

## PREVENTION OF MONEY LAUNDERING AND TERRORIST FINANCING ACT

### ACT 10/2010 of 28 APRIL

Published in the Official State Gazette: 29<sup>th</sup> APRIL 2010

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EXPLANATORY STATEMENT .....	6
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#### CHAPTER I

##### General provisions

Article 1. Subject matter, scope and definitions.....	8
---	---

Article 2. Institutions and persons covered by this Act. ....	9
---	---

#### CHAPTER II

##### Due diligence

###### SECTION 1

###### Normal due diligence

Article 3. Formal identification.....	11
---------------------------------------	----

Article 4. Identification of the beneficial owner. ....	11
---	----

Article 5. Purpose and nature of the business relationship. ....	12
--	----

Article 6. Ongoing monitoring of the business relationship.....	12
---	----

Article 7. Application of due diligence measures.....	12
---	----

Article 8. Third-party application of due diligence measures. ....	14
--	----

###### SECTION 2

###### Simplified due diligence

Article 9. Simplified customer due diligence measures. ....	14
Article 10. Simplified due diligence with respect to products or transactions. ....	15

## SECTION 3

### Enhanced due diligence measures

Article 11. Enhanced customer due diligence. ....	16
Article 12. Business relationships and transactions without physical presence. ....	17
Article 13. Cross-border correspondent banking. ....	17
Article 14. Politically exposed persons ....	18
Article 15. Data processing of politically exposed persons. ....	19
Article 16. Products or transactions favouring anonymity and new technological developments. ....	20

## CHAPTER III

### Reporting obligations

Article 17. Special review. ....	20
Article 18. Suspicious transactions reporting. ....	20
Article 19. Abstention from execution. ....	22
Article 20. Systematic reporting. ....	22
Article 21. Cooperation with the Commission for the Prevention of Money Laundering and Monetary Offences and its support bodies. ....	22
Article 22. Exemption. ....	23
Article 23. Exemption from liability. ....	23
Article 24. Prohibition of disclosure. ....	23
Article 25. Record keeping. ....	24
Article 26. Internal controls. ....	25
Article 27. Centralized prevention bodies. ....	26
Article 28. External review. ....	26
Article 29. Employee training. ....	27



Article 30. Protection and suitability of employees, directors and agents.....	27
Article 31. Branches and subsidiaries in third countries.....	28
Article 32. Protection of personal data.....	28
Article 33. Exchange of information between institutions and persons covered by this Act and centralised fraud prevention files.....	29
Article 34. Obligation to declare.....	30
Article 35. Control and seizure of means of payment.....	31
Article 36. Information processing.....	31
Article 37. Exchange of information.....	32
Article 38. Trade of goods.....	32
Article 39. Foundations and associations.....	32
Article 40. Payment management entities.....	33
Article 41. Money remittances.....	33
Article 42. International financial countermeasures.....	33
Article 43. Financial ownership file.....	33

## CHAPTER VII

### Institutional organisation

Article 44. Commission for the Prevention of Money Laundering and Monetary Offences. ....	34
Article 45. Support bodies of the Commission for the Prevention of Money Laundering and Monetary Offences.....	36
Article 46. Financial intelligence reports.....	37
Article 47. Monitoring and inspection.....	38
Article 48. Cooperation arrangements.....	39
Article 49. Confidentiality.....	40

## CHAPTER VIII

### Penalty system

Article 50. Categories of offences.....	41
---	----





Article 51. Very serious offences. ....	41
Article 52. Serious offences. ....	42
Article 53. Minor offences. ....	44
Article 54. Liability of directors and officers. ....	44
Article 55. Enforceability of administrative liability. ....	44
Article 56. Penalties for very serious offences. ....	44
Article 57. Penalties for serious offences. ....	45
Article 58. Penalties for minor offences. ....	46
Article 59. Penalty scale. ....	46
Article 60. Limitation period for offences and penalties. ....	47
Article 61. Punitive proceedings and injunctive relief. ....	47
Article 62. Concurrent penalties and criminal association. ....	48

## **ADDITIONAL PROVISION**

Additional provision. Loss of status as equivalent third country. ....	49
--	----

## **TRANSITIONAL PROVISIONS**

First transitional provision. Implementing regulations of Act 19/1993 of 28 December. ....	49
Second transitional provision. Penalty system. ....	49
Third transitional provision. Power to initiate punitive proceedings. ....	49
Fourth transitional provision. Payment services. ....	49
Fifth transitional provision. Attachment of the Executive Service. ....	50
Sixth transitional provision. System for implementing the pension liabilities of entities with bearer shares. ....	50
Seventh transitional provision. Application of due diligence for existing customers. ....	50
Eighth transitional provision. Agreements with the supervisory bodies of financial institutions. ....	50

## **REPEALING ARTICLE**

Repealing article. ....	50
-------------------------	----

## FINAL PROVISIONS

First final provision. Amendment to Prevention and Blocking of Terrorist Financing Act 12/2003, of 21 May. ....	50
Second final provision. Amendment to Legal Regime of Capital Movements and Foreign Economic Transactions and Specific Measures for the Prevention of Money Laundering Act 19/2003, of 4 July. ....	53
Third final provision. Amendment to Collective Investment Undertakings Act 35/2003, of 4 November. ....	53



Juan Carlos I King of Spain

To all those who see or hear the present.

Know: that the Parliament has approved and I hereby give my assent to the following Act:

## EXPLANATORY STATEMENT

The money laundering prevention policy emerged in the late 1980s in response to growing concerns raised by the financial crime resulting from drug trafficking.

The risk of the penetration of important sectors of the financial system by criminal organisations, to which the existing instruments failed to provide an adequate response, gave rise to a coordinated international policy whose most significant effect was the creation in 1989 of the Financial Action Task Force (FATF). The FATF Recommendations, adopted in 1990, quickly became the international standard in this area and were the direct inspiration for the First EU Directive (Council Directive 91/308/EEC of 10 June 1991).

However, an increased understanding of the techniques used by money laundering networks and the natural development of such a new public policy have, in recent years, led to a number of changes in the international standards and hence, in Community law.

In this context, the Act hereunder transposes Directive 2005/60/EC of the European Parliament and Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing, developed by Commission Directive 2006/70/EC of 1 August 2006 laying down implementing measures for Directive 2005/60/EC of the European Parliament and of the Council as regards the definition of 'politically exposed person' and the technical criteria for simplified customer due diligence procedures and for exemption on grounds of a financial activity conducted on an occasional or very limited basis, and establishes the system of penalties laid down in Regulation (EC) No. 1781/2006 of the European Parliament and Council of 15 November 2006 on information on the payer accompanying transfers of funds.

Nonetheless, it should be noted that the Third Directive or Directive 2005/60/EC, which essentially incorporates the FATF Recommendations into Community law, following their review in 2003, merely provides a general framework that must not only be transposed but also completed by the Member States, giving rise to considerably lengthier and more detailed national standards. In other words, the Directive does not establish a comprehensive framework for the prevention of money laundering and terrorist financing to be implemented by the institutions and persons covered without further specification from their national legislatures. Moreover, the Third Directive is a minimum standard, as clearly stated in its article 5, that must be reinforced or extended taking into account the specific risks of each Member State, which is why this Act, like the current Specific Measures for the Prevention of Money Laundering Act 19/1993 of 28 December 1993, contains certain provisions that are stricter than those of the Directive.

Nonetheless, from a technical point of view, a total transposition has been made, adapting the terminology and systems of the Directive to native legislative practices. For example, the term persons with public responsibility ("personas con responsabilidad pública") has been used in place of what the Directive calls politically exposed persons ("personas del medio político"), on the grounds that this is more accurate and expressive in Spanish. The current system has also been maintained as far as possible, where it did not contradict the new Community law, in order to reduce the costs of adaptation for institutions and persons covered by the Act. Lastly, the rank has



been raised of various provisions contained in the Royal Decree 925/1995 of 9 June, developing Act 19/1993 of 28 December, resulting in a significantly more extensive law. From a critical point of view, this technique could be labelled as overly regulatory; however, it is deemed preferable because it covers specific duties imposed on the institutions and persons covered by the Act, which find a more suitable fit in legal regulations.

Lastly, it should be noted that the systems for the prevention of money laundering and terrorist financing have been unified, thus ending the current dispersion. Pursuant to international standards on the prevention of money laundering, which have fully incorporated the fight against terrorist financing, the Third Directive, unlike the texts of 1991 and 2001, refers to "the prevention of the use of the financial system for the purpose of money laundering and terrorist financing."

In Spain, the Specific Measures for the Prevention of Money Laundering Act 19/1993 of 28 December exists alongside the Prevention and Freezing of Terrorist Financing Act 12/2003 of 21 May. As its title suggests, Act 12/2003 of 21 May was not limited to regulating the freezing or blocking of funds with a possible terrorist link, as was its original intention; instead, it has mimicked the prevention obligations of Act 19/1993 of 28 December, which is clearly a dysfunctional situation.

Hence, without prejudice to the maintenance of Act 12/2003 of 21 May on freezing funds, the preventive aspects both of money laundering and terrorist financing are now regulated herein in a single piece of legislation. Freezing, as an operational decision, will remain within the power of the Ministry of the Interior, while the Commission for the Prevention of Money Laundering and Monetary Offences, which reports to the Secretariat of State for the Economy, will be assigned the power, with the participation of the financial supervisors, to initiate and carry out preliminary investigations in punitive proceedings for failure to comply with prevention obligations. This will put an end to the current duality of the legislation while maintaining the authority of the Commission on Terrorist Financing Monitoring to agree on the blocking or freezing of funds where justified.



## CHAPTER I

### General provisions

#### **Article 1. Subject matter, scope and definitions.**

1. The purpose of this Act is to safeguard the integrity of the financial system and other economic sectors by establishing obligations in respect of the prevention of money laundering and terrorist financing.

2. For the purposes of this Act, the following conduct shall be regarded as money laundering:

(a) The conversion or transfer of property, knowing that such property is derived from criminal activity or from an act of participation in such activity, for the purpose of concealing or disguising the illicit origin of the property or of assisting any person who is involved in such activity to evade the legal consequences of his actions.

(b) The concealment or disguise of the true nature, source, location, disposition, movement, rights with respect to, or ownership of property, knowing that such property is derived from criminal activity or involvement in criminal activity.

(c) The acquisition, possession or use of property, knowing, at the time of receipt, that such property is derived from criminal activity or from an act of participation in criminal activity.

(d) Participation in, association to commit, attempts to commit and aiding, abetting, facilitating and counselling the actions mentioned in the foregoing points.

Money laundering shall exist even where the conduct described in the foregoing points was carried out by the person or persons who carried out the criminal activity that generated the property.

For the purposes of this Act, property deriving from criminal activity means assets of every kind whose acquisition or possession originates from a crime, whether corporeal or incorporeal, movable or immovable, tangible or intangible, and legal documents or instruments in any form including electronic or digital, evidencing title to or an interest in such assets, and the amount defrauded in the case of tax fraud.

Money laundering shall be regarded as such even where the activities which generated the property were carried out in the territory of another Member State or in that of a third country.

3. For the purposes of this Act, 'terrorist financing' means the provision, depositing, distribution or collection of funds or property, by any means, directly or indirectly, 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 any of the terrorist offences punishable under the Criminal Code.

Terrorist financing shall be regarded as such even where the provision or collection of money or property were carried out in the territory of another State.

4. For the purposes of this Act and without prejudice to the Additional provision, equivalent third countries shall be those states, territories or jurisdictions so determined by the Commission for the Prevention of Money Laundering and Monetary Offences due to their establishing equivalent requirements to those of Spanish law.





The qualification of a state, territory or jurisdiction as an equivalent third country shall not in any event have retroactive effect.

## **Article 2. Institutions and persons covered by this Act.**

1. This Act shall apply to:

(a) Credit institutions.

(b) Insurance companies authorized to operate in the field of life insurance and insurance brokers acting in connection with life insurance or other investment related-services, with the exceptions laid down in the regulations.

(c) Investment services firms.

(d) Management companies of investment funds and investment companies whose management is not assigned to a management company.

(e) Pension fund management entities.

(f) Management companies of venture capital entities and venture capital companies whose management is not assigned to a management company.

(g) Mutual guarantee companies.

(h) Payment entities and electronic money institutions.

(i) Persons whose business activity includes currency exchange.

(j) Postal services in respect of giro or transfer activities.

(k) Persons professionally involved in brokering loans or credits, as well as persons who, without obtaining prior authorization, such as credit institutions, carry out any of the professional activities covered by the First additional provision of Act 3/1994, of 14 April 1994, adapting Spanish legislation on credit institutions to the Second Banking Co-ordination Directive and introducing other changes relative to the financial system.

(l) Property developers and persons whose business activities include those of agency, commission or brokerage in property trading.

(m) Auditors, external accountants and tax advisers.

(n) Notaries and registrars of property, trade and personal property.

(ñ) Lawyers, barristers and other independent professionals when they participate in the design, implementation or advice on transactions on behalf of clients relating to the buying and selling of property or business entities, the management of funds, securities or other assets, the opening or management of current, savings or securities accounts, the organization of contributions necessary for the creation, operation or management of companies or the creation, operation or management of trusts, companies or similar structures, or when acting on behalf of clients in any financial or property transaction.

(o) Persons who on a professional basis and in accordance with the specific rules applicable in each case provide the following services to third parties: forming companies or other legal persons; acting as or arranging for another person to act as a director or secretary of a company, a partner of a partnership or a similar position in relation to other legal persons; providing a registered office, business address, correspondence or administrative address and other related services for a company, a partnership or any other legal person or arrangement; acting as or arranging for another person to act as a trustee of an express trust or similar legal arrangement, or acting as or arranging for another person to act as a shareholder for another person, other than a company listed on a regulated market that is subject to disclosure requirements in conformity with Community legislation or subject to equivalent international standards.

