FATF

Anti-money laundering and counter-terrorist financing measures

Spain

Follow-up assessment

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Table of contents

5th Year Follow-Up Assessment Report of Spain

1. INTRODUCTION

1. The mutual evaluation report (MER) of Spain was adopted on 23 October 2014. Based on this comprehensive assessment of its anti-money laundering and counter-terrorist financing measures, Spain was placed on regular follow-up. Spain strengthened its technical compliance with the FATF Recommendations since its 2014 assessment and was re-rated on three Recommendations (R.5, 16 and 39) as noted in Spain's first regular follow-up report (FUR) adopted on 22 February 2018. Spain was also found generally compliant with FATF Recommendations 5, 7 and 8, which had changed at the time of Spain's FUR.

2. The 2014 MER and the 2018 FUR have been published and are available at https://www.fatf-gafi.org/countries/#Spain.

3. Spain also made progress to strengthen the effectiveness of its AML/CFT system; this FUAR provides a targeted and comprehensive update of such progress, focusing on the following Immediate Outcomes (IOs) rated Moderate, in areas of higher risk and materiality: IO.4, IO.10 and IO.11. In particular, this assessment focuses on the country's progress to address the Priority and the Recommended Actions related to these scoped IOs and R.21, as it relates to one of the Recommended Actions in IO.4.

4. This FUAR is based on the 2012 FATF Recommendations and prepared in line with the FATF Procedures[1] and 2013 Methodology. The assessment team took into account the changes to the FATF Methodology including the MER template and footnotes added to IO.4 on how to assess the relative importance of the different sectors of financial institutions (FIs) and designated non-financial business and professions (DNFBPs) when assessing IO.4. In addition, the assessment team examined changes to IO.10, following revisions to R.8 with regard to NPOs, as part of the assessment of Priority and Recommended Actions related to IO.10.

5. The follow-up assessment report (FUAR) is also based on the information provided by Spain, and information obtained by the evaluation team, particularly during the on-site visit from 4-7 June 2019.

6. The follow-up assessment (FUA) was conducted by an assessment team consisting of: Mr. Diego Bartolozzi, Senior Advisor, Financial Intelligence Unit Italy (Financial Expert), Mr. Gustavo Elhim Vega, Director General of Regulatory Affairs, Financial Intelligence Unit Mexico (Financial Expert), and Ms. Alejandra Quevedo, Deputy Executive Secretary, Financial Action Task Force of Latin America (GAFILAT), supported by Diana Firth and Ivan Uvarov, Policy Analysts, FATF Secretariat.

[1] Paragraphs 101 and 102 of the FATF Procedures.

2. EFFECTIVENESS AND COMPLIANCE RATINGS

7. The MER rated Spain as follows for Effectiveness:

Table 1. Effectiveness Ratings

IO.1	IO.2	IO.3	IO.4	IO.5	IO.6	IO.7	IO.8	IO.9	IO.10	IO.11
SE	SE	SE	ME	SE	HE	SE	SE	SE	ME	ME

Note: There are four possible levels of effectiveness: High (HE), Substantial (SE), Moderate (ME) and Low (LE).
Source: Spain's 2014 MER.

8. The MER and subsequent follow-up report (FUR) rated Spain as follows for technical compliance:

Table 2. Technical Compliance Ratings

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

Note: There are four possible levels of technical compliance: compliant (C), largely compliant (LC), partially compliant (PC) and non-compliant (NC). In rare cases, a Recommendation may be not applicable (N/A). Ratings marked with an asterisk (*) were re-rated after the MER was adopted and in the course of the follow-up process.
Source: Spain's first Regular Follow-up Report and Technical Compliance Re-Rating.

3. ML/TF RISKS AND CONTEXT

9. The general situation of Spain (meaning its size, territorial makeup, population, GDP and constitutional structure) and context has not changed substantially since its 2014 assessment. This section provides a brief update on a few changes that have occurred since Spain's 2014 ME, as they relate to the IOs within the scope of this follow-up assessment (especially IO.4 and IO.11). For more detail on those aspects that remain substantially the same, see Chapter 1 of Spain's MER.

10. Spain's economy demonstrates resilience and certain signs of recovery from the recession of past years. Spanish gross domestic product grew above the euro area average since 2015 to about EUR 1.17 trillion in 2017.[2] Following these positive trends in the economy, the Spanish banking system has been steadily progressing and has strengthened its solvency.[3]

3.1. Overview of ML/TF Risks

11. Spain continues to be exposed to organised crime due to its geostrategic position as a point of access to the European Union. As a consequence, the main ML threats are related to the activities of Organised Criminal Groups (OCGs) based in North Africa, Latin America and the former Soviet Union involved in drug crimes, organised crime, tax and customs offences, as well as counterfeiting and human trafficking. Risks emanating from the OCGs operating in the Campo de Gibraltar area have become of increased focus by authorities.

12. Lawyers, the real estate sector, and some other types of designated non-financial business and professions (DNFBPs) remain vulnerable to ML, while the situation in the money or value transfer services (MVTS) sector improved since the adoption of the MER. Spain identified cases of virtual assets being used for ML and TF that confirmed this as an emerging area of focus for Spanish authorities.

13. Euskadi Ta Askatasuna (ETA) ceased its terrorist activities in 2011 and made a formal announcement of dissolution in early 2018. Spanish authorities continue to adequately control and monitor any emerging activity.

14. Spain continues to face a high risk of TF from Islamic terrorist groups, including a slight increase in the risks of returning foreign terrorist fighters. Risk of radicalised individuals, supporting terrorist organisations by providing funds, including through the misuse of MVTS providers, remains to be among the key challenges for the competent authorities of Spain. Some types of NPOs continue to be vulnerable to TF abuse as well.

3.2. Country's risk assessment

15. As noted in its 2014 MER, Spain relied upon a wide variety of reasonable, internally consistent and well-supported risk assessments addressing various aspects of Spain's ML/TF risks. During 2018 and the beginning of 2019, Spanish authorities undertook a single, comprehensive National Risk Assessment (NRA) to cover all relevant threats and vulnerabilities and serve as an institutional basis for further

[2] European Commission - Spring 2019 Economic Forecast – Spain, available at: https://ec.europa.eu/info/sites/info/files/economy-finance/ecfin_forecast_spring_070519_es_en_0.pdf

[3] Financial System Stability Assessment of Spain, IMF, 2017, available at: www.imf.org/~/media/Files/Publications/CR/2017/cr17321.ashx

actions by the competent authorities, to mitigate ML/TF risks. The results of the NRA will be shared with the private sector once approved (which is expected to happen by the end of 2019).

3.3. Materiality, Structural Elements & Other Contextual Factors

16. The materiality—meaning the size and general makeup of the economy and of the financial and DNFBP sectors—as well as the main structural elements and contextual factors of Spain have not substantially changed since the MER. However slightly updated information is offered regarding the composition and weight of the financial and DNFBP sectors in section 3.6 on Financial sector and DNFBPs below.

17. It is relevant for the purposes of the re-assessment of IO.11, to take into account Spain's context, where Spain's exposure to PF risk emanating from the Democratic People's Republic of Korea (DPRK) and Iran has changed since its 2014 assessment. Trade volumes with DPRK are negligible and exports of dual use materials to Iran have decreased (by 80%). As noted in Spain's first follow-up report, Spain also limits the type and number of bank accounts that both the DPRK Embassy and its officials can handle (only one account per mission, post and member may be authorised).[4] Exports to DPRK of any defence and dual use materials as well as luxury goods are prohibited and exports to Iran are in any case subject to strict follow-up by authorities under a special exporting regime ("catch-all" clause).[5]

3.4. AML/CFT Strategy

18. Spain has been strengthening its strategy for combatting ML/TF since its 2014 assessment. To address the deficiencies identified in its MER, Spain implemented a set of actions that sought to cover both technical deficiencies and improve effectiveness. These actions included amending and adopting new regulation and establishing new bodies as detailed in section 3.5 below on Legal and Institutional Framework.

19. On 22 February 2019, Spain published its 2019 National Strategy against Terrorism (which replaces the Strategy from 2012) which includes a focus on combatting TF and the financing of proliferation of weapons of mass destruction. A national plan focusing on TF (the Strategic National Plan on Financing of Terrorism) was underway at the time of the follow-up assessment onsite visit and the Commission for the Prevention of Money Laundering and Monetary offences approved a Strategy on TF Prevention in 2018.[6]

3.5. Legal and Institutional Framework

20. Some changes to the legal and institutional framework of Spain are relevant to the IOs falling within the scope of the follow-up assessment.

21. It is relevant for the re-assessment of IO.4, that RD 304/2014 supplementing the AML/CFT Law (Law 10/2010) was issued on 6 May 2014 (i.e., during Spain's 2014

4 Regulation (EU) 2017/1509 concerning restrictive measures against the Democratic People's Republic of Korea and repealing Regulation (EC) No. 329/2007.

5 Estadísticas Españolas de Exportación de Material de Defensa, de otro material y de productos y tecnologías de doble uso Año 2017.

6 www.cpbc.tesoro.es/sites/default/files/estrategia_de_prevencion_de_la_financiacion_del_terrorismo.pdf

assessment onsite visit; the assessment team was not fully able to assess implementation at that time). Spain created a National Registry of Foundations and a Centralised Body for the Prevention of ML/TF of the Council of the Companies, Land and Personal Property Registrars (CRAB)[7] after its 2014 assessment. *EU Wire Transfer Regulations (2015/847)* have been applicable in Spain since 2017 and include requirements regarding the originator (payer) and beneficiary (payee) information.

22. Several initiatives that were not finalised or had only been made available shortly before the time of the 2014 assessment, such as having a consolidated domestic PEPs database and a bank account database (Fichero de Titularidades Financieras)[8] with information on all customer's banks and securities accounts in Spain, became fully operational after Spain's 2014 assessment onsite. These were generally considered useful by FIs, DNFBPs and authorities interviewed as part of the follow-up assessment.

