Financial Action Task Force

Groupe d'action financière

SUMMARY OF THE
THIRD MUTUAL EVALUATION REPORT ON
ANTI-MONEY LAUNDERING AND
COMBATING THE FINANCING OF TERRORISM

SPAIN

23 JUNE 2006

SUMMARY

1. Background Information

1. This report provides a summary of the AML/CFT measures in place in Spain as of September 2005 (the date of the on-site visit), though more recent developments (including laws in force from January 2006) have also been taken into consideration. The report describes and analyses those measures and provides recommendations on how certain aspects of the system could be strengthened. It also sets out Spain's levels of compliance with the FATF 40 + 9 Recommendations. (See attached table on the Ratings of Compliance with the FATF Recommendations).

2. The Spanish legal framework for combating money laundering and terrorist financing is generally comprehensive. The money laundering offences are broad in scope and easy to apply, according to Spanish prosecutors. The terrorist financing offences are broadly satisfactory, although they do not appear to cover acts of an individual terrorist (that is, not related to a terrorist group) and collection of funds under certain circumstances. The offences have been applied by prosecutors with success, but due to the lack of comprehensive statistics on prosecutions and convictions relating to money laundering and terrorist financing, the effectiveness of these measures is difficult to assess more precisely. The Spanish confiscation system is generally comprehensive. The system for freezing terrorist related funds has some deficiencies relating to its scope and the fact that national legislation has not yet been fully implemented. Again, the lack of comprehensive statistics in this area makes it impossible to assess the effectiveness of these regimes. Spain does have a clear and comprehensive framework for providing international co-operation.

3. SEPBLAC is the Spanish financial intelligence unit (FIU), which has been an active member of the Egmont Group since 1995. While generally effective in its FIU function, a lack of resources for its AML/CFT regulatory function may negatively impact on its overall effectiveness. Spanish national and regional authorities have at their disposal adequate legal powers for gathering evidence and compelling the production of documents, as well as a broad range of special investigative techniques. However, the process for obtaining account files (through SEPBLAC) at certain stages of the police investigation can be lengthy, thus calling into question the effectiveness of this process.

4. The preventive side of the Spanish AML/CFT regime is covered by its Law N^{o} 19/1993 of 28 September, an implementing Royal Decree (N^{o} 925/1995 of 9 June) and Law N^{o} 12/2003 of 21 May, which introduced CFT prevention and freezing. Together these laws deal with customer identification and other AML/CFT obligations and apply to a broad range of financial institutions. However, the customer due diligence regime is insufficient to meet all of the subtleties of FATF requirements, and the CFT legislation does not explicitly extend CDD to the risk associated with terrorist financing. Requirements for determining the beneficial owner are also inadequate. Most categories of designated non-financial businesses and professions (DNFBPs) are subject to the Spanish AML law and by cross reference to the CFT law. The principal deficiencies in this area relate to those that are found in the broader financial sector, and monitoring of the implementation of AML/CFT measures by DNFBPs must be improved.

5. In recent years, Spanish competent authorities have identified different techniques used for the purpose of laundering money: use of term deposits, transfers abroad through accounts of Spanish limited companies supposedly involved in importing goods, transactions through corporate networks, use of bridging accounts, organised VAT fraud schemes, use of cash deposits and withdrawals and exchange of currency for high denomination notes. Underground banking operations between Spain and Morocco, related to hashish trafficking and smuggling, is also a recurrent trend.

6. The Government of Spain has been involved in a long-running campaign against terrorist organisations such as ETA, GRAPO and more recently Al Qaeda. To finance terrorism, the following methods have been identified: funds masked as donations to finance the projects of a non-profit organisation (ETA, Islamic terrorism); creation of groups of companies involved in publishing, printing and distribution of books, magazines and newspapers for the purposes of propaganda, which

then serve as a conduit for depositing funds obtained through coercion (extortion, kidnapping, etc.); fraudulent collection of subsidies, tax returns, etc.; creation of cultural associations by representatives of the terrorist organisation to facilitate the opening of current accounts and to serve as a cover for their control of goods and services; and the use of alternative remittance system transfers.

7. A wide range of financial institutions exists in Spain, including credit institutions, insurance companies and brokers, securities companies, investment companies, deposit companies, money exchange and money transfer businesses and leasing companies. A range of designated non-financial businesses and professions became subject to Law 19/1993 for the prevention of money laundering starting in April 2005: casinos, real estate agents, dealers in precious metals and stones, legal advisors, external accountants and auditors, notaries, lawyers and court representatives in certain circumstances as well as other activities (such as trade in art works and antiques). Spain is currently in the process of further reviewing its legislation for the purposes of implementing the Third EU Money Laundering Directive.

2. Legal System and Related Institutional Measures

8. Money laundering is criminalised through Article 301 of the Spanish Penal Code (PC) that makes it a criminal offence to acquire, process or transfer property knowing that the property derived from a crime (*delito*) or to commit any other act in order to hide or conceal its illicit origin or to assist the person having participated in the offence or offences to evade the legal consequences of his or her acts. In general, money laundering is criminalised on the basis of the Vienna and Palermo Conventions. However, all of the relevant requirements laid down in those Conventions do not seem to be included in Article 301 PC. Specifically, the wording in this article does not set out that the "possession or use" of proceeds of crime also constitutes money laundering, nor is there, as an alternative way of covering "possession and use", an open-ended list of ways of handling proceeds of crime that would cover possession or use to the full extent required by the Conventions. This is true notwithstanding certain judgements by the Spanish Supreme Court, which seem to suggest that Article 301 PC could, in practice, be given a fairly broad interpretation as regards what actions the perpetrator is required to have carried out in respect of the proceeds.

9. Spain's money laundering offences extend to any type of property, regardless of its value, that directly or indirectly represents the proceeds of crime, even if it has been transformed, exchanged or altered. Article 301 PC requires that the person prosecuted for money laundering have had the knowledge of the unlawful origin of the property. When proving that property is the proceeds of crime, it is not necessary that a person be convicted of a predicate offence or that the prior act be under judicial proceedings. The Spanish Supreme Court has set up a long-standing doctrine on indirect proof of money laundering. Spain has adopted an all-crimes approach to the criminalisation of money laundering meaning that all crimes (*delitos* as opposed to fines or *faltas*) as mentioned in the Penal Code (including terrorist financing) could constitute a predicate offence for money laundering. Spain can use its money laundering offence to prosecute the laundering of proceeds generated from a predicate offence that occurred in another country provided that the predicate offence would have been a criminal offence if committed in Spain.