(p) Casinos.

(q) Professional dealers in jewels, precious stones or metals. (r) Professional dealers in works of art or antiques.

(r) Professional dealers in works of art or antiques.

(s) Persons whose business activity includes those set down in article 1 of Consumer Protection in the Procurement of Goods with a Price Refund Offer Act 43/2007, of 13 December.

(t) Persons engaged in the deposit, custody or professional transfer of funds or means of payment.

(u) Persons responsible for the management, operation and marketing of lotteries or other gambling activities in respect of prize payment transactions.

(v) Natural persons engaged in the movement of means of payment, under the terms laid down in article 34.

(w) Professional dealers in goods, under the terms set out in article 38.

(x) Foundations and associations, under the terms provided for in article 39.

(y) Managers of payment systems, clearing systems and those for the settlement of securities and financial derivatives, as well as managers of credit cards or debit cards issued by other entities, under the terms established in article 40.

This Act shall be considered to cover non-resident persons or entities that, through branches or agents or the provision of services without permanent establishment, carry out activities in Spain of a similar nature to the persons or entities referred to in the previous subparagraphs.

**2.** This Act shall be considered to apply to the natural or legal persons carrying out the activities referred to in the previous paragraph. However, when natural persons act as employees of a legal person, or provide permanent or occasional services for the latter, the obligations imposed under this Act shall correspond to such legal person in respect of the services rendered.

The institutions and persons covered by this Act will be also subject to the obligations hereunder with respect to transactions performed through brokers or other persons acting as mediators or intermediaries of the latter.

3. Persons who engage in a financial activity on an occasional or very limited basis and where there is little risk of money laundering or terrorist financing may be excluded in the regulations.

4. For the purposes of this Act, the institutions and persons covered by this Act listed from (a) to (i) of paragraph 1 shall be regarded as financial institutions.

## CHAPTER II

### Due diligence

#### SECTION 1

##### Normal due diligence

#### **Article 3. Formal identification.**

1. The institutions and persons covered by this Act shall identify the natural or legal persons intending to enter into business relations or to act in any transaction.

Under no circumstances shall the institutions and persons covered by this Act maintain business relationships or carry out transactions with natural or legal persons who have not been duly identified. In particular, the opening, contracting or maintenance of accounts, passbooks, assets or instruments that are numbered, encrypted, anonymous or under fictitious names shall be prohibited.

2. Before entering into the business relationship or executing any transactions, the institutions and persons covered by this Act shall verify the identity of the participants using reliable and irrefutable documentary evidence. If the identity of the participants cannot be initially verified by documentary evidence, article 12 may be applied, unless there are elements of risk in the transaction.

The documents to be considered as proof of identification shall be established in the regulations.

3. In life insurance, the identity of the policyholder must be verified before conclusion of the contract. The identity of the beneficiary of the life insurance must be verified in all cases before payment of the benefit under the contract or the exercise of the rights of redemption, payment or pledge granted by the policy.

#### **Article 4. Identification of the beneficial owner.**

1. The institutions and persons covered by this Act shall identify the beneficial owner and take appropriate steps to verify the identity of the latter before entering into business relations or executing any transactions.

2. For the purposes of this Act, beneficial owner shall mean:

(a) Natural person or persons on whose behalf a transaction or activity is being conducted or intervene in any transaction.

(b) Natural person or persons who ultimately owns or controls, directly or indirectly, a percentage of more than 25 percent of the capital or voting rights of a legal person, or who otherwise exercises control, directly or indirectly, over the management of a legal person. Companies listed on a regulated market of the European Union or equivalent third countries are excepted.

(c) Natural person or persons who ultimately own or control over 25 percent or more of the property of a legal arrangement or entity that administers or distributes funds, or, where the individuals that benefit from the legal arrangement or entity have yet to be determined, the class of persons in whose main interest is set up or operates.

**3.** The institutions and persons covered by this Act shall gather information on clients to determine whether they are acting on their own or for third parties. Where there are indications or certainty that clients are not acting on their own, the institutions and persons covered by this Act shall gather the information required in order to find out the identity of the persons on whose behalf they are acting.

**4.** The institutions and persons covered by this Act shall take appropriate steps to identify the structure of ownership and control of legal persons.

The institutions and persons covered by this Act will not establish or maintain business relationships with legal persons whose ownership or control structure has not been possible to ascertain. In the case of corporations whose shares are represented by bearer titles, the preceding prohibition will be applicable unless the obliged subject ascertains by other means the ownership and control structure. This provision will not be applicable to the conversion of bearer titles in registered titles or book entries.

#### ***Article 5. Purpose and nature of the business relationship.***

The institutions and persons covered by this Act shall obtain information on the purpose and intended nature of the business relationship. In particular, the institutions and persons covered by this Act shall gather information from their clients to find out the nature of their professional or business activities and shall take reasonable steps to verify the accuracy of this information.

Such measures shall include the establishment and implementation of procedures to verify the activities declared by clients. Such procedures shall take into account the different levels of risk and be based on obtaining from clients documents relating to the stated activity or on obtaining information regarding the latter from a source other than the client.

#### ***Article 6. Ongoing monitoring of the business relationship.***

The institutions and persons covered by this Act shall conduct ongoing monitoring of the business relationship including scrutiny of transactions undertaken throughout the course of that relationship to ensure that the transactions being conducted are consistent with their knowledge of the customer, the business and risk profile, including the source of funds and to ensure ensuring that the documents, data and information held are kept up-to-date.

#### ***Article 7. Application of due diligence measures.***

**1.** The institutions and persons covered by this Act shall apply each of the customer due diligence measures provided for in the previous articles, but may determine the degree of application of the measures provided for in articles 4, 5 and 6 on a risk-sensitive basis depending on the type of

customer, business relationship, product or transaction, which circumstances are set down in the explicit policy on customer admissions referred to in article 26.

The institutions and persons covered by this Act shall be able to demonstrate to the competent authorities that the extent of the measures is appropriate in view of the risks of money laundering and terrorist financing through a prior risk analysis which must, in any event, be set down in writing.

In all events, the institutions and persons covered by this Act shall implement the due diligence measures when there is suspicion of money laundering or terrorist financing, regardless of any derogation, exemption or threshold, or when there are doubts about the veracity or adequacy of previously obtained data.

**2.** Without prejudice to the second subparagraph of article 3.1, the institutions and persons covered by this Act shall apply the due diligence measures provided for in this Chapter not only to all new customers but also to existing customers, on a risk-sensitive basis.

In any event, the institutions and persons covered by this Act shall apply the due diligence measures to existing customers when these contract new products or when a transaction takes place that is significant for its volume or complexity.

The provisions of this paragraph shall be without prejudice to the liability applicable through the breach of obligations in force before the coming into force of this Act.

**3.** The institutions and persons covered by this Act shall not enter into business relationships or execute transactions when they cannot apply the due diligence measures required in this Act. If this is found to be impossible during the course of the business relationship, the institutions and persons covered by this Act shall terminate the latter and conduct the special review set out in article 17.

The refusal to enter into business relations or execute transactions or the termination of the business relationship due to the impossibility of applying the due diligence measures hereunder shall not entail any liability for the institutions and persons covered by this Act, except if this should involve unfair enrichment.

**4.** The institutions and persons covered by this Act shall apply the due diligence measures set forth in this Chapter to trusts and other legal arrangements or patrimonies which, despite lacking legal personality, may act in the course of trade.

**5.** Casinos shall identify and verify with documentary proof the identity of all persons intending to enter the establishment. The identity of such persons shall be recorded, subject to compliance with the provisions of article 25.

Likewise, casinos shall identify all persons intending to perform the following transactions:

(a) The delivery of cheques to customers as a result of the exchange of chips.

(b) Transfers of funds made by casinos at the request of customers.

(c) The issue by casinos of certificates providing evidence of the gains obtained by players. (d) The purchase or sale of gambling chips with a value of EUR 2,000 or more.



With the implementation by casinos of the requirements of this section, the due diligence measures required under this Act shall be understood to have been met.

## **Article 8. Third-party application of due diligence measures.**

1. The institutions and persons covered by this Act may rely on third parties under this Section to apply the due diligence measures provided for in this Section, with the exception of ongoing monitoring of the business relationship.

Nonetheless, the institutions and persons covered by this Act shall maintain full responsibility for the business relationship or transaction, even when the breach is attributable to the third party, without prejudice, where applicable, to the liability of the latter.

2. The institutions and persons covered by this Act may rely on third parties covered by the legislation on prevention of money laundering and terrorist financing of other Member States of the European Union or equivalent third countries, even if the documents or data required by the latter are different to those under this Act.

It shall be prohibited to rely on third parties resident in third countries not classified as equivalent or with regard to which the European Commission adopts the decision referred to in the Additional provision of this Act.

3. Reliance on third parties for the implementation of due diligence measures shall require the prior execution of a written agreement between the institution or person covered by this Act and the third party to formalize the respective obligations.

Third parties shall make information obtained in application of the due diligence measures immediately available to the institution or person covered by this Act. Likewise, the third parties shall send to the institution or person covered by this Act, at the request of the latter, a copy of the relevant documents pursuant to this section.

4. The provisions of this article shall not apply to outsourcing or agency relationships where, on the basis of a contractual agreement, the outsourcing service provider or agent is to be regarded as part of the institution or person covered by this Act.

The institutions and persons covered by this Act, notwithstanding maintaining full responsibility for the customer, may accept the due diligence measures implemented by their subsidiaries or branches established in Spain or in third countries.

## **SECTION 2**

### **Simplified due diligence**

## **Article 9. Simplified customer due diligence measures.**

1. Without detriment to the third subparagraph of article 7.1, the institutions and persons covered by this Act shall not be subject to apply the customer due diligence provided for in articles 3.2, 4, 5 and 6 in respect of the following customers:

- (a) The public entities of the Member States of the European Union or equivalent third countries.
- (b) Financial institutions with registered offices in the European Union or equivalent third countries provided that they are supervised for compliance with customer due diligence.
- (c) Listed companies whose securities are admitted to trading on a regulated market in the European Union or equivalent third countries.

The application of simplified due diligence measures is prohibited in the case of third countries not classified as equivalent or in respect of which the Commission adopts the decision referred to in the Additional provision of this Act.

By order of the Minister of Economy and Finance, the application of simplified due diligence may be excluded for certain customers.

- 2. The application of simplified due diligence in respect of other customers representing a low risk of money laundering or terrorist financing may be authorized in the regulations.
- 3. In all events, the institutions and persons covered by this Act shall gather sufficient information to establish whether the customer qualifies for an exemption as laid down in this article.

### **Article 10. Simplified due diligence with respect to products or transactions.**

1. Without detriment to the third subparagraph of article 7.1., the institutions and persons covered by this Act are authorized not to apply the customer due diligence measures provided for in articles 3.2, 4, 5 and 6 in respect of the following products or transactions:

- (a) life insurance policies where the annual premium is no more than EUR 1,000 or the single premium is no more than EUR 2,5 00, except if the transactions appear to be linked.
- (b) the additional social welfare instruments listed in article 51 of Personal Income Tax and Partial Amendment to Company Tax, Non-resident Income Tax and Wealth Tax Act 3 5/2006, of 28 November, provided that the liquidity is limited to the situations covered in the regulations on pension plans and funds, and that they may not be used as collateral for a loan.
- (c) collective insurance entailing pension commitments referred to in the First additional provision of the consolidated text of the Pension Plans and Funds Act, approved by Royal Legislative Decree 1/2002 of 29 November, provided that they meet the following requirements:

- 1. They introduce pension commitments deriving from a collective agreement or a redundancy procedure approved by the relevant labour authorities.
- 2. They do not allow for the payment of premiums by the insured worker that, combined with those paid by the employer policyholder, total an amount exceeding the limits set by article 52.1(b) of Personal Income Tax Act 3 5/2006, of 28 November, for the complementary social security instruments listed in article 51 of the latter.
- 3. They cannot be used as collateral for a loan and do not allow for redemption situations other than the exceptional situations of liquidity provided for in pension plan legislation or listed in article 29 of Royal Decree 1588/1999, of 15 October, approving the regulations on pension commitment arrangements by companies with employees and beneficiaries.



(d) Electronic money as defined in the regulations.

**2.** The institutions and persons referred to in article 2.1(b) are authorized not to apply the customer due diligence provided for in article 6 in respect of life insurance premiums paid by bank transfer, standing order or personal cheque from a credit institution domiciled in Spain, the European Union or equivalent third countries. This provision shall be without prejudice to the application of customer due diligence before entering into the business relationship or before payment of the benefit deriving from the contract or exercise of the rights to redemption, payment or pledge granted by the policy.

**3.** The application of simplified due diligence in respect of other products or transactions representing a low risk of money laundering or terrorist financing may be authorized in the regulations.

Likewise, the non-application of all or some of the due diligence measures in respect of transactions not exceeding a quantity threshold that, either individually or on aggregate over certain periods of time, will not surpass in general 1.000 euros, may be authorized in the regulations.

In particular, simplified customer due diligence may be authorized under the terms determined in the regulations, in life insurance policies that insure only the risk of death, including those that provide for additional guarantees of monetary compensation for partial, total or absolute permanent disability or temporary disability.

**4.** The institutions and persons covered by this Act shall in any case gather sufficient information to establish whether the exemptions provided in this article are applicable.