23. On May 2015, Spain issued RD 413/2015 further developing the role of the Commission for the Surveillance of Terrorist Financing Activities (Watchdog Commission) which serves as a domestic mechanism for TF-related targeted financial sanctions (TFS). With respect to proliferation financing (PF), Spain issued *RD 679/2014* that regulates the composition and powers of the Inter-Ministerial Board of Foreign Trade and Control of Defence and Dual Use Material (JIMDDU) and the National Security Council *Order PRA/29/2018* that provides establishment and regulations for the Specific Non-Proliferation Committee of Weapons of Mass Destruction. *RD 304/2014* mentioned above gave the Council of Ministers[9] of Spain powers to implement TFS with respect to TF and PF.

3.6. Financial sector and DNFBPs

24. The financial sector of Spain remains dominated by banks that accumulated EUR 2.74 trillion assets as of 2016, representing 68% of the total assets held by all FIs in Spain, even as the number of banks continued to decrease.[10] At the beginning of 2019, there were 54 domestic banks registered in Spain, as well as 76 EU banks and 3 non-EU banks operating in Spain through their branches. Banks are also engaged in providing other types of financial services, such as insurance and investments. The banking sector remains the strongest financial sector in Spain, in terms of compliance and controls. As in the time of the 2014 assessment, the banking sector is weighted as the most important sector in the context of Spain's follow-up assessment, based on its materiality and risks. Further details on the banking sector and other FIs (as of 31 December 2018) are presented in Table 3 below.

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7 The AML Centre of the Spanish Registers (CRAB) was formally created by *Order ECC 2402/2015*, 11 November 2015, but informally commenced work since 2011 with support from the Ministry of Economy and SEPBLAC.

8 The bank account database (Fichero de Titularidades Financieras) is a database that contains information on all customer's bank and securities accounts in Spain. It is updated monthly by FIs and includes the date of the account opening, account holder's name, name of the beneficial owner and the name of the FI and branch location. This database is under control of SEBPLAC and is operational since 2016.

9 The government of Spain is comprised of the President of the Government and the *Council of Ministers* designated by the President.

10 Financial System Stability Assessment of Spain, IMF, 2017 available at: www.imf.org/~/media/Files/Publications/CR/2017/cr17321.ashx.

25. Spain's 2014 MER identified the MVTS sector as one of the most exposed to ML risks. Controls have since been improving in the sector. There are 41 domestic and 9 EU MVTS companies operating in Spain that had executed more than 20 million outgoing transfers in 2017 totalling EUR 5.68 billion, including to countries considered high-risk by authorities (although this has decreased since 2014). On this basis, the MVTS sector is moderately important in Spain's follow-up assessment context.

Table 3. FIs as of 31 December 2018

	Number		Balance (EUR million)	Assets under management (EUR million)
	Subtotal	Total		
Core Principles FIs				
Banks (Banks and saving banks)		54	2 146 929	
National banks	35		2 093 874	
Subsidiaries of foreign banks	19		53 055	
Securities (Broker-dealers, Dealers and Portfolio Managers)		90		4 824
Insurers (Life insurance) (a)		104		180 469
Other FIs				
Credit Co-operatives		61	139 389	
Credit Finance Institutions (EFC)		39	60 709	
Collective Investment (b) (d)		119		290 348
Pension Funds (c)		80		105 889
Mutual Guarantee		18	1 282	
Payment Entities (MVT)		41	2 376	
E-money		5	109	
Private Equity		121		8 347
Bureaux de change		291	0	
Entities licensed to Buy & Sell foreign currency	15			
Entities licensed to Buy foreign currency (e)	276			
Branches of foreign FIs				
EU Banks		76	107 456	
Non-EU Bank		3	3 147	
EU Securities		61		78
EU Insurers		18		3 967
EU Collective Investment		19		0
Payment Entities (MVT)		12	769	
EU E-money		4	106	

Notes:
(a) Entities integrated in banking groups have a 65% market share.
(b) Entities integrated in banking groups have a 66% market share.
(c) Entities integrated in banking groups have a 73% market share.
(d) These data include 17 management companies of investment funds that also manage Private Equity vehicles with EUR 2 130 million under management.
(e) 2 787 registered in Bank of Spain. Related to the tourism sector, 2 511 businesses may buy foreign currency as an ancillary activity.

26. The DNFBP sector is subject to AML/CFT measures in Spain and includes a variety of different companies and professionals. An explicit assessment of the size of the DNFBP sector is not available but the sector is generally considered to be smaller than the financial sector.

27. There are 2 794 notaries registered in Spain, who continue to play an important role in the DNFBP sector, as they are involved in most of the transactions related to company formation and transfers of real estate. Notaries are weighted by the assessment team as the most important DNFBP in Spain's context based on their materiality and risks, as well as the level of compliance and controls.

28. According to the General Council of Lawyers there are 154 583 lawyers in Spain, however, only approximately 400 firms and individual lawyers seem to be performing the activities covered by the FATF Standards and therefore appointed a representative to the Executive Service of the Commission for the Prevention of Money Laundering and Monetary Offences (SEPBLAC). Lawyers are weighted as moderately important by the assessment team.

29. Trust and Company Services Providers (TCSPs) in Spain are weighted as less important, particularly taking into account actions taken by authorities to understand the risk of such activities in Spain. Trust and company formation services are normally also provided by lawyers, however recent changes in Spanish legislation request such professionals to register separately. There were at least 21 professionals and companies separate from lawyers, who had already appointed a representative to SEPBLAC declaring to specifically provide trust and company services in Spain, as of the time of the follow-up assessment onsite.

30. There are 4 219 real estate agents in Spain which is a slight decrease from 4 227 existing at the time of the ME. They continue to be a significant DNFBP sector in Spain and at high risk of ML as in the time of the 2014 assessment.

Table 4. DNFBPs as of 31 December 2017

	Number	
	Subtotal	**Total**
Casinos and gambling		**105**
Casinos	**53**	
Lotteries and games of chance	**52**	
Legal professionals		**4 074**
Notaries	**2 794**	
Registrars	**1 280**	
Lawyers (a)		
Auditing		**2 210**
Accountants & Tax advisors		**1 215**
Trust and Company Service Providers		**21**
Real estate agents		**4 219**
Dealers in precious metals or stone		**1 537**

Note: (a) General Council of Lawyers. 154 583 lawyers in Spain. Performing activities foreseen in the AML/CFT Law: estimated by surveys conducted by General Council; near 400 firms or individual lawyers declared to be performing those activities.

4. OVERVIEW OF PROGRESS TO IMPROVE EFFECTIVENESS

31. Spain made progress to address the Priority and Recommended Actions identified in the 2014 MER in relation to the following Immediate Outcomes and Recommendations:

- IO.4 (originally rated Moderate)
- IO.11 (originally rated Moderate)
- R.21 (originally rated Compliant)

32. Because of this progress, Spain is re-rated to a Substantial level of effectiveness in IO.4 and 11, and maintains the rating of C in R.21. The FATF welcomes the steps that Spain has taken to improve its level of effectiveness with IO.10; however, Spain needs to make further progress to justify a re-rating.

4.1. Preventive Measures (Immediate Outcome 4) originally rated *Moderate*

33. At the time of Spain's 2014 assessment, the MVTS sector required further work, especially given concerns about unregistered MVTS and banks' understanding of the risks associated with MVTS. Supervisors needed to intensify inspections and conduct outreach to the legal and TCSP sector to raise awareness on ML/TF risks and AML/CFT obligations. Some measures, such as having a domestic PEP database, a bank account database and new wire transfer regulations, were approved during Spain's 2014 assessment onsite or after and their implementation was therefore not considered in the assessment of effectiveness in the 2014 MER.

34. IO.4 is the subject of three related Priority Actions (some of which were not subject of this assessment as they relate to IO.3) and eight specific Recommended Actions relating to effectiveness. In addition, IO.4 included one Recommended Action related to technical compliance. Below is an analysis of progress made on each Priority and Recommended Action relevant to this IO.

35. The assessment team's conclusions on IO.4 are based on interviews with a range of private sector representatives, including significant representation from banks, MVTS, notaries, real estate agents and lawyers, as the most important (banks and notaries) and moderately important (MVTS, lawyers, registrars, jewellers and real estate agents) sectors, respectively, for Spain. The assessment team also relied on the findings from enforcement actions and input from supervisors and professional associations, including reviews completed by SEPBLAC, the General Council of Notaries Centralised Prevention Unit (OCP) and the AML Centre of the Spanish Registers (CRAB), as well as information on materiality and risks of each sector provided by Spanish authorities.

4.1.1. Intensifying the supervision of DNFBPs to improve AML/CFT Controls [MER p.9, para.14, p. 100 and 101, paras. 5.79 and 5.84]

Priority Action from the 2014 assessment

- *Intensify supervision of lawyers, real estate agents and TCSPs.*

Recommended Actions from the 2014 assessment

- *Reflecting the relative strength of AML/CFT controls applied by the banking sector and notaries, Spain should prioritise measures to improve AML/CFT controls in the other sectors, particularly among DNFBPs.*
- *Supervisors should intensify outreach and inspection of the legal and TCSP sectors, and in particular raise awareness of risks and AML/CFT obligations among members of these professions. Authorities should work with the representative associations of these professions to consider how to do this.*

36. Since the time of its 2014 assessment, Spain intensified inspections and other supervisory measures to improve the AML/CFT controls of DNFBPs, particularly lawyers, real estate agents and TCSPs.

37. As in the time of the 2014 assessment, SEPBLAC (Spain's FIU) remains the AML/CFT supervisor for all FIs and DNFBPs and continues to apply a risk-based approach to supervision, which was described as highly sophisticated, and appearing to be effective since the time of the 2014 assessment.[11]

38. Following this risk-based approach, SEPBLAC's inspections of lawyers considerably increased from the time of its 2014 assessment. Forty-two inspections of law firms covering several lawyers were conducted, while at the time of the 2014 assessment, Spain had not commenced onsite inspections of the legal profession (see paragraph 6.33 of the 2014 MER).