10. There is no fundamental principle of Spanish law that prohibits Spain from applying the money laundering offence to the person(s) who committed the predicate offence, and Spanish authorities state that they have criminalised "self-laundering". Nevertheless, it remains somewhat unclear to what extent self-laundering would be covered by the Spanish money laundering offences. The wording of Article 301 PC is silent with respect to self-laundering and there are no examples of any conviction for self-laundering. However, despite the absence of a clear criminalisation of self-laundering, or rather because Article 301 PC does not expressly exclude the perpetrator of the predicate offence from being liable for laundering the proceeds, one judgement from the Spanish Supreme Court does suggest, albeit in an *obiter dictum*, that a number of the alternatives in Article 301 PC could be applied not only to a third party launderer but also to the perpetrator of the predicate offence.

11. Spain's money laundering regime includes all ancillary offences to the offence of money laundering as described in Recommendation 1.

12. It appears that there is a relatively low number of prosecutions/convictions for money laundering. The figures that are available only reflect serious cases of money laundering handled by specialised prosecution offices. The prosecutors with whom the team of evaluation met indicated that the money laundering offences are easy to use – in particular due to the doctrine of indirect proof whereby it is not necessary to prove that the property in question constitutes proceeds of a specific criminal act. Rather, it suffices to prove – using the criminal standard of proof– that the property has no legal origin. Spain should make sure that its national law would allow for holding legal persons criminally liable for money laundering. At present, a legal person may be subject to an administrative fine or other sanction if the natural persons responsible for its management and direction are found guilty of a criminal offence involving the legal person.

13. Spain's criminalisation of terrorist financing is largely in line with international standards—in particular, with the Terrorist Financing Convention—yet it does not cover all the requirements of Special Recommendation II. This is perhaps not entirely surprising, as Spain has sadly had to cope with domestic terrorism for many years and has developed robust and sophisticated laws to counter this. However, modern changes to terrorist activities and to the nature of terrorism itself necessitates a fresh look at even tried and trusted laws to ensure that nothing falls through the cracks. Accordingly, Spain should consider carrying out a critical and comprehensive review of the various offences in Spanish law at present contributing to fulfilling the FATF requirements. In particular, Spain should ensure that: (1) offences properly cover terrorist financing in the form of providing and collecting funds with the unlawful intention that they should be used, or in the knowledge that they are to be used, by an individual terrorist (for any purpose); (2) TF offences cover providing and collecting funds directly in order to carry out a terrorist act and; (3) TF offences extend to providing and collecting funds to legitimate activities run by a terrorist organisation or an individual terrorist.

14. The Spanish legal framework on confiscation, freezing and seizing of proceeds of crime measures up well to the FATF standards. Insofar as the legal framework as such is concerned, the requirements under Recommendation 3 are met. However, the statistics and other information provided on the practical application of the relevant mechanisms do not provide a sufficient basis for giving concrete, specific recommendations on possible improvement.

15. As in other European Union countries, the obligation to freeze under S/RES/1267(1999) has been implemented through Council Regulation (EC) N^{o} 881/2002. Annex I to the Regulation contains the same information as the list maintained by the Al-Qaida and Taliban Sanctions Committee; and the Annex is regularly and promptly updated. The obligation to freeze under S/RES/1373(2001) is implemented through Council Regulation (EC) N^{o} 2580/2001. In Spain, in addition to the EC regulations, Law 12/2003 offers the possibility of freezing any type of financial flow so as to prevent the funds from being used to commit terrorist actions. Judicial freezing orders under Spanish law do not seem to fulfil the requirements under S/RES/1373(2001) to the full extent. Such judicial freezing is ordered with a view to securing claims for damages, compensation to victims etc. as may be recognised in a later conviction for terrorist offences. Hence, this judicial freezing has neither the same preventive aim nor necessarily the same broad scope as the kind of freezing measures foreseen in and required by S/RES/1373(2001) and Special Recommendation III. There also seem to be some shortcomings in the Spanish system when it comes to examining and giving effect to, if appropriate, the actions initiated under the freezing mechanisms of other jurisdictions. The assessors did not see evidence that Spanish authorities have established and implemented a clear, efficient procedure to ensure the prompt determination of whether reasonable grounds or a reasonable basis exists to initiate a freezing action and the subsequent freezing of funds or other assets without delay. Spain should take the necessary steps to ensure the full practical and efficient application of the otherwise seemingly adequate domestic legal framework laid down in Law 12/2003. In particular, it should promulgate the announced Royal Decree that will implement and enforce the law and through it provide additional guidance to financial institutions and other persons or entities that may be holding targeted funds or other assets. The need for additional guidance specifically concerning TF is also related to the

practical application of freezing measures under the two EC Regulations. Spain should establish and make clear and publicly known the necessary procedures for de-listing and unfreezing in appropriate cases.

16. The Spanish FIU, SEPBLAC, was established in 1993 and has been a member of the Egmont Group since 1995. Its functions involve receiving, analysing and disseminating information, but it also has a role as a supervisor. The total number of STRs received was around 1,000 in 2001 and 2,500 in 2004. In 2004, SEPBLAC sent 57 reports to the national court, 52 to the anti-narcotics public prosecutor's office, 204 to the anti-corruption public prosecutor's office, 866 to the *Policía Nacional* (National Police) and 320 to the *Guardia Civil* (Civil Guard). SEPBLAC's internal structure includes two police units (the *Guardia Civil* and the National Police) as well as customs personnel, who co-operate with each other and supplement the information provided by reporting parties. According to Spanish authorities, SEPBLAC receives generous funding from the Bank of Spain for the purpose of creating appropriate and progressive systems and procedures. It maintains satisfactory relationships with reporting parties and actively exchanges information with other FIUs.

17. Notwithstanding, the evaluation team noted a few deficiencies in SEPBLAC's operations. The quality of SEPBLAC's analysis was broadly commented by the competent investigating authorities during the on-site visit. The *Guardia Civil*, the national police and the anticorruption prosecutor (which receive the majority of the reports) believe that they are receiving too many reports and that many of them are inadequate for starting an investigation. It may be desirable for those police or law enforcement units to participate more actively in deciding what reports may be dispatched and the criteria to do so in order to guarantee their usefulness and the success of potential investigations. The evaluation team has also reservations about the economic independence of SEPBLAC vis-à-vis the Bank of Spain. Finally, SEPBLAC performs supervisory activities that may have an impact on the effectiveness of its functions as an FIU.

