



ACTIVITY REPORT

2018-2019

SEPBLAC

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INTRODUCTION

The Executive Service of the Commission for the Prevention of Money Laundering and Monetary Offences (SEPBLAC) notably stepped up its activity in 2018 and 2019 in its dual role as a Financial Intelligence Unit (FIU) and an anti-money laundering and countering the financing of terrorism (AML CFT) supervisory authority. Integrating the supervisory and financial-intelligence functions into a single institution creates significant synergies and is a key factor behind the high rating awarded to the Spanish AML CFT system by international organisations.

In 2018 and 2019 SEPBLAC's financial intelligence generation and analysis activity increased considerably. The number of reports disseminated externally has risen by more than 59% since 2017. In percentage terms, cooperation with national authorities and the international exchange of information also grew significantly.

In this connection, it should be noted that the sizeable increase in SEPBLAC's productivity, with growth in externally disseminated reports that practically doubles the figure since 2014, is occurring in a context in which the financial intelligence generated is of high quality.

In 2018 and 2019 supervisory activity remained intense. Implementing the approved inspection plans, SEPBLAC's supervisory activity focused mainly on: reviewing the application of the anti-money laundering procedures to borrowers at credit institutions specialising in private banking services; verifying compliance with the obligations to report accounts and relationships using the Register of Financial Ownership (FTF by its Spanish abbreviation); and validating European Union (EU) payment institutions' activity in Spain. Inspection activities were supplemented by other supervisory actions in order to ensure compliance with AML CFT legislation.

Legislative changes in the EU regarding the supervision of AML CFT, affecting mainly the financial system, lay behind the strengthening of SEPBLAC's cooperation with other supervisors. In this connection, it should be noted that January 2019 saw the conclusion of the agreement on the exchange of information between the European Central Bank and the national competent authorities responsible for supervising compliance with AML CFT obligations (in Spain, SEPBLAC, in collaboration with the Banco de España, the National Securities Market Commission (CNMV) and the Directorate General of Insurance and Pension Funds (DGSFP)).

SEPBLAC continued to manage, develop and filter the FTF, placing particular emphasis on ensuring the quality of the incorporated data. At present, the FTF is a key tool for financial investigation, as highlighted by both the volume of financial information available (close to 150 million financial products) and the increase in the number of consultations in 2018 compared with 2017 (over 135% more). The upward trend continued in 2019, with 17,225 consultations being made.

It is important to emphasise SEPBLAC's contribution to the Spanish Government's plan for the Campo de Gibraltar area, approved by the Council of Ministers at its meeting on 16 November 2018. In order to strengthen anti-money laundering procedures in the area,

SEPBLAC led a public-private exchange to provide obliged entities with operational information on criminal activity there and increase the volume and quality of the data sent by the entities for subsequent analysis and use.

In this regard, SEPBLAC's policy of reinforcing its interaction with obliged entities, providing exact guidelines on the quality of the suspicious activity reports and the main typologies to which they are exposed, thereby ensuring that the information sent is relevant and risks are managed properly, bears repeating.

ACTIVITY AS A FINANCIAL INTELLIGENCE UNIT

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

The number of cases concerning intelligence generation increased from 6,794 in 2017 to 9,363 in 2019.

	2017	2018	2019	Change (%) 2019/2017
Money laundering and terrorist financing cases	4,999	6,563	7,354	47.1
Cooperation with national authorities	651	752	736	13.1
International exchanges	1,144	1,366	1,273	11.3
TOTAL	6,794	8,681	9,363	37.8

The number of cases opened due to suspicions of money laundering or terrorist financing grew by 47.1%. Cooperation with national authorities rose by 13.1%. The international exchange of information was up 11.3%. Overall, cases related to intelligence generation in 2019 grew by close to 38% compared with 2017.

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

1. Money laundering and terrorist financing cases

6,563 and 7,354 money laundering and terrorist financing cases were opened for analysis by SEPBLAC in 2018 and 2019, respectively. In 2018, 6,419 of the cases were opened due to suspicious activity reports from obliged entities and the remainder (144) were due to SEPBLAC alerts and reports from other bodies. Meanwhile, in 2019 7,228 cases were opened due to suspicious activity reports and 126 were the result of reports from other bodies and alerts.

In 2019 suspicious activity reports from obliged entities increased by 51.5%, compared with the 4,812 reports received in 2017. The growth was concentrated in reports from the financial sector. The increase with respect to 2018 was 13.53%.

	2017	2018	2019	Change (%) 2019/2017
Financial obliged entities. Art. 2(1)(a) to (i) Law 10/2010	3,992	5,634	6,188	55.0
Non-financial obliged entities. Art. 2(1)(j) to (y) Law 10/2010	820	785	1,040	26.8
TOTAL	4,812	6,419	7,288	51.5

In total, 6,188 reports were received from financial institutions (obliged entities listed under Article 2(1)(a) to (i) of Law 10/2010) in 2019, an increase of 55% compared with 2017. Reports from non-financial obliged entities (Article 2(1)(j) to (y) of Law 10/2010), which, in percentage terms account for 14% of the total, grew by 26.8% with respect to 2017.