39. SEPBLAC also carried-out other supervisory actions with regard to lawyers, real estate agents and notaries, which included offsite reviews through external audit reports.

40. SEPBLAC assessed 17 law firms (including around 2 934 lawyers in 2017 and 3 045 lawyers in 2018) between 2016 and 2018, based on external auditor reports. The results of this assessment underlined that lawyers needed improvements especially as concerns the identification of customers and beneficial owners and the analysis of suspicious transactions. SEPBLAC's assessment reached similar conclusions on the quality of STRs received from lawyers, with slight improvement shown on the timeliness of the STRs received since the time of the 2014 assessment.

41. Onsite and off-site supervision activities were concluded by the request to put in place adequate remedial actions, which have been further assessed and tested.

42. The number of inspections of TCSPs also increased; six inspections in total - the most recent carried out in 2015- while no inspections, sanctions or remedial

[11] See paragraph 6.13 of the 2014 MER.

actions were reported at the time of Spain's 2014 ME, although some concerns exist with regard to coverage of the sector as explained below.

43. Spanish authorities argue that the category of TCSP does not exist per se in Spain, and that lawyers provide these services for the most part and hence there is no need to conduct separate inspections for other companies providing these services, especially following a risk-based approach.

44. However, the assessment team does not fully agree with this view considering, among other things, that Spain established a TCSP registry[12] which will become fully enforceable only in September 2019 and that there are already several TSCPs (different from lawyers or legal firms) that have already appointed an AML representative to SEPBLAC which portray a significant volume of income and employees.

45. SEPBLAC conducted 39 inspections of real estate agents since 2014 and 9 firms were sanctioned (fined and reprimanded; see Table 5 below) (while only one disciplinary procedure was reported in the 2014 MER and no inspections had taken place). During 2017 to 2018, 291 control actions[13] (i.e. remedial actions) were undertaken regarding the fulfilment of different AML/CFT obligations. This represents a clear improvement in the intensity of the supervision of this sector.

46. For jewellers, since the 2014 assessment, SEPBLAC conducted six inspections and has conducted outreach to the sector. Inspections resulted in sanctions for a total of EUR 360 000. Exchanges between the authorities and jewellers contributed to the identification of a new ML typology in the sector, which was shared with the assessment team.

Table 5. SEPBLAC's inspections of Lawyers, TCSPs and Real Estate agents

	2014	2015	2016	2017	2018	Total	Total sanctions (fines & reprimands) (1)	Total remedial action required (2)	TOTAL
Lawyers	13	2	15	9	3	42	5	4	9
TCSPs	2	4	0	0	0	6	0	0	0
Real Estate	13	12	5	6	3	39	10	1	11
Total	28	18	20	15	6	87	15	5	20

Note:
(1) For lawyers, 3 in 2014, none in 2015, 2017 or 2018 and 2 in 2016. For real estate, 3 in 2014, 4 in 2015, 2 in 2016, none in 2016 and 1 in 2018.
(2) Remedial actions are separate from sanctions and reprimands. For lawyers, none in 2014-2016, 3 in 2017 and 1 in 2018. For real estate, one in 2018 only.

12 *Royal Decree Law 11/2018* was issued after the 2014 ME and among others, imposed a separate registration requirement for professionals (i.e. including Lawyers) and companies who offer TCSP services to register in the Companies Registry, at the time of the follow-up assessment on-site visit 21 lawyers and other companies were registered.

13 The breakdown of such remedial actions is as follows: (i) ensuring nomination of representative to SEPBLAC (141 actions); (ii) internal control measures (24 actions); (iii) information requirements (105 actions), issues related to STRs (13) and others (8).

47. Spain's strengthening of supervisory actions for lawyers, real estate agents and TCSPs also included training and outreach both by SEPBLAC and by professional associations, such as the General Council of Lawyers. These actions geared at improving DNFBPs' understanding of their risks and obligations are described further below.

48. Notwithstanding the progress made in supervisory efforts, minor issues remain with regard to adequately covering lawyers and TCSPs. Spanish authorities estimate that only 400 lawyers perform activities subject to AML/CFT requirements based on the number of law firms which appointed a representative to SEPBLAC. This does not consider that within each law firm, (some of which have up to 900 lawyers), each professional could perform the activities subject to the FATF Standards independently, leaving some doubts on the actual number of legal professionals to be considered obliged entities.

49. Considering the above, Spanish authorities need to continue increasing their supervisory efforts, especially in the TCSP sector, once the new TSCP register is operational and offers reliable information on the real size of the sector. Importantly, from an IO.4 perspective, even though the assessment team recognises the work done with the sector by the authorities and progress by the sectors, lawyers, real estate agents and TCSPs need to continue working on improving their level of compliance with AML/CFT obligations. **These Priority and Recommended Actions are largely addressed.**

4.1.2. Conduct outreach to banks and MVTS to better address the risks [MER p.9, para. 14, p.100, para. 5.80]

Priority Action from the 2014 assessment

- *Fill the gaps in supervision of MVTS operators, through proactive measures to identify and sanction unlicensed MVTS operators; and working with foreign counterparts to ensure adequate supervision of MVTS operating under passporting rules. Conduct outreach to: MVTS on the potential risks posed by their own customers, and how to mitigate them in line with the risk-based approach (RBA); and to banks on where the specific risks lie in Spain's MVTS sector, how to mitigate those risks in line with the RBA, and encouraging them to provide banking services to MVTS on that basis.*

Recommended Action from the 2014 assessment

- *Spain should enhance its dialogue with the MVTS sectors to enable operators to better understand the risks to which they may be exposed by certain types of customer and business, and how to mitigate those risks in line with the RBA. Spain should also conduct outreach to the banking sector to ensure that there is a good understanding of the specific risks and risks mitigation measures in Spain's MVTS sector, and to encourage banks to continue to provide banking services and apply AML/CFT controls to the relationships with MVTS providers commensurate with the level of identified risks and in line with the RBA.*

50. Authorities consider the risks of the MVTS sector as "high", which is different from the time of the 2014 assessment when MVTS were considered a "very high risk" sector. Both Spanish authorities and the private sector entities interviewed, including banks themselves, attributed this change in the level of risk to mitigation measures put in place by the authorities, including the recourse to the register of "bad agents"[14] (in place at the time of Spain's 2014 assessment) and enhanced supervision. The assessment team agrees with this view.

51. SEPBLAC carried out a specific MVTS risk analysis in 2018 using data available from its functions as both supervisor and FIU. The results of this analysis show a decrease in the medium amount of money remittances (from EUR 306 in 2010 to EUR 274 in 2017) despite an increase of the total amount transferred (see Table 6 below) and notably, a decrease in transfers to countries considered by Spain as high-risk for ML/TF, according to statistics shared with the assessment team. This may be in part a consequence from increased supervisory action, which resulted in better management of risks related to MVTS.

[14] The MVTS industry holds a register of high-risk agents (or the so-called "bad agents"), through which MVTS providers can share alerts with each other about potential bad actors; see para. 5.34 of the 2014 MER.

Table 6. MVTS sector transactions

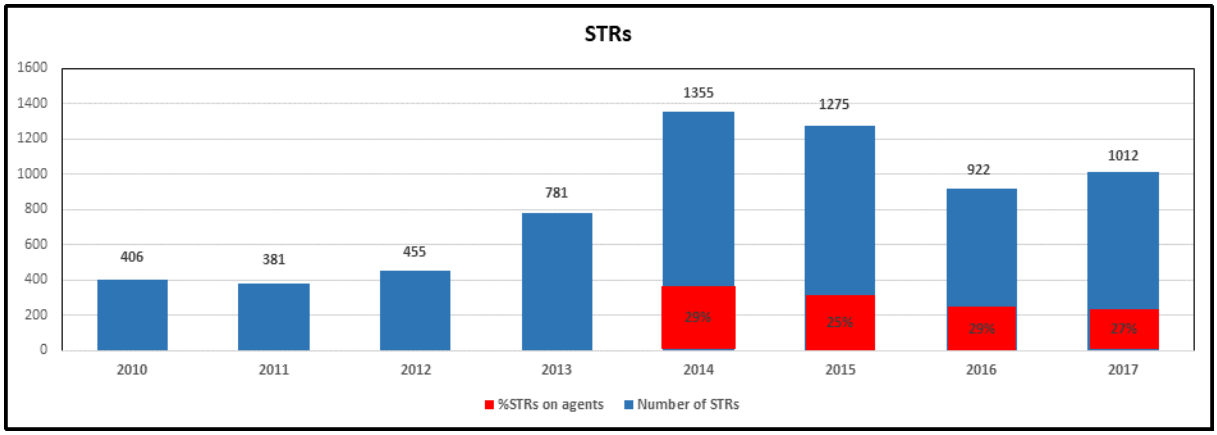
MVTS SECTOR					
	Money remittances				
	Total amount	Variation	Transactions	Variation	Average
2010	4 808 574 959		15 697 266		306.3
2011	5 190 823 800	7.90%	17 042 247	8.60%	304.6
2012	4 966 405 933	-4.30%	16 965 952	-0.40%	292.7
2013	4 676 558 528	-5.80%	16 640 660	-1.90%	281
2014	4 677 095 680	0.00%	17 473 639	5.00%	267.7
2015	4 764 824 809	1.90%	17 664 511	1.10%	269.7
2016	5 158 720 784	8.30%	19 101 244	8.10%	270.1
2017	5 680 038 238	10.10%	20 718 349	8.50%	274.2
TOTAL	39 923 042 731		141 303 868		283.3

Source: SEPBLAC's risk analysis.

52. Spanish authorities conducted several outreach initiatives for both MVTS and banks focused on typologies and transactions connected to specific criminal activities and geographical risks, and held workshops with compliance officers to share TF risk indicators. Moreover, private-public partnerships have been put in place by SEPBLAC on specific issues such as training.

