

SANCTIONS AND REQUIREMENTS REGULATED ENTITIES FOR THE YEAR 2024

GOVERNMENT OF SPAIN
MINISTRY OF ECONOMY, TRADE AND BUSINESS

SANCTIONS AND ADMINISTRATIVE MEASURES IMPOSED FOR FAILURE TO COMPLY WITH AML/CFT OBLIGATIONS – 2024

List of Sanctions 2
1.1. Serious Sanctions 2
1.2. Very Serious Sanctions 3

Analysis of Breaches Penalised During the Period 4
2.1. Due Diligence Obligations 4
2.2. Reporting Obligations 5
2.3. Internal Control Measures 6

List of Requirements 7
3.1. Requirements Relating to Due Diligence Obligations 7
3.2. Requirements Relating to Reporting Obligations 7
3.3. Requirements Relating to Internal Control Measures 8
3.4. Requirements Relating to the Implementation of International Financial Sanctions and Counter-Measures 11

SANCTIONS AND ADMINISTRATIVE MEASURES IMPOSED FOR FAILURE TO COMPLY WITH AML/CFT OBLIGATIONS

1. List of sanctions

Serious sanctions

Pursuant to Article 57 of Law 1 0/201 0 of 28 April, five final administrative sanctions were imposed in 2024, all of which were subject to a private reprimand. Furthermore, during 2024, 8 serious sanctions imposed in 2023 became final through administrative proceedings, all of which were subject to a private reprimand. The list of breaches relating to the same Law, as well as the amount of the fine imposed on each regulated entity, is as follows:

- **Breach of the obligation to obtain information on the purpose and nature of the business relationship, in accordance with Article 5** (52.1 .c): a penalty imposed on a credit institution consisting of a fine of €3,829,1 20.

- **Failure to comply with the obligation to apply ongoing monitoring measures to the business relationship, in accordance with Article 6** (52.1 .d): a penalty imposed on a credit institution consisting of a fine of €3,829,1 20.

- **Failure to comply with the obligation to apply enhanced due diligence measures, in accordance with Articles 1 1 to 1 6** (52.1 .f): a penalty imposed on a credit institution consisting of a fine of €1 ,81 4,21 2.50.

- **Failure to comply with the obligation to carry out a special review under Article 1 7** (52.1 .g):
  - Sanction imposed on a credit institution consisting of a fine of €3,829,1 20.
  - A penalty imposed on a payment institution in the form of a fine of €60,000.

- **Failure to comply with the obligation to report on the basis of indications, in accordance with Article 1 8** (52.1 .h): a penalty imposed on a credit institution consisting of a fine of €3,829,1 20.

- **Failure to comply with the obligation to refrain from enforcement, in accordance with Article 1 9** (52.1 .i): a penalty imposed on a credit institution consisting of a fine of €60,000.

- **Failure to comply with the obligation to make systematic reports, in accordance with Article 20** (52.1 .j): a penalty imposed on a credit institution consisting of a fine of €60,000.

- **Failure to comply with the obligation to retain documents, in accordance with Article 25** (52.1 .l): a penalty imposed on a payment institution consisting of a fine of €60,000.

- **Failure to comply with the obligation to approve in writing and implement adequate internal control policies and procedures, in accordance with Articles 26 and 26a, including the approval in writing and implementation of a customer admission policy** (Article 52(1)(m)):
  - Sanction imposed on a credit institution consisting of a fine of €495,1 59.
  - Sanction imposed on a credit institution consisting of a fine of €376,341 .
  - Sanction imposed on a credit institution consisting of a fine of €60,000.

- **Failure to comply with the external review obligation, as set out in Article 28** (52.1 .q): a penalty imposed on a payment institution consisting of a fine of €60,000.

Very serious sanctions:

Pursuant to Article 56 of Law 1 0/201 0 of 28 April, three final administrative sanctions were imposed in 2024, all of which are subject to a public reprimand. Furthermore, during 2024, one very serious sanction imposed in 2023 became final through administrative proceedings, and this is also subject to a public reprimand. The list of breaches relating to the same Law, as well as the amount of the fine imposed on each regulated entity, is as follows:

- **Failure to comply with the obligation to report on the basis of indications, in accordance with Article 1 8, where a director or employee of the regulated entity had internally disclosed the existence of indications or the certainty that a transaction or operation was linked to Money Laundering or Terrorist Financing** (51 .1 .a): a penalty imposed on a credit institution consisting of a fine of €3,91 9,300.

- **Breach of the obligation to disclose, in accordance with Article 24** (Article 51 .1 .c): a penalty imposed on a property company consisting of a fine of €1 50,000.

- Failure to comply with the obligation to apply enhanced due diligence measures, in accordance with Articles 1 1 to 1 6, where, during the preceding five years, a final **administrative** penalty had been imposed on the obliged entity **for the same type of infringement** (51 .1 .f): a penalty imposed on a credit institution consisting of a fine of €302,71 2.