18. Spain has a comprehensive network of law enforcement and prosecution authorities and is largely in compliance with Recommendation 27. The *Guardia Civil* and the National Police are both responsible for fighting crime, including ML/FT. The Drug and Money Laundering Special Prosecutor's Office acts before the National Court in crimes of drug smuggling and money laundering perpetrated by organised groups and affecting more than one region. The Special Public Prosecutor's Office for the Repression of Economic Crimes Related with Corruption is competent for a series of crimes including crimes against the Treasury, smuggling, and embezzlement of public funds, fraud and extortion, bribery, crimes of political favour-peddling and voluntary bankruptcy. It obtained new responsibilities in the prosecution of money laundering and organised crime cases in 2004.

19. Authorities have comprehensive powers to compel production of, obtain access to, search premises for, and seize any documents needed during their investigations, as well as other investigative powers. However, considering the lack of comprehensive statistics (especially the number of initiated AML/CFT investigations and the percentage of total investigations completed), it is not possible to assess whether law enforcement and prosecution authorities effectively perform their functions. Expertise within the Drug and Money Laundering Special Prosecutor's Office could be diversified, and more skills in economics would be an asset. Finally, the prosecutors' offices generally mention the issue of resources as their main difficulty.

20. Spain has a currency monitoring system which requires individuals and companies to declare the amount, origin and destination of incoming and outgoing funds. With the adoption of the Special Recommendation IX, the system has been re-directed towards preventing money laundering. With regard to the system in place, the current declaration form seems to be more aimed at currency controls and does not seem very useful for AML or CFT purposes. The introduction of a new declaration form should facilitate the implementation of the declaration system for AML/CFT purposes. The applicable ministerial order and the law are silent on the methods to use to inform people about their obligation to report the transportation of cash or monetary instruments above a certain threshold, which raises a real issue of effectiveness of the measures in place. Again, the adoption and implementation of a new regulation should introduce useful mechanisms in this respect.

The possibility of stopping or restraining currency or monetary instruments does not explicitly exist where there is a suspicion of terrorist financing. It also seems that asset forfeiture provisions do not apply to persons who are smuggling cash or monetary instruments that are related to money laundering or terrorist financing. Finally, the sanctions regime in place seems appropriate and to give valuable results. Specific issues related to the physical cross-border transportation of cash arise with regard to the cities of Ceuta and Melilla and their location in North Africa; however, no further information was provided by the Spanish authorities.

3. Preventive Measures - Financial Institutions

21. In Spain, the preventive side of the AML/CFT system is rooted both in Law N^{o} 19/1993 of 28 December on certain measures for the prevention of money laundering (Law 19/1993), along with Royal Decree N^{o} 925/1995 (RD 925/1995) of 9 June (amended in January 2005) which implements this Law, and in Law N^{o} 12/2003 of 21 May (Law 12/2003). Law 19/1993 contains customer identification as well as the other AML obligations that apply to a wide range of financial institutions; however, it does not directly refer to the fight against terrorist financing, which is contained in separate Law 12/2003. The connection between the two laws should be made more explicit. The Spanish AML/CFT system is not based on risk assessments in the manner contemplated in the revised FATF 40 Recommendations. As far as specific requirements are concerned, RD 925/1995 takes into account different risk situations, such as non face-to-face business.

22. Spain has implemented customer due diligence (CDD) requirements although the current regime is insufficient to meet all subtleties of Recommendation 5. The current requirements are not extended to the risk related to terrorist financing. There are inadequate requirements to ascertain the beneficial owner. Obligations in relation to ongoing due diligence and those requiring financial institutions to ensure that documents, data or information collected under the CDD process is kept up-to-date and relevant are not sufficiently clear and do not impose direct obligations as asked for in Recommendation 5. With regard to higher risk situations, measures in place are incomplete. Spain should also address whether or not financial institutions are permitted to apply simplified or reduced CDD measures and should issue appropriate guidance to that effect. Financial institutions should not be permitted to open accounts, commence business relations or perform transactions when adequate CDD has not been conducted. Clear and direct measures should be adopted when financial institutions fail to complete CDD satisfactorily. Finally, Spain has not adopted rules governing the CDD treatment of existing customers on the basis of materiality and risk. Recommendations 6 and 7 have not been adequately implemented. In relation to Recommendation 8, Spain has some regulation in place that addresses the issue of non-face to face relationships (when establishing customer relationships) but does not extend this requirement to non-face to face transactions (linked to ongoing due diligence). There is no clear general guidance regarding emerging technological developments.

23. Neither the law nor the Royal Decree specifically deal with the issue of relying on third parties or other intermediaries to conduct due diligence. However, there is a requirement that responsibility for CDD always stays with the financial institution. Recommendation 9 is therefore not applicable. With regard to Recommendation 4, Spanish statutes dealing with a duty of confidentiality, both for domestic and for international matters, allow for exceptions that prevent the secrecy laws from hindering the implementation of the FATF Recommendations.

24. Spain complies with the requirements of Recommendation 10. Requirements in RD 925/1995 related to wire transfers entered into force in January 2006. They seem to be in line with the requirements set out in SR VII. However, the implementation and effectiveness of these measures could not be assessed due to their recent coming into force. Finally, the effectiveness of the monitoring of compliance with SR VII is linked to the overall effectiveness of Spain's supervision of financial institutions for AML/CFT and some doubts remain in this area (see comments below). Recommendations 10 and 21 are fully observed.

25. With regard to the reporting obligation, attempted transactions should be clearly and directly subject to the reporting obligation. Although the legal framework appears generally adequate, the

evaluation team expressed some concerns about the relatively low numbers of STRs, especially from outside the banking system and the fact that a large number of STRs have been filed by a small number of financial institutions. SEPBLAC relies heavily on prevention efforts, and its resources are inadequate to ensure a proper implementation of the reporting obligation through AML/CFT supervision. Finally, the fact that the scope of the Spanish ML/TF offences is not quite broad enough has a corresponding negative impact on the scope of the reporting obligation. Recommendations 14 and 19 are fully observed. There is not sufficient AML/CFT guidance available, and SEPBLAC does not deliver sufficient specific feedback to reporting entities especially on the status of STRs and the outcome of specific cases.

26. Financial institutions are obligated to establish internal procedures and policies to prevent money laundering, a measure that meets most of the FATF requirements. However, reporting financial institutions should be obliged to establish screening procedures to ensure high standards when hiring employees. Careful attention should also be paid to the implementation of proper internal procedures by all financial institutions.