53. Private sector representatives met onsite demonstrated awareness of the MVTS sector's risks, as well as implementation of mitigating measures in line with a risk-based approach. Improved awareness is also supported by the increasing number of STRs received by SEPBLAC from payment institutions (MVTS), including on their own agents (see Infographic 1 below). The MVTS sector finds meetings with the supervisor are frequent, useful and a key element for having improved in their compliance with preventive measures.

Infographic 1. STRs filed by MVTS



Source: SEPBLAC's analysis of MVTS STR reporting.

54. Despite increased awareness of risks and the implementation of corrective action by banks, MVTS operators still encounter difficulties in accessing the banking system. MVTS estimate that almost two thirds of Spanish banks refuse to have relationships with MVTS operators for de-risking reasons. This nonetheless

constitutes an improvement from the time of the 2014 assessment where refusal was more generalised.

55. Both banks and MVTS interviewed noted that such circumstances would seem not entirely attributable to the Spanish banking system, but to the difficulties that banks dealing with MVTS face in accessing correspondent banking relationships with major foreign international banks, which are needed to reach the countries of destination of the transfers. **These Priority and Recommended Actions are largely addressed as it concerns outreach to the MVTS sector and banks (the first part of this Priority Action was not assessed in this follow-up assessment report, as explained at the beginning of this section, as it relates to IO.3 on Supervision)).**

4.1.3. Wire transfer regulations [MER p. 10, para. 14, p. 101, para. 5.87]

Priority Action from the 2014 assessment

- *Work through the EU to promptly update the wire transfer regulations, and bring them into line with the revised FATF Recommendations.*

Recommended Action from the 2014 assessment

- *Spain should work through the EU to promptly update the wire transfer regulations to implement new obligations enforceable in Spain relating to information on the beneficiary and the responsibilities of intermediary FIs.*

56. The updated EU Wire Transfer Regulations (EU Regulation 2015/847) met this requirement, as noted in Spain's 2018 FUR. In addition, SEPBLAC applies controls on the accuracy of the information accompanying wire transfers, as part of its AML/CFT onsite inspections of banks and FIs. Moreover, SEPBLAC conducted in 2018 an analysis focused on approx. 1.5 million international wire transfers sent from five main banks to high-risk jurisdictions. The results of the analysis showed that mandatory information on originators and beneficiaries was missing only in a few number of cases (due to IT failures; these were corrected subsequently). **This Priority and Recommended Action are addressed.**

4.1.4. Improving non-bank financial sectors and DNFBPs understanding of RBA and risk [MER p. 101, para. 5.81]

Recommended Action from the 2014 assessment

- *Spain should encourage the non-bank financial sectors and DNFBPs to broaden their understanding of the RBA, and conduct outreach to improve their understanding of the risk.*

57. Spanish authorities have taken several initiatives in order to improve the non-banking financial sectors (such as MVTS) and DNFBPs' understanding of the risk-based approach and risk. Among other things, representatives from the private sector through their associations were involved in the drafting of Spain's first unified NRA, expected to be approved by the end of 2019.

58. SEPBLAC as the sole AML/CFT supervisor of FIs and DNFBPs conducted a number of meetings and trainings with both FIs and DNFBPs (some of which are further detailed below per sector) and launched a dedicated space in its website in February 2014,[15] to address AML/CFT related queries from the entities it supervises. As of the end of the onsite on 7 June 2019, SEPBLAC had responded to 3 302 queries from obliged entities (via email and post). The majority of queries came from lawyers and consultants, followed by banks and other FIs.

59. In general, feedback received from both the financial and non-financial sectors on the assistance provided by the authorities on risk is good and their relationship with SEPBLAC seems to be constructive and useful for improving the understanding of the RBA and risks. Guidance published by SEPBLAC also contains specific indications on applying the RBA to different sectors' activities and are generally well known and applied.

60. Both notaries and registrars have a centralised body for preventing ML/TF,[16] which performs, among other things, specific tasks related to the risk assessment obligation that both notaries and registrars have, and have already conducted a risk assessment of their respective sectors.

61. The CRAB conducted an overall sector assessment of registrars concluded in December 2015 and the OCP regularly conducts risk assessments of individual notaries (the most recent being from 2019). The assessment team had the opportunity to review the risk assessment tools used to rate both registrars and notaries. These seemed to identify the main risks and provide helpful risk indicators.

62. For lawyers, the General Council of Lawyers provides assistance and training in ML/TF matters. An RBA seems to have begun to be applied, in every day activity, especially by bigger law firms.

63. The OCP and the CRAB, as well as the General Council of Lawyers have all set different communication channels (i.e. website, frequently asked questions section and hotline to receive consultations) to address AML/CFT related queries by obliged entities and entities are actively using them.

64. For real estate agents and jewellers, besides specific guidance provided during inspections (the assessment team received data of one instance where this was done for real estate agents),[17] SEPBLAC held a meeting with one real estate agent and conducted outreach to a company responsible for the management of approximately EUR 50 billion worth of real estate assets. The Treasury also collaborated with the jewellers sector to develop guidance on AML/CFT obligations of small jewellers.

65. The overall awareness of risks and the RBA seems to have increased, particularly in the sectors considered to pose the greatest ML/TF risk and weighted as most and moderately important in Spain (such as notaries and lawyers).

15 www.sepblac.es/es/consultas-al-sepblac/

16 The General Council of Notaries centralised body for the prevention of ML/TF (OCP) existed at the time of Spain's 2014 ME, while the Centralised Body for Registrars was in its initial stage and now has a Compliance Officer and continued to develop compliance work. It was created through *Order ECC/2402/2015* on 11 November 2015.

17 See guidance issued for jewellers regarding CDD and STRs scenarios: www.tesoro.es/sites/default/files/orientaciones_joyeros.pdf ; www.cpbc.tesoro.es/sites/default/files/corjoyerias.pdf

Authorities need to conduct further outreach to TCSPs, which need more training on the understanding of risks. **This Recommended action is largely addressed.**

4.1.5. Implementation of new CDD requirements for notaries [MER p. 101, para. 5.82]

Recommended Action from the 2014 assessment

- *SEPBLAC and the Centralised Prevention Unit of the notaries should ensure effective implementation of the new procedures (that were introduced following the on-site visit) for notaries when verifying the identity of high-risk customers and beneficial owners of legal persons, by requiring the use of external sources of information and recording of the ownership structure of the company, including enhanced verification procedures in high risk operations (i.e. where more than one risk indicator is present) RD 304/2014 art. 9.2.*

66. As explained in section 3.5 on *Legal and institutional framework* above, *RD 304/2014* and its revised customer due diligence (CDD) requirements only entered into force and effect during Spain's 2014 assessment onsite and the assessment team was not able to fully assess the effectiveness of such measures. This led to the Recommended Action requiring notaries to comply with CDD procedures introduced following the onsite visit, particularly as regards higher risk jurisdictions.

67. The new procedures issued by the OCP require notaries to take appropriate measures to identify and verify the identity and status of the beneficial owners of legal persons in cases where one or more risk indicators are met. Such procedures require notaries to rely not only on the BDTR (Beneficial Ownership Database) but to request additional documents, such as a sworn declaration and other documents issued by company registers or otherwise demonstrating the beneficial ownership. These measures have an impact on the ability of FIs and DNFBPs to effectively apply CDD measures regarding BO accuracy and were already largely described in Spain's 2014 MER (see R.10 and 24).[18]

68. The OCP consulted with notaries on the new procedures referred to above, especially on whether they had to request additional information from their customers in order to verify the identity of BOs in a specific sample of their transactions selected by the OCP. Results of this enquiry showed that in 20% of cases, notaries requested additional documents.

69. While the new procedure seems to be well known and understood by notaries, its effective implementation and supervision needs improvement. Some of the entities met onsite expressed doubts on the reliability and up-to-dateness of information stored in the BDTR.

[18] In addition to this, with the new BO Register –RETIR- created in the CRAB in 2018 (*Order JUS/319/2018*, 21 of March) it is mandatory that all the companies declare who their BO is when depositing their accounts before the companies registry. This registered BO information has to be continuously updated by companies (at least annually). Since this BO Register has public nature, it is reinforcing the joint effort of all Spanish institutions to assist FIs and DNFBPS in their due diligence obligations.

70. Moreover, obliged entities interviewed noted that problems do exist in relation to legal entities incorporated abroad for which notaries still seem to rely mainly on the declaration by the customers and use reliable independent sources only on limited occasions. **This Recommended Action is partly addressed**.

4.1.6. Guidance on trusts [MER p. 101, para. 5.83]

Recommended Action from the 2014 assessment

- *Spain's legal system has historically not recognised the concept of trusts and such arrangements are not enforceable in Spanish courts. For these reasons, foreign trusts and legal arrangements, as well as the Spanish fiducia, are not very frequently used. The obliged sectors (except for the banking sector) met with by the assessment team have little to no experience in dealing with customers who may be acting as trustees. Spain has introduced an explicit obligation on trustees of express trusts to self-identify when dealing as such with obliged entities or participating in transactions. This measure may potentially mitigate the risk that obliged entities may not adequately ascertain that they are dealing with trustees. In addition, trustees are subject to the AML/CFT obligations in their own right. Spain is to be commended for introducing these explicit obligations on legal arrangements into its AML/CFT Law. However, given there remains a lack of experience in Spain in dealing with trusts (including the fact that trusts cannot be formed under Spanish law), the authorities should develop and issue guidance for the financial and DNFBP sectors on beneficial ownership by trusts, trustees and legal arrangements. Further, as noted in the recommendations under Immediate Outcome 7, Spain has faced many cases involving lawyers who are complicit in setting up and managing complex ML schemes. Given the nature of trustees' responsibilities, it is likely that lawyers will most often be acting in the role of trustee where a trustee in Spain is appointed. Guidance should therefore also be considered for trustees on their general and disclosure obligations*.