By category of financial institution, suspicious activity reports were distributed as follows:

Financial obliged entities, Article 2(1)(a) to (i) of Law 10/2010

	2017		2018		2019	
	Cases	Entities	Cases	Entities	Cases	Entities
Banks	2,662	39	4,290	34	4,737	38
Savings banks	1	1	2	1	3	1
Credit cooperatives	156	23	190	27	214	22
Branches of EU credit institutions	84	18	246	19	334	20
Branches of non-EU credit institutions	5	1	2	1	1	1
EU credit institutions operating under the freedom to provide services			12	3	20	3
Electronic money institutions	39	2	22	3	68	4
Specialised lending institutions	13	7	15	5	28	7
Currency-exchange bureaux and money transfer agencies	3	2	10	4	5	3
Payment institutions	1,000	22	785	17	745	21
Investment firms and branches	7	7	26	12	7	7
Insurance companies (life insurance)	14	9	23	13	14	9
Pension fund management entities	1	1	2	1	1	1
Collective investment institution management companies	2	1	5	4	4	3
Venture capital fund management companies	1	1	0	0	2	2
Mutual guarantee companies	4	3	4	2	4	3
Insurance brokers					1	1
TOTAL	3,992	137	5,634	146	6,188	146

The number of reports from banks, SEPBLAC's main information providers, increased by more than 60% in 2018 and by 10.4% in 2019. This was prompted by, inter alia, the remediation programmes implemented as a result of SEPBLAC's supervisory activity. A significant number of these reports (757 in 2018 and 549 in 2019) were the result of reviews of cash deposits immediately transferred abroad.

Reports from banks accounted for 76.6% of total suspicious activity reports from financial obliged entities and 65% of total reports from all obliged entities in 2019, exceeding in both cases the percentage weight they represented in previous years.

In light of this continuous growth, the considerations made in previous years on the quality of reports from some credit institutions bear repeating, stressing the need to conduct an especially thorough review of the alerts analysed, in order to identify actual signs of money laundering or terrorist financing.

Broadly speaking, and especially when faced with certain operations that generate a sizeable number of reports, performing global analyses - provided that common elements are identified that may constitute signs of organisation or schemes - and moving away from sending individual reports on recurring operations are recommended.

Also, in view of the significant shift in banking operations towards remote banking, a deep transformation is required in the tools, applications and procedures applied by anti-money

laundering departments to generate new alerts specifically designed for this type of operation, where the customer does not visit the branch in person. The ease of monitoring operations thanks to the new technologies and the analytical possibilities afforded by the associated computer data should also be taken into consideration.

In connection with remote operations, it is necessary to mention the sizeable number of reports (560 in 2018 and 692 in 2019) on the crediting of payment orders and international transfers linked to fraud and embezzlement abroad (CEO fraud, email spoofing, etc.), whose funds are ultimately paid in Spain or transferred to other countries, thereby often impeding the reversal requested by originating institutions. The legal obligation of correctly applying due diligence measures and abstaining from performing suspicious transactions, rather than carrying them out and subsequently reporting them to SEPBLAC, is reiterated. Establishing restrictions on international transactions in recently opened international accounts, typically managed online, by certain parties who do not match the transaction profile of persons operating internationally is recommended. This would limit an issue that is so harmful to Spain's international reputation.

We must also mention the repeated reports (326 in 2018 and 316 in 2019) concerning value added tax (VAT) fraud in intra-EU transactions. This is a familiar scenario, involving recently incorporated companies, with minimum share capital, trading in specific sectors and holding recently opened accounts, often managed online, that from their first bank operation display a particularly fast transaction rate for cumulative amounts in the millions over very short periods. As in the previous case, the possibility of establishing certain operational restrictions on specific national and international collections and payments, until the companies' actual activity is verified, would have a substantial impact on the recurring problem of VAT carousels.

It is very important to remember that under Article 18(2) of Law 10/2010 suspicious activity must be reported without delay. The effectiveness of the prevention system is largely based on the information flowing quickly to the bodies that must use it. There is room for improvement, as suspicious activity reports generally tend to receive their worst score in this category. As a result, the processes to review alerts and special examinations should be optimised so that those relevant or significant transactions that must be notified in a suspicious activity report are notified without delay. For a sizeable number of reports, there is a substantial lag between when the report is received and when the suspicious transaction was performed. This considerably reduces the possibilities of successfully exploiting the information.

In the financial sector, reports from credit cooperatives (214 reports), branches of EU credit institutions (334 reports) and credit institutions operating under the freedom to provide services also increased. Those from electronic money institutions also recorded marked growth (68 reports).

Reports from payment institutions, which had risen notably in 2017, declined slightly in 2018, continuing to do so in 2019. This trend is consistent with the progress in the monitoring of their operations and the greater control exerted over agents' transactions, significantly filtering out reportable transactions, with the resulting drop in the number of reports.