27. Spanish requirements on financial institutions to ensure that their foreign branches and subsidiaries observe AML/CFT measures largely comply with the FATF standard. The authorities indicated that their broad interpretation of the requirements as stated in Law 19/1993 allow them to ensure adequate compliance consistent with the Spanish requirements and the FATF Recommendations. The identified shortcomings regarding the supervisor's ability to ensure AML/CFT compliance raise questions on whether this broad interpretation is indeed systematically applied. Spain should therefore add provisions to clarify that, for example, the higher standard has to apply in the event that the AML/CFT requirements of the home and host countries differ. There is no legally binding prohibition on financial institutions to enter into or continue correspondent banking relationship with shell banks, nor is there any obligation on financial institutions to determine whether a respondent financial institution in a foreign country permits its accounts to be used by shell banks.

28. The various procedures for licensing financial institutions appear adequate to prevent criminals from gaining control or significant influence of these businesses. It seems that criminal background checks are made at the time that a new financial institution is licensed. After that it is essentially left to financial institutions to do this as changes are made to the Board or to senior management. However, the Bank of Spain must approve new appointments, and this process includes a review of each appointee's qualifications and whether he or she has been subject to administrative sanctions. Spain should clarify what specific requirements and expectations are of financial institutions and whether the financial institutions or the Bank of Spain is responsible for doing background checks on new directors and new officers (changes after initial incorporation).

29. SEPBLAC is directly responsible for AML/CFT supervision for a large number of regulated financial institutions. For example in 2004 the total number of regulated financial institutions was 6,520. However, it only conducted 14 inspections of regulated financial institutions in that year. SEPBLAC has signed some MOUs with the financial regulators (Bank of Spain, the National Securities Market Commission and the Directorate General of Insurance and Pension Funds) that operate AML/CFT inspection programmes of their own. The AML/CFT supervision programmes operated by the financial regulators provide an additional level of comfort to SEPBLAC in respect of institutions not inspected directly by them; and in addition the requirement to notify SEPBLAC of compliance breaches is an additional strength. However, there is a fairly significant gap between the volume of inspections being done by the financial supervisors and the resulting information on these which reaches SEPBLAC. Spain should take steps to review its supervisory regime and better co-ordinate the inspection of reporting entities to increase the number of inspections. Finally, competent authorities are encouraged to review the adequacy of resources dedicated to supervision and take the appropriate steps to make the inspection programme as effective as possible. The limited results of the reporting obligation by money remitters raise some serious concerns about the effectiveness of the implementation of the FATF standards in this sector.

30. While there is a system of sanctions in place (not implemented by the supervisor itself but rather by the Treasury), due to the relatively limited access by SEPBLAC to the overall state of compliance with AML/CFT requirements, it is impossible to measure the effectiveness of the sanctions regime (element relating to effectiveness).

4. Preventive Measures – Designated Non-Financial Businesses and Professions

31. Law 19/1993 has imposed AML obligations on most categories of DNFBPs since April 2005. A discrete business sector for trust and company service providers has not been identified in Spain. However, AML/CFT obligations are applicable to persons offering these services if such persons fall into the categories identified (Spanish authorities confirmed that lawyers or other regulated and supervised professionals offer services equivalent to those offered by independent trust and company services providers as found in some other jurisdictions).

32. The main deficiencies in the implementation of AML/CFT preventive measures that relate to financial institutions (i.e., Recommendations 5, 6, and 8-11 and described above) also apply to DNFBPs, since the core obligations for both DNFBPs and financial institutions are the same. Requirements in relation to the identification of beneficial ownership and additional identification/know-your-customer rules should apply to DNFBPs to the full extent. Overall, the ratings for Recommendations 12 and 16 reflect concerns about the scope of application of AML/CFT obligations and the effective implementation of the existing requirements. More generally, the evaluation team believed that the effectiveness of the implementation of current Spanish AML/CFT laws could be improved by developing effective monitoring of the implementation of FATF standards by DNFBPs in Spain. It is also important to work with the different sectors (via their professional associations for instance) to improve awareness and overcome reluctance to apply AML/CFT requirements.

33. Due to the limited (staff and technical) resources of SEPBLAC for carrying out inspections of DNFBPs, there is no effective AML/CFT supervision in place. DNFBPs generally recognise that they do not have enough guidance as far as AML/CFT requirements are concerned.

34. With regard to Recommendation 20, Spain has not yet taken steps to encourage the development and use of modern and secure techniques for conducting financial transactions that are less vulnerable to money laundering.

5. Legal Persons and Arrangements & Non-Profit Organisations

35. Spanish law does not lay down any explicit obligation on legal persons, such as a limited company, to know or to disclose information about the beneficial ownership of that company as that term is defined in the glossary to the Methodology, nor is there any registry that maintains information on beneficial ownership in this sense. It thus seems that Spanish law does not require adequate transparency concerning beneficial ownership and control of legal persons, and it is in practice, bound to be difficult and sometimes quite cumbersome for competent authorities to obtain the necessary information. Moreover, access to such information, when there is access to it, is often not timely. Relying on investigative and other powers of law enforcement, Spanish competent authorities can produce disclosure of the immediate owners of a legal person – but if these, in turn, are also legal persons, the competent authorities must resort to continuing up the chain, one link at a time. Following this path, and through the use of mutual legal assistance instruments whenever non-domestic legal persons form part of the chain, Spanish competent authorities should at least be able to arrive at the ultimate owner(s) of a legal person if not the person exercising ultimate control. To the extent that the necessary information is thus obtained, there can be doubts as to whether the information is adequate, accurate and up to date, which may be difficult for the legal persons involved and the competent authorities to verify.

36. Bearer shares are still in use in Spain although they are now not so widely used as some years ago and their importance has decreased accordingly. In particular, the use of paper-format bearer

shares has decreased, and since 1998 it is impossible to prove ownership by mere possession of a certificate. This development is a positive one. However, the above-mentioned difficulties in ensuring that competent authorities have timely access to adequate, accurate and current information on beneficial ownership and control of the company itself persist with respect to legal persons using bearer shares as much as with respect to legal persons not using such shares.

37. Spanish law does not recognise the legal concept of a trust, including trusts created in other countries. As well, according to Spanish authorities, there are no other legal arrangements that are of a similar nature to a trust or which would otherwise meet the definition of a "legal arrangement" as defined in the FATF Recommendations. Nevertheless, Spanish lawyers do, from time to time, handle trusts located abroad. Spanish authorities indicated that when handling trusts abroad, Spanish lawyers are subject to the same legal regime as when assisting Spanish persons/entities, including the obligations with regard to customer identification, record keeping, STR reporting, etc.