71. As explained in Spain's 2014 assessment, Spain is not a signatory to the 1985 Hague Convention and generally legal arrangements (domestic or foreign) are not enforceable in Spanish courts. However, as required in its 2014 MER, Spanish authorities undertook several initiatives to better understand the risks of trusts in Spain and developed guidance accordingly. This included an exercise to further assess the level of participation of foreign trusts in commercial transactions in Spain. SEPBLAC undertook an analysis of the operational risks of foreign trusts in Spain using FIU data, which demonstrated that the number of trusts listed in its archives is quite modest and that they appear, mainly, as remitters of funds from abroad (thus not operating directly in Spain, nor having direct relationships with obliged entities in Spain).

72. The OCP also conducted a query on the presence of trusts as a party in notarial deeds, revealing that the large majority of notaries (2 918 out of 2 941) has never performed transactions that include trusts. Representatives of the public and private sector also confirmed such conclusions, noting that obliged entities are generally reluctant to have direct relationships with foreign trusts. Nonetheless, foreign trusts,

although in limited cases, have acted in Spain through the intermediation of a commercial entity, incorporated in Spain.

73. Both SEPBLAC and the OCP issued specific, separate guidance on CDD measures applicable when dealing with trusts and similar legal entities, which include an obligation to request the trust deed and to identify and verify the identity of the beneficial owners. Moreover, both guidance documents contain a series of risk indicators linked to the use of trusts. Some concerns still remain considering the formalistic approach taken by some obliged entities when performing controls on beneficial owners (see above under the section referring to the implementation of new CDD requirements by notaries). Some entities take a defensive approach and prefer avoiding business relationships with customers who have a trust anywhere in the chain of ownership. **This Recommended Action is largely addressed**.

4.1.7. Anti-tipping off measures [MER p. 101, para. 5.85]

Recommended Action from the 2014 assessment

- *Anti-tipping off measures and awareness should be strengthened within FIs and DNFBPs to ensure that information on STRs and police investigations is not communicated to the subjects under investigation.*

74. SEPBLAC carried out an analysis of external audit reports of 95 obliged entities including both FIs and DNFBPs in order to determine the level of compliance with anti-tipping off measures and determine further actions as needed. The external reports, which were focused on both legal compliance and practical implementation of such measures, produced positive results, as in only three cases (all pertaining to non-FIs) deficiencies or improvements to be adopted were found. In addition, no specific failures on anti-tipping off measures were found during inspections carried out by SEPBLAC.

75. While the results of SEPBLAC's analysis are good, considering the risks related to breaches in anti-tipping off measures (which had occurred in the past in Spain), Spanish authorities need to continue their efforts in promoting the awareness of anti-tipping off measures, especially by broadening the monitoring of this issue to a bigger number of obliged entities (focusing on banks and notaries which are considered the main gatekeepers in Spain). The assessment team found no evidence during the follow-up assessment process or onsite that further tipping-off breaches had occurred since Spain's 2014 assessment. **This Recommended Action is largely addressed.**

76. FATF Recommendation 21 was revised to clarify further that tipping-off provisions are not intended to inhibit information sharing under R.18. Therefore, in addition to the Recommended Action above, the assessment team looked at whether any of the measures put in place by Spain regarding tipping-off inhibit information sharing and can confirm that they do not.

4.1.8. Guidance on high-risk countries and PEPs [MER p. 101, para. 5.86]

Recommended Action from the 2014 assessment

- *Spain should prioritise guidance on high-risk countries, territories and jurisdictions and other regulatory changes including domestic PEPs following the coming into force of provisions in RD 304/2014 relating to these.*

77. The Commission for the Prevention of Money Laundering and Monetary Offences issued guidance on the obligations of obliged entities regarding high-risk countries on October 2015. The guidance recaps general obligations obliged entities must comply with regarding high-risk countries and provides six criteria for identifying riskier countries, territories and jurisdictions that obliged entities can use to perform their own internal risk analysis and implement internal control requirements accordingly. Such criteria are presented in the guidance as a non-exhaustive list and refer to international lists (such as those issued or contained in public documents issued by FATF, EU, UN, etc.), as well as domestic lists (such as the list of tax heavens countries identified by Spain's Ministry of Finance). The guidance also provides links to different sources of information on offshore jurisdictions (financial centres). FIs and DNBPs are familiar with, and apply this guidance. Obliged entities had similar opinions to the authorities on the countries that represent an increased risk for Spain.

78. Spanish authorities did not issue specific guidance on domestic PEPs. However, to simplify the detection of domestic PEPs, the OCP implemented an ad-hoc domestic PEP database that is updated on a regular basis and is made available to both the private and public sector. However, authorities could consider more outreach initiatives on this topic. **This Recommended Action is largely addressed.**

Conclusion on Preventive Measures (IO.4)

Spain took actions to address all of the Priority and Recommended actions identified in the 2014 MER for IO.4. Out of three Priority Actions, one Priority Action, which was also the subject of a Recommended Action, is addressed and is the subject of ongoing supervision by the competent authorities. The other two related Priority Actions were implemented by Spain to a large extent. Spain also achieved good results on the MVTS sector, which is relevant because the MVTS sector was identified as a greater ML/TF challenge in the 2014 MER. Spain also took appropriate measures for managing the risks related to foreign trusts. Some progress is still needed, especially concerning the supervision of lawyers and TCSPs, although some legislative and institutional changes, together with appropriate outreach have already been put in place. Nevertheless, the most relevant sectors, in consideration of the specific context of Spain, seem to have improved their understanding of risk, as well as their RBA application of preventive measures, including anti-tipping off measures without restricting information sharing.

Based on this progress, Immediate Outcome 4 is re-rated to Substantial.

Remaining elements of Priority/Recommended Actions:

a) Continue working on the supervision of lawyers and TCSPs.

b) Further intensify the work with notaries for the effective implementation of new CDD requirements.

c) Continue working with banks and MVTS to ensure that MVTS have access to Spain's banking system as appropriate.

d) Continue efforts in promoting the awareness of anti-tipping off measures, especially by broadening the monitoring of this issue to a bigger number of obliged entities (focusing on banks and notaries which are considered the main gatekeepers in Spain).

4.2. TF preventive measures and financial sanctions (Immediate Outcome 10) originally rated *Moderate*

79. Spain's 2014 MER identified that Spain used the EU framework to implement targeted financial sanctions (TFS) and that this resulted in significant delays (of up to two months) in transposing new designated entities into sanctions lists. Spain did not have clear channels or procedures for directly receiving foreign requests to take freezing actions pursuant to UNSCR 1373, nor had it proposed or made any designation itself, preferring disruption tools.

80. IO.10 has one related Priority Action and five specific Recommended Actions. Below is an analysis of progress made on each Priority and Recommended Action relevant to this IO. The assessment team based its conclusions on IO.10 primarily on the review of the existing mechanisms to implement UNSCR 1267 and 1373, including interviews with all relevant authorities involved in the process.

4.2.1. Apply targeted financial sanctions when appropriate [MER p.10, para. 14, p. 83, para. 4.72 and 4.73).

Priority Action from the 2014 assessment

- *Apply targeted financial sanctions when appropriate (e.g., when it is not possible to prosecute the offender).*

Recommended Actions from the 2014 assessment

- *Spain should exercise its ability, in appropriate cases, to propose designations to the UN under Resolution 1267 or to make its own designations pursuant to Resolution 1373. Circumstances in which the exercise of such power would be particularly useful are instances when the person/entity cannot be prosecuted in Spain and/or has been expelled from the country, or when the person is serving time in prison and might nevertheless still be directing terrorist activities, and a designation would not otherwise jeopardise an ongoing investigation.*
- *Spain should consider applying TFS in appropriate cases when it is not possible to prosecute the offender in order to give notice to other countries (including those in which terrorists takes refuge), and further disrupt their ability to raise and move funds for international terrorist networks, especially Islamist terrorists. The authorities explained that designation would have been counterproductive in the fight against ETA.*

81. TFS related to TF can be applied in Spain through one of the below mechanisms:

a) designations made by the Commission for the Surveillance of Terrorist Financing Activities or "the Watchdog Commission" (*RD 413/2015*);

b) EU sanction lists that have direct effect in Spain and do not require domestic recognition (*RD 304/2014 art 48*);

c) resolutions adopted by the Council of Ministers on the proposal of the Minister for Economy and Competitiveness (*RD 304/2014 art 48*).

82. The Secretary of State of the National Security chairs the Watchdog Commission, which consists of senior representatives from the Public Prosecutor's Office, Ministry of Justice, Ministry of Interior, Ministry of Finance and Public Administration and Ministry of Economic Affairs and Competitiveness. The Intelligence Centre against Terrorism and Organised Crime (CITCO) manages the Watchdog Commission Secretariat, headed by the Director of the CITCO. The Director of the FIU of Spain (SEPBLAC) can attend meetings of the Watchdog Commission and deliver his position, although he does not have right to vote.

83. The Watchdog Commission has met three times since its creation in 2015. Although the Watchdog Commission serves as a legal and institutional mechanism to deliberate if a person or entity meets the criteria to be designated or proposed to the relevant UN Committee, Spain has never proposed any designation pursuant to UNSCR 1267 and its successor resolutions.

84. Spain has also not made a designation at the national level, nor received or made a request pursuant to UNSCR 1373.

85. Overall, competent authorities and the private sector in Spain have a good understanding of TF risks and Spain's criminal justice system, which aims at disrupting the financing of terrorism and continues to operate in a prompt manner. However, despite TF risk continuing to be high as at the time of Spain's 2014 assessment, the Watchdog Commission has never received any domestic requests to implement freezing measures against specific individuals or entities nor has it made a designation on its own. There continues to be a strong belief by a number of public authorities that the use of this mechanism will tip-off or undermine ongoing investigations and that they can still achieve any potential advantage of applying TFS through Spain's criminal justice measures.

86. The Watchdog Commission discussed on 30 April 2019, the possibility of adopting a protocol to list individuals who were previously convicted for terrorism or its financing in Spain, and are suspected to be engaged in such activities even after conviction, but this is still under consideration.