- **Failure to comply with the obligation to carry out a special review, in accordance with Article 1 7, where, during the preceding five years, a final administrative penalty had been imposed on the obliged entity for the same type of infringement** (51 .1 .f): a penalty imposed on a credit institution consisting of a fine of €302,71 2.

2 Analysis of the breaches penalised during the period

From the information set out in the previous section, we can see, firstly, that the highest number of breaches was detected in credit institutions (1 3), although breaches were also detected in the payment institutions sector (3) and in estate agents (1).

On this point, it should be noted that the distribution of breaches is not due to poorer performance by certain sectors, but is linked to greater scrutiny by the supervisors, given the risk classification assigned to the various sectors.

Secondly, it is worth noting that the most frequent type of non-compliance relates to the lack of adequate policies and procedures (3), followed by the lack of special scrutiny (3) and the failure to adopt enhanced due diligence measures (2).

In any case, the determination of the amount is not solely indicative of the severity of the sanction, as the financial capacity of the regulated entity is also taken into account, resulting in varying figures.

In light of the above, a summary is provided of the most significant incidents that have given rise to sanctions during the period.

Due diligence obligations

With regard to the **due diligence obligations** set out in Law 1 0/201 0 of 28 April, during the period in question, sanctions have been imposed for breaches of obligations relating to **the purpose and nature of the business relationship, the ongoing monitoring of the business relationship, and enhanced due diligence measures**.

With regard to infringements relating to the **purpose and nature of the business relationship**, a key issue was insufficient monitoring by the first line of defence, leading to the inadequate application of due diligence measures; in particular, inadequate KYC documentation due to the absence of basic customer information, as well as a poor understanding of the activity carried out, with the use of generic terms in the description of the source of assets and funds, or a lack of financial and/or tax information.

As regards the **monitoring** of the business relationship, the sanction imposed is primarily due to the lack of justification regarding the source of funds and the lack of monitoring of the business relationship.

Finally, with regard to the infringements relating to the failure to apply **enhanced due diligence measures**, these were caused, on the one hand, by inadequate classification of customers by risk level and a customer onboarding policy that does not comply with the standards required by the regulations, leading to a failure to apply, or the inadequate application of, enhanced due diligence measures to high-risk customers.

Furthermore, there was a failure to apply enhanced due diligence measures to transactions presenting a higher risk of Money Laundering and Terrorist Financing due to their unusual nature, without assessing the source of the funds.

Reporting obligations

With regard to the **reporting obligations** set out in Law 1 0/201 0 of 28 April, sanctions have been imposed for breaches of the obligations relating **to the systematic reporting of transactions, the prohibition on disclosure, special scrutiny, reporting on the basis of suspicion, suspension of execution, and deficiencies in the retention of documents**.

With regard to non-compliance with the obligation to **carry out special scrutiny**, it is worth noting the existence of numerous transactions that exhibited a clear pattern of unusual behaviour, such as the deposit of a substantial sum of cash in cases that had been specifically reported by employees, in cases relating to court orders, and in relation to the activities of agents and the bank's own branches, which should have been subject to special scrutiny given that, by their nature, they could have been linked to Money Laundering or Terrorist Financing.

Furthermore, in addition to the absence of special scrutiny in cases where it is deemed necessary, there are other shortcomings relating to this obligation, such as deficiencies in the alert system, the lack of proper record-keeping of special scrutiny, the fact that special reviews are not supported by technical analysis, as well as a lack of diligence and oversight regarding the reviews carried out, with inconsistencies between the information contained in the register of special reviews and those actually conducted; and excessive delays in the procedure for carrying them out.

Breaches of the duty to **report transactions on the basis of indications** are primarily determined by the absence of such reports, or because the report was made only after the inspection of past transactions had already begun. Furthermore, a very serious penalty has been imposed for failing to report transactions on the basis of indications, even though there had been internal reports from employees regarding their existence. In turn, other notable shortcomings have been identified in this area, such as the long delays between the date on which the transaction began, the moment the decision to report was taken, and the

time at which the report based on indications was made to SEPBLAC, as well as shortcomings in the completeness of the register of reports based on indications.

As regards the breach of the duty to **refrain from carrying out transactions**, this arose from the institution's continued dealings with various clients following the special review and the reporting of suspicious transactions.

As for the breach of the obligation to **systematically report transactions**, the infringement arises from the failure to include in the Monthly Statement of Transactions (DMO) – as required by the Regulations implementing Law 1 0/201 0 of 28 April – the movements of means of payment carried out by customers who deposited significant amounts of cash with the institution.

As regards the breach of the **prohibition on disclosure**, this was caused by the forwarding of documentation to the representative of a natural person in respect of whom a report based on circumstantial evidence had been made to SEPBLAC.