## SECTION 3

### Enhanced due diligence measures

#### **Article 11. Enhanced customer due diligence.**

The institutions and persons covered by this Act shall, in addition to the normal due diligence measures, apply enhanced measures in the cases provided for in this section and in any other that, for its high risk of money laundering or terrorist financing, is determined by the regulations.

Likewise, the institutions and persons covered by this Act shall apply, on a risk-sensitive basis, enhanced customer due diligence measures in situations which by their nature can present a higher risk of money laundering or terrorist financing. In any event, private banking activity, money remittance services and foreign exchange operations shall have this consideration.

The regulations may specify the enhanced customer due diligence measures required in the areas of business or activities that can pose a higher risk of money laundering or terrorist financing.



## ***Article 12. Business relationships and transactions without physical presence.***

1. The institutions and persons covered by this Act may enter into business relations or execute transactions by telephone, electronic and telematic means with customers who are not physically present, provided that one of the following conditions is met:

(a) The customer's identity is accredited in accordance as defined in the applicable regulations on electronic signatures.

(b) The first deposit originates from an account in the same client's name opened in Spain, the European Union or in equivalent third countries.

(c) The requirements to be determined in the regulations are judged to be met.

In any event, within one month of entering into the business relationship, the institutions and persons covered by this Act must obtain from these customers a copy of the documents required to practice due diligence.

Where discrepancies are observed between the data supplied by the customer and the other information accessible or in the possession of the institution or person covered by this Act, face-to-face identification will be required.

The institutions and persons covered by this Act shall take additional due diligence measures when in the course of the business relationship they determine? Judge the risk to be above risks above the average risk level.

2. The institutions and persons covered by this Act shall establish policies and procedures to address the specific risks associated with non-face-to-face business relationships and transactions.

## ***Article 13. Cross-border correspondent banking.***

1. In respect of cross-border correspondent banking relationships with respondent institutions from third countries, credit institutions shall apply the following measures:

(a) Gather sufficient information about a respondent institution to understand the nature of the respondent's business and to determine from publicly available information its reputation and the quality of its supervision.

(b) Assess the respondent institution's anti-money laundering and anti-terrorist financing controls.

(c) Obtain approval from at least the immediate senior manager with directive responsibility before establishing new correspondent banking relationships.

(d) Document the respective responsibilities of each institution.

2. Credit institutions shall not enter into or continue correspondent relationships with shell banks. Likewise, credit institutions shall take appropriate measures to ensure that they do not engage in or continue correspondent banking relationships with a bank that is known to permit its accounts to be used by shell banks.

For this purpose shell bank means a credit institution, or an institution engaged in equivalent activities, incorporated in a jurisdiction in which it has no physical presence, involving meaningful mind and management, and which is unaffiliated with a regulated financial group.

**3.** The credit institutions covered by this Act shall not engage in or continue correspondent banking relationships that, either directly or through a sub-account, enable the customers of the respondent credit institution to execute transactions.

**4.** The provisions of this article shall also be applicable to payment institutions.

### **Article 14. Politically exposed persons**

**1.** The institutions and persons covered by this Act shall apply enhanced customer due diligence measures in business relationships or transactions with politically exposed persons.

Politically exposed persons means natural persons who are or have been entrusted with prominent public functions in other Member States of the European Union or in third countries and immediate family members, or persons known to be close associates, of such persons.

For these purposes, the following definitions shall apply:

(a) Natural persons who are or have been entrusted with prominent public functions means heads of state, heads of government, ministers, secretaries of state or undersecretaries, parliamentarians, supreme court judges, constitutional court judges or judges of other high-level judicial bodies whose decisions are not normally subject to appeal except in exceptional circumstances, including equivalent members of the Public Prosecutor's Office, the members of courts of auditors or boards of central banks, ambassadors and chargés d'affaires, top military personnel of the armed forces and members of the administrative, management or supervisory bodies of public companies.

These categories shall, where applicable, include European Commission and international positions. None of these categories shall be understood as covering middle ranking or more junior officials.

Without prejudice to the application, on a risk-sensitive basis, of enhanced customer due diligence, when a person has ceased to be entrusted with a prominent public function for at least two years, it will not be compulsory to regard him/her as a person with public responsibility.

(b) Immediate family members: the spouse or any person with a stable link through a similar emotional relationship, as well as parents and children, and the spouses or any persons with a stable link to the children through a similar emotional relationship.

(c) By persons known to be close associates: any natural person who is known to own or control a legal person or arrangement together with any of the individuals referred to in (a), or who maintains other close business relations with the same, or owns or controls a legal person or arrangement known to have been formed for the benefit of the latter.

**2.** In addition to normal customer due diligence, in business relationships or transactions with politically exposed persons, institutions and persons covered by this Act shall:



(a) Implement appropriate risk-based procedures to determine whether the intervenant or beneficial owner is a politically exposed person. These procedures will be included in the explicit policy on customer admissions referred to in article 26.1.

(b) Obtain approval from at least the immediate senior manager, before entering into business relationships with politically exposed persons.

(c) Take adequate measures to establish the source of wealth and source of funds that are involved in the business relationship or transaction.

(d) Conduct enhanced ongoing monitoring of the business relationship.

Exceptions to the application of some or all of the measures provided for above may be set down in the regulations for certain categories of institutions and persons covered by this Act.

**3.** When, due to the circumstances set down in article 17, a special review is required, the institutions and persons covered by this Act shall take the appropriate measures to assess the possible participation in the act or transaction of any person who holds or has held during the previous two years a representative public office or senior position in the Spanish government, or of their immediate family members, or persons known to be their close associates.

### **Article 15. Data processing of politically exposed persons.**

**1.** For application of the measures set out in the preceding article, institutions and persons covered by this Act may create files containing the identifying data of politically exposed persons, even if they do not maintain a business relationship with them.

For this purpose, institutions and persons covered by this Act may gather the information available on politically exposed without the consent of the data subject, even if this information is not available in sources that are available to the public.

The data contained in the files created by the institutions and persons covered by this Act may only be used for performance of the enhanced due diligence measures provided for in this Act.

**2.** It will also be possible for third parties other than the institutions and persons covered by this Act to create files that contain information identifying individuals with the status of politically exposed persons for the sole purpose of cooperating with the institutions and persons covered by this Act in the performance of enhanced customer due diligence.

The persons or entities that create these files may not use the data for any purpose other than that designated in the previous subparagraph.

**3.** The processing and transfer of data referred to in the previous two paragraphs shall be subject to the Personal Data Protection Organic Act 15/1999, of 13 December, and its implementing regulations.

Nonetheless, it will not be necessary to inform those concerned of the inclusion of their data in the files referred to in this article.



4. The institutions and persons covered by this Act and third parties referred to in paragraph 2 shall establish procedures for the continuous updating of the data contained in the files on politically exposed persons.

In any event, the high-level security measures provided for in the personal data protection legislation shall be applied to the file.

**Article 16. Products or transactions favouring anonymity and new technological developments.**

The institutions and persons covered by this Act shall pay special attention to any money laundering or terrorist financing threat that may arise from products or transactions that might favour anonymity, or from new technological developments, and take appropriate measures to prevent their use for money laundering or terrorist financing purposes.

In such cases, institutions and persons covered by this Act shall conduct a specific analysis of possible money laundering or terrorist financing threats, which should be documented and made available to the competent authorities.



## CHAPTER III

### Reporting obligations

**Article 17. Special review.**

The institutions and persons covered by this Act shall pay special attention to any event or transaction, regardless of its size, which by its nature, could be related to money laundering or terrorist financing, and record the results of their study in writing. In particular, the institutions and persons covered by this Act shall closely examine any transaction or pattern of behaviour that is complex, unusual or with no apparent economic or lawful purpose, or which denotes signs of deception or fraud.

When establishing the internal controls referred to in article 26, the institutions and persons covered by this Act shall specify the way in which this obligation to conduct a special examination is to be fulfilled. Such specifications shall include the preparation and dissemination among executives, employees and agents of a list of transactions particularly liable to be related to money laundering or terrorist financing, which should be regularly updated and the use of appropriate IT tools to conduct each analysis, bearing in mind the type of transactions, business sector, geographical scope and volume of information.

The regulations may determine operations that will in all events be subject to special review by the institutions and persons covered by this Act.

**Article 18. Suspicious transactions reporting.**

1. The institutions and persons covered by this Act shall, on their own initiative, notify the Executive Service of the Commission for the Prevention of Money Laundering and Monetary Offences ' (hereinafter the Executive Service) of any fact or transaction, even the mere attempt, regarding

which, following the special review referred to in the previous article, there is any indication or certainty that it bears a relation to money laundering or terrorist financing.

In particular, the Executive Service shall be notified of transactions that, with regard to the activities listed in article 1, reveal an obvious incongruity with the nature, volume of activity or transaction history of the customers, provided that the special review referred to in the preceding article does not bring to light any economic, professional or business justification for the execution of the transactions.

**2.** The communications referred to in the previous section shall be made without delay in accordance with the relevant procedures under article 26 and shall, in any case, contain the following information:

(a) List and identification of the natural or legal persons taking part in the transaction and the nature of their participation.

(b) The activity which the natural or legal persons participating in transactions are known to engage in, and the congruence between this activity and the transactions made.

(c) A list of transactions and their dates stating their nature, the currency in which they were transacted, the amounts and place or places involved their purpose and the means of payment or collection used.

(d) The steps taken by the institution or person covered by this Act to investigate the transactions being notified.

(e) A statement of all the circumstances of whatever kind giving rise to the suspicion or certainty of a link with money laundering, or evidencing the lack of economic, professional or business justification for the activities carried out.

(f) Any other data relevant to the prevention of money laundering or terrorist financing determined in the regulations.

In any case, the notification made to the Executive Service shall be preceded by a structured process of a special review of the transaction in accordance with the provisions of article 17. In cases where the Executive Service considers that the special review conducted is insufficient, it will return the notification to the institution or person covered by this Act for the latter to conduct a more thorough review of the transaction, succinctly indicating the reasons for its return and the content to be reviewed.

In the case of merely attempted transactions, the institution or person covered by this Act shall record the transaction as not executed and report to the Executive Service on the information obtained.

**3.** Reporting on grounds of indication shall be carried out by the institutions and persons covered by this Act on the medium and in the format determined by the Executive Service.

**4.** Directors or employees of institutions and persons covered by this Act may report directly to the Executive Service on the transactions of which they are aware and consider there to be indications or the certainty of a relation to money laundering or terrorist financing in cases where, after being



brought to light internally, the institution or person covered by this Act failed to inform the reporting director or employee of the outcome of his/her notification.

## **Article 19. Abstention from execution.**

1. The institutions and persons covered by this Act shall refrain from carrying out any transaction of those referred to in the previous article.

However, when such abstention is not possible or may hinder the investigation, the institutions and persons covered by this Act shall be free to perform it notifying the Executive Service immediately thereafter in accordance with the provisions of article 18. The notification to the Executive Service shall, in addition to the information referred to in article 18.2, indicate the grounds for executing the transaction.

2. For the purposes of this Act, just cause for the refusal of notarial authorization or for their duty of abstention shall mean the presence in the transaction either of various risk indicators identified by the centralized prevention body or clear indication of law deception or fraud. Hence, without prejudice to article 24, the notary shall obtain from the customer the information needed to assess the concurrence of such indicators or circumstances in the transaction.

With regard to registrars, the obligation to abstain referred to in this article shall not in any case prevent the entry of the legal act or transaction in the land, trade or movable property registers.

## **Article 20. Systematic reporting.**

1. In all events, the institutions and persons covered by this Act shall report the Executive Service at the established frequency on the transactions determined in the regulations.

Notwithstanding the foregoing, if the transactions subject to systematic reporting contain indications or the certainty of being related to money laundering or terrorist financing, the provisions of articles 17, 18 and 19 shall apply.

Certain categories of institutions and persons covered by this Act may be exempted in the regulations from the obligation to systematically report on transactions.

In the absence of transactions to report on, institutions and persons covered by this Act shall indicate this circumstance to the Executive Service at the frequency determined in the regulations.

2. Systematic reporting shall be carried out by the institutions and persons covered by this Act on the medium and in the format determined by the Executive Service.

## **Article 21. Cooperation with the Commission for the Prevention of Money Laundering and Monetary Offences and its support bodies.**

1. The institutions and persons covered by this Act shall supply the documentation and information required of them by the Commission for the Prevention of Money Laundering and Monetary Offences and its support bodies in the exercise of their powers.

The requirements shall specify the documentation to be supplied or the circumstances that have to be reported, and shall expressly state the term in which these should be presented. At the end of the submission period for the required documentation or information, if the latter has not been



supplied or is incomplete due to the omission of data hampering proper review of the situation, the obligation under this article shall be deemed to have been breached.

2. The institutions and persons covered by this Act shall, within the framework of the internal controls referred to in article 26, put in place systems allowing them to respond fully and rapidly to enquiries from the Commission for the Prevention of Money Laundering and Monetary Offences , its support bodies and other legally competent authorities regarding whether they maintain or have maintained during the previous ten years a business relationship with specified natural or legal persons and regarding the nature of that relationship.

### ***Article 22. Exemption.***

Lawyers shall not be subject to the obligations under articles 7.3, 18 and 21 with respect to the information that they receive from any of their clients or obtain on the latter when ascertaining the legal position for their client or performing their duty of representing that client in or concerning judicial proceedings, including advice on instituting or avoiding proceedings, irrespective of whether such information was received or obtained before, during or after such proceedings.

Notwithstanding the provisions of this Act, lawyers shall remain subject to their obligation of professional secrecy in accordance with the legislation in force.