However, certain analyses conducted during 2018 and 2019 confirmed the existence of a sizeable number of transfers to non-EU countries, for an aggregate volume of hundreds of millions of euro, whose average amount exceeds €2,000 per transaction. Given the destination countries and the parties' profiles, analysis of these transactions should be maximised in order to avoid the risks associated with money laundering. In this regard, Article 20(1) of Law 10/2010, regarding the systematic reporting of transactions exceeding €1,500, bears repeating, in the sense that, without prejudice to such reporting, where there are signs or evidence of the transactions being related to money laundering or terrorist financing, the provisions of Articles 17, 18 and 19 of that law shall apply.

Suspicious activity reports from the non-financial sector were distributed as follows:

Non-financial obliged entities, Article 2(1)(j) to (y) of Law 10/2010

	2017		2018		2019	
	Cases	Entities	Cases	Entities	Cases	Entities
Notaries	383	--	326	1	516	1
Land, mercantile and moveable property registrars	158	--	206	2	190	1
Lawyers	24	21	17	17	22	19
Auditors, accountants and/or tax advisers.	9	9	12	12	10	10
Casinos	18	6	17	7	8	6
Property developers and estate agents	44	24	51	22	74	33
Jewellery, gemstones and precious metals trade	6	3	3	3	6	5
Art and antiques dealers	1	1	0	0	0	0
Cash-in-transit companies	49	2	31	1	45	2
Professional dealers in goods (Art. 2(1)(w))	0	0	4	4	2	2
Postal services (giro or international transfers)	9	1	4	1	0	0
Lotteries or other gambling	98	11	91	11	123	15
Art. 2(1)(k), without granting loans/credits	19	3	23	8	44	3
Brokerage of loans or credit	2	1	0	0	0	0
TOTAL	820	82	785	89	1,040	97

The reports from obliged entities and professionals under Article 2(1)(j) to (y) of Law 10/2010 declined slightly in 2018 compared with 2017 (from 820 to 785); however, this trend changed in 2019, with reports rising significantly (32.5%).

Notaries and land and mercantile registrars again represented a high percentage of these reports, accounting for 68% of them in 2018 and 2019, continuing the upward trend under way since the significant increase recorded in 2016. The reports are channelled through their respective centralised prevention bodies.

Also notable once again is the low number of reports from lawyers engaging in activities subject to anti-money laundering and countering the financing of terrorism legislation, with around 20 professionals sending as many reports to SEPBLAC in 2018 and 2019. This is a very low figure for a large group of professionals that, as is common knowledge, poses a high potential risk, particularly when engaging in activities other than their clients' legal

counsel, such as participating in the design and creation of corporate structures to acquire real estate or using bank accounts to channel clients' operations, without first effectively applying the corresponding due diligence measures and, above all, verifying the lawful origin of the funds.

Suspicious activity reports from auditors, accountants and tax advisers were also low. With regard to real estate sector professionals, despite the increase recorded in the number of reports and reporting entities in 2019, they represent a scant number for such a large group. In both cases, their professional activity poses a money-laundering risk, as proven by several typology reports. In the case of real estate sector professionals, we stress that reports should not solely be based on objective data, such as the high amount or nationality of the parties. Instead, they should include the grounds for suspicion based on adequate knowledge of customers, their professional activities or the activity conducted to generate the earmarked funds, in addition to the conclusions drawn following an analysis that provides evidence of the suspicion.

As mentioned in the introduction to this report, in December 2018 SEPBLAC convened, as part of the Government's plan for the Campo de Gibraltar area, a set of obliged entities (including credit institutions, payment institutions and the notaries' and registrars' centralised prevention bodies) to, together with representatives of the national law enforcement agencies, the State tax revenue service and the national intelligence centre, report on the issue of crime in the area and encourage cooperation and strict compliance with anti-money laundering legislation. SEPBLAC issued a public statement reiterating the importance of preventing the proceeds of criminal activity from flowing into the formal economy and the financial system and of cooperating with the authorities in the detection of transactions, by strictly observing the legal obligations to perform due diligence and report to SEPBLAC.

The public-private exchange has had an impact on the suspicious activity reports received in 2019, which exceeded 1,000 specific reports on transactions performed in the Campo de Gibraltar area and its area of influence.

Lastly, it should be highlighted that, within SEPBLAC's action plan to improve quality, transparency and collaboration, it has met and liaised with obliged entities on several occasions and provided information on, and quality indicators for, suspicious activity reports, among other actions. One of SEPBLAC's priorities, as the body responsible for generating and processing financial intelligence, is interacting with obliged entities in order to enhance the prevention of money laundering and terrorist financing.

The analysis of 6,791 suspicious activity reports was completed in 2019. In total, 6,857 cases were closed in 2019.

2. Cooperation with national authorities

In 2018 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 15.5%, i.e. 101 more than in 2017. Of particular relevance were the requests from the Civil Guard (48.8% of the total) and the National Police (28.5% of the total). In 2019 the total held at a similar level to

2018. Requests from the national law enforcement agencies, jointly accounting for 79% of total requests for cooperation, also remained stable compared with the previous year.

