# CATALOGUE OF **RISK** INDICATORS

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Insurance and life insurance brokers.

MINISTERIO
DE ECONOMÍA, COMERCIO
Y EMPRESA

COMMISSION FOR THE PREVENTION
OF MONEY LAUNDERING AND
MONETARY OFFENSES

# INTRODUCTION

This document contains a list of risk indicators for money laundering and terrorist financing (hereinafter ML/TF).

The purpose of this document is to assist regulated entities in complying with Law 10/2010 of April 28 on the prevention of money laundering and terrorist financing. Knowledge and use of these indicators can help improve the systems implemented by regulated entities to prevent and detect money laundering or terrorist financing transactions.

The presence in specific transactions of the indicators shown in this list does not necessarily imply the existence of money laundering or terrorist financing, which must in any case be assessed in the corresponding special review to be conducted by the regulated entity. However, the presence of these indicators can help the regulated entity identify the cases to be selected for the special review.

Likewise, the list of indicators provided below, duly adapted to the nature of the regulated entity's activities, may assist the entity in developing its own list of transactions that may be related to money laundering or terrorist financing.

Law 10/2010 of April 28 on the prevention of money laundering and terrorist financing, in Article 2.1(b), establishes the status of obligated entities for insurance companies authorized to operate in the life insurance

sector or other investment-related insurance, and for insurance brokers when acting in connection with life insurance or other services related to investments, subject to the exceptions established by regulation.

As indicated in the National Risk Analysis (NRA) approved by the Commission for the Prevention of Money Laundering in 2020, updated in April 2024, the risk of the insurance and pension sector being used for money laundering and terrorist financing activities **is considered low**.

In addition, the European Insurance and Occupational Pensions Authority issued Guidelines on Anti-Money Laundering and Counter-Terrorist Financing for life insurance companies [1].

Finally, in 2022, the European Commission published the third edition of the so-called Supra-National Risk Analysis (SNRA), which provides a systematic analysis of money laundering and terrorist financing risks at the European Union level, including, among other sectors, the risks specific to the insurance sector[2].

[1] https://www.eiopa.europa.eu/document/download/6f766f79-8d6c-4987-9c85-2c771c59d4e9_es?filename=Joint%20Guidelines%20on%20Risk%20Factors

[2] eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52022SC0344

This Catalogue has been prepared by the Commission for the Prevention of Money Laundering and Monetary Offenses, in the exercise of its functions, in collaboration with industry associations, with the aim of assisting regulated entities in complying with their obligations. This Catalogue of risk indicators, therefore, seeks to help regulated entities fulfill their preventive obligations, an objective that Directive (EU) 2024/1640 pursues in Article 26(1)(a) when it urges Financial Intelligence Units (FIUs) to provide information regarding *"the types of transactions or activities that present a significant risk of money laundering, its underlying crimes, and terrorist financing*." This list is an update of the one prepared in 2013 by the Commission for the Prevention of Money Laundering and Monetary Offenses in collaboration with the sector, which has been driven by developments in operations and risks.

This catalogue is divided into two sections. The first section, "General Indicators," includes indicators that, in principle, can be detected by any type of regulated entity. The second section, titled "Specific Indicators," highlights others that refer to specific activities carried out only by certain types of regulated entities.

The indicators shown in the list are only a selection of the many indicators that can be found in money laundering, its various types of underlying crimes, and/or terrorist financing. An effort has been made to select those that are most evident and general. For indicators related to more specific typologies, the regulated entity may consult various publications by organizations and institutions that conduct studies on specific typologies, revealing the most frequent indicators. Likewise, it is recommended that the regulated entity add to the suggested list other indicators derived from cases it analyzes on its own and assesses as linked to terrorist financing, money laundering, or their underlying criminal activities.

Finally, the development of this Catalogue has been accompanied by the preparation of a report on the most commonly used criminal schemes today, classified according to the primary underlying crime to which they are typically linked. The purpose of this document is to facilitate the work of regulated entities, insofar as a better understanding of the ways in which threats manifest in this area (drug trafficking, organized crime, corruption, etc.) can help improve the systems implemented by regulated entities to prevent and detect ML/TF transactions.

# GENERAL RISK INDICATORS

## In the due diligence process

In the interaction between the regulated entity and its customer regarding due diligence, elements may arise that, while not preventing the completion of due diligence, are relevant in the context of detecting money laundering or terrorist financing. These include the following:

- In general, the customer's reluctance to provide information to the regulated entity during the due diligence process.
- The customer's use of general terms such as "savings," "work," or similar expressions to inform the regulated entity about the source of their assets, in an attempt to avoid providing specific information about the nature of their employment, professional, or business activities.
- The cancellation of a transaction, or the modification of any of its characteristics (such as the amount), when the regulated entity requests that the customer provide additional documentation or information.
- The behavior of customers who demonstrate a high level of knowledge of

anti-money laundering (AML) and counter-terrorism financing (CTF) regulations and an unusual interest in the procedures implemented by the regulated entity to ensure compliance.