### ***Article 23. Exemption from liability.***

The disclosure of information in good faith to the competent authorities under this Act by the institutions and persons covered by this Act or, exceptionally, by its employees or directors shall not constitute a breach of any restriction on the disclosure of information imposed by contract or by any legislative, regulatory or administrative provision, and shall not involve the institutions and persons covered by this Act, their directors or employees in liability of any kind.

### ***Article 24. Prohibition of disclosure.***

1. The institutions and persons covered by this Act and their directors and employees shall not disclose to the customer concerned or to third persons the fact that information has been transmitted to the Executive Service, or that a transaction is under review or may be under review in case it is related to money laundering or terrorist financing.

This prohibition shall not include disclosure to the competent authorities, including centralised prevention bodies, or disclosure for law enforcement purposes in the context of a criminal investigation.

2. The prohibition laid down in the previous paragraph shall not prevent:

(a) The reporting of information between financial institutions belonging to the same group. For this purpose, the definition of group laid down in article 42 of the Code of Commerce shall apply.

(b) Disclosure between the institutions and persons covered by this Act referred to in points m) and fi) of article 2.1, when they perform their professional activities, whether as employees or not, within the same legal person or a network. For these purposes, a "network" shall mean the larger structure to which the person belongs and which shares common ownership, management or compliance control.

(c) Disclosure related to a single client and a single transaction involving two or more institutions or persons, between financial institutions or between the institutions and persons covered by this Act referred to in points (m) and (fi) of article 2.1, provided that they are from the same professional category and are subject to equivalent obligations as regards professional secrecy and personal data protection. The information exchanged shall be used exclusively for the purposes of the prevention of money laundering and terrorist financing.

The exceptions laid down in the preceding subparagraphs shall also apply to disclosure between persons or institutions domiciled in the European Union or in equivalent third countries.

Disclosure shall be prohibited with persons or institutions domiciled in third countries not classified as equivalent or in respect of which the Commission adopts the decision referred to in the Additional provision of this Act.

**3.** Where the institutions and persons covered by this Act referred to in article 2.1(m) and (fi) seek to dissuade a client from engaging in illegal activity, this shall not constitute a disclosure within the meaning of paragraph 1.

### ***Article 25. Record keeping.***

**1.** The institutions and persons covered by this Act shall keep the documentation gathered for the compliance with the obligations under this Act for a minimum period of ten years.

In particular, institutions and persons covered by this Act shall keep for its use in any investigation or analyses of possible money laundering or terrorist financing by the Executive Service or by other competent authorities:

(a) Copy of the documents required under customer due diligence measures for a minimum period of ten years following the end of the business relationship or carrying-out of the transaction.

(b) Original or copy admissible in court proceedings of the documents or records duly evidencing the transactions, the participants in the latter and the business relationships, for a minimum period of ten years following the carrying-out of the transaction or the end of the business relationship.

**2.** The institutions and persons covered by this Act, with the exceptions determined in the regulations, shall store copies of the identification documents referred to in article 3.2 on optical, magnetic or computer media to assure their integrity, correct reading of the data, impossibility of their manipulation and proper conservation and location.

In any case, the record keeping system of the institutions or persons covered by this Act shall guarantee the proper management and availability of the documentation, both for internal control purposes and for responding to the requirements of the authorities in a timely manner.





## CHAPTER IV

### Internal control

#### **Article 26. Internal controls.**

1. The institutions and persons covered by this Act, with the exceptions determined in the regulations, shall adopt in writing and implement adequate policies and procedures of customer due diligence, reporting, record keeping, internal control, risk assessment, risk management, compliance management and communication in order to forestall and prevent operations related to money laundering or terrorist financing. These policies and procedures shall be communicated to branches and majority-owned subsidiaries located in third countries.

The institutions and persons covered by this Act, with the exceptions determined in the regulations, shall adopt in writing and implement an explicit policy for client admission. The said policy shall include a description of the kinds of clients potentially carrying a higher-than-average risk, in accordance with the factors defined by each institution or person covered by this Act with reference to the international standards applicable to each case. Client admission policies shall be progressive, with extra precautions taken for those exhibiting a higher-than-average risk.

Where there is a centralized prevention body for the collegiate professions covered by this Act, the latter shall be responsible for the approval in writing of the aforementioned policy of customer admissions.

2. The institutions and persons covered by this Act shall designate a director or management figure in the company as a representative to the Executive Service. In the case of employers or professional individuals, the owner of the business shall act as representative to the Executive Service. With the exceptions determined in the regulations, the nomination of the representative, together with a detailed description of his/her career, shall be referred to the Executive Service, which may make reasoned objections or observations. The representative to the Executive Service shall be responsible for fulfilment of the reporting obligations set out in this Act, for which he/she shall have unlimited access to any information in the possession of the institution or person covered by this Act.

The institutions and persons covered by this Act shall establish an appropriate internal control body responsible for implementing the policies and procedures referred to in paragraph 1. The internal control body, which, where appropriate, will consist of representatives from the different business areas of the institution or person covered by this Act, shall make a clear record of the arrangements adopted, at the intervals determined in the internal control procedure. The categories of institutions and persons covered by this Act for which the constitution of an internal control body is not required may be specified in the regulations. In such cases, the functions of said body shall be performed by the representative to the Executive Service.

The representative to the Executive Service and the internal control body shall have the material, human and technical resources in the exercise of their functions. The regulations shall determine for certain categories of institutions and persons covered by this Act the need to set up technical units for the processing and analysis of the information.

The anti-money laundering and anti-terrorist financing bodies shall, in all cases, operate with functional separation from the internal auditing department or unit of the institution or person covered by this Act.



3. The institutions and persons covered by this Act, with the exceptions determined in the regulations, shall adopt an appropriate manual for the prevention of money laundering and terrorist financing, which shall be kept up to date with complete information on the internal controls referred to in the previous paragraphs. The manual shall be available to the Executive Service for performance of its supervisory and inspection duties and the latter may propose to the Standing Committee of the Commission for the Prevention of Money Laundering and Monetary Offences the formulation of requirements to urge institutions and persons covered by this Act to take appropriate corrective action.

The institutions and persons covered by this Act may voluntarily submit their manual to the Executive Service, so that the latter may determine the adequacy of the internal controls established or intended to be established. Compliance of the manual with the recommendations of the Executive Service shall entail fulfilment of the obligation under this paragraph.

4. The internal controls under this article may be established at group level, in accordance with the definition in article 24.2(a), provided that such decision is reported to the Executive Service, specifying the institutions and persons covered by this Act included in the structure of the group.

#### **Article 27. Centralized prevention bodies.**

1. By Order of the Minister of Economy and Finance, the constitution of centralized prevention bodies (SROs) may be agreed for the collegiate professions covered by this Act.

The centralized prevention bodies shall strengthen and channel the cooperation of collegiate professions with the judicial, police and administrative authorities responsible for the prevention and fighting of money laundering and terrorist financing, regardless of the direct responsibility of the professionals covered by this Act. The representative of the centralized prevention body shall have the capacity of representative of the professional members for the purposes of article 26.2.

2. The centralized prevention bodies shall examine, either on their own initiative or at the request of their members, the transactions referred to in article 17, and shall report them to the Executive Service in the event of the circumstances laid down in article 18. The members shall supply the centralized prevention body with all the information it requires of them in the exercise of its functions. Likewise, in accordance with the provisions of article 21, the members shall provide all of the documentation and information required of them by the Commission for the Prevention of Money Laundering and Monetary Offences and its support bodies, either directly or through the centralized prevention body, in the exercise of their powers.

3. With the exception of the public officials referred to in article 2.1(n), membership of centralized prevention bodies for the institutions and persons covered by this Act shall be voluntary.

#### **Article 28. External review.**

1. The internal controls referred to in article 26 shall be subject to an annual review by an external expert.

The results of the review shall be written up in a report which details the internal control measures in place, assesses their operational efficiency and proposes changes or improvements as required. However, in the two years following the issue of this report, it may be replaced by a monitoring report issued by the external expert, dealing only with the appropriateness of the measures taken by the institution or person covered by this Act to remedy the deficiencies detected.

The models of the external expert reports may be approved by Order of the Minister of Economy and Finance.

The report shall be submitted no later than three months from its issue date to the Board of Directors or, where appropriate, to the management board or top management body of the covered subject, which shall take the necessary steps to remedy the deficiencies detected.

**2.** The institutions or persons covered by this Act shall entrust the external review to persons having the right academic and professional profile to perform the task correctly.

Those intending to act as external experts shall notify it to the Executive Service before commencing their activity and report the Executive Service every six months of the list of covered subjects covered by this Act whose internal controls they have reviewed.

The institutions and persons covered by this Act may not entrust the external review to any natural person who has rendered them any other kind of paid service in the three years prior to the report or rendering such service in the three years following its issue.

**3.** The report shall in any event be made available to the Commission for the Prevention of Money Laundering and Monetary Offences and its support bodies for the five years following the date of issue.

**4.** The obligation under this article shall not be applicable to individual professionals and entrepreneurs.

### ***Article 29. Employee training.***

The institutions and persons covered by this Act shall take appropriate measures to ensure that their employees are aware of the requirements of this Act.

These measures shall include the duly accredited participation of the employees in specific ongoing training courses designed to detect transactions that may be related to money laundering or terrorist financing and to instruct them on how to proceed in such cases. The training shall be covered by an annual plan, designed taking into account the risks of the business sector of the institution or person covered by this Act and approved by the internal control body.

### ***Article 30. Protection and suitability of employees, directors and agents.***

**1.** The institutions and persons covered by this Act shall take appropriate measures to keep secret the identity of employees, directors or agents who have made a report to the internal control bodies.

All authorities and officials shall take appropriate measures to protect employees, directors or agents of the institutions and persons covered by this Act who report suspicions of money laundering or terrorist financing from being exposed to threats or hostile action.

The representative referred to in article 26.2 shall appear in all manner of administrative or judicial proceedings relating to the data gathered in the reports to the Executive Service or any additional information that may refer to the latter when it is considered essential to obtain clarification, confirmation or additional information from the institution or person covered by this Act.

2. The institutions and persons covered by this Act shall set forth in writing and implement adequate policies and procedures to ensure high ethical standards in the recruitment of employees, directors and agents.

### **Article 31. Branches and subsidiaries in third countries.**

1. The institutions and persons covered by this Act shall apply in their branches and majority-owned subsidiaries located in third countries measures at least equivalent to those laid down by Community law with regard to the prevention of money laundering and terrorist financing.

The Executive Service may oversee the suitability of such measures.

2. When the legislation of the third country does not permit application of measures equivalent to those laid down in Community law, the institutions and persons covered by this Act shall adopt in respect of their branches and majority-owned subsidiaries additional measures to effectively address the risk of money laundering or terrorist financing, and they shall notify the Executive Service, which may propose to the Standing Committee of the Commission for the Prevention of Money Laundering and Monetary Offences the formulation of requirements for the adoption of mandatory measures.

The Secretariat of the Commission for the Prevention of Money Laundering and Monetary Offences (hereinafter the Commission Secretariat) shall report the European Commission those cases where the legislation of the third country does not permit the application of equivalent measures and where action could be taken in the framework of an agreed procedure to pursue a solution.

### **Article 32. Protection of personal data.**

1. The processing of personal data and of files, whether automated or otherwise, created for fulfilment of the provisions of this Act shall be subject to the provisions of the Organic Act 15/1999 and its implementing regulations.

2. The data subject's consent shall not be required for the processing of data necessary for compliance with the reporting obligations referred to in Chapter III.

The aforementioned consent will also not be required for the reporting of data referred to in said Chapter and, in particular, for that provided for in article 24.2.

3. Under article 24.1, and in relation to the obligations referred to in the previous paragraph, the communication obligation provided for in article 5 of Act 15/1999 shall not apply to the processing of data.

Likewise, the rules laid down in said Organic Act referring to the exercise of rights of access, rectification, cancellation and opposition shall not apply to the files and processing covered by this provision. In the event of the exercise of these rights by the data subject, institutions and persons covered by this Act shall be restricted to stating the provisions of this article.

The provisions of this paragraph shall also apply to files created and managed by the Executive Service for fulfilment of the functions provided by this Act.

4. The centralised prevention bodies referred to in article 27 shall have the status of data processors for the purposes specified in the legislation on personal data protection.



5. The high-level security measures laid down in the legislation on personal data protection shall apply to the files referred to in this article.

**Article 33. Exchange of information between institutions and persons covered by this Act and centralised fraud prevention files.**

1. Subject to the provisions of article 24.2, in the event of concurrence of the exceptional circumstances determined in the regulations, the Commission for the Prevention of Money Laundering and Monetary Offences may agree to exchange information concerning certain types of transactions other than those provided for in article 18 or to customers subject to certain circumstances, provided that this takes place between institutions and persons covered by this Act from one or more of the categories mentioned in article 2.

The agreement shall in any event determine the type of transaction or class of customer in respect of whom the exchange of information is authorised and the types of institution or person covered by this Act that can exchange information.

2. Likewise, institutions and persons covered by this Act may exchange information relating to the transactions referred to in articles 18 and 19 with the sole purpose of preventing or forestalling transactions related to money laundering or terrorist financing when the characteristics or operation of the specific case suggest the possibility that, following its rejection, a transaction wholly or partially similar to the latter may be attempted with other institutions and persons covered by this Act.

3. The institutions and persons covered by this Act and competent judicial, police and administrative authorities in the prevention or suppression of money laundering and terrorist financing may consult the information contained in the files created in accordance with the provisions of the legislation in force on personal data protection by private entities in order to prevent fraud in the financial system, provided that access to such information is necessary for the purposes described in the previous paragraphs.