Finally, it should be noted that the breach committed in relation to the **retention of documents** stems from the fact that the institution did not retain the documents in digital format, despite this being stipulated in its AML/CFT Manual, which constitutes a breach of Law 1 0/201 0 itself and of Order EHA/261 9/2006 of 28 July, which requires records of all transactions carried out to be retained in electronic form.

Internal control measures

With regard to the **internal control** measures provided for in Law 1 0/201 0 of 28 April, sanctions were imposed in 2024 for failure to comply with the obligation to **approve in writing and implement appropriate internal control policies and procedures**, and for failure to comply **with** the obligation **to undergo an external expert review**.

With regard to infringements relating to **internal control policies and procedures**, the main breaches detected relate to deficiencies in automatic alert generation systems and in special review procedures, as well as various breaches relating to the institution's understanding of its risks, both in terms of the institution's general risk self-assessment and in the analysis of specific risks in relation to certain geographical areas or certain types of customers. Finally, numerous shortcomings were also identified in the content of the AML/CFT Manual, which institutions are required to have in place in accordance with the regulations.

Furthermore, it is worth noting that no **external expert** report meeting the legally required criteria was submitted to the inspection.

3. List of requirements

During 2024, a total of 23 requirements were issued to various regulated entities; the content and type of entity are detailed below:

Requirements relating to due diligence obligations

- To ensure that the due diligence measures required by regulation are duly applied to all customers, both at the time of their admission and throughout the course of the business relationship, including those aimed at ascertaining the purpose and nature of the business relationship, applying enhanced due diligence measures where appropriate:

  6 credit institutions

  2 casinos

  1 payment systems operator

  2 insurance companies

  3 currency exchange bureaux 1

  law firm

- Ensure compliance with the requirements set out in the authorisations for remote identification procedures:

  2 credit institutions

Requirements relating to reporting obligations

- Ensure that the system for generating, processing and recording alerts is effective:

  6 credit institutions

  2 casinos

  1 payment systems operator

  3 insurance companies

  3 currency exchange bureaux

  1 company registrar

- Implement a system for receiving and processing communications from employees and managers:

  2 casinos

  1 payment systems operator

- Establish a procedure to regulate how information requests received from authorities are to be handled and ensure that the register is kept up to date:

  2 credit institutions

  2 casinos

  1 currency exchange office

- Ensure that any special audits and investigations carried out on the basis of evidence comply with the terms set out in the legal provisions in force:

  2 casinos

  3 credit institutions

  1 payment systems operator 3 currency exchange bureaux 1 law firm

  1 company registrar

- Ensuring compliance with the obligation to refrain from enforcement:

  1 insurance company

  1 casino

  3 currency exchange bureaux

Requirements relating to internal control measures

- Incorporate into the customer onboarding policy variables relevant to the assessment of risk exposure and their periodic updating, as well as

a list of all customers who may present a higher-than-average risk and the measures envisaged to mitigate it:

5 credit institutions

1 payment systems operator

2 insurance companies

2 law firms

- Update the catalogue of risk transactions to reflect the reality of operations:

  4 credit institutions
  2 law firms

- Establish a register of special reviews, clearly identifying each of the matters it covers:

  1 credit institution

  1 payment systems operator

  1 casino

  2 currency exchange bureaux

- Incorporate into the internal regulations governing the procedure for reporting on grounds of suspicion the method for recording the reasoning behind the decision taken:

  1 credit institution
  2 casinos

- Maintain a duly updated and approved AML/CFT Manual, and adopt measures to identify the internal rules and procedures in force:

  6 credit institutions

  2 casinos

  1 payment systems operator

  2 insurance companies

  3 currency exchange bureaux

1 investment firm

- Establish an appropriate internal control body and a technical prevention unit, as well as a system for the approval of internal rules:

  3 credit institutions

  2 casinos

  1 payment systems operator

  2 insurance companies

- Establish appropriate internal control procedures enabling it to monitor and store documentation and information relating to customers and the transactions they carry out:

  2 casinos

- Implement appropriate measures to rectify and improve any deficiencies in internal AML/CFT controls identified by the internal audit department:

  2 casinos

  3 credit institutions

  1 insurance company

  1 law firm

- To obtain, in a timely and proper manner, a comprehensive annual report from an external expert and adopt an action plan for the implementation of the proposed measures:

  2 casinos

  2 credit institutions

  1 payment systems operator 3 currency exchange bureaux 1 law firm

- Comply with obligations relating to staff training:

2 casinos
1 credit institution
1 law firm

- Prepare the ML/TF risk self-assessment report and review it periodically:

1 payment systems operator
2 credit institutions
1 insurance company
2 currency exchange bureaux 1 law firm

- Ensure the implementation of the safeguards provided for in the case of the group's subsidiaries and branches established in third countries:

1 credit institution

1 insurance company

Requirements relating to the implementation of international financial sanctions and countermeasures

- Ensure compliance with regulations on international sanctions and financial countermeasures:

1 currency exchange bureau 1 investment firm
1 credit institution
1 notary's office
1 law firm
1 company registrar