- The customer's request to the obligated entity not to comply with any of its due diligence obligations or with the proper recording of transactions, usually linked, explicitly or implicitly, to whether or not new transactions are carried out or to the continuation of the business relationship.
- The customer's demand for unusually high levels of confidentiality or discretion.
- Providing addresses as a primary residence that do not correspond to private residences or premises for exclusive use, such as business centers, hotels, etc., when this is inconsistent with the regulated entity's knowledge of the customer, or with the number, amount, or profile of their transactions.
- A discrepancy between the country of residence the customer has declared to the regulated entity and the country of the address the customer provides for receiving mail, the country of the contact phone number provided, or the country associated with the domain of the customer's email account or website.
- Customers whose behavior indicates adherence to radical extremist ideologies or who exhibit violent tendencies.

- Customers whose tax identification number has been revoked at the time of conducting transactions or establishing business relationships, including those who are beneficial owners or directors of companies.

## In remote transactions

By conducting remote transactions without direct contact with the regulated entity, it is possible to conceal the fact that those carrying out the transactions are not the individuals who have formally contracted with the regulated entity. Concealing the identity of the true person responsible for or the beneficial owner of the transactions is very common in ML/TF processes. The following are some indicators:

- Customers who systematically avoid conducting in-person transactions and instead carry out remotely transactions that are typically conducted in person.
- Access to the regulated entity's online services through the use of VPN services, *proxy* servers, or other mechanisms that conceal or hinder the geolocation of transactions.
- Frequent changes in IP addresses or devices when the same customer accesses the regulated entity's online services, without a justifiable reason.

- Attempts to open accounts or purchase products from IP addresses or devices previously used by customers other than those who intend to appear as the holders of the new account or the new product to be purchased, and without any apparent relationship between those former customers and the new customer.

- Attempts to purchase products remotely using the identity information of a customer already known to the regulated entity, when contact information is provided that does not match the information the regulated entity has on file for the known customer, or when there are other reasons to suspect that the customer's identity is being impersonated.

- Repeated access to the regulated entity's online services by the same customer from the same IP address, whose geolocation does not correspond to the location the customer has reported as their usual residence.

- Access to the regulated entity's online services by the same customer within a short period of time from several different connections that, based on their geolocation, are so far apart that it is not possible to travel from one to the other in the time elapsed between connections.

## Relocation of Transactions

As a result of economic globalization, international transactions are becoming increasingly common. However, on occasion, the international component is sought out deliberately, in an artificial manner, to distribute the elements of a single transaction across different jurisdictions and thus prevent the authorities of a single country from having a comprehensive understanding of the transaction. Such practices are common in AML/CFT processes. The following are some indicators:

- The execution of transactions that indicate or suggest the possibility that the regulated entity's customer has assets abroad, when this is inconsistent with the regulated entity's knowledge of the customer.
- The purchase of products in Spain by foreign individuals or legal entities, when there are no logical reasons for such purchases in our country.
- The operation of accounts domiciled in Spain (usually at branches in locations near the border with Spain or Portugal) that are limited to the mass receipt of transfers or other types of income originating in the other country, with the funds subsequently being disposed of through cash withdrawals or transfers to the same or another country.
- In general, transactions involving structures spanning multiple jurisdictions, without a justifiable reason.

- The use of corporate structures in which the beneficial owner, the directors, or the company are located in different jurisdictions, without a justifiable reason.
- The use of corporate structures in which different companies from different jurisdictions own one another, without a justifiable reason.

## Acting on behalf of a third party

Individuals involved in money laundering, its underlying crimes, and/or terrorist financing naturally seek to conceal their identity. To do so, they may use other individuals as frontmen who, acting on their instructions, interact with regulated entities and formally appear as the parties to the transactions. Below are some indicators that may suggest the regulated entity's customer is acting on behalf of another person:

- Cases in which a person acts, de facto or de jure, on behalf of the customer, when, based on the circumstances and the actions of both parties, the regulated entity determines that decisions regarding transactions or the business relationship are made by the representative, not the principal.
- Cases in which a person, whether a known customer or a professional, acts as an introducer of a new customer to the obligated party, and it is the introducer who negotiates the new customer's position with the obligated

party.