38. In Spain, the NPO sector is basically made up of associations and foundations. Spain has over the last few years reviewed the adequacy of its legal framework relating to non-profit organisations that could be abused for the financing of terrorism and has put several measures in place to prevent such abuse. Nevertheless, there are some doubts as to whether the existing rules are fully implemented. Spain should give further consideration to implementing other specific measures from the Best Practices Paper on SR VIII or other measures to ensure that funds or other assets collected by or transferred through non-profit organisations are not diverted to support the activities of terrorist organisations.

6. National and International Co-operation

39. The activities of planning, co-ordination and implementation of the anti-money laundering policy in Spain are carried out through the Commission for the Prevention of Money Laundering. A significant part of domestic co-operation takes place through this mechanism; however, these efforts could be further reinforced to achieve more effective bilateral interagency co-operation.

40. Spain signed the Palermo Convention and its Protocols on the 13 December 2000 and ratified on 1 March 2003. The Vienna Convention was ratified on 11 November 1990. Spain signed the 1999 United Nations International Convention for the Suppression of the Financing of the Terrorism on 8 January 2001, and it was ratified on 1 April 2002. Spain has not fully implemented the Vienna Convention and the Palermo Convention ("possession or use", self-laundering). Spain has not fully implemented the Terrorist Financing Convention in that it has not criminalised the collecting of funds with the intention that they should be used or in the knowledge that they are to be used, in full or in part, in order to carry out terrorist acts (as that term is defined in the relevant Article of the Convention). Furthermore, there are doubts as to whether Article 2(3) is fully implemented insofar as Article 576 PC does not fully cover the criminal acts set out in the Conventions listed in the Annex to the Terrorist Financing Convention. Finally, the shortcomings in effective CDD requirements under Spanish law demonstrate that Article 18(1)(b) of the Terrorist Financing Convention has not – to the full extent – been properly implemented.

41. Spain has not fully implemented the relevant UN Security Council Resolutions since: (1) it has issued very little guidance to financial institutions and other persons/entities that may be holding targeted funds/assets; (2) it has not established or made clear and publicly known the necessary procedures for de-listing and unfreezing in appropriate cases; and (3) because the scope of the terrorist financing offence is not quite broad enough, it would be unable to freeze the assets of a person who provides or collects funds with the unlawful intention that they should be used, or in the knowledge that they are to be used, by an individual terrorist.

42. Spanish authorities are able to provide a wide range of mutual legal assistance. A proper application of treaties combined with Spain's being a party to a significant number of treaties on mutual legal assistance provides a solid basic legal framework. This framework is expanded and further strengthened by other important factors, such as Spain's providing mutual legal assistance on

the basis of reciprocity without also requiring a bi-lateral or multilateral treaty. It is moreover noteworthy in this respect that if a request for mutual legal assistance is received from a country with which Spain has no treaty on mutual legal assistance, the requesting State's ability and willingness to render mutual legal assistance to Spain to the same extent (reciprocity) is assumed without any further need for guarantees. Statistics, although not as comprehensive and detailed as they ideally should be, suggest that efficiency in the practical application of the system has improved over the last years and is now generally good. Notwithstanding the system's overall efficiency and as a recommendation without any effect on the compliance rating, Spain should consider how the average time for processing request for mutual legal assistance, in particular from countries outside the European Union, could be further reduced.

43. Both ML and TF are extraditable offences. The Spanish authorities state that extradition can occur pursuant to Spain's multilateral and bilateral extradition agreements or the principle of reciprocity where there is no multilateral or bilateral agreement in existence between Spain and the requesting country. Spain does not oppose the extradition of its own nationals on a general basis, as long as the requesting State also agrees to extradite its nationals (based on reciprocity). The Spanish authorities confirm that where the requirement of dual criminality applies, it is interpreted broadly. This means that it is not necessary that the offence be described in exactly the same way under the requesting country's laws, as long as the activity in question is punishable under Spanish law.

44. In general, SEPBLAC's capacity to exchange information with foreign counterparts appears to be satisfactory. Exchanges of information are not made subject to disproportionate or unduly restrictive conditions, and there appears to be a range of mechanisms or channels that can be used to co-operate with other countries. In information exchanges SEPBLAC is governed by the criteria of the Egmont Group or by the Collaboration Agreements signed with 22 countries. Spanish authorities indicated that information exchanged by SEPBLAC with other FIUs is not subject to restrictions of any kind. The fundamental criterion is that of reciprocity. SEPBLAC has no restriction on information exchange of a tax nature. Financial institutions or DNFBPs cannot invoke confidentiality or secrecy restrictions when responding to requests for information from SEPBLAC, except for public notaries, lawyers and solicitors, who may assert legal professional privilege.

45. The evaluation team was advised that financial supervisors are not authorised to share information related to money laundering or terrorist financing with foreign counterparts. Should a foreign regulator approach one of them in a request for information in relation to ML/TF, the financial regulator would refer the request to SEPBLAC and, once the information is made available by SEPBLAC, communicate it to the foreign financial supervisor. Since SEPBLAC does not deal directly with foreign supervisors to reply to requests related to AML/CFT supervision, it seems difficult to conclude that the co-operation mechanisms in place ensure a rapid, constructive and effective exchange of information.

46. As far as statistics are concerned, Spain should maintain more comprehensive data in the following areas: (1) number of ML/TF investigations, prosecutions and convictions; (2) data on the amounts of property frozen, seized and confiscated relating to money laundering, terrorist financing and criminal proceeds; (3) number of STRs filed on cross-border transportation of currency and bearer negotiable instruments; (4) statistics on whether the request for mutual legal assistance was granted or refused and on how much time was required to respond; (5) number of requests for extradition for ML/TF cases and figures on whether the request was granted or refused and how much time was required to respond; (6) number of formal requests made or received by SEPBLAC in distinguishing between the requests that were granted or refused and (7) number of spontaneous referrals made by SEPBLAC to foreign authorities.

Ratings of Compliance with FATF Recommendations

The rating of compliance vis-à-vis the FATF Recommendations are made according to the four levels of compliance mentioned in the 2004 Methodology (Compliant (C), Largely Compliant (LC), Partially Compliant (PC), Non-Compliant (NC)), or could, in exceptional cases, be marked as not applicable (NA).

Rating	*Meaning*
Compliant	The Recommendation is fully observed with respect to all essential criteria.
Largely compliant	There are only minor shortcomings, with a large majority of the essential criteria being fully met.
Partially compliant	The country has taken some substantive action and complies with some of the essential criteria.
Non-compliant	There are major shortcomings, with a large majority of the essential criteria not being met.
Not applicable	A requirement of part of a requirement does not apply, due to the structural, legal or institutional features of a country, e.g., a particular type of financial institution does not exist in that country.