	2017	2018	2019
Public prosecution service and courts	34	39	24
National Police	262	214	210
Civil Guard	212	367	371
Customs Department - Tax Revenue Service	77	54	64
National Fraud Investigation Office – Tax Revenue Service	16	22	24
Other requests	50	56	43
TOTAL	651	752	736

SEPBLAC values highly its cooperation with investigating authorities, which complements its function of preparing financial intelligence reports through the provision of information to those authorities to be included and used in economic and financial investigations against crime.

3. International exchange of information

In the international sphere, 740 requests were made by other FIUs, 6% more in 2019 than in 2018, continuing the upward trend recorded in that year (+14.6%).

The four countries that submitted the most requests to SEPBLAC in 2019 were the United Kingdom (109), Germany (71), France (57) and the Netherlands (53). They were followed by Italy, Luxembourg, the United States, Belgium, Russia and Malta, who made between 20 and 27 requests.

SEPBLAC submitted 186 requests in 2019. These rose in 2017 compared with previous years, and did so again in 2019 relative to 2017; 2018, when an extraordinary increase occurred, could be considered an exception. Most of the requests were sent to the following countries: Germany (17), France (11), Italy (11) and Portugal (9).

Spontaneous exchanges of information, where information is sent voluntarily when it is considered that it may be of interest to the recipient country, but there is no obligation to respond, totalled 347. This was similar to the previous year, however spontaneous exchanges received relative to spontaneous exchanges sent by SEPBLAC declined. The latter totalled 112, 80.6% more in 2019 than in 2018. Overall exchanges of information (requested and spontaneous) totalled 1,273 in 2019, lower than in 2018, when there was an isolated increase in requests submitted by SEPBLAC, but 11.3% higher than the level recorded in 2017.

Lastly, on the international cooperation front, it must be noted that the provisions of Article 48 bis(6) of Law 10/2010 (a new article introduced by Royal Decree-Law 11/2018 of 31 August 2018) began to be applied in 2018. This article confers on SEPBLAC the power to suspend, at the request of an FIU from another EU Member State, a transaction that is proceeding. From September 2018 to end-2019 SEPBLAC received 37 requests to suspend transactions relating to 55 bank accounts for an amount of €3.26 million.

4. Dissemination of financial intelligence reports

The analysis of a total of 6,857 money laundering or terrorist financing cases was concluded in 2019. These cases relate not only to those opened in 2019 but there are also cases closed which were opened in 2018.

The cases closed in 2019 generated a total of 9,423 financial intelligence reports disseminated externally, up 17.5% on 2018, and 59.3% higher than in 2017 when 5,915 reports were generated. The table below shows the breakdown of these reports:

	2017	2018	2019
International cooperation	105	58	108
Judicial authorities and special public prosecution services	95	93	52
National Police	2,743	3,644	3,999
Civil Guard	1,648	2,879	3,593
National Fraud Investigation Office – Tax Revenue Service	1,078	1,111	1,209
Customs Department – Tax Revenue Service	165	163	397
General Secretariat of the Treasury and Financial Policy	0	6	1
Other agencies	81	68	64
SEPBLAC (provisionally closed)	1,409	1,409	1,592

The number of reports sent to the Civil Guard, which in 2019 were 24.8% higher than in 2018 and 118% higher than in 2017, is particularly significant. The reports sent to the National Police recorded an increase of close to 10% in 2019; they had already increased by 32.8% in 2018 with respect to 2017. These figures mean that both institutions received 80.6% of the total financial intelligence reports produced by SEPBLAC in 2019. Next in order are the 1,209 reports sent to the Tax Revenue Service's National Fraud Investigation Office which represent 12.8% of the total.

The cases 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, numbered 1,592.

5. Systematic reporting

The number of transactions included in systematic reporting (statutory monthly return) envisaged in Article 20 of Law 10/2010 grew by 48% from 2014 to 2017. There were more than 2 million transactions in 2017, this increasing trend has stabilised somewhat above this threshold and the number of transactions has held at around 2 million.