- A contract entered into by a new client who provides the same address, telephone number, or email address as a previous client, with whom they apparently have no relationship, and who carries out similar transactions.
- Cases in which it is observed that, in practice, one client is succeeded by another, such that when the first client terminates a business relationship, a new client—who formally appears to be independent of the previous one—establishes a new business relationship in which the same type of transactions are recorded.
- The actions of several clients acting as a group, such that each of them carries out a transaction with characteristics similar to those of the others, especially if it is observed that a third party, or one of them, is giving instructions to the others.
- Cases of remote onboarding where it appears that the new client is being assisted by a third party, for example, during the remote identification process via videoconference.
- The existence of several clients with no apparent relationship to one another who provide the same address, phone number, or email address, or who conduct online transactions using the same IP address.
- Changes to a client's contact information (phone number, email address) shortly after the account is opened or just before the client begins to execute transactions.

## Splitting of transactions

In many AML/CFT processes, a high volume of transactions can be suspicious. Furthermore, exceeding certain thresholds may require the regulated entity to implement enhanced due diligence measures or report information to the authorities. For this reason, transactions are very often split into several smaller ones, typically in the names of different individuals, so that each one is less conspicuous and does not trigger action by the regulated entity. The following are some indicators that a transaction has been split into several:

- The execution by a single customer, or by several acting in a coordinated manner, of multiple transactions of the same type, with the same origin and destination, consecutively, or within a short period of time, when, had the transaction been carried out in a single transaction for its total amount, the customer would have been required to provide additional information or documentation to the obligated entity.
- The purchase by the same person of many products, whether they are used simultaneously (the products are active at the same time) or successively (when one is canceled, another is purchased), carrying out a similar transaction.
- Cases in which a total payment is split into several payments, theoretically to benefit the payer, yet the time intervals between each payment are so

short that they offer no practical advantage.

## Regarding individuals or legal entities and beneficial ownership

Individuals involved in money laundering, its underlying crimes, and/or terrorist financing naturally seek to conceal their identity. One method of concealment is the use of individuals or legal entities in which corporate positions and beneficial ownership are formally held by frontmen. The following are some indicators related to this:

- Individuals or legal entities that experience frequent changes in the identification of their beneficial owner.
- Individuals or legal entities that report a change in beneficial ownership without corresponding changes in their management or representatives.
- When there is evidence of a transfer of ownership of the company, but its representatives wish to rely on a declaration of beneficial ownership made prior to the transfer.
- Individuals or legal entities that, in commercial practice, appear to be represented by persons who are neither their legal representative nor their beneficial owner.
- Individuals or legal entities whose beneficial ownership declaration is inconsistent with the information and documentation collected by the

reporting entity.

- Appointment of directors who clearly lack the necessary competence or suitability to perform the duties of the position.
- Use of companies, or other types of legal entities or structures, incorporated in foreign countries whose legal system permits the use of *nominee* shareholders, or allows the identification of the partner in a private document, such that in practice it is impossible to verify beneficial ownership through documentation.
- A beneficial owner who regularly appears in the incorporation or formation of legal entities or structures that are immediately transferred to another person.
- Simultaneous incorporation or creation of several legal entities or structures involving the same natural or legal person when there is no economic rationale or when anomalous circumstances exist.

## Place and time of transactions

Some indicators that take into account the place and time in which transactions are carried out are:

- Contracting a service or conducting a transaction in person at a location far from the customer's usual residence, when alternatives exist that would

avoid the trip and there are no justifiable reasons for it.

- A customer repeatedly and systematically conducting transactions during peak hours at the regulated entity's premises, when it appears that this is an attempt to hinder the regulated entity's ability to perform due diligence or record the transactions.
- A customer's request that the transaction be completed within an unusually short timeframe, without a reasonable explanation for expediting the transaction, when it appears that this is an attempt to hinder the regulated entity's performance of due diligence.

## Employees and agents

Criminal organizations involved in money laundering, their underlying criminal activities, and/or terrorist financing have significant financial resources and may corrupt employees and agents of regulated entities to prevent them from performing adequate due diligence, properly recording transactions, or reporting to the authorities. The following are some indicators that an employee or agent may have been corrupted:

- An employee's unjustified refusal to accept a promotion, take vacation, or make other changes that would result in losing direct contact with their clients.

- An employee displaying a standard of living higher than would be expected given their income, without a justifiable reason.
- An employee or agent experiencing a sudden, unexplained increase in the number of clients, the number or amount of their transactions, or the profile of those transactions.
- The concentration of transactions by an employee's or agent's clients on dates or at times that are normally periods of low public activity, without a justifiable reason.
- The agent's reluctance to comply with the regulated entity's AML/CFT measures, claiming that the measures established by other regulated entities for which they also act as an agent are more lenient.