Forty Recommendations	Rating	Summary of factors underlying rating
Legal systems		
1. ML offence	LC	▪ A few of the relevant requirements laid down in the Vienna and Palermo Conventions have not been implemented to the full extent (the "possession or use" of proceeds of crime). ▪ Although Spanish law does seem open to prosecution for self-laundering, the extent to which self-laundering would be covered by the Spanish money laundering offences remains somewhat unclear, and there are no examples of any convictions for self-laundering. ▪ As the statistics provided are in no way comprehensive, effectiveness is difficult to assess more precisely. However, the statistics that are available do suggest some doubts as to the effectiveness in the practical application of the ML offences in Spain.
2. ML offence – mental element and corporate liability	LC	▪ Spanish law foresees a broad range of sanctions that can be applied to legal persons, but legal persons cannot be sentenced for a crime and thus held criminally liable. ▪ A lack of statistics on sanctions actually imposed on natural and legal persons means that effectiveness cannot be properly assessed.
3. Confiscation and provisional measures	LC	▪ The effectiveness of the freezing, seizure and confiscation regime could only be partially assessed based on the information available.
Preventive measures		
4. Secrecy laws consistent with the Recommendations	C	Recommendation 4 is fully met.
5. Customer due diligence	PC	▪ *When CDD is required*: there is no direct obligation to undertake CDD measures when financial institutions have doubts about the veracity or adequacy of previously obtained customer identification data. ▪ *Required CDD measures*: (1) the current provisions do not set out requirements in relation to the verification of identification data for natural persons or for legal entities (except the verification of information related to the nature of the business); (2) no specific provisions have been adopted for legal arrangements (especially for trusts). ▪ *Identification of beneficial owners*: financial institutions are left with very general and imprecise requirements (this raises the issue of effective implementation of the requirement). ▪ *Ongoing Due Diligence*: there is no clear or direct obligation in the Royal Decree requiring financial institutions to ensure that

		documents, data or information collected under the CDD process is kept up-to-date and relevant. ▪ *Risk*: (1) RD 925/1995 is silent on the type of additional identification and "know-your-customer" measures to be taken by financial institutions when facing a higher risk transaction or customer (this raises the issue of effective implementation of the requirement); (2) with regard to low risk situations, the current exemptions mean that, rather than reduced or simplified CDD measures, no CDD measures apply whatsoever for these cases. This appears to be an overly broad exemption from CDD requirements although Article 5 of RD 925/1995 (special examination of certain transactions) is fully applicable to these situations; (3) there is no direct or clear provision setting out that the current exemptions are not acceptable whenever there is a suspicion of money laundering or terrorist financing. ▪ *Failure to satisfactorily complete CDD*: there is no legislation that requires reporting financial institutions to refuse to establish a customer relationship or carry out a transaction if customer identification (including beneficial owner identification) cannot be carried out or if identification documents believed to be incorrect cannot be verified although Spanish authorities explained that it is understood in the formulation of Law 19/1993 (Article 3.1) that failure to carry out the mandatory identification process must have the consequence that the customer relation will be refused. Further, there is no requirement to terminate an existing business relationship. Finally, there is no requirement for financial institutions to consider making a STR when the institution is unable to satisfactorily complete CDD. ▪ *Existing customers*: there are no specific legal or regulatory measures in place as to how reporting entities should apply CDD measures to their existing pool of customers although Article 5 of RD 925/1995 (special examination of certain transactions) is fully applicable in these circumstances.
6. Politically exposed persons	NC	▪ Spain has not implemented adequate AML/CFT measures concerning the establishment of customer relationships with politically exposed persons (PEPs).
7. Correspondent banking	NC	▪ Spain has not implemented adequate AML/CFT measures concerning establishment of cross-border correspondent banking relationships.
8. New technologies & non face-to-face business	PC	▪ Spain has no specific regulation concerning non-face to face business transactions. ▪ There is no general requirement that financial institutions have policies in place to deal with the misuse of technological developments.
9. Third parties and introducers	N/A	▪ Although financial institutions may rely on outside agencies to perform CDD for them, this is only done in the context of outsourcing agreements that must be performed under contract and thus this falls outside the scope of Recommendation 9.
10. Record keeping	C	Recommendation 10 is fully met.
11. Unusual transactions	C	Recommendation 11 is fully met
12. DNFBP – R.5, 6, 8-11	PC	▪ The same concerns in the implementation of Recommendation 5 apply equally to reporting financial institutions and reporting non-financial businesses and professions (see Section 3.2 of the Report). All existing requirements in relation to the identification of beneficial ownership and additional identification/know-your-customer rules (especially for higher risk activities) do not apply to DNFBPs. ▪ Spain has not implemented adequate AML/CFT measures concerning Recommendation 6 that are applicable to reporting non-financial businesses and professions.

		▪ Spain has some regulation in place that addresses the issue of non-face to face relationships (when establishing customer relationships) but that does not extend to non-face to face transactions and there is no clear general guidance regarding emerging technological developments (Recommendation 8). ▪ With regard to Recommendation 10, there are some concerns with regard to the implementation of the record keeping obligation by casinos. ▪ More generally, the implementation of the FATF requirements (both ML and TF) by DNFBPs raises very serious concerns.
13. Suspicious transaction reporting	LC	▪ Attempted transactions are not directly subject to the reporting obligation. ▪ There are some concerns about the effectiveness of the reporting system. Although the legal framework appears generally adequate, the evaluation team expresses some concerns about the relative low numbers of STRs, especially outside the banking system and the fact that a large number of STRs were filed by a small number of financial institutions. It also seems that SEPBLAC relies too much on prevention efforts to ensure a proper implementation of the reporting obligation in the absence of fully adequate supervision in the AML/CFT area. ▪ Because the scope of the Spanish ML offences is not quite broad enough, there is a corresponding negative impact on the scope of the reporting obligation. ▪ Because the scope of the Spanish TF offences is not quite broad enough, there is a corresponding negative impact on the scope of the reporting obligation.
14. Protection & no tipping-off	C	Recommendation 14 is fully met.
15. Internal controls, compliance & audit	LC	▪ There is no legal obligation on reporting financial institutions (other than credit institutions to a certain extent) to establish screening procedures to ensure high standards when hiring employees. ▪ There are some concerns about how effectively internal controls have been implemented. Due to the lack of a proper supervision in AML/CFT area, the evaluators have some concerns about the general level of implementation of proper internal procedures in Spanish financial institutions.
16. DNFBP – R.13-15 & 21	PC	▪ The same deficiencies in the implementation of Recommendations 13 and 15 apply equally to reporting financial institutions and reporting non-financial businesses and professions. ▪ Considering the calls for more guidance as voiced by all sectors during the on-site visit, there are preliminary concerns about the effectiveness of implementation for Recommendation 16 in all of its aspects.
17. Sanctions	LC	▪ While there is a system of sanctions in place, due to the relatively low volume of compliance monitoring carried out by SEPBLAC, and the issue of the articulation between the two regimes of administrative and criminal sanctions, it is difficult to measure the effectiveness of the sanctions [element relating to effectiveness].
18. Shell banks	PC	▪ There is no legally binding prohibition on financial institutions on entering into or continuing correspondent banking relationships with shell banks; nor is there any obligation on financial institutions to satisfy themselves that a respondent financial institution in a foreign country does not permit its accounts to be used by shell banks.
19. Other forms of reporting	C	Recommendation 19 is fully met.
20. Other NFBP & secure transaction techniques	LC	▪ Spain has not been taking steps to encourage the development and use of modern and secure techniques for conducting