4. Access to the data referred to in this article shall be limited to the internal control bodies referred to in article 26, including the technical units formed by the institutions and persons covered by this Act.

5. The provisions of Organic Act 15/1999 regarding the requirement for consent of the data subject, the reporting obligation to the latter and the exercise of the rights of access, rectification, cancellation and opposition shall not apply to the exchanges of information under this article.

The high-level security measures laid down in the legislation on personal data protection shall apply to the processing of the reports referred to in this article.



## CHAPTER V

### Means of payment

#### **Article 34. Obligation to declare.**

**1.** Under the terms established in this Chapter, prior declaration shall be made by natural persons who, acting on their own account or for the account of a third party, perform the following movements:

(a) Withdrawal or entry into national territory of means of payment for an amount of EUR 10,000 or its equivalent in foreign currency.

(b) Movements within national territory of means of payment for an amount of EUR 100,000 or more or its equivalent in foreign currency.

For these purposes, movement shall mean any change of location or position verified abroad in the address of the carrier of the means of payment.

Natural persons acting on behalf of companies that, duly authorised and registered by the Ministry of the Interior, engage in the professional transportation of funds or means of payment shall be exempted from the obligation to declare under this article.

**2.** For the purposes of this Act means of payment shall mean:

(a) Paper money and coins, domestic or foreign.

(b) Bearer cheques denominated in any currency.

(c) Any other physical medium, including electronic, designed to be used as payment to the bearer.

**3.** In case of withdrawal or entry into national territory, the obligation to declare laid down in this article shall extend to movements for amounts exceeding EUR 10,000 or its equivalent in foreign currency in bearer negotiable instruments, including monetary instruments such as travellers cheques, negotiable instruments, including cheques, promissory notes and payment orders, whether in bearer form, endorsed without restriction, made out to a fictitious payee or any other form in which ownership thereof is transferred on delivery, and incomplete instruments, including cheques, promissory notes and payment orders that are signed but omit the name of the payee.

**4.** The declaration provided for in this article shall conform to the approved model and shall contain accurate data on the bearer, owner, recipient, amount, nature, origin, intended use, route and method of transport of the means of payment. The obligation to declare shall be deemed breached if the information recorded is incorrect or incomplete.

The declaration model, once fully completed, shall be signed and presented by the person transporting the means of payment. Throughout the movement, the means of payment must be accompanied by the duly endorsed and relevant statement and be transported by the person listed as the carrier.

By Order of the Minister of Economy and Finance, the model, form and place of declaration shall be regulated and the figures set down in points (a) and (b) of paragraph 1 may be amended.

CTRL + HOME to come back to the index



## **Article 35. Control and seizure of means of payment.**

1. In order to verify compliance with the obligation to declare established in the previous article, customs officials or police officers shall be empowered to control and inspect natural persons, their baggage and their means of transport.

The control and inspection of goods shall be verified in accordance with customs law.

2. Failure to declare, where this is required, or the lack of veracity in the reported data, provided that this can be estimated as particularly relevant, shall lead to the seizure by the acting customs officials or police officers of all means of payment found, except for the minimum for survival, which may be determined by order of the Minister of Economy and Finance.

For this purpose, in any event, the lack of full or partial veracity of the data relating to the bearer, owner, consignee, origin and intended use of the means of payment as well as the excess or reduction in the amount declared in respect of the real amount by more than 10 percent or EUR 3,000 will be considered particularly relevant.

Likewise, seizure shall take place when, despite having declared the movement or not exceeding the declaration threshold, there are indications or certainty that the means of payment are related to money laundering or terrorist financing, or where there is reasonable doubt as to the veracity of the information provided in the statement.

The seized means of payment shall be paid into the accounts opened in the name of the Commission for the Prevention of Money Laundering and Monetary Offences in the seized currency, and the acting police officers or customs officials shall not be subject to the provisions of article 34.

The record of the seizure, which shall be sent immediately to the Executive Service for investigation and the Commission Secretariat for instituting, if appropriate, the relevant punitive proceedings, should clearly indicate whether the seized means of payment were found in a location or situation revealing the clear intention to conceal them. The record of the seizure shall have probative value, notwithstanding the evidence that could be brought forward by the interested parties in defence of their rights or interests.

3. When in the course of judicial proceedings non-fulfillment of the obligation to declare provided for in the previous article is observed, the court shall notify the Commission Secretariat, providing the latter with the seized means of payment not subject to criminal liability and proceeding as laid down in the previous paragraph.

## **Article 36. Information processing.**

The information obtained as a result of the obligation to disclosure must be submitted to the Executive Service through electronic, computerised or telematic means on the standard computer media determined by the Executive Service. Information on seizures shall be centralised within the Commission Secretariat.

The tax authorities and law enforcement agents shall have access to the information referred to in the previous subparagraph in the exercise of their powers.



## **Article 37. Exchange of information.**

The information obtained from the declaration provided for in article 34 or from the controls referred to in article 35 may be transferred to the competent authorities of other states.

Where there are indications relating the product to fraud or any other illegal activity adversely affecting the financial interests of the European Community, such information shall also be forwarded to the European Commission.

## **CHAPTER VI**

### **Other provisions**

## **Article 38. Trade of goods.**

Natural or legal persons who are professional dealers in goods shall be bound by the obligations laid down in articles 3, 17, 18, 19, 21, 24 and 25 in respect of transactions in which receipts or payments are made with the means of payment referred to in article 34.2 of this Act and for amounts exceeding EUR 15,000, whether made in one or several transactions that appear to be linked in some way.

On a risk-sensitive basis, all or some of the other obligations under this Act may be extended in the regulations in respect of the aforementioned transactions.

## **Article 39. Foundations and associations.**

The Department for foundations and the board of trustees, in the exercise of the functions assigned to them by Foundations Act 50/2002 of 26 December, and staff with responsibilities in the management of foundations shall ensure that these are not used for money laundering or to channel funds or resources to individuals or entities linked to terrorist groups or organisations.

For these purposes, all foundations shall keep for records the period laid down in article 25 identifying all persons who contribute or receive gratis funds or resources from the foundation, under the terms of articles 3 and 4 of this Act. These records shall be made available to the Department for Foundations, the Commission on Terrorist Financing Monitoring, the Commission for the Prevention of Money Laundering and Monetary Offences or its support bodies, and the administrative or judicial authorities with powers in the prevention or prosecution of money laundering or terrorism.

The provisions of the previous subparagraphs shall also apply to associations and compliance with the provisions of this article shall correspond in such cases to the governing body or general assembly, the members of the representative body that manages the interests of the association and the body responsible for verifying its constitution, in the exercise of the functions assigned to it by article 34 of Right of Association Organic Act 1/2002, of 22 March.

Given the threats posed to the sector, the other obligations provided for in this Act may be extended to foundations and associations in the regulations.





## **Article 40. Payment management entities.**

Managers of payment systems and systems for the clearing and settlement of securities and financial derivatives, together with managers of credit cards or debit cards issued by other entities shall cooperate with the Commission for the Prevention of Money Laundering and Monetary Offences and its support bodies by delivering the information they possess on completed transactions, as provided in article 21.1.

## **Article 41. Money remittances.**

In the money remittance transactions referred to in article 2 of Payment Services Act 16/2009 of 13 November, the corresponding transfers shall be effected through accounts opened with credit institutions, both in the destination country of the funds and in any other in which the overseas correspondents or intermediate clearing systems operate. Entities providing money remittance services shall only arrange contracts with overseas correspondents or clearing intermediate systems that have in place appropriate methods of fund clearance and prevention of money laundering and terrorist financing.

Funds thus managed must be used solely and exclusively for the payment of the ordered transfers and may not be used for other purposes. In any case, payment to the correspondents that pay the beneficiaries of the transfers shall necessarily take place in credit accounts opened in the country where such payment is made.

At all times, the entities referred to in this article shall ensure that the transaction is monitored until it is received by the final beneficiary, and this information shall be made available in accordance with the provisions of article 21.

## **Article 42. International financial countermeasures.**

Without prejudice to the direct effect of Community regulations, the Council of Ministers, on a proposal from the Minister of Economy and Finance, may prohibit, restrict or impose conditions on financial transactions with countries, entities or persons with respect to which an organisation, institution or international group decides or recommends the adoption of financial countermeasures.

## **Article 43. Financial ownership file.**

**1.** In order to forestall and prevent money laundering and terrorist financing, credit institutions shall report to the Executive Service, at intervals determined in the regulations, on the opening or cancellation of current accounts, savings accounts, securities accounts and term deposits.

The statement shall, in any event, contain the data identifying the holders, representatives or authorised persons, together with all other persons with withdrawal powers, the date of opening or cancellation, the type of account or deposit and the information identifying the reporting credit institution.

**2.** The reported data shall be included in a publicly owned file, called a Financial Ownership File, for which the Secretariat of State for the Economy will be responsible.

The Executive Service, as processor, shall, in accordance with Organic Act 15/1999, determine the technical characteristics of the database and approve the appropriate instructions.

3. When investigating crimes related to money laundering or terrorist financing, the examining judges, the Public Prosecutor's Office and, upon judicial authorisation or that of the Public Prosecutor, the law enforcement agents may obtain information reported to the Financial Ownership File. The Executive Service may obtain the above data in the exercise of its powers. The State Tax Administration Agency may obtain the above data as laid down in General Tax Act 58/2003 of 17 December.

Any request for access to the data of the Financial Ownership File shall be adequately reasoned by the requesting body, which shall be responsible for the correct form of the demand. In no case may access to the File be demanded for any purpose other than the prevention or suppression of money laundering or terrorist financing.

4. Without prejudice to the powers that correspond to the Spanish Data Protection Agency, a member of the Public Prosecutor's Office appointed by the Attorney General in accordance with the procedures set forth in the Organic Statute of the Public Prosecutor's Office, who, in the exercise of this activity, is not carrying out his/her duties in any of the bodies of the Public Prosecutor's Office responsible for prosecuting crimes of money laundering or terrorist financing, shall ensure correct use of the file, for which purpose he/she may request full justification of the reasons for any access.



## CHAPTER VII

### Institutional organisation

#### **Article 44. Commission for the Prevention of Money Laundering and Monetary Offences.**

1. The promotion and coordination of the implementation of this Act shall correspond to the Commission for the Prevention of Money Laundering and Monetary Offences, subordinate to the Secretariat of State for the Economy.

2. The following shall be functions of the Commission for the Prevention of Money Laundering and Monetary Offences:

(a) Management and promotion of activities for the prevention of the use of the financial system or of other economic sectors for the laundering of capital, as well as the prevention of administrative infractions related to the regulations concerning economic transactions with other countries.

(b) Cooperation with the law enforcement agents, coordinating the investigation and prevention activities carried out by the other organs of the Public Administrations with competence in the matters referred to in the preceding subparagraph.

(c) Rendering the most effective possible assistance in these matters to the judicial organs, the Public Prosecutor's Office and the criminal police.

(d) Appointment of the Director of the Executive Service. The appointment shall be proposed by the Chairman of the Commission for the Prevention of Money Laundering and Monetary Offences, in consultation with the Bank of Spain.

(e) Approval, in consultation with the Bank of Spain, of the budget of the Executive Service.

CTRL + HOME to come back to the index

(f) Provision of ongoing guidance for the actions of the Executive Service and approval of its organisational structure and operational guidelines.

(g) Approval, on a proposal from the Executive Service and, in case of agreement, the supervisory bodies of the financial institutions, of the Annual Inspection Plan for institutions and persons covered by this Act, which shall be privileged.

(h) Development of requirements for institutions and persons covered by this Act in the scope of compliance with the requirements of this Act.

(i) Serving as a channel for cooperation in such matters between the Public Administration and the representative organizations of institutions and persons covered by this Act.

(j) Adoption of guidelines for action for institutions and persons covered by this Act. (k) Reporting on draft provisions to regulate matters related to this Act.

(l) Submission to the Minister of Economy and Finance proposals for sanctions whose imposition is the responsibility of the Minister or of the Council of Ministers.

(m) Agreement on the coordination of the actions of the supervisory bodies of financial institutions through the signing of the appropriate agreements with the Executive Service in matters of supervision and inspection of compliance with the obligations imposed on such bodies under this Act, to ensure that they carry out their duties efficiently. These agreements may provide that, subject to the powers of supervision and inspection of the Executive Service, the aforementioned supervisory bodies monitor compliance with the obligations laid down in Chapters II, III and IV of this Act with respect to institutions and persons covered by this Act and that they adopt the role of making recommendations and proposing requirements to be formulated by the Standing Committee of the Commission for the Prevention of Money Laundering and Monetary Offences .

(n) Development of statistics on money laundering and terrorist financing, for which all bodies with powers in the matter must provide their support. In particular, the National Commission on Judicial Statistics shall provide statistical data on judicial proceedings related to crimes of money laundering or terrorist financing.

ñ) Other functions assigned to it in the legal provisions in force.

**3.** The Commission for the Prevention of Money Laundering and Monetary Offences shall be presided by the Secretary of State for the Economy and shall have the composition that shall be established by regulation. In any case, it shall include appropriate representation of the Public Prosecutor's Office, the ministries and institutions with competence in this matter, the supervisory bodies of financial institutions and the Autonomous Communities with competence for the protection of individuals and property and the maintenance of public safety.