	2017		2018		2019	
	Transactions	Entities	Transactions	Entities	Transactions	Entities
Commercial banks	330,336	46	373,227	43	336,549	40
Savings banks	178	2	443	2	570	2
Credit cooperatives	6,836	46	8,094	44	7,228	43
Specialised lending institutions	5,056	2	10,216	4	12,005	6
Branches of foreign EU credit institutions	94,463	28	54,143	24	55,817	25
Branches of foreign non-EU credit institutions	1,849	4	2,016	4	2,142	3
Foreign EU credit institutions operating under the freedom to provide services	9	1	5	2	23	2
Electronic money institutions	65	1	804	1	2,513	1
Insurance companies (life insurance)	1,458	7	15	6	7	5
Insurance companies operating under the freedom to provide services (life insurance)	27	1	25	2	50	2
Securities firms and agencies	2,358	14	2,779	13	2,383	10
Branches of foreign EU investment firms	82	2	145	3	187	2
Collective investment institution management companies	271	13	372	11	1,520	11
Pension fund management companies	1	1	2	2	0	0
Venture capital fund management companies	18	5	16	5	25	6
Venture capital companies	2	1	0	0	2	1
Mutual guarantee companies	0	0	0	0	0	0
Investment companies	0	0	2	1	8	1
Payment institutions	1,735,096	32	1,541,889	28	1,505,416	31
Branches of payment institutions	4,559	2	11,824	2	24,756	2
Currency-exchange bureaux	8,699	9	10,277	8	8,235	9
Casinos	1,482	13	269	10	273	8
Banco de España	141	1	125	1	186	1
Customs Department – Tax Revenue Service	27,344	1	29,135	1	31,224	1
Official Credit Institute	81	1	73	1	67	1
Branches of electronic money institutions	0	0	0	0	481	2
General Council of Notaries	28	1	25	1	3	1
TOTAL	2,220,439	234	2,045,921	219	1,989,670	216

The application of the provisions of Article 27(1)(b) of the implementing regulations of Law 10/2010, requiring that obliged entities remitting money report to SEPBLAC transactions for an amount of more than €1,500 (reducing this threshold which previously stood at €3,000) largely contributed to the strong increase in previous years in total reported transactions. For this reason, payment institutions became the main source of reported transactions in the monthly returns, with a total of 1,739,655 in 2017. As from 2018, the number of transactions reported by these institutions, including branches, declined slightly to around 1.5 million, which is consistent with the decrease in total transactions. Banks are next in order of importance. The number of transactions they reported in 2018 was 13% higher than the total reported in the previous year and amounted to 336,549 transactions in 2019, a similar figure to that recorded in 2017.

For reasons other than their share of reported transactions as a percentage, certain obliged entities should be noted, whose total reported transactions in 2018 differ notably from the previous year. For electronic money institutions 2017 was their first year as reporting entities, with 65 transactions reported. Their total reported transactions in 2018 amounted to 804, representing a notable increase as a percentage. This figure tripled in 2019 and exceeded 2,500 transactions. By contrast, the number of transactions reported by branches of EU credit institutions, life insurance companies and casinos declined in 2018 and held at that level in 2019. Specialised lending institutions posted significant increases in percentage terms in 2018 and that trend continued in 2019. As for currency-exchange bureaux, which had shown a rising trend until 2018, their level of reported transactions in 2019 was similar to that in 2017. Lastly, albeit lower in percentage terms, the substantial increase in the reported transactions of collective investment institution management companies, from 372 to 1520, and the fact that the reported transactions of savings banks and credit cooperatives held at approximately a similar level, should be noted.

	2017	2018	2019
Cash transactions not recognised in a bank account (Art. 27(a) and (b) of the implementing regulations of Law 10/2010)	1,665,773	1,489,774	1,421,506
Transactions with or by residents of designated territories or countries (Art. 27(c) of the implementing regulations of Law 10/2010)	293,247	262,699	257,377
Transactions involving transfers of funds to or from designated territories or countries (Art. 27(c) of the implementing regulations of Law 10/2010)	396,651	362,792	316,410
Adjustment for transactions included in several categories simultaneously	-293,985	-217,765	-198,159
Subtotal	2,061,686	1,897,500	1,797,134
Means of payment movements (Form S1) (Art. 27(d) of the implementing regulations of Law 10/2010)	43,859	42,198	44,877
Transactions not executed (Ministerial Order EHA/2619/2006) (Art. 27(g) of the implementing regulations of Law 10/2010)	113,369	105,083	146,719
Other	1,525	1,140	940
TOTAL	2,220,439	2,045,921	1,989,670

In terms of the type of transactions reported, those 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, which amounting to 1,421,506 transactions, represent 71.4% of the total.

The above-mentioned transactions and those 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 Ministerial Order, of over €30,000, recorded a slight decline in percentage terms in 2018 and 2019 with respect to the previous year, which is consistent with that experienced by total transactions reported systematically.

The decrease in percentage terms in reports of means of payment movements in 2018 stood at 3.8%, similar to that recorded in the previous year; however, in 2019 they increased once more by 6.3% to a total of 44,877 transactions.

"Transactions not executed" are 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 cross-border transfer management activities, where the customer is unable or refuses to submit the necessary documentation. Following several years of significant growth (of more than 20%), they decreased by 7.3% in 2018 but grew significantly again in 2019 (by 39.6%), to a total of 146,719 transactions.

	2017	2018	2019
Entering Spain	7,175	7,629	8,060
Leaving Spain	9,216	9,419	9,945
Movements within Spain	3,543	2,540	2,742
Means of payment delivered to obliged entities	4,835	3,879	4,679
Means of payment withdrawn from obliged entities	6,439	5,209	4,873
Other (confirmation of entering/leaving)	12,651	13,522	14,578
TOTAL	43,859	42,198	44,877

Reports on cross-border movements of cash rose slightly in 2018 (by 6.3% for cash entering Spain and by 2.2% for cash leaving Spain) and increased once again in 2019 (by 5.6% in both cases). Movements of cash within Spain decreased once again in 2018, as in 2017 (on this occasion by 28.3%), and rose slightly in 2019 (by 8%).