		financial transactions that are less vulnerable to money laundering.
21. Special attention for higher risk countries	C	Recommendation 21 is fully met.
22. Foreign branches & subsidiaries	LC	▪ There are concerns as to how effectively measures regarding foreign branches and subsidiaries of Spanish institutions have been implemented, in particular regarding the obligation to ensure that the measures implemented by foreign branches and subsidiaries are consistent with the Spanish requirements and FATF standards to the extent permitted by the host country. [issue of effectiveness]
23. Regulation, supervision and monitoring	PC	▪ Key financial supervision (insurance companies, credit co-operatives and stock brokerage firms and to a lesser extent credit institutions) is producing a low number of reports on AML/CFT issues to transmit to SEPBLAC and therefore the compliance of these institutions with the FATF standards is not being adequately measured. ▪ The very limited resources of SEPBLAC with regard to AML/CFT issues may be negatively influencing the effectiveness of the overall AML/CFT supervision. ▪ Specific requirements for doing background checks on new directors and new officers in the situation of changes after initial incorporation should be clarified.
24. DNFBP - regulation, supervision and monitoring	NC	▪ There is no proper supervision or monitoring for AML/CFT requirements in place for DNFBPs. ▪ Spain not taken any measures vis-à-vis Internet casinos.
25. Guidelines & Feedback	PC	▪ There is a need for more specific, timely and systematic feedback to reporting entities especially the status of STRs and the outcome of specific cases. ▪ There is a lack of sector-specific AML/CFT guidance. ▪ There are not sufficient guidelines related to AML/CFT issues are available to DNFBPs. ▪ The absence of proper guidance in the CFT area may jeopardise successful practical application of the Spanish CFT system and may hamper the efficiency of the system in place.
Institutional and other measures		
26. The FIU	LC	▪ There is some question on the quality of the reports produced by SEPBLAC from a law enforcement perspective [issue of effectiveness].
27. Law enforcement authorities	LC	▪ Due especially to the lack of statistics, it is not possible to assess whether law enforcement and prosecution authorities effectively perform their functions [issue of effectiveness].
28. Powers of competent authorities	LC	▪ The process by which Spanish police forces can have access to account files is not effective [issue of effectiveness].
29. Supervisors	PC	▪ The number of on-site supervisory visits that result in inspections reports on compliance with AML/CFT requirements is low given the number of regulated financial institutions. This raises concerns in term of effectiveness of the supervision regime in place.
30. Resources, integrity and training	PC	▪ Considering the large number of entities that SEPBLAC is responsible for supervising, its number of staff is inadequate. (See Sections 2.5, paras. 214-221 & 228 and 3.10, para. 515). ▪ The analysis staff of SEPBLAC is distracted from its main functions due to supervision tasks (See Section 2.5, paras. 214-221 & 228 and 3.10, para. 515). ▪ The economic independence of SEPBLAC is called into question since it has no autonomous budget and its director is appointed by the Bank of Spain (See Section 2.5, paras. 214-221 & 227 and 3.10, para. 516).

		▪ Insufficient resources are allocated to prosecution authorities (See Section 2.6, para. 302).
31. National co-operation	LC	▪ Although formal co-operation may take place, there is still room for improvement in more effective interagency co-operation.
32. Statistics	PC	▪ Spain has not conducted a proper review of its AML/CFT regime (See Section 6.1, para. 621). ▪ There are no comprehensive statistics on money laundering investigations, prosecutions and convictions (See Section 2.1, para. 111). ▪ There are no comprehensive statistics on terrorist financing investigations, prosecutions and convictions (See Section 2.2, para. 127). ▪ There are very limited statistics on the number of cases and the amounts of property frozen seized and confiscated relating to money laundering, terrorist financing and criminal proceeds (See Sections 2.3, para. 140-143; 2.4, para. 192 and 2.6, para. 299). ▪ Spain does not collect statistics on whether the request for mutual legal assistance was granted or refused and on how much time was required to respond (See Section 6.3, para. 658). ▪ Spain does not collect statistics on the number of requests for extradition for ML/TF cases and does not collect data on whether the request was granted or refused and how much time was required to respond (See Section 6.4, para. 674). ▪ Spain does maintain statistics on the number of formal requests made or received by SEPBLAC without distinguishing between the requests that were granted or refused (See Section 6.5, para. 691). ▪ No figures are available on the number of spontaneous referrals made by SEPBLAC to foreign authorities (See Section 6.5, para. 691).
33. Legal persons – beneficial owners	PC	▪ Spanish law, although requiring transparency with respect to immediate ownership, does not require adequate transparency concerning beneficial ownership and control of legal persons. ▪ There are similar doubts also about the availability of adequate, accurate and current information on beneficial ownership and control of legal persons using bearer shares. ▪ Access to information on beneficial ownership and control of legal persons, when there is access to such information, is often not timely.
34. Legal arrangements – beneficial owners	NA	Recommendation 34 is not applicable in the Spanish context.
International Co-operation		
35. Conventions	LC	▪ Implementation of the Palermo and Vienna Conventions: Although Spanish law may cover much of Article 3(1)(c)(1) of the Vienna Convention and Articles 6(1)(b)(i) and 6(2)(e) of the Palermo Convention ("possession or use", self-laundering), Spain has not implemented these requirements to the full extent. ▪ Implementation of the Terrorist Financing Convention: Spain has not fully implemented Article 2(1) which – in connection with Article 2(3) – criminalises not only the provision of funds for terrorist acts but also the mere collection of funds with the intention that they should be used or in the knowledge that they are to be used, in full or in part, in order to carry out terrorist acts (as that term is defined in the said Article of the Convention) – regardless of whether an actual terrorist offence is carried out or not. To the extent that Articles 2(1) and 2(3) of the Terrorist Financing Convention are not fully implemented, the same would seem to apply correspondingly with respect to Articles 2(4) and 2(5) on accessory offences. The shortcomings in effective CDD requirements under Spanish law demonstrate that Article