The Commission for the Prevention of Money Laundering and Monetary Offences may act in plenary session or through a Standing Committee whose composition shall be determined by regulation and presided over by the Director-General for the Treasury and Financial Policy, shall exercise the functions provided for in points (f), (g) and (h) of the previous paragraph, and any other that the plenary session expressly delegates to it. Attendance of the plenary session of the Commission for the Prevention of Money Laundering and Monetary Offences and its Standing Committee shall be personal and non delegable.

Other committees attached to the Commission for the Prevention of Money Laundering and Monetary Offences may be determined by regulations.

4. The Commission for the Prevention of Money Laundering and Monetary Offences and the Commission on Terrorist Financing Monitoring shall cooperate to the fullest extent possible in the exercise of their respective competences.

**Article 45. Support bodies of the Commission for the Prevention of Money Laundering and Monetary Offences.**

1. The Commission for the Prevention of Money Laundering and Monetary Offences shall carry out its mission with the support of the Commission Secretariat and the Executive Service.

2. The functions of the Commission Secretariat shall be carried out by the department, with the rank at least of Sub-Directorate general, among those in the Secretariat of State for the Economy as determined in the regulations. The person in charge of this organizational unit shall serve, ex officio, as Secretary of the Commission and its Committees.

The Commission Secretariat shall, inter alia, investigate the punitive proceedings as may be appropriate for breach of the obligations under this Act and shall recommend the appropriate decision to the Standing Committee. The Commission Secretariat shall send to the institutions and persons covered by this Act the requirements of the Standing Committee and shall report to the latter on the fulfilment of these requirements.

3. The Executive Service is a body attached organically and functionally to the Commission for the Prevention of Money Laundering and Monetary Offences, which, through its Standing Committee, shall provide ongoing guidance for its actions and approve its operating guidelines.

The powers relating to the economic, budgetary and hiring regime of the Executive Service shall be exercised by the Bank of Spain in accordance with its specific rules, which entity shall sign the appropriate agreement with the Commission for the Prevention of Money Laundering and Monetary Offences for these purposes.

Employees of the Bank of Spain serving on the Executive Service shall continue their employment relationship with the Bank of Spain, shall depend functionally on the Executive, and shall be subject to the regulations governing the employee system of the Bank of Spain.

The budget of the Executive, following its approval by the Commission for the Prevention of Money Laundering and Monetary Offences, shall be integrated, with the due separation, into the budget estimate for operating and investment expenses referred to in article 4.2 of Bank of Spain Act 13/1994, of 1 June. The expenses made against said budget shall be charged to the Bank of Spain, which shall compensate these in the manner indicated in paragraph 5.

4. The Executive Service, without prejudice to the powers conferred on the law enforcement agents and other public authorities, shall perform the following functions:

(a) Render the necessary assistance to the judicial bodies, the Public Prosecutor's Office, the criminal police and the competent administrative bodies.

(b) Submit to the bodies and institutions mentioned in the foregoing points actions with reasonable indications of a crime or, where appropriate, breach of administrative law.



- (c) Receive the reports under articles 18 and 20.
- (d) Analyse the information received and take the necessary action in each case.
- (e) Execute the orders of and follow the guidelines given by the Commission for the Prevention of Money Laundering and Monetary Offences or its Standing Committee, and submit to the latter any reports that it requests.
- (f) Monitor and inspect fulfilment of the obligations of institutions and person covered by this Act, in accordance with article 47.
- (g) Make recommendations to institutions and persons covered by this Act in order to improve internal controls.
- (h) Propose to the Standing Committee the formulation of requirements for the institutions and persons covered by this Act.
- (i) Report, with the exceptions determined in the regulations, in the procedures for the creation of financial institutions, on the adequacy of internal controls under the schedule of activities.
- (j) Report, with the exceptions determined in the regulations, on the precautionary assessment of acquisitions and increases in shareholdings in the financial sector.
- (k) Others provided for in this Act or assigned to it through the legislation in force.

**5.** The Bank of Spain, for expenses incurred under the budget approved by the Commission on Money Laundering and Financial Crime Prevention, shall draw up duly justified accounts, which it shall refer to the Directorate-General for the Treasury and Financial Policy. The above Directorate, after verifying said accounts, shall pay the amount to the Bank of Spain, charging against the non-budget item created for this purpose by the state Comptroller's Office.

The balance presented by the above concept shall be settled by charging against the benefits paid in annually by the Bank of Spain to the Treasury.

**6.** The patrimonial liability of the State for the actions of the bodies of the Commission for the Prevention of Money Laundering and Monetary Offences shall be chargeable, if applicable, to the Minister of Economy and Finance under the terms established by the Legal Regime of the Public Authorities and Common Administrative Procedure Act 30/1992, of 26 November.

#### ***Article 46. Financial intelligence reports.***

**1.** The Executive Service shall analyse the information received from institutions and persons covered by this Act or other sources, referring, if it detects indications or certainty of money laundering or terrorist financing, the relevant financial intelligence report to the Public Prosecutor's Office or competent judicial, police or administrative authorities.

The information and documents available to the Executive Service and the financial intelligence reports shall be confidential and any authority or official who accesses its content must keep the latter secret. In particular, in no event shall the identity be disclosed of the analysts who participated in the preparation of the financial intelligence reports or of the employees, directors or

agents who reported the existence of indications to the internal control bodies of the institution or person covered by this Act.

Financial intelligence reports shall not have probative value and may not be incorporated directly into judicial or administrative proceedings.

**2.** The bodies that receive financial intelligence reports shall report regularly to the Executive Service on the outcome of the latter. The Commission for the Prevention of Money Laundering and Monetary Offences may agree on a procedure with the recipient bodies for the assessment of financial intelligence reports.

The Executive Service may report the institutions and persons covered by this Act on the outcome of their reports. The information provided by the Executive Service to the institutions and persons covered by this Act shall be confidential and must be kept secret by its recipients.

The Executive Service shall assess the quality of the reports made in accordance with article 18, periodically reporting the management body or board of the institution or person covered by this Act on this assessment.

#### ***Article 47. Monitoring and inspection.***

**1.** The Executive Service shall monitor compliance with the obligations laid down in this Act, altering its actions, with respect to financial institutions, to the agreements concluded pursuant to article 44. In any event, the Executive Service may conduct in respect of institutions and persons covered by this Act the necessary inspections to verify compliance with the obligations relating to the functions assigned to them.

The inspections of the Executive Service and, in case of agreement, of the supervisory bodies of the financial institutions, shall be covered by an Annual Guidance Plan that will be adopted by the Commission for the Prevention of Money Laundering and Monetary Offences, without prejudice to the fact that the Standing Committee may, through reasoned agreement, conduct further inspections.

The Executive Service, and in case of agreement, the supervisory bodies of the financial institutions, shall on an annual basis submit a reasoned report to the Commission for the Prevention of Money Laundering and Monetary Offences on actions that were included in the previous year's Plan but which were not able to be carried out, where applicable.

**2.** The institutions and persons covered by this Act and their employees, directors and agents shall cooperate to the fullest extent possible with the staff of the Executive Service, providing unrestricted access to as much information or documentation as is required, including books, accounts, records, software, magnetic files, internal reports, minutes, official statements and any other related matters subject to inspection.

**3.** The Executive Service or the supervisory bodies referred to in article 44 shall forward the relevant inspection report to the Commission Secretariat, which will propose the appropriate measures to the Standing Committee. Likewise, the Executive Service or the supervisory bodies referred to in article 44 may propose to the Standing Committee the adoption of requirements urging institutions and persons covered by this Act to take the corrective measures deemed necessary.

The inspection reports of the Executive Service or of the supervisory bodies shall have probative value, notwithstanding the evidence that may be brought forward by the interested parties in defence of their rights or interests.

## **Article 48. Cooperation arrangements.**

**1.** Any authority or official discovering facts that may constitute an indication or evidence of money laundering or terrorist financing, either during the inspections of monitored institutions or in any other way, shall report such circumstance to the Executive Service. Without prejudice to any possible criminal liability, non compliance with this obligation by public officials who are not institutions and persons covered by this Act under article 2 shall be subject to disciplinary action in accordance with the specific legislation applicable to them. This same obligation shall be extensive to any information they are called on to provide by the Commission for the Prevention of Money Laundering and Monetary Offences and its support bodies in the discharge of their duties.

In any event, the Bank of Spain, the National Securities Market Commission, the Directorate-General for Insurance and Pension Funds, the Directorate-General for Registers and Notaries, the Institute of Accounting and Auditing, professional bodies and the competent state or autonomous bodies, as appropriate, shall provide a reasoned report to the Commission Secretariat when they detect possible breaches of the obligations established herein in the course of their inspection or supervisory labours.

Judicial bodies shall forward evidence to the Commission Secretariat, on the instruction of the Crown Prosecutor's Office or upon their own motion, when they detect signs indicative of a breach the obligations under this Act that not constitute an offence.

**2.** When exercising its functions in relation to financial institutions subject to special legislation, the Executive Service may obtain from the Bank of Spain, the National Securities Market Commission or the Directorate-General for Insurance and Pension Funds, as appropriate, all of the information and cooperation necessary to carry them out.

Without prejudice to the previous subparagraph, the Executive Service shall have direct access to statistical information on capital movements and foreign economic transactions reported to the Bank of Spain in accordance with the provisions of the legislation applicable to such transactions. Likewise, the managing bodies and the Treasury General of Social Security shall transfer the personal data and information they may have obtained in the exercise of their functions to the Commission for the Prevention of Money Laundering and Monetary Offences , at the request of its Executive in the exercise of the competences conferred on it by this Act.

**3.** The Executive Service and, where appropriate, the Commission Secretariat shall, in accordance with the guidelines established by the Commission for the Prevention of Money Laundering and Monetary Offences, cooperate with the authorities of other States with analogous functions.

The exchange of information shall be conditioned by the provisions of international treaties or conventions or, as applicable, by the general principle of reciprocity, and shall be conditional on the acceptance by such foreign authorities of the same obligations of professional secrecy as are applicable for the Spanish authorities.

The exchange of information by the Executive Service with foreign Financial Intelligence Units shall be in accordance with the Egmont Group principles or under the terms of the relevant memorandum of understanding. Memoranda of understanding with Financial Intelligence Units

shall be signed by the Director of the Executive Service, following authorisation by the Commission for the Prevention of Money Laundering and Monetary Offences.

The exchange of information by the Commission Executive with Financial Intelligence Units from EU States shall be in accordance with Council Decision 2000/642/JHA of 17 October 2000 concerning arrangements for cooperation between financial intelligence units of the Member States in respect of exchanging information, or regulation replacing it.

## **Article 49. Confidentiality.**

1. All persons who carry out or have carried out an activity for the Commission for the Prevention of Money Laundering and Monetary Offences or any of its bodies, and who have had knowledge of its actions or confidential data are required to maintain due secrecy. Failure to comply with this obligation shall incur the liabilities set down in the legislation. Such persons may not publish, communicate or show classified data or documents, even after leaving the service, without the express permission of the Commission for the Prevention of Money Laundering and Monetary Offences.

2. The data, documents and information held by the Commission for the Prevention of Money Laundering and Monetary Offences or any of its bodies pursuant to the functions assigned to them in the legislation shall be confidential and may not be disclosed except in the following cases:

(a) The disclosure, publication or transmission of data when the person involved expressly consents to it.

(b) The publication of aggregated data for statistical purposes, or reports in summary or aggregate form, such that the individuals or subjects involved cannot be identified even indirectly.

(c) The furnishing of information at the demand of parliamentary enquiry committees.

(d) The furnishing of information at the request of the Public Prosecutor's Office and the administrative or judicial authorities that, under the provisions of regulations with the force of law, are required for this purpose. In such cases, the applicant authority shall explicitly invoke the legal provision enabling the request for information and shall be responsible for the request being made in the correct form.

(e) The request for reports or for information by the Commission for the Prevention of Money Laundering and Monetary Offences or its support bodies, without prejudice to the duty of confidentiality of the person or institution from whom or which the report or information is requested.

Notwithstanding the provisions of General Tax Act 58/2003 of 17 December, the exchange of information between the Executive Service and the tax authorities shall take place preferably in the form determined by agreement between the Commission for the Prevention of Money Laundering and Monetary Offences and the Spanish State Tax Administration Agency.

The Commission Secretariat may provide the tax authorities and the law enforcement agents with information of relevance for tax or police operations.

3. The authorities, persons or public institutions receiving confidential information from the Commission for the Prevention of Money Laundering and Monetary Offences or its support bodies



shall also be subject to the duty of confidentiality established in this article, taking appropriate action to guarantee its confidentiality and using it only in the context of carrying out the functions legally assigned to them.

## CHAPTER VIII

### Penalty system

#### **Article 50. Categories of offences.**

The administrative offences provided for in this Act shall be classified as very serious, serious and minor.

#### **Article 51. Very serious offences.**

1. The following shall constitute very serious offences:

(a) Failure to fulfil the reporting duty referred to in article 18, when a director or employee of the institution or person covered by this Act has internally revealed the existence of indications or certainty that a fact or transaction was related to money laundering or terrorist financing.

(b) Failure to fulfil the obligation to cooperate under article 21 following written request from the Commission for the Prevention of Money Laundering and Monetary Offences.

(c) Breach of the disclosure prohibition under article 24 or the duty of confidentiality provided for in articles 46.2 and 49.2(e).

(d) Resistance to or obstruction of inspections, following an explicit request in writing from the acting staff.

(e) Failure to comply with the obligation to take corrective action at the petition of the Standing Committee referred to in articles 26.3, 31.2, 44.2 and 47.3 in the event of unwillingness to comply.

(f) The commission of a serious offence when a final penalty was imposed on the institution or person covered by this Act through administrative proceedings during the preceding five years for the same type of offence.