Reports of both cash withdrawals and deposits at obliged entities continued to move on a declining trend verging on 19% in 2018, similar to that recorded in 2017. This trend was repeated in 2019 in the case of reports of cash withdrawals (down by 6.5%) but not so in the case of reports of cash deposits (up 20.6%).

ACTIVITY AS A SUPERVISORY AUTHORITY

In 2018 and 2019, SEPBLAC continued with an intensive level of supervisory and inspection activity.

	2017	2018	2019
Inspections	61	77	63
Specific supervisory actions	5	14	33
Requests for reports on the creation of entities	166	190	203
Requests for reports on the withdrawal of authorisation	0	0	4
Requests for reports on qualifying holdings	72	68	78
Requests for reports on amendment of articles of association	20	10	3
Requests for reports on structural changes	22	27	21
TOTAL	346	386	405

In 2018 and 2019, 386 and 405 actions were carried out, respectively, including inspections and specific supervisory actions, and the necessary reports on the creation of entities, the withdrawal of authorisation (only for payment institutions) and changes in shareholder structure, amendments of the articles of association or changes to the structure of financial institutions were prepared.

1. Inspections and supervisory actions

The decision as to what inspections to conduct applies a risk-based approach and methodology 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.

According to the strategy adopted, in drawing up its annual 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 exposure to the risk of money laundering and terrorist financing.

The inspections are generally thematic in nature: the scope of the inspections refers to the verification of compliance, for certain specific areas, with obligations under anti-money laundering and counter terrorist financing regulations and is the same for all obliged entities inspected 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 achieved in the various inspections of obliged entities making up these sectors can be compared.

Of the 77 inspections conducted in 2018, 66 were of obliged entities in the financial sector (11 were credit institutions, 51 were payment institutions, two were securities firms and two were insurance companies.) In 2019, 63 inspections were conducted, 52 of which were of this class of obliged entities (14 credit institutions, 36 payment institutions, one securities firm and one insurance company).

Inspections of credit institutions focused on: i) private banking customers' operations; ii) declaring accounts and relations with registers of financial ownership and iii) the statutory monthly transactions report. Without prejudice to the individual conclusions regarding each inspected institution, these inspections make it possible to obtain an overall picture of entities and to identify specific areas in which there appears to be a need for improvement in the banking system as a whole. In particular, aspects regarding the classification of customers by risk level, the application of due diligence measures and procedures for the detection, analysis and reporting of transactions, as well as internal control matters, particularly in private banking, stand out.

A total of 51 inspections of payment institutions were conducted in 2018 and 34 inspections of the activity in Spain of EU payment institutions operating under the freedom to provide services were conducted in 2019. These inspections focused essentially on determining their actual level of activity in Spain and formal compliance with anti-money laundering and counter terrorist financing obligations. Additionally, another two general inspections of payment institutions established in Spain were conducted in 2019.

Inspections of non-financial obliged entities were carried out in various sectors, both in 2018 and in 2019: law firms, auditors, real estate developers, online gambling entities, jewellers and cash-in-transit companies.

	2017	2018	2019
Credit institutions	14	11	14
Specialised lending institutions	5	0	0
Mutual guarantee companies	1	0	0
Electronic money institutions	2	0	0
Payment institutions	1	51	36
Currency-exchange bureaux	2	0	0
Investment services firms and collective investment institution management companies	5	2	1
Insurance companies, brokerages and pension fund management companies	4	2	1
Estate agents	5	0	0
Casinos, lotteries and online gambling	4	2	4
Auditors, accountants and tax advisers	1	1	0
Notaries and registrars	2	0	0
Lawyers	9	3	3
Jewellers	1	2	0
Art and antiques	4	0	0
Real estate firms	1	3	2
Cash-in-transit companies	0	0	2
TOTAL	61	77	63

Additionally, SEPBLAC performed certain specific supervisory actions in 2018 and 2019 leading to 47 reports (14 in 2018 and 33 in 2019) which included most notably: 14 monitoring reports on the activity of seven credit institutions relating to their customers' high-risk operations in the form of cash deposits subsequently transferred abroad (the

reports' purpose being to assess the practical effectiveness of the measures adopted by the institutions to address the shortcomings detected in the corresponding inspections); 13 reports to verify institutions' compliance with requirements; 2 reports of suspicious activity and risk analyses performed relating to the activity in the Campo de Gibraltar of seven credit institutions, two payment institutions and two centralised prevention bodies; one sectoral report on the activity in Spain of EU payment institutions operating under the freedom to provide services; and one report on existing remote identification practices based on selfies or video selfies.