87. Since the adoption of its MER in 2014, Spain has not proposed any designation to the EU Commission and the Council of Ministers of Spain has not adopted any resolution to freeze funds or assets. Notwithstanding the above, it is positive that the deficiency related to the application of freezing measures to listed EU internals noted in its 2014 MER was addressed, as the EU framework now covers the possibility of designating and freezing the assets of EU individuals related to UNSCR 1267. In this regard, Spain provided some examples to the assessment team, in which the EU Commission has already listed EU internals.

88. At the end of the follow-up assessment onsite visit, there were no funds or assets frozen in Spain pursuant to UNSCR 1267, its successor resolutions or UNSCR 1373.

89. Spain did not apply TFS when appropriate (e.g., when it is not possible to prosecute the offender). **These Priority and Recommended Actions are not addressed.**

4.2.2. Mechanism to implement UNSCR 1267 without delay [MER p. 83, para. 4.70]

Recommended Action from the 2014 assessment

- *Spain should ensure that the new Council of Ministers mechanism operates quickly; thereby-enabling TFS pursuant to UNSCR, 1267 to be implemented without delay.*

90. Since the adoption of its 2014 MER, Spain continues to rely on the EU legal framework to implement UNSCR 1267 and its successor resolutions and has not applied the internal mechanisms established in the law and regulations issued during and after its ME. Although the gap identified in the 2014 MER between the publication of new designations by the UN and the EU transposition has been significantly reduced since the European Commission introduced an expedited procedure (from 7

to 29 days to an average of 3-4 calendar days in the period 2016-2019) some delay persists.

91. Authorities and the representatives of the majority of the obliged entities met onsite explained that in practice, most of the reporting entities are using international list providers which reflect all the changes to the UN Consolidated Sanction List in real time and would normally rely on this (as they did at the time of the 2014 assessment, where banks and MVTS explained that immediate implementation was done in practice; see paragraph 4.37 of the MER).

92. Furthermore, SEPBLAC and the Treasury both issued separate guidance and good practices papers after the 2014 assessment (SEPBLAC issued guidance and good practices in 2015 and the Treasury has been issuing and updating its guidance since 2016) to assist the private sector in understanding and complying with freezing obligations under the UNSCRs and corresponding EU legal framework. These non-binding documents recommend that the private sector freezes or blocks immediately, once the UN publishes designations, as required by Recommendations 6 and 7.

93. Regardless of the fact that some of the obliged entities have included in their compliance manual provisions a requirement to freeze funds and assets immediately after a designation is published by the UN, this is not done consistently and there is no legal obligation to do so in Spain. Implementation of TFS pursuant to the UNSCR 1267 and its successor resolutions is not without delay. **This Recommended Action is not addressed.**

4.2.3. Implement clear channels for receiving foreign requests related to UNSCR 1373 [MER p. 83, para. 4.71]

Recommended Action from the 2014 assessment

- *Spain should implement clear channels for receiving foreign requests related to UNSCR 1373, as a matter of priority. (A draft regulation is currently under discussion.)*

94. On 10 December 2018, the Watchdog Commission approved the *Technical protocol in relation to requests for the blocking of assets of extraordinary and urgent character* which sets the procedures for the Watchdog Commission to adopt freezing measures domestically or to deal with requests related to UNSCR 1373. These procedures provide a remote decision-making mechanism for the members of the Commission to ensure urgent freezing of the funds and assets of any person or entity that meets the criteria regardless of its nationality.

95. Despite the presence of internal procedures to address a UNSCR 1373 request as required by this Recommended Action, the legal framework of the Watchdog Commission has some technical deficiencies. Decisions of the Watchdog Commission are not mandatory for all natural and legal persons within Spain, as RD 413/2015 indicates that its decisions are only mandatory for "obliged persons", which according to the Spanish Law 10/2010 includes FIs, DNFBPs and some other types of entities, such as professional dealers in works of art or antiques. Furthermore, the Watchdog Commission cannot prohibit Spanish nationals or any persons and entities within

Spain from making assets available to designated persons, as RD 413/2015 empowers the Watchdog Commission only to freeze assets.

96. Spain has never received a request related to UNSCR 1373 and therefore has not used the above referred mechanism. However, Spanish authorities note the frequent interaction and communication between all members of the Watchdog Commission and their prior experience in dealing with asset freezing in the context of TF investigations. Given this, Spanish authorities consider that this urgent mechanism would take less than 24 hours to issue a relevant blocking agreement in the event of a third country request pursuant to UNSCR 1373 and would immediately work with SEPBLAC to alert obliged entities (in a manner similar to the envisioned in Art.9 of RD 413/2015). **This Recommended Action is largely addressed.**

4.2.4. Centralise the information on foundations acting at the national level [MER p.83, para. 4.74]

Recommended Action from the 2014 assessment

- *Spain should centralise the information on foundations acting at the national level (for example, through the creation of a national registry). For foundations acting at the regional level, Spain should ensure that there are mechanisms enabling the quick identification of the regional registry where detailed information can be found.*

97. In November 2015, Spain approved the Regulation on the Registry of Foundations within the Ministry of Justice, through *Order PRE/2537/2015*. This Order develops the mandate of *Law 50/2002*, which provides for the creation of a National Registry of Foundations to register the information related to the foundations' relevant activities at a national level or in the territory of more than one autonomous community. The National Registry of Foundations is set-up under the Ministry of Justice and is already receiving and responding to requests for information by the operational authorities and courts (composition of the board, bank accounts, etc.). The National Registry of Foundations and registers of foundations of the autonomous communities could further co-operate to provide each other information with regard to registered NPOs, however, there is no formal procedure to do that, as the Spanish Commission for Co-operation and Information has not yet developed a mechanism to this effect.

98. The National Registry centralises various types of information on foundations acting on a national level, including the name of the foundations, address, names of the senior managers, as well as some financial information. This data is publicly available on the National Registry website and the foundations are obliged to provide additional information upon request of the Registry. The total number of foundations registered in the National Registry at the time of the onsite visit was around 4 000. **This Recommended Action is addressed.**

4.2.5. Areas where the Standard has changed

99. After Spain's 2014 assessment, the FATF revised its Standards and Methodology in October 2016 with respect to non-profit organisations (NPOs) requiring jurisdictions to identify the subset of NPOs that are more vulnerable to TF abuse and to supervise or monitor them accordingly. Due to these changes, the assessment team assessed how Spain revised its approach to NPOs to incorporate this change, in addition to the implementation of the Recommended Action with regard to foundations, noted above.

100. In the context of preparing its unified NRA, as well as through work undertaken by SEPBLAC, the Police and the Civil Guard, Spain has identified and continues to identify the specific subset of NPOs that fall under the FATF definition, as well as those NPOs that are considered to be at TF risk.[19] Overall, Spanish law enforcement authorities and intelligence agencies understand TF risks present in Spain and monitor, investigate and have detected NPOs being misused for TF purposes (see case example below).

Box 1. Example of detection of a NPO exposed to TF risk

A Spanish FI detected that a Spanish NPO established to provide aid to Syria was receiving and transferring funds to/from natural persons without adequately justifying the origin and source of funds. After the FI had submitted an STR on this case, SEPBLAC analysed all the transactions related to it and detected that the name of one of the senders had been in criminal records since 2001 and that he had been under investigation for connections to Al-Qaeda. SEPBLAC analysed all the available data, including on all bank accounts of each individual related to these transactions, which resulted in the detection of more than 40 persons and 7 different nationalities related to this case. Outcomes of SEPBLAC's analysis were disseminated to the judicial anti-terrorist authority division (*autoridad judicial antiterrorista*) for processing. The criminal investigation is ongoing.

101. The competent authorities of Spain have issued three important guiding documents with respect to NPOs since Spain's 2014 assessment:

- *Best practices in the fight against ML/FT in the organisations of the NPO sector*, which is addressed to all types of NPOs and provides guidance on how to protect themselves against ML/FT threats;
- *Guidance for agencies entrusted with ensuring that foundations and associations are not used for ML/TF*, which is addressed to the Spanish authorities responsible for supervising or monitoring NPO's compliance with AML/CTF obligations, as subjects of a special AML/CTF regime in Spain; and
- *FAQ Document for Foundations and Associations*, which summarises the answers of competent authorities of Spain to the frequently asked AML/CFT related questions of the foundations and associations, available on the Spanish Association of Foundations (AEF) website.

[19] Spain's 2018 FUR, p. 6.

102. In addition, the AEF is developing a manual of good AML/CFT practices for foundations and associations that identifies a series of risks faced by the sector along with a list of mitigating measures for each of the identified risks.

103. NPOs demonstrated some TF risk understanding and noted that they had received guidance through informal meetings with the Spanish authorities, including the Treasury, regarding the implementation of TFS. However, co-operation and co-ordination between relevant law enforcement authorities and intelligence agencies and the authorities that supervise or monitor NPOs in Spain is limited. This makes it difficult for authorities to apply focused and proportional measures to those NPOs which Spain has identified as being more vulnerable to TF abuse, and to provide further outreach to the NPO sector accordingly.

Conclusion on TF preventive measures and financial sanctions (IO.10)

Following its 2014 assessment, Spain introduced new regulations for the Watchdog Commission that serve as a domestic mechanism to implement TFS pursuant to UNSCRs 1267 and its successor resolutions, as well as UNSCR 1373. Nevertheless, this mechanism has some important technical deficiencies and has not been used, as Spanish authorities seem still reluctant to apply these new measures in practice. Application of TFS pursuant to UNSCR 1267 and its successor resolutions is not without delay, as Spain continues to rely upon the EU legislative framework, which still requires 3-4 days on average to transpose UN designations. Spain created a National Registry of Foundations that centralises information on associations and foundations acting at the national level and provided some guidance to the NPO sector. However, further co-operation and co-ordination between relevant investigative authorities and authorities responsible for supervising or monitoring NPOs, and outreach to the NPO sector are required in line with revisions to R.8 and IO.10 adopted after Spain's 2014 assessment.