### Possible connection to criminal activities involving ML/TF

On occasion, the link between the customer or their transactions and criminal activities may be inferred by the regulated entity from its relationship with the authorities or may even be in the public domain. Some indicators are noted below:

- Transactions by customers regarding whom requests or inquiries for information are received from national authorities, in the context of an investigation into criminal activities.
- Transactions by customers directly or indirectly related to other customers

regarding whom requests or inquiries for information have been received from national authorities in the context of criminal investigations.

- Transactions by customers for whom there is public information linking them to criminal activities.
- Transactions by customers that follow the same pattern and involve the same counterparties as those of other customers whose transactions were analyzed and found to be potentially linked to money laundering, underlying criminal activities, and/or terrorist financing.
- Customers subject to international sanctions, and persons associated with them.

# RISK INDICATORS IN SPECIFIC ACTIVITIES

## In cash transactions

- The execution of a cash payment when, due to the amount, the nature of the transaction, or other circumstances, the use of cash was not expected.
- Transactions involving accounts that record cash deposits made by different individuals or multiple deposits by the same individual, without a justifiable reason.
- The purchase of bearer payment instruments (bank checks, electronic money, traveler's checks, etc.) in exchange for cash, especially when the instruments are not presented for collection within a reasonable period of time.
- Cash deposits where, due to their being split into smaller amounts, the identity of the depositor is unknown, or when such identification is hindered by the customer's avoidance of the regulated entity's branches, the use of ATMs, or the unnecessary use of a cash-in-transit company's services.
- Cash deposits immediately followed by the transfer of their value abroad; or deposits immediately followed by the withdrawal of funds at ATMs abroad.

- Cash deposits immediately followed by card payments to crypto-asset service providers, in Spain or abroad.
- Cash withdrawals charged to balances generated through POS transactions, when the frequency and amounts suggest an operation involving cash delivery in exchange for a charge to the card account.
- Cash deposits made to associations, foundations, or other entities, when it is reported that the cash comes from fundraisers or collections, and the type of banknote used in the deposit is inconsistent with this.
- Cash deposits in which counterfeit bills appear more frequently than usual.
- Cash deposits consisting of banknotes that are very dirty, damp, moldy, or have a strange odor.
- Exchanges of large quantities of low-denomination banknotes for high-denomination banknotes.
- Frequent or significant exchanges of euros for foreign currency or vice versa that are not justified by the customer's professional or commercial activity.

## Insurance Transactions

- An insurance broker who suddenly begins to broker transactions that are very different from those they typically brokered (for example: the broker shifts from brokering transactions with relatively small premiums to brokering transactions with very high premiums).

- Individual policies in which the parties do not share the same identity or have no family relationship, unless there are apparent reasons to justify this.
- Multiple policies with the same policyholder and different beneficiaries who have no apparent relationship with one another, and for which no justifiable reasons can be identified.
- Different policies in which the same parties alternate roles (for example, the policyholder of one policy is the insured under another policy in which the insured under the first policy is listed as the policyholder) when there are no apparent reasons to justify this.
- Individual policyholders who hold multiple policies for the same or different products, where the total sum of the premiums represents an excessive amount relative to their declared income and business profile.
- A change by the customer to the beneficiary clause, naming a third party with no apparent connection.
- A large number of policies with a single beneficiary.
- Clients who show little interest in the benefits of the insurance but instead show a great deal of interest in the terms for early cancellation of the contract.
- Premiums paid by the policyholder that appear disproportionate to their ability to pay, or when paid by individuals or legal entities with no apparent

relationship to the policyholder.

- Early surrender of life insurance policies within a relatively short period of time after purchase, unless the premium payment and the surrender proceeds are processed through the customer's checking account.
- Surrender of policies from different policyholders directed to the same bank account number.
- Surrenders with a request for payment to a third party's account, with no apparent connection to the policyholder or held by the beneficiary but located in a country other than the policyholder's country of residence.
- Advances against the established mathematical reserve, requested shortly after taking out the insurance.
- Cancellation of a life insurance policy within 30 days without penalty or indication of the reasons, unless the premium payment and the cancellation refund are made through the customer's checking account.
- Contributions of an amount disproportionate to the agreed periodic premium.
- When the broker requests that the insurance company pay their commissions to a third party.
- Insurance transactions established in third countries, particularly in non-cooperative jurisdictions, where the traceability of the origin is not

guaranteed, especially in cases involving abnormally large amounts.

- Early termination of a product, in cases involving substantial premiums or when additional documentation is requested to verify the business relationship.
- The customer assigns the contract to a third party with no apparent relationship.



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