2. Cooperation with prudential supervisors

The Executive Service cooperates with national and foreign prudential supervisors in order to ensure that action is coordinated. Thus, as a result of the cooperation and collaboration agreements entered into with the Banco de Espana, the CNMV and the DGSFP, meetings are held regularly and information is exchanged frequently.

Similarly, as from 10 January 2019 when the multilateral agreement on the practical arrangements for information sharing with the European Central bank came into force, information has been shared on significant institutions under this agreement.

3. International cooperation in supervision

In the international arena, under the new Article 48 bis of Law 10/2010, in 2018 SEPBLAC stepped up its participation in several international fora on the supervision of the prevention of money laundering and terrorist financing (particularly, in working groups and committees of European supervisory authorities and the European Banking Authority), as well as cooperation activities with other European supervisors which are competent in the area of the prevention of money laundering and terrorist financing.

	2018	2019
Information sharing with other national competent authorities (NCAs)	33	21
Cooperation in the supervisory actions of other NCAs	1	2
Supervisory colleges	0	3
TOTAL	34	26

4. Supervisory authorisation procedures

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 under current legislation include:

4.1 Reporting on the adequacy of internal control measures envisaged in the programme of activities (Article 45(4)(i) of Law 10/2010 of 28 April 2010) during procedures to create financial institutions.

Under the sectoral legislation on gambling (Law 13/2011 of 27 May 2011 and Royal Decree 1614/2011 of 14 November 2011), SEPBLAC issues a report, at the request of the Directorate General for Gambling, in procedures for awarding general online gambling licences regarding the adequacy of the license applicant's anti-money laundering and counter terrorist financing procedures.

The reports issued by SEPBLAC during procedures to create institutions formally analyse the adequacy of the internal control measures on anti-money laundering and counter terrorist financing envisaged in the programme of activities; the effectiveness of the procedures and the prevention bodies described in the documentation submitted are subject, in any event to their actual implementation, their suitability for the activity performed in practice by the company and potential checks that SEPBLAC might carry out in the exercise of its supervisory and inspection functions.

The amendment of Article 155(b) of the Consolidated Text of the Securities Market Law by paragraph 21 of the sole article of Royal Decree-Law 14/2018 of 28 September 2018, has meant that the CNMV also requests a report from SEPBLAC in procedures for the creation of investment firms. The purpose of this report is to obtain a proper assessment of whether there are reasonable grounds for suspecting, in connection with authorisation as an investment firm, that money laundering or terrorist financing activities are being carried out, have been carried out or attempts have been made to carry them out, or that authorisation as an investment firm could increase the risk that these offences are committed

The number of reports requested from SEPBLAC on the setting up of financial institutions and on the awarding of online gambling licences for 2017 to 2019 are as follows:

	2017	2018	2019
Banco de España	100	91	97
National Securities Market Commission	51	69	50
Directorate General of Insurance and Pension Funds	2	2	1
General Secretariat of the Treasury and International Financing	13	24	3
Directorate General for Gambling	0	4	52
TOTAL	166	190	203

4.2 Reporting in procedures to withdraw the authorisation of payment institutions.

Under Article 18(2) of Royal Decree-Law 19/2018 of 23 November 2018 on payment services and other urgent financial measures, the Banco de España has the power to withdraw the authorisation for payment institutions operating in Spain, subject to the same proceeding envisaged for their authorisation and registration in Article 11 of the Royal Decree-Law, which indicates that the Banco de España shall be responsible, based on a report issued by SEPLAC in its areas of competence, for authorising the creation of payment institutions.

The mandatory reports issued by SEPBLAC in procedures for the withdrawal of authorisation to operate as a payment institution assess the actions performed by the payment institution regarding the termination of its activities in order to ensure that

these actions do not increase the risk of the occurrence of money laundering or terrorist financing transactions.

Since the above-mentioned Royal Decree-Law came into force in November 2018, the Banco de España has requested the following number of reports from SEPBLAC on the withdrawal of authorisation of payment institutions:

	2017	2018	2019
Banco de España	0	0	4
TOTAL	0	0	4

4.3 Reporting on procedures concerning the prudential assessment of acquisitions of and increases in qualifying holdings in the financial sector (Article 45(4)(j) of Law 10/2010 of 28 April 2010).

In these procedures SEPBLAC must assess whether there are reasonable grounds to suspect, in connection with the acquisition of or increase in qualifying holdings, that money laundering or terrorist financing activities are being performed or have been performed or attempts have been made to perform them, or that the acquisition of or increase in the qualifying holding could increase the risk of these offences being committed.

The following table includes the reports requested from SEPBLAC regarding acquisitions of and increases in qualifying holdings in financial institutions from 2017 to 2019:

	2017	2018	2019
Banco de España	14	11	19
National Securities Market Commission	44	41	54
Directorate General of Insurance and Pension Funds	14	16	5
TOTAL	72	68	78

4.4 Reporting on amendments to articles of association of payment institutions (Article 6 of Royal Decree 736/2019 of 20 December 2019 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 the above-mentioned respective legislation, which states that the Banco de España shall have responsibility for authorising the creation of payment institutions and electronic money institutions, based on a report issued by SEPBLAC in its areas of competence.