Progress is insufficient to justify a re-rating on Immediate Outcome 10.

Remaining elements of Priority / Recommended Actions:

a) Apply targeted financial sanctions when appropriate (e.g., when it is not possible to prosecute the offender).

b) Ensure implementation of TFS without delay by passing a law which provides direct effect to the designations pursuant to the UNSCR 1267 and its successor resolutions after the date of publication of a designation by the UN.

c) Ensure that decisions of the Watchdog Commission are mandatory to all natural and legal persons within Spain and that the Commission can prohibit Spanish nationals or any persons and entities within Spain to make assets available to designated persons.

New Recommended Actions (due to change of Standards):

a) Increase co-operation and co-ordination between law enforcement authorities and intelligence agencies with the authorities responsible for supervising or monitoring NPOs in Spain[20], to ensure they apply focused and proportional measures to those NPOs, which Spain has identified as being more vulnerable to TF abuse, and that they provide further outreach to the NPO sector, accordingly.

4.3. PF Financial Sanctions (Immediate Outcome 11) originally rated *Moderate*

104. In its 2014 assessment, Spain demonstrated some of the characteristics of an effective system with regard to IO.11. However, major improvements were needed in guidance and awareness provided by authorities and the level of co-operation and co-ordination between the relevant authorities (i.e. export control authorities). The delay with regard to the implementation of TFS mentioned for IO.10 was also identified as a deficiency for IO.11.

105. IO.11 has three specific Recommended Actions. Below is an analysis of progress made on each Recommended Action relevant to this IO. The assessment team based its conclusions on IO.11 on Spain's revised legal and institutional framework available to implement PF related TFS, as well as interviews w a range of authorities that play a key role in Spain's counter-proliferation regime including MAEC and other members of the JIMDDU and SEPBLAC.

[20] According to article 39 of *Law 10/2010*, the Foundations Protectorate and relevant registries monitor NPOs' compliance with AML/CFT obligations.

4.3.1. Enable implementation of PF-related TFS without delay [MER p. 83, para.4.75]

Recommended Action from the 2014 assessment

- *Spain should ensure that the new Council of Ministers mechanism operates quickly, thereby enabling TFS pursuant to resolutions 1718 and 1737 to be implemented without delay.*

106. On May 2014, Spain enacted the *RD 304/2014*, which gives its Council of Ministers asset freezing powers with respect to PF. The main reason for this measure was to cover the time gap between UN designations and the corresponding amendment of the EU list by enabling the Council of Ministers to issue a freezing order immediately after the publication of a relevant UN designation. However, the Council of Ministers has never issued a freezing order either of its own motion or in reaction to an update of the UN lists. **This Recommended Action is not addressed.**

4.3.2. Co-operation and co-ordination mechanisms between export control and AML/CFT authorities [MER p. 83, para. 4.76]

Recommended Action from the 2014 assessment

- *Spain should establish effective co-operation and, where appropriate, co-ordination mechanisms between the authorities and activities responsible for export controls, and those responsible for AML/CFT system. Both competent authorities should develop lines of communication to co-ordinate the implementation of measures to prevent the avoidance of proliferation-related financial sanctions. Through such mechanisms, SEPBLAC should be made aware of any permission granted or denied for the export of relevant materials. Such measures should be consistent with the FATF Best Practices Paper on Recommendation 2: Sharing among domestic competent authorities information related to the Financing of proliferation*.

107. While considering how Spain addressed this Recommended Action, the assessment team took into account that the FATF revised its *Guidance on Countering Proliferation Financing* in 2018, although similar to other FATF guidance, this guidance paper is not binding, and therefore compliance with it is not assessed in the FATF mutual evaluation or assessment process.[21] The assessment team also took into account changes in Spain's PF context as noted in the introduction section of this report.

[21] FATF Guidance on the Implementation of Financial Provisions of United Nations Security Council Resolutions to Counter the Proliferation of Weapons of Mass Destruction, which updated the previous version of June 2013 and Best Practices Paper to Recommendation 2 – Information Sharing and Exchange related to the Financing of Proliferation Among Relevant Authorities at the Domestic Level of February 2012, available at: www.fatf-gafi.org/media/fatf/documents/reports/Guidance-Countering-Proliferation-Financing.pdf

108. On 22 January 2018, Spain created a Specialised Committee on Non-Proliferation of Weapons of Mass Destruction by Order PRA/29/2018, which is a support body to the National Security Council of Spain,[22] and provides a co-ordination mechanism for the domestic authorities concerned with proliferation matters, including the Secretariat of the AML Commission of Spain.[23] The Committee is set to meet every two months to co-ordinate the positions of its members with respect to the development and implementation of domestic non-proliferation policies but can meet more frequently as needed. Furthermore, in order to facilitate the identification and disruption of instances of proliferation and misuse of defence or dual-use materials, this Committee created an operational working group referred to as the Interception Working Group.

109. The Interception Working Group has already met once and is set to provide a co-ordinated operational response to the instances of possible violation of the Non-Proliferation Weapons of Mass Destruction (NPWMD) regime in Spain by facilitating the exchange of financial information and other sensitive data between law enforcement authorities, intelligence services and particularly, SEPBLAC. This has not yet resulted in the disruption of specific cases of PF TFS evasion; however, members of the Interception Working Group have co-operated bilaterally on the identification of cases of possible PF TFS evasion.

110. One of the criticisms in Spain's 2014 MER was that Spain did not make use of the opportunities for financial measures or financial intelligence to support the implementation of activities aimed at detecting/preventing proliferation-related sanction evasion and vice versa (see paragraph 4.60 of the MER). Since then, the National Police and the Civil Guard with collaboration from the Tax Agency (Customs) have dismantled several networks specialised in trading and smuggling defence and dual use materials related to proliferation of weapons of mass destruction themselves. In addition, there are a number of cases under investigation related to PF sanction evasion, which benefited from the collaboration of different authorities, including SEPBLAC. Moreover, in order to facilitate co-operation with LEAs on PF matters, SEPBLAC incorporated staff from the National Police and the Civil Guard with experience on counter-proliferation related investigations and as consequence of this action, several cases had been conducted and investigations enhanced (see case examples below).

111. Disruption of PF non-financial sanctions evasion as such, falls outside of the FATF Standards, but effective co-operation between authorities with regard to such cases shows that Spain has the ability overall to identify and subsequently disrupt instances of PF TFS evasion. Not having specific cases of PF TFS evasion seems in line with the very limited trade relationships between Spain and DPRK, as well as the trade control mechanisms that Spain has for Iran.

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22 Counter-PF is a matter of national security in Spain and is approached as part of its broader national security and CFT strategy.

23 The function of the Secretariat of the AML Commission of Spain is implemented by the Sub-directorate General of Inspection and Control of Capital Movements of Spain's Treasury.

Box 2. Examples of authorities actions to identify potential cases of PF TFS evasion

Case example 1

In 2018, a FI submitted an STR to SEPBLAC about an attempted transaction from a foreign bank located in a middle-eastern country to the account of a Spanish company opened with a Spanish bank. This transaction was rejected by the Spanish bank as it was connected to a purchase of industrial equipment on behalf of a third party located in Iran and the Spanish company was not able to properly justify the rationale for this.

After the analysis of the attempted transaction and underlying documentation, SEPBLAC identified that the Spanish company was specialised in the production of high-tech industrial equipment. SEPBLAC also checked companies involved against the UN sanction list and commercial databases and identified that the Iranian company had some links with the government of Iran. SEPBLAC has shared this case with the National Police, the Civil Guard and a number of Spanish intelligence services for further investigation.

Case Example 2

In 2018, one of the Spanish intelligence agencies informed SEPBLAC about a Spanish national who might be engaged in the evasion of UN sanctions related to DPRK, in particular established under the UNSCR 2397. SEPBLAC was able to identify a number of bank accounts opened by this Spanish national in Spanish banks and one bank account opened in another European country. There were no matches against the UN sanction list found during the analysis; however, SEPBLAC discovered that the Spanish national had previously been under police investigation. SEPBLAC also co-operated with its counterpart FIUs through FIU.NET and identified that some low-amount transfers were routed through the foreign account of this national, while the domestic accounts were not in use. Outcomes of SEPBLAC's operational analysis were shared with the National Police and the Civil Guard, which are now further investigating this case.

112. In addition, in 2015, SEPBLAC and the Bank of Spain as supervisors detected one infraction against the PF TFS regime established under the relevant EC legal framework, which goes beyond FATF Standards. As a result of further co-operation, a Spanish credit institution was fined EUR 1.5 million for making use of funds directly without asking for the required authorisation, and without reporting the existence of the account into which the funds were received (see Box 3 below).

Box 3. Example of supervisory actions against violation of the PF TFS regime

In May 2015, the AML Commission of Spain opened a sanctions procedure against a Spanish bank based on the outcomes of the inspections done by SEPBLAC and the Bank of Spain. During this procedure, the AML Commission was able to prove two infractions related to violation of the PF TFS obligations established under the EC framework. First, the Spanish Bank failed to comply with its obligation to report the existence of a frozen account and to request an authorisation to make use of the funds to satisfy previous debts. Second, the Spanish bank had deficiencies in the internal procedures related to the application of the customer admission policy and due diligence procedures. The Spanish bank was fined EUR 1 500 000 for the first infringement and EUR 750 000 for the second. The bank appealed these fines but Spanish Courts confirmed them.

113. The *RD 679/2014* regulates the composition and powers of the Inter-Ministerial Board of Foreign Trade and Control of Defence and Dual Use Material (JIMDDU), which is responsible for co-ordinating the export control regime in Spain. The JIMDDU holds monthly meetings to deal with and approve/reject any request to export dual use materials. These proposals are previously analysed by its own Working Group, which holds a prior meeting to prepare for final decisions by the JIMDDU. The Working Group of the JIMDDU analyses every single case of export listed material and can consult SEBPLAC as needed.