2. As provided for in the Community regulations establishing specific restrictive measures in accordance with articles 60, 301 or 308 of the Treaty establishing the European Community, the following shall constitute very serious breaches of this Act:

(a) Wilful breach of the obligation to freeze or block the funds, financial assets or economic resources of designated natural or legal persons, institutions or groups.

(b) Wilful breach of the prohibition on making funds, financial assets or economic resources available to designated natural or legal persons, entities or groups.



## **Article 52. Serious offences.**

1. The following shall constitute serious offences:

- (a) Failure to comply with formal identification obligations, under the terms of article 3.
- (b) Failure to comply with obligations to identify the beneficial owner, under the terms of article 4.
- (c) Failure to comply with the obligation of obtaining information on the purpose and nature of the business relationship under the terms of article 5.
- (d) Failure to comply with the obligation of implementing measures for ongoing monitoring of the business relationship, under the terms of article 6.
- (e) Failure to comply with the obligation of applying customer due diligence for existing customers under the terms of article 7.2 and the Seventh transitional provision.
- (f) Failure to comply with the obligation of applying enhanced customer due diligence, under the terms of articles 11 to 16.
- (g) Failure to comply with the obligation of special review, under the terms of article 17.
- (h) Failure to comply with the obligation of reporting on grounds of indication, under the terms of article 18, where this should not be classified as very serious breach.
- (i) Failure to comply with the obligation of abstaining from execution, under the terms of article 19.
- (j) Failure to comply with the obligation of systematic reporting, under the terms of article 20.
- (k) Failure to comply with the obligation of cooperating under article 21 except by written request from one of the support bodies of the Commission for the Prevention of Money Laundering and Monetary Offences.
- (l) Failure to comply with the record-keeping obligation, under the terms of article 25.
- (m) Failure to comply with the obligation of approving in writing and implementing adequate internal control policies and procedures under the terms of article 26.1, including the written approval and implementation of an explicit policy for customer admissions.
- (n) Failure to comply with the obligation of reporting the Executive Service on the proposed appointment of the representative of the institution or person covered by this Act, or refusal to address the objections or observations made under the terms of article 26.2.
- (ñ) Failure to comply with the obligation of setting up adequate internal control bodies, including, where appropriate, technical units, that operate under the terms provided in article 26.2.
- (o) Failure to comply with the obligation of providing the representative to the Executive Service and the internal control body with the material, human and technical resources necessary in the exercise of their functions.

(p) Failure to comply with the obligation of adopting and making available to the Executive Service an appropriate and updated manual for the prevention of money laundering and terrorist financing under the terms of article 26.3.

(q) Failure to comply with the obligation of external review, under the terms of article 28.

(r) Failure to comply with the obligation of employee training, under the terms of article 29.

(s) Failure to comply with the obligation of adoption by institutions and persons covered by this Act of the appropriate measures for maintaining the confidentiality of the identity of employees, directors or agents who have reported to internal control bodies, under the terms of article 30.1.

(t) Failure to comply with the obligation of applying in respect of branches and majority-owned subsidiaries located in third countries the measures provided for in article 31.

(u) Failure to comply with the obligation of implementing international financial countermeasures, under the terms of article 42.

(v) Failure to comply with the obligation under article 43 of reporting on the opening or cancellation of current accounts, savings accounts, securities accounts and term deposits.

(w) Failure to comply with the obligation to take corrective action at the petition of the Standing Committee referred to in articles 26.3, 31.2, 44.2 and 47.3 where there is no unwillingness to comply.

(x) Entering into or continuing business relationships or executing prohibited transactions.

(y) Resistance to or obstruction of inspections, when there is no express written request from the acting staff.

**2.** Unless there are indications or certainty of money laundering or terrorist financing, the offences described in points (a), (b), (c), (d), (e), (f) and (l) of the previous paragraph may be classified as minor when the breach by the institution or person covered by this Act must be regarded as merely occasional or isolated on the basis of the percentage of incidences in the sample of compliance.

**3.** The following shall constitute serious breaches of this Act:

(a) Failure to comply with the obligation of declaring the movements of means of payment, under the terms of article 34.

(b) Failure by foundations or associations to comply with the obligations under article 39.

(c) Failure to comply with the obligations laid down in article 41, except where such failure is to be qualified as very serious in accordance with article 51.1(b).

**4.** As provided for in the Community regulations establishing specific restrictive measures in accordance with articles 60, 301 or 308 of the Treaty establishing the European Community, the following shall constitute serious breaches of this Act:

(a) Failure to comply with the obligation to freeze or block the funds, financial assets or economic resources of designated natural or legal persons, institutions or groups, where this should not be classified as very serious breach.

(b) Failure to comply with the obligation to make funds, financial assets or economic resources available to designated natural or legal persons, institutions or groups, where it should not be classified as very serious breach.

(c) Failure to comply with the obligations of reporting to and notifying the competent authorities specifically established in Community regulations.

5. Failure to comply with the obligations under articles 5, 6, 7, 8, 9, 10, 11, 12, 13 and 14 of Regulation (EC) No. 1781/2006 of the European Parliament and Council of 15 November 2006 on information on the payer accompanying transfers of funds shall constitute serious breaches of this Act.

#### **Article 53. Minor offences.**

Notwithstanding the provisions of article 52.2, failure to comply with the obligations specifically set out in this Act that do not constitute serious or very serious breaches as laid down in the previous two articles shall constitute minor breaches.

#### **Article 54. Liability of directors and officers.**

In addition to the liability corresponding to the institution or person covered by this Act even by way of simple failure to comply, those holding administrative or management positions in the latter, whether sole proprietorships or collegiate bodies, shall be liable for any breach should this be attributable to the latter's wilful misconduct or negligence.

#### **Article 55. Enforceability of administrative liability.**

Administrative liability for breach of this Act shall be enforceable even if after the breach the institution or person covered by this Act ceases to engage in business or his/her administrative authorisation for operating is revoked.

In the case of dissolved companies, the former shareholders shall be jointly and severally liable for the administrative penalties imposed to a maximum of what they would have received as their liquidation proceeds, without prejudice to the liability of the directors, administrators or liquidators.

#### **Article 56. Penalties for very serious offences.**

1. For the commission of very serious offences, the following penalties may be imposed:

(a) Public reprimand.

(b) Fine between a minimum of EUR 150,000 and a maximum amount that may be imposed up to the highest of these figures: 5 percent of the net worth of the institution or person covered by this Act, twice the economic substance of the transaction, or EUR 1,500,000.

(c) In the case of institutions requiring administrative authorisation for their operation, withdrawal of this authorisation.

The penalty provided for in point (b), which will be compulsory in all events, shall be imposed simultaneously with one of those listed in points (a) or (c).

**2.** In addition to the applicable penalty to be imposed on the institution or person covered by this Act for the commission of very serious offences, one or more of the following penalties may be imposed on those responsible for the offence, having held administrative or management positions in the entity:

(a) Fine for each of between EUR 60,000 and EUR 600,000.

(b) Removal from office, with disqualification from holding administrative or management positions in the same entity for a maximum period of ten years.

(c) Removal from office, with disqualification from holding administrative or management positions in any entity of those covered by this Act for a maximum period of ten years.

The penalty provided for in point (a), which will be compulsory in all events, may be simultaneously imposed with one of those listed in points (b) and (c).

## **Article 57. Penalties for serious offences.**

**1.** For the commission of serious offences, the following penalties may be imposed:

(a) Private reprimand.

(b) Public reprimand.

(c) Fine between a minimum of EUR 60,00 1 and a maximum amount that may be imposed up to the highest of these figures: 1 percent of the net worth of the institution or person covered by this Act, the sum of the economic substance of the transaction, plus 50 percent or EUR 150,000.

The penalty provided for in point (c), which will be compulsory in all events, shall be imposed simultaneously with one of those listed in points (a) or (b).

**2.** In addition to the applicable penalty to be imposed on the institution or person covered by this Act for the commission of serious offences, one or more of the following penalties may be imposed on those responsible for the offence, having held administrative or management positions in the entity:

(a) Private reprimand.

(b) Public reprimand.

(c) Fine for each of between EUR 3,000 and EUR 60,000.

(d) Temporary suspension from office for a period not exceeding one year.

The penalty provided for in point (c), which will be compulsory in all events, shall be imposed simultaneously with one of those listed in points (a), (b) or (d).



**3.** In the case of breach of the obligation to declare under article 34, the penalty of a minimum fine of EUR 600 shall be imposed, with a maximum amount of up to twice the value of the means of payment used.

**Article 58. Penalties for minor offences.**

For the commission of minor offences, one or both of the following sanctions may be imposed:

- (a) Private reprimand.
- (b) Fine of up to EUR 60,000.

**Article 59. Penalty scale.**

**1.** Penalties shall be scaled on the basis of the following:

- (a) The sum of the transaction or the proceeds, if any, as a result of the omissions or acts constituting the offence.
- (b) The circumstance of having acted or failing to act to remedy the breach on one's own initiative.
- (c) Final administrative penalties imposed for various types of offence on the institution or person covered by this Act in the preceding five years under this Act.

In any case, the penalty shall be scaled such that the commission of the offences shall not be more beneficial for the offender than compliance with the breached regulations.

**2.** To determine the applicable penalty from among those listed in articles 56.2, 57.2 and 58, the following circumstances shall be taken into consideration:

- (a) The degree of liability or intention in the facts in which the person concerned is involved.
- (b) The past conduct of the person concerned, in the guilty entity or in any other, in connection with the requirements provided for in this Act.
- (c) The nature of the representation held by the person concerned.
- (d) The financial standing of the person concerned, when the penalty is a fine.

**3.** To determine the applicable penalty for breach of the obligation to declare under article 34, the following shall be considered aggravating circumstances:

- (a) A considerable movement, considered in any case to be that which duplicates the declaration threshold.
- (b) The lack of proof of the legal origin of the means of payment.
- (c) Inconsistency between the activity of the person concerned and the amount of the movement.
- (d) The fact of finding the means of payment in a place or situation that reveals a clear intention to conceal them.



(e) Final administrative penalties for breach of the obligation to declare imposed on the subject concerned within the last five years.

## **Article 60. Limitation period for offences and penalties.**

1. Serious and very serious offences shall be limited to five years, and mild offences to two years, from the date on which the offence was committed. For offences arising from continuous activity, the start date for calculation purposes will be that of the termination of the activity or the last act with which the offence were committed. In the case of failure to comply with customer due diligence obligations, the limitation period shall begin on the date of termination of the business relationship, and for the obligation of record keeping, on expiry of the period referred to in article 25.

The limitation period shall be interrupted by any action by the Commission for the Prevention of Money Laundering and Monetary Offences or its support bodies, carried out with the formal knowledge of the institution or person covered by this Act, leading to the inspection, monitoring or control of all or part of the obligations herein. It shall also be interrupted by the initiation, with the knowledge of those concerned, of punitive proceedings or criminal prosecution for the same facts or for others in which it is rationally impossible to separate those punishable under this Act.

2. The penalties imposed under this Act shall be limited to three years in the case of very serious offences, to two years in the case of serious offences, and to one year in the case of minor offences, from the date of notification of the penalty decision.

The limitation period shall be interrupted in the event of an administrative or court agreement to suspend execution of the penalty decision.

## **Article 61. Punitive proceedings and injunctive relief.**

1. The Standing Committee, on a proposal from the Commission Secretariat, shall initiate and, where applicable, dismiss the punitive proceedings as may be appropriate for the commission of offences under this Act.

The power to initiate or conclude the dismissal of the punitive proceedings for breach of the obligation to declare under article 34 shall correspond to the Commission Secretariat.

2. The Commission Secretariat shall carry out the preliminary investigation of the punitive proceedings as may be appropriate for the commission of offences under this Act.

The competent body for initiating punitive proceedings may agree, when beginning the proceedings or during the latter, to the provision of a sufficient guarantee to deal with the potential liabilities incurred. In the case of proceedings for breach of the obligation to declare under article 34, the amount seized in accordance with article 35.2 shall be deemed to have been furnished as a guarantee, and the Commission Secretariat may agree to enlarge or reduce said guarantee during investigation of the punitive proceedings.

The punitive proceedings applicable to failures to comply with the obligations under this Act shall be those set down, in general, in the exercise of punitive powers by the government.

3. The Council of Ministers, on a proposal from the Minister of Economy and Finance, shall have jurisdiction to impose penalties for serious breaches. The Minister of Economy and Finance, on a

proposal from the Commission for the Prevention of Money Laundering and Monetary Offences , shall have jurisdiction to impose penalties for serious breaches. The Director-General for the Treasury and Financial Policy, on a proposal from the investigating judge, shall have jurisdiction to impose penalties for minor breaches.

When the accused is a financial institution or requires administrative authorisation in order to operate, for the imposition of penalties for serious or very serious breaches, it shall be mandatory to request from the institution or administrative body responsible for its monitoring a report on the potential impact of the proposed penalty or penalties on the stability of the institution involved in the proceedings.

Jurisdiction for determining the punitive proceedings for breach of the obligation to declare under article 34 shall, on a proposal from the investigating judge and following the report of the Executive Service, correspond to the Director-General for the Treasury and Financial Policy, whose decisions shall bring the administrative procedures to an end.

**4.** In the punitive proceedings initiated by the Commission Secretariat, the deadline for ruling on proceedings and reporting the decision shall be one year from the date of notification of the commencement of proceedings, without prejudice to the possible suspension by the investigating judge of the period calculated in the cases mentioned in article 42.5 of Legal Regime of the Public Authorities and Common Administrative Procedure Act 30/1992 of 26 November, and the six-month extension to said time limit which may be duly agreed by the Commission Secretariat, on a proposal from the investigating judge, under the provisions of article 49 of said Act.