The reports issued by SEPBLAC in procedures relating to amendments to articles of association are based on performing an assessment of the possible implications of the amendment for the institution's money laundering and terrorist financing risk, by verifying that this amendment is accompanied, where appropriate, by the necessary changes in internal control measures so that any possible increase in the above-mentioned risk is mitigated.

The breakdown of the reports on amendments to articles of association requested from SEPBLAC from 2017 to 2019 is as follows:

	2017	2018	2019
General Secretariat of the Treasury and International Financing	20	10	0
Banco de España	0	0	3
TOTAL	20	10	3

4.5 Reporting on structural modifications i.e. mergers, spin-offs or transfers in whole or in part of assets and liabilities involving a bank or payment institution; transformations, mergers or the transfer in whole or in part of assets and liabilities involving an insurance company or any agreement having similar economic or legal effects to those above in which the aforementioned entities are involved.

According to additional provision 12 of Law 10/2014 of 26 June 2014 on the regulation, supervision and solvency of credit institutions (for banks) and Article 90 of Law 20/2015 of 14 July 2015 on the organisation, supervision and solvency of insurance and reinsurance undertakings (for insurance companies), the Minister of the Economy shall be responsible for authorising structural modifications.

Likewise, as provided by Article 7 of Royal Decree 736/2019 of 20 December 2019 on the legal regime governing payment services and payment institutions, and according to the procedure laid down in Article 1 of the same Royal Decree, the Banco de España shall be responsible for authorising mergers, spin-offs or transfers in whole or in part of assets and liabilities or the adoption of any agreement having similar economic and legal effects to those above in which a payment institution is involved.

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

The reports issued by SEPBLAC in structural modification procedures assess the possible changes to internal control measures on anti-money laundering and counter terrorist financing which might be involved by the structural modification required, checking whether these changes involve an increase in the risk of money laundering or terrorist financing, and whether the necessary measures, where appropriate, are adopted to monitor this potential risk.

The breakdown of the reports on structural modifications requested from SEPBLAC from 2017 to 2019 is as follows:

	2017	2018	2019
General Secretariat of the Treasury and International Financing	18	21	16
Directorate General of Insurance and Pension Funds	4	6	4
Banco de España	0	0	1
TOTAL	22	27	21

Note that 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.

In any event, the effectiveness of the anti-money laundering and counter terrorist financing bodies and procedures of the entities on which reports are requested, whether as a result of creation, acquisition of or increase in 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 file 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 2017, 2018 and 2019 was as follows:

	31 December 2017		31 December 2018		31 December 2019	
Obligated entities in effect	155		147		146	
Different persons (*)	54,247,850		56,466,111		57,741,096	
Of which: Natural persons (*)	50,386,473		52,336,287		53,454,877	
Of which: Legal persons (*)	3,861,377		4,129,824		4,286,219	
Total accounts and deposits	129,842,227		141,584,169		149,832,006	
Subtotal in effect	100,267,584	77.22%	95,643,270	67.55%	93,849,678	62.64%
Subtotal cancelled	29,574,643	22.78%	45,940,899	32.45%	55,979,401	37.36%
Type of involvement in effect	Natural persons	Legal persons	Natural persons	Legal persons	Natural persons	Legal persons
Account holders	131,825,687	7,028,389	124,209,390	6,871,945	120,923,771	6,587,366
Proxies	36,043,846	0	35,202,441	0	34,763,144	0
Beneficial owners	8,416,995	0	8,637,634	0	9,125,883	0
Representatives	7,154,816	42,900	7,519,181	38,843	7,395,296	39,225
Other types of involvement	1,942,463	101,232	1,206,065	104,174	491,759	97,567

(*) 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 General Tax Law 58/2003 of 17 December 2003.

The register of financial ownership can be accessed and consulted online and the results are obtained immediately 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. The total number and detail of the consultations by authorised bodies between 2017, the FTF's first full year following its launch, and 2019 are as follows:

Total consultations			Consultations by product			Consultations by party		
2017	2018	2019	2017	2018	2019	2017	2018	2019
6,221	14,640	17,225	1,526	6,553	4,770	4,695	8,087	12,485

It should be noted that in April 2018 a new function was enabled allowing the authorities to perform multiple consultations by importing a file. This new function makes multiple account or party consultations, performed as part of the same proceeding or investigation, faster by avoiding the need to perform such consultations individually.

3. Legislative changes

Directive (EU) 2018/843 of the European Parliament and of the Council was adopted on 30 May 2018, laying down that Member States shall put in place “centralised automated mechanisms, such as central registries or central electronic data retrieval systems, which allow the identification, in a timely manner, of any natural or legal persons holding or controlling payment accounts and bank accounts”.

Spain was one of the first countries to have a mechanism satisfying the characteristics required under the European legislation. Consequently, in 2018 and 2019 several other countries requested detailed information on the process followed when defining and constructing the mechanism, and on SEPBLAC's experience in operating and managing the FTF.