114. The JIMDDU working group consists of representatives of ministries that are members of the JIMDDU with a minimum rank of Deputy Director General. However, as SEPBLAC is not a member of the JIMDDU or its working group, co-operation between SEPBLAC and the JIMDDU continues to be limited in this respect. SEPBLAC does not have direct access to the information on permissions granted or denied for the export of relevant materials and only provides information to the JIMDDU when directly requested by it or through its LEAs' liaison officers. However, SEPBLAC has access to and is accessing information in the Special Register of Foreign Trade Operators (REOCE), through the police officers embedded in its structure (see paragraph above on changes made SEPBLAC in 2016) and has checked information against such databases, together with the police and SEBPLAC's own databases, to pursue its cases.

115. The JIMMDDU is also in charge of implementing "ex-post" control mechanisms for export of defence and dual-use materials, mainly to particularly sensitive countries. There is a draft Royal Decree that will amend and enhance the existing control mechanisms. Spanish authorities are also studying a modification of the composition of the JIMDDU to grant SEPBLAC membership in the Board of the JIMDDU, due to the usefulness of the inputs that SEPBLAC could provide both from an FIU and from a supervisory perspective. Moreover, it is expected that this will allow the JIMDDU to share the outcomes of its meetings with SEPBLAC, to crosscheck relevant information in SEPBLAC's databases and identify complex legal structures that could be involved in the domestic and transnational financial crimes, and better identify evasion of PF-related TFS.

116. Furthermore, in June 2016, in order to further enhance the co-ordination and facilitate the exchange of information between Spanish authorities responsible for the

implementation of international sanctions, an informal Inter-Ministerial working group was created under the lead and co-ordination of the Ministry of Foreign Affairs (MAEC). This informal group provides a network of focal points from relevant agencies, including Treasury, that also meet to exchange views on the implementation of international sanctions, and to discuss some sanitised cases of PF evasion from the policy making perspective. This network is also used by MAEC to raise awareness among competent authorities on TFS implementation by distributing monthly sanctions newsletters and organising targeted bilateral or trilateral meetings with relevant authorities to co-ordinate on specific aspects of the sanctions regime.

117. Since the 2014 assessment, Spanish authorities have established and developed several co-ordination mechanisms that are dealing with proliferation and PF matters. SEPBLAC, as FIU of Spain, is engaged in these mechanisms to a certain extent, mainly through the Interception Working Group and has contributed to a number of actual investigations related to proliferation. However, further co-operation is needed between SEPBLAC and the JIMDDU, especially in the context of Spain as an economy that produces a wide range of controlled military and dual use goods. **This Recommended action is largely addressed.**

4.3.3. Co-operation and guidance on TFS evasion and producers of controlled materials [MER ps. 83 and 84, para. 4.77]

Recommended Action from the 2014 assessment

- *SEPBLAC and the JIMDDU should co-operate in raising awareness and issuing guidance particularly in the financial sector, of the specific risks of proliferation-related target financial sanctions evasion, and providing FIs with information on entities registered as producers of controlled materials. Such guidance should be consistent with the FATF Guidance on The Implementation of Financial Provisions of United Nations Security Council Resolutions to Counter the Proliferation of Weapons of Mass Destruction). As well, awareness raising and guidance should extend beyond the Iran TFS regime, and should also cover risks relating to DPRK.*

118. Several Spanish authorities have provided guidance to those persons and entities (especially to the financial sector) who are obliged to comply with obligations on PF TFS. For instance, SEPBLAC issued the *Guidance of Good Practices for Application of Lists of Persons and Entities subject to International Financial Sanctions and Countermeasures*[24] and the JIMDUU published the *Operator's Guide of Defence Material, Other Material and Dual-use Products and Technologies*[25] raising awareness on the risks emanated from this trade. Furthermore, the Secretariat of the AML Commission, published on its webpage several documents with updated information on TFS related to Proliferation of WMD and specific guidance on implementation of PF TFS related to Iran and DPRK.[26] Guidance issued by both SEPBLAC and the

[24] www.sepblac.es/wpcontent/uploads/2018/03/aplicacion_de_listas_de_personas_y_entidades_sujetas_a_sanciones_y_contramedidas_financieras_internacionales.pdf

[25] www.comercio.gob.es/es-ES/comercio-exterior/informacion-sectorial/material-de-defensa-y-de-doble-uso/guia-operador/Paginas/indice.aspx

[26] www.tesoro.es/prevencion-del-blanqueo-y-movimiento-de-efectivo/sanciones-financieras

Treasury specifically refers to FIs checking all parties to the transaction, including the producers and verify documents of exporter and appropriate licenses when required.

119. In addition, in November 2017 and December 2018, the JIMDDU and the Treasury carried out workshops and trainings for the private sector on the PF TFS and NPWMD regime. Those workshops were focused on i) international treaties and non-proliferation forums, ii) Spanish legislation and EC regulations, iii) the national sanctioning framework, iv) licenses and control documents, v) analysis parameters, and vi) the catch-all clause. The next edition of these workshops will take place on November 2019.

120. Even though these guiding documents were produced by SEPBLAC and the JIMDDU independently from each other, overall, the reporting entities demonstrated awareness of their PF TFS obligations and risks of TFS evasion. Reporting entities also established internal procedures and mechanisms for the PF-related TFS and implement them in practice. However, reporting entities in Spain would benefit from specific guidance on PF TFS evasion, for example through providing typologies of PF or names of specific entities and persons potentially tied to proliferation networks. **This Recommended action is largely addressed.**

Conclusion of IO.11

Spain's legal framework provides a domestic mechanism to implement TFS pursuant to the UNSCRs 1718 and 1737 and its successor resolutions[27], but it has never been used in practice. PF-related TFS are not implemented without delay in Spain, due to transposition time between the UN and corresponding EU designations.

Spanish authorities have established and continued to develop several co-ordination mechanisms that deal with PF and export controls as required by two Recommended Actions in IO.11. SEPBLAC, LEAs and intelligence agencies, have increased their co-operation on PF related issues since the 2014 assessment and Spain has shown overall, the ability to identify and disrupt instances of PF TFS evasion, not only through LEAs investigations but also through SEPBLAC's supervision of reporting entities. Guiding documents were produced by SEPBLAC and the JIMDDU, separately, and reporting entities demonstrated awareness of their TFS obligations and risks of PF TFS evasion. However, further co-operation between SEPBLAC and the JIMDDU is required, especially with regard to producing specific guidance on PF TFS evasion.

Based on this progress, Immediate Outcome 11 is re-rated to Substantial.

27 UNSCR 2231 terminated all provisions of UNSCR 1737 related to Iran and PF but established specific restrictions including targeted financial sanctions.

Remaining elements of Recommended Actions:

a) TFS should be implemented without delay.

b) SEPBLAC and the JIMDDU should further co-operate including by sharing information regarding denied licenses for exporting dual use goods and collaborating to produce materials for, or to provide training and further guidance aimed at sanctions evasion awareness.

5. CONCLUSION

121. Since its 2014 MER was adopted, Spain has made progress to improve the effectiveness of its AML/CFT system and achieved upgrades on two Immediate Outcomes: IO.4 and IO.11, as explained in the body of the report. Spain maintained its level of technical compliance with R.21, following changes to that Recommendation in February 2018.

122. Spain has also improved its technical compliance and achieved upgrades on three Recommendations (R.5, 16 and 39) as noted in Spain's first and only regular follow-up report, and generally complied with the revised requirements of Recommendations 5, 7 and 8.

123. The following tables set out the current level of effectiveness and technical compliance for Spain following this 5th year follow-up assessment.

Table 7. Current level of Effectiveness with re-ratings

IO.1	IO.2	IO.3	IO.4	IO.5	IO.6	IO.7	IO.8	IO.9	IO.10	IO.11
SE	SE	SE	SE*	SE	HE	SE	SE	SE	ME	SE*

Note: There are four possible levels of effectiveness: High (HE), Substantial (SE), Moderate (ME) and Low (LE). Ratings marked with an asterisk (*) were re-rated after the MER was adopted and in the course of the follow-up assessment.

Table 8. Current Technical Compliance with re-ratings

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

Note: Ratings marked with an asterisk (*) were re-rated after the MER was adopted and in the course of the follow-up process.
Source: Spain's first Regular Follow-up Report and Technical Compliance Re-Rating.

124. Spain will remain in regular follow-up, and will continue to report back to the FATF on progress to strengthen its implementation of AML/CFT measures.

Glossary of Acronyms[28]

	DEFINITION
CDD	Customer due diligence
CRAB	AML Centre of the Spanish Registers
DNFBPs	Designated Non-Financial Business and Professions
DPRK	Democratic People's Republic of Korea
FIs	Financial institutions
FUAR	Follow-up Assessment Report
FUR	Follow-up Report
MAEC	Ministry of Foreign Affairs
ME	Mutual evaluation
MER	Mutual evaluation report
ML	Money laundering
MVTS	Money or Value Transfer Service (s)
NPO	Non-Profit Organisation
NRA	National Risk Assessment
IOs	Immediate Outcomes
JIMDDU	Inter-ministerial Body on Material of Defence and Dual-use
LEAs	Law enforcement authorities
OCP	General Council of Notaries Centralised Prevention Unit
Para.	Paragraph
R.	Recommendation/Recommendations
RD	Royal Decree
SEPBLAC	Executive Service of the Commission for the Prevention of Money Laundering and Monetary Offences
STR	Suspicious transaction report
TCSP	Trust and company service provider
TF	Terrorist Financing
TFS	Targeted Financial Sanctions

[28] Acronyms already defined in the FATF 40 Recommendations are not included into this Glossary.

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Anti-money laundering and counter-terrorist financing measures in Spain

Follow-up assessment

Since its mutual evaluation in 2014, Spain has worked to improve the effectiveness of its national framework to combat money laundering and terrorist financing.

The FATF has conducted a 5th year follow-up assessment that looks at the effectiveness of Spain's measures on three issues, or 'Immediate outcomes'. To reflect the country's progress, the FATF has re-rated Spain on two of these immediate outcomes.