		18(1)(b) of the Terrorist Financing Convention has not – to the full extent – been properly implemented.
36. Mutual legal assistance (MLA)	C	Recommendation 36 is fully met.
37. Dual criminality	C	Recommendation 37 is fully met.
38. MLA on confiscation and freezing	C	Recommendation 38 is fully met.
39. Extradition	C	Recommendation 39 is fully met.
40. Other forms of co-operation	LC	▪ With regard to the exchange of information with foreign supervisors, there are some doubts about the effectiveness of the mechanisms in place.
Nine Special Recommendations	**Rating**	**Summary of factors underlying rating**
SR I Implement UN instruments	PC	▪ Implementation of the Security Council Resolutions: Spain has not fully implemented the relevant Resolutions since: (1) Spain has issued very little guidance to financial institutions and other persons/entities that may be holding targeted funds/assets, which raises issues of effectiveness of the freezing mechanisms in operation in Spain; (2) Spain has not established or made clear and publicly known the necessary procedures for de-listing and unfreezing in appropriate cases; (3) the obligation to criminalise the collection of funds with the intention that they should be used or in the knowledge that they are to be used, in order to carry out terrorist acts is not covered to the full extent; (4) the definition of funds in the EC Regulations is not quite broad enough; and (5) the EU freezing mechanisms are not applicable to EU internals and the new domestic legal framework in Spain – which could fill the gap in the scope of application of the EU mechanisms – has yet to be fully implemented in practice. ▪ Implementation of the Terrorist Financing Convention: Spain has not fully implemented Article 2(1) in connection with Article 2(3) which criminalises not only of the provision of funds for terrorist acts but also of merely collecting funds with the intention that they should be used or in the knowledge that they are to be used, in full or in part, in order to carry out terrorist acts (as that term is defined in the said Article of the Convention) – regardless of whether an actual terrorist offence is carried out. To the extent that Articles 2(1) and 2(3) of the Terrorist Financing Convention are not fully implemented, the same would seem to apply correspondingly with respect to Articles 2(4) and 2(5) on accessory offences. The shortcomings in effective CDD requirements under Spanish law demonstrate that Article 18(1)(b) of the Terrorist Financing Convention has not – to the full extent – been properly implemented.
SR II Criminalise terrorist financing	LC	▪ The Penal Code does not provide for an offence of terrorist financing in the form of providing or collecting funds with the unlawful intention that they should be used, or in the knowledge that they are to be used, by an individual terrorist for any purpose. ▪ TF offences under Spanish law do not seem to properly cover providing or collecting funds to legitimate activities run by a terrorist organisation (or by an individual terrorist; cf. also above). ▪ The Spanish TF offences do not properly cover terrorist financing in the form of providing or collecting funds directly in order for them to be used to carry out a terrorist act. ▪ The relevant offences are predicate offences for ML but some shortcomings in the scope of the Spanish TF offences (as set out above) may raise an issue of effectiveness in this respect. ▪ Spanish law foresees a broad range of sanctions that can be applied to legal persons also for TF, but legal persons cannot be

			sentenced and thus held criminally liable. ▪ A lack of more comprehensive statistics on prosecutions, convictions and sanctions imposed on natural and legal persons means that effectiveness cannot be fully assessed.
SR III	Freeze and confiscate terrorist assets	LC	▪ With regard to national mechanisms for considering requests for freezing from other countries and for freezing funds of EU internals, Law 12/2003, although in force, has yet to be practically implemented. ▪ The scope of the freezing measures under the two definition of funds in the EC Regulations (881/2002 and 2580/2001) does not fully cover the terms in SR III – the requirement of being applicable to the funds or other assets owned or controlled wholly or *jointly*, directly or indirectly, by the persons concerned, etc. and to funds or other assets derived or generated from funds or other assets owned or controlled by such persons – and, with respect to measures under Regulation 881/2002, the freezing of funds should apply not only to funds held by the designated natural or legal persons but also to the funds *controlled* by them or by *persons acting on their behalf or at their direction*.. ▪ Spain has issued very little guidance to financial institutions and other persons/entities that may be holding targeted funds/assets. ▪ Spain has not established or made clear and publicly known the necessary procedures for de-listing and unfreezing in appropriate cases. ▪ Because the scope of the terrorist financing offences is not quite broad enough, Spain would be unable to freeze the assets of, *inter alia*, a person who collects funds directly in order for the funds to be used to carry out a terrorist act. ▪ The effectiveness of the freezing, seizure and confiscation regime cannot be satisfactorily assessed based on the information available.
SR IV	Suspicious transaction reporting	LC	▪ Attempted transactions are not directly subject to the reporting obligation. ▪ Because the scope of the Spanish TF offences is not quite broad enough, there is a corresponding negative impact on the scope of the reporting obligation. ▪ There are some concerns about the effectiveness of the reporting system.
SR V	International co-operation	LC	▪ With regard to the exchange of information with foreign supervisors, there are some doubts about the effectiveness of the mechanisms in place (in relation with Rec. 40).
SR VI	AML requirements for money/value transfer services	LC	▪ The current difficulties in implementing AML/CFT measures (including the limited results of the reporting obligation) in this sector raise some serious concerns about the effectiveness of the implementation of the FATF standards.
SR VII	Wire transfer rules	LC	▪ Due to the recent adoption of relevant requirements in the Spanish legal framework, the implementation and effectiveness of implementation of these new requirements could not be assessed by the evaluation team; ▪ The evaluation team expressed some concern on Spain's capacity to establish – under the current AML/CFT supervision regime – a proper monitoring of compliance of financial institutions with the new requirements.
SR VIII	Non-profit organisations	LC	▪ There is insufficient basis upon which to assess the efficiency of the measures in place [issue of effectiveness].
SR IX	Cross Border Declaration & Disclosure	LC	▪ The declaration system as currently implemented raises some issues of effectiveness.