undertakings (in the case of insurance companies), the Minister for Economic Affairs and Competitiveness will be responsible for authorising mergers, divisions or global transfers of assets and liabilities, in which a bank or insurance company is involved, or any agreement that has similar economic or legal effects to the foregoing.

For these purposes, before granting authorisation, the General Secretariat for the Treasury (in the case of the authorisation of structural modifications in which a bank is involved) and the Directorate General for Insurance and Pension Funds (in the case of authorisations concerning insurance companies) will request a report from SEPBLAC on the matters for which it has competence.

	2016	2017
General Secretariat of the Treasury and Financial Policy	21	18
Directorate General of Insurance and Pension Funds	4	4
<b>TOTAL</b>	<b>25</b>	<b>22</b>

In any event, the effectiveness of the anti-money laundering and counter terrorist financing bodies and procedures of the institutions on which reports are requested, whether as a result of creation, acquisition of qualifying holdings, amendments to the articles of association, or structural modifications, may be subject to verification by SEPBLAC in the exercise of its supervisory and inspection functions.

## **REGISTER OF FINANCIAL OWNERSHIP**

The Register of Financial Ownership (FTF by its Spanish abbreviation) is an administrative register set up with the purpose of deterring and preventing money laundering and terrorist financing.

The State Secretariat for Economic Affairs and Support to Enterprise is responsible for the FTF, with data processing being delegated to SEPBLAC.

The reference date set for collecting the initial data to be included in the register was 31 December 2015. Between 2 and 22 January 2016, reporting institutions submitted details of all current accounts, savings accounts, time deposits and securities accounts in effect on the reference date, accompanied by information on all parties to them.

Following initial loading of the data, institutions update the information monthly by sending details in the first seven working days of each month of all openings, cancellations and changes to reportable products taking place in the preceding month.

On 6 May 2016, the date set for the implementation of the FTF, the first consultations of the information in the register were carried out by the authorised agencies.

### **1. Data reported**

The institutions that are required to report information to the FTF are banks, savings banks, credit cooperatives and branches in Spain of foreign credit institutions, whether based in the EU or elsewhere.

Credit institutions are required to report certain information about current accounts, savings accounts, securities accounts and time deposits opened in Spain and the parties to them to SEPBLAC for it to load this information into the FTF.

As mentioned, the information available is based on the products in effect on 31 December 2015, and has been updated since then through a monthly report by institutions of all openings, cancellations and changes taking place in the previous month.

The information on products and parties to them in the FTF as at 31 December 2016 and 2017 was as follows:

	31 December 2016		31 December 2017	
Obligated entities in effect		159		155
Different persons (*)		52,980,201		54,247,850
Of which, natural persons (*)		49,260,271		50,386,473
Of which, legal persons		3,719,930		3,861,377
Total accounts and deposits	120,047,770	%	129,842,227	%
Subtotal in effect	103,069,967	85.86	100,267,584	77.22
Subtotal cancelled	16,977,803	14.14	29,574,643	22.78
Type of involvement in effect	Natural persons	Legal persons	Natural persons	Legal persons
Account holders	136,369,255	7,514,186	131,825,687	7,028,389
Proxies	37,018,806	0	36,043,846	0
Beneficial owners	6,887,569	0	8,416,995	0
Representatives	7,206,516	41,158	7,154,816	42,900
Other types of involvement	1,975,590	100,876	1,942,463	101,232

(\*) Number of different documents in effect

## 2. Consultations

With the authorisation of the court or the public prosecution service, investigating judges, the public prosecution service, and law enforcement agencies, can obtain access to the data reported in the FTF, when investigating crime related to money laundering and terrorist financing. SEPBLAC can obtain these data for the exercise of its powers. The State tax revenue service can obtain these data under the terms envisaged in the General Tax Law 58/2003 of 17 December 2003.

The register of financial ownership can be accessed and consulted online, and the results obtained are communicated through the same channel.

All data requests must be made, without exception, through the so-called "single points of access", which have been set up for this purpose at the following bodies: the General Council of the Judiciary, the public prosecution service, national and regional law enforcement agencies, and the State tax revenue service. SEPBLAC can also obtain these data for the exercise of its powers.

Consultations may be based on a specific product or party, but open-ended, generic or approximate searches are not permitted. In 2017, the register was consulted on 6,221 occasions by authorised agencies through the single points of access set up for this purpose.