Expiry of the time periods established in the previous paragraph shall determine the expiry of the administrative punitive proceedings. In such event, a decision initiating new proceedings must be enacted so long as the limitation period for the offence has not ended, in accordance with the provisions of article 60.

**5.** The implementation of final penalty rulings in administrative proceedings shall correspond to the Commission Secretariat.

The penalty of public reprimand, once it has become final in administrative proceedings, shall be enforced in the manner established in the decision and, in any event, shall be published in the Boletín Oficial del Estado (Official State Gazette).

With regard to the implementation and publicising of penalties and other issues relevant to the penalty system, in general, the provisions of the specific laws applicable to the different institutions and persons covered by this Act shall apply or, failing this, the Discipline and Intervention of Credit Institutions Act 26/1988, of July 29.

### ***Article 62. Concurrent penalties and criminal association.***

**1.** The offences and penalties provided in this Act shall be without prejudice to those laid down in other laws and the acts and omissions described as crimes and the penalties laid down in the Penal Code and special criminal laws, except as established in the following paragraphs.

**2.** Conduct that would have been punished criminally or administratively cannot be punished under this Act when individual identity, fact and legal basis are observed.





3. At any time in the administrative punitive proceedings where it appears that the facts may constitute a criminal offence, the Commission Secretariat shall report such circumstance to the Public Prosecutor's Office, requesting evidence of the actions taken to this effect and shall agree to suspension of the proceedings until the notice described under the first subparagraph of the next paragraph is received or until a final verdict is delivered.

4. If the Public Prosecutor's Office finds no grounds to initiate criminal proceedings against any or all of the institutions and persons covered by this Act, it shall notify the Commission Secretariat so that the latter may continue the administrative punitive proceedings.

If, on the other hand, the Public Prosecutor's Office files a complaint or suit, it shall communicate this circumstance to the Commission Secretariat together with the outcome of such actions, when this becomes known.

5. The judgement given in the administrative punitive proceedings shall, in all cases, observe the facts declared and proven in the sentence.

#### ***Additional provision. Loss of status as equivalent third country.***

States, territories or jurisdictions in respect of which the European Commission adopts a decision pursuant to article 40.4 Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing shall lose their equivalent third-country status for the purposes specified in articles 4.2, 8.3, 9.1, 12.1 and 24.2.

The Directorate General of Treasury and Financial Policy shall maintain an up-to-date list on its website of the states, territories or jurisdictions enjoying the status of equivalent third countries.

#### ***First transitional provision. Implementing regulations of Act 19/1993 of 28 December.***

Until the coming into force of Royal Decree 925/1995 of 9 June, developing the Specific Measures for the Prevention of Money Laundering Act, and its implementing measures, shall remain in force insofar as they are not incompatible with the latter.

#### ***Second transitional provision. Penalty system.***

The penalty provisions of Specific Measures for the Prevention of Money Laundering Act 19/1993 of 28 December shall be applicable to offences committed before the entry into force of this Act.

#### ***Third transitional provision. Power to initiate punitive proceedings.***

Until the coming into force of the regulations of this Act, the power to initiate punitive proceedings shall continue to be exercised by the Secretariat of the Commission for the Prevention of Money Laundering and Monetary Offences .

#### ***Fourth transitional provision. Payment services.***

Currency exchange offices authorised to manage overseas transfers shall be considered to be included among the institutions and persons covered by this Act referred to in article 2 insofar as



they have not been transformed into credit or payment institutions in accordance with paragraph 1 of the Second transitory provision of Payment Services Act 16/2009, of 13 November.

***Fifth transitional provision. Attachment of the Executive Service.***

Until the coming into force of the agreement referred to in article 45.3, the Executive Service shall remain attached to the Bank of Spain, established in article 24.1 of the Royal Decree 925/1995 of 9 June, implementing the Act 19/1993, of 28 December.

***Sixth transitional provision. System for implementing the pension liabilities of entities with bearer shares.***

For the purposes of article 4.4, collective insurance contracts and pension plans formalised before the coming into force of this Act that establish pension liabilities for companies in compliance with the provisions of the First additional provision of the consolidated text of the Pension Plans and Funds Act, approved by Royal Legislative Decree 1/2002 of 29 November, shall remain in force for the implementation of said liabilities.

***Seventh transitional provision. Application of due diligence for existing customers.***

Notwithstanding the provisions of article 7.2, institutions and persons covered by this Act shall apply to all existing customers the due diligence measures set out in Chapter II within five years of the coming into force of this Act.

***Eighth transitional provision. Agreements with the supervisory bodies of financial institutions.***

Until the signing of the agreements referred to in article 44.2(m), the existing cooperation agreements between the supervisory bodies of financial institutions and the Commission for the Prevention of Money Laundering and Monetary Offences ' Executive shall remain in force.

***Repealing article.***

Without prejudice to the Second transitional provision, on the coming into force of this Act, Specific Measures for the Prevention of Money Laundering Act 19/1993, of 28 December, shall be repealed.

***First final provision. Amendment to Prevention and Blocking of Terrorist Financing Act 12/2003, of 21 May.***

1. Prevention and Blocking of Terrorist Financing Act 12/2003, of 21 May, shall be renamed "Blocking of Terrorist Financing Act 12/2003, of 21 May".

2. Article 4 of Act 12/2003 is amended as follows:

*"Article 4. The institutions and persons covered by this Act.*

*The public authorities and the subjects referred to in article 2 of the Prevention of Money Laundering and Blocking of Terrorist Financing Act are required to cooperate with the Commission on Terrorist Financing Monitoring and, in particular, to carry out the necessary measures to enforce the blocking laid down in article 1; in particular they shall:*

- a) *Prevent any act or transaction involving the withdrawal of balances and positions of any kind, money, securities and other instruments related to blocked capital movements or payment operations or transfers, except those sending new funds and resources to blocked accounts.*
- b) *Report the Commission on any form of entry made to the blocked account, without prejudice to the execution of the transaction.*
- c) *Notify the Commission, on its own initiative, of any application or request received in which the originator, issuer, holder, beneficiary or recipient is a person or entity in respect of which the Commission has adopted a measure.*
- d) *Furnish the aforementioned Commission with the information it requires in the exercise of its powers.*
- e) *Not disclose either to the customer or to third parties the fact that information has been transmitted to the Commission."*

**3.** Article 6 of Act 12/2003 is amended as follows:

*"Article 6. Supervision and penalty system.*

*1. The supervisory and inspection duty of the Commission for the Prevention of Money Laundering and Monetary Offences' Executive Service referred to in article 47 of the Prevention of Money Laundering and Blocking of Terrorist Financing Act extends to the fulfilment of the obligations established in this Act.*

*Where the inspection reports referred to in article 47.3 of the Prevention of Money Laundering and Blocking of Terrorist Financing Act reveal breach of any of the obligations under article 4 of this Act, the Standing Committee of the Commission for the Prevention of Money Laundering and Monetary Offences shall report the Commission for Terrorist Financing Monitoring on such circumstance.*

*2. Breach of the duties under this Act shall be considered a very serious offence for the purposes set down in Chapter VIII of the Prevention of Money Laundering and Blocking of Terrorist Financing Act and shall be punished as provided therein.*

*The references in said Chapter to the Secretariat and the Standing Committee of the Commission for the Prevention of Money Laundering and Monetary Offences shall be understood as being made to the Secretariat of the Commission on Terrorist Financing Monitoring and the Commission on Terrorist Financing Monitoring, respectively.*

*The Minister of the Interior has the jurisdiction to propose the imposition of sanctions for offences committed under this Act, while the power to apply penalties falls upon the Council of Ministers."*

**4.** Article 9 of Act 12/2003 is amended as follows:

*"Article 9. Commission on Terrorist Financing Monitoring.*

*1. The Commission on Terrorist Financing Monitoring is set up as the body charged with agreeing the blocking of all transactions defined in article 1 of this Act, and with the exercise of all powers necessary to fulfil the provisions of the latter.*



2. *The Commission will be attached to the Ministry of the Interior and composed of:*

(a) *Chair: Secretary of State for Security.*

(b) *Members:*

1. *A member of the Public Prosecutor's Office, appointed by the Attorney General.*

2. *A representative of the Ministries of Justice, the Interior and Economy and Finance, appointed by the Ministers of the respective departments.*

(c) *Secretary: the person who runs the office whose functions are carried out by the Secretariat of the Commission referred to in paragraph 4.*

*The chair of the Commission, if he/she should see fit, may convene experts in the areas of their competence for specific advice on any of the matters in question. The Director of the Commission for the Prevention of Money Laundering and Monetary Offences ' Executive shall attend the meetings of the Commission on Terrorist Financing Monitoring in an advisory capacity.*

3. *The members of this Commission are subject to the liability regime established by law and, in particular, to the obligations deriving from knowledge of the information received and transferred personal data, which may only be used in the exercise of the powers assigned by this Act. The experts advising the Commission shall be subject to the same liability regime for all things known to them by reason of their attendance of the Commission.*

4. *The Commission shall exercise its powers with the support of the Secretariat, which has the consideration of a body of the Commission. The functions of the Secretariat shall be carried out by the department, with the rank of at least under-directorate general, of those of the Ministry of the Interior determined in the regulations.*

*The Secretariat shall, inter alia, investigate the punitive proceedings as may be appropriate for breach of this Act and submit the appropriate motion to the Commission.*

5. *Compliance with the reporting obligations referred to in article 4 of this Act shall be fulfilled through the Secretariat of the Commission.*

6. *The Commission for the Prevention of Money Laundering and Monetary Offences and the Commission on Terrorist Financing Monitoring shall cooperate to the fullest extent possible in the exercise of their respective powers. Under the terms agreed by the two Commissions and without prejudice to article 45.3 of the Prevention of Money Laundering and Blocking of Terrorist Financing Act, the Commission for the Prevention of Money Laundering and Monetary Offences ' Executive shall report at the meetings of the Commission on Terrorist Financing Monitoring on its activity in relation to facts or transactions revealing indications or certainty of a relationship with terrorist financing and, in particular, on the financial intelligence reports it may have drafted in connection with this matter.*

*The powers of the Commission shall be without prejudice to those assigned by the Prevention of Money Laundering and Blocking of Terrorist Financing Act to the Commission for the Prevention of Money Laundering and Monetary Offences."*



**Second final provision. Amendment to Legal Regime of Capital Movements and Foreign Economic Transactions and Specific Measures for the Prevention of Money Laundering Act 19/2003, of 4 July.**

1. The Legal Regime of Capital Movements and Foreign Economic Transactions and Specific Measures for the Prevention of Money Laundering Act 19/2003, of 4 July, is renamed "Legal Regime of Capital Movements and Foreign Economic Transactions Act 19/2003, of 4 July".

2. Article 12(2) of Act 19/2003 is amended as follows:

*"2. The power to initiate and carry out preliminary investigations in punitive proceedings resulting from the application of the arrangements in the Law and to impose the appropriate penalties shall be governed by the following:*

*(a) The Secretariat of the Commission for the Prevention of Money Laundering and Monetary Offences shall have the power to initiate and carry out preliminary investigations in punitive proceedings.*

*(b) The Council of Ministers, on a proposal from the Minister of Economy and Finance, shall have jurisdiction to impose penalties for very serious breaches.*

*(c) The Minister of Economy and Finance, on a proposal from the Secretary of State for the Economy, shall have jurisdiction to impose penalties for serious breaches.*

*(d) The Director-General for the Treasury and Financial Policy, on a proposal from the investigating judge, shall have jurisdiction to impose penalties for minor breaches."*

**Third final provision. Amendment to Collective Investment Undertakings Act 35/2003, of 4 November.**

Article 43.1(j) of Collective Investment Undertakings Act 35/2003, of 4 November, is amended as follows:

*"j) With adequate internal control procedures and mechanisms to ensure sound and prudent management of the company, including risk management procedures and IT control and security mechanisms, and bodies and procedures to prevent money laundering and terrorist financing, a related transactions system and an internal code of conduct. The management company must be structured and organised so as to minimise the risk of the interests of the CIU or of its clients being affected by conflicts of interest between the company and its customers, between customers, between one of its customers and a CIU or between two CIUs."*

**Fourth final provision. Basic nature and jurisdictions.**

This Act shall have the consideration of basic legislation in accordance with article 149.1.11. and 13 of the Constitution.

**Fifth final provision. Development in regulations.**

The government is empowered to approve, within one year of the coming into force of this Act, the regulations for its implementation and development.

***Sixth final provision. Implementation of Community law.***

This Act incorporates into Spanish law Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 on the prevention of the use of the financial system for money laundering and terrorist financing, developed by Commission Directive 2006/70/EC of 1 August 2006 laying down implementing measures for Directive 2005/60/EC of the European Parliament and of the Council as regards the definition of politically exposed person and the technical criteria for simplified customer due diligence procedures and for exemption on grounds of a financial activity conducted on an occasional or very limited basis.

***Seventh final provision. Coming into force.***

This Act shall come into force on the day after its publication in the Official State Gazette.

Excluded from the foregoing are the obligation to store copies of identification documents on optical, magnetic and computer media, provided for in article 25.2, and the obligations laid down in article 41, which shall come into force two years and one year, respectively, after the publication of this Act in the Official State Gazette.



Now therefore,

I order all Spanish persons and authorities to observe and ensure observance of this Act. Madrid, 28 April 2010.

JUAN CARLOS R.

The Prime Minister,

JOSÉ LUIS RODRIGUEZ ZAPATERO