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COMMISSION FOR THE PREVENTION  
OF MONEY LAUNDERING AND  
MONETARY OFFENCES

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SAMPLE CATALOGUES OF  
RISK TRANSACTIONS  
RELATED TO MONEY  
LAUNDERING AND  
TERRORIST FINANCING

**CREDIT  
INSTITUTIONS**

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## Introduction and regulatory framework

Article 2.1.a) of Act 10/2010, of 28 April on the prevention of money laundering and the financing of terrorism establishes the status of obliged persons regarding credit institutions, which implies a legal duty to comply with a series of obligations to prevent money laundering and terrorist financing as outlined in the Act and the implementing regulations.

Among these obligations, Article 17 of Act 10/2010, of 28 April, states that the obliged persons shall closely examine any act or transaction, regardless of the amount, which, due to its nature, may be related to money laundering or terrorist financing, preparing a written report of the examination results. In particular, the obliged persons shall closely examine any transaction or pattern of behaviour that is complex, unusual or does not have an apparent economic or lawful purpose, or shows signs of fraud or simulation.

This legal obligation also implies that the obliged persons, by establishing the internal control measures referred to in Article 26, shall define the manner of fulfilment of this duty of special examination and shall prepare **a list of transactions likely to be related to money laundering or terrorist financing, and shall ensure its dissemination among its managers, employees and agents**, and the periodic review of the list.

Therefore, the Commission for the Prevention of Money Laundering and Monetary Offences, in the exercise of its functions, in collaboration with banking associations and in order to make it easier for these entities to comply with this legal obligation, has prepared this sample catalogue of risk transactions, which lists examples of transactions which may be linked to money laundering and terrorist financing.



## Content and purpose of the risk transactions catalogue

This sample catalogue of risk transactions aims to guide those credit institutions listed as obliged persons under Act 10/2010 for the compliance of the obligation of special inspection. For this purpose it contains a series of behaviours or patterns to be taken into account by those obliged within this sector when developing their own list of risk transactions as required by law.

The obliged persons must always bear in mind that this catalogue does not comprehensively list all possible cases of risk transactions possibly linked to money laundering and terrorist financing, on the contrary, the obliged person must develop its own list of transactions adapted to its experience and risk assessment, although the guidelines of this sample catalogue are designed to assist and guide the obliged persons towards compliance.

The inclusion of transactions in this catalogue does not imply that they are necessarily linked to money laundering or terrorist financing activities, merely that they are “likely” to be linked to these activities, to the extent that they comprise a number of risk factors.

The role of the obliged persons is to determine, through the special inspection, if the specific transactions detected, which are included in their own list of risk transactions, display signs of being linked to money laundering or terrorist financing. In particular, they shall report to the Executive Service of the Commission (SEPBLAC) any transactions showing obvious inconsistencies with the nature, turnover or operational background of the customers, provided that, after the special inspection, no economic or professional justification to carry out such transactions is found.

Thus, it is possible that, after performing the special inspection of certain transactions, it is concluded that they do not present evidence of being related to money laundering or terrorist financing, despite their inclusion in this catalogue, and accordingly they shall not be reported to SEPBLAC.

It is important to emphasise that the special inspection is essential, and therefore SEPBLAC may not be reported to merely based on the fact that the transactions are included in this catalogue. The institutions must perform the special inspection in all cases, but only when finding circumstantial evidence shall they issue the relevant communication.

Similarly, it should be noted that the legislation on this subject has a clearly preventive nature, in order to prevent funds coming from criminal activities from



being channelled through the sector. Therefore, it is essential to strengthen two types of measures:

- Firstly, those designed to detect suspicious transactions before they are carried out, in order to prevent illicit proceeds from entering the system.
- Secondly, those enabling an in-depth examination of transactions, so as to obtain enough data to prevent future transactions that follow the same pattern.

Finally, credit institutions should be reminded that the reports sent to SEPBLAC under the provisions of Article 18 of Act 10/2010, should contain the information and data required in paragraph 2 of this Article, and in any case must be a result of a special structured inspection of the transactions.



## Indicators and examples of potential risk transactions

### 1. Unusual and/or frequent changes in the type or nature of the means of payment, not shown in the customer's account

- a) Currency exchange transactions, involving high denomination notes, conducted by one person or more in an apparently coordinated manner or in instalments in low value transactions spaced out in time.
- b) Acquisition of bearer means of payment (bank cheques, electronic cash, traveller's checks ...) by cash payments, paying particular attention to those means which are not cashed within a reasonable time limit.

### 2. Atypical cash transactions

- a) Accounts whose income is principally and primarily cash deposits, especially if the charges are for tax payments or expenditures on high-value consumer goods (luxury goods, property, etc.).
- b) Using accounts to deposit successive sums of cash for the sole purpose of accumulating balances to then be transferred abroad.
- c) Customers transferring large sums of money into or out of the country with instructions to pay cash.
- d) Deposits of large amounts of cash using unstaffed devices, thereby avoiding direct contact with bank staff, or unnecessarily using CIT companies.
- e) Frequent use of the safety deposit boxes, being substantially higher than usual, or changes in the patterns of use, according to visit control records, especially for non-regular customers, which contrasts with the relatively low use of the current account.
- f) Accounts operating as recipient accounts of funds paid in by different people, in small or medium amounts and at different locations, without an adequate explanation.



- g) Cash deposits of high-value notes compared to the type of business identified for the account.
- h) Relevant cash deposits directly via credit cards not reflected in the account, which generate a positive credit card balance.
- i) Cash disposal debited to balances generated by POS transactions, when the frequency and sums suggest cash refund operations debited to the account via credit card transactions.
- j) Transactions with real estate companies, mainly those related to large cash payments and that are not reflected in the relevant deeds of sale.
- k) Cash deposits in accounts belonging to professionals and / or companies, paid in by individuals who are customers of the professional or company, for the purpose of evading legal restrictions on payments to professionals and VAT, and any evidence of the source of the funds.
- l) Large volume of cash income which is transferred or paid out in cash on the same day or those immediately following.

### 3. Unusual account activity

Any account that is not consistent with normal banking or business activities, but that is used by people or companies to collect or pay funds that are not clearly linked to the owner of the account and / or business.

- a) Customers who have accounts with several financial institutions in the same town, especially when the credit institution knows that there is a regular consolidation process of such accounts prior to requesting a transfer of funds.
- b) Levelling payments with cash paid in on the same day or on the previous day.
- c) Accounts of companies paying through transfers to a limited number of alleged suppliers, using funds previously received in cash or via transfers from alleged customers holding identical positions to those of the alleged suppliers.
- d) Withdrawal of large sums from a formerly dormant / inactive account, or from an account which has just received a large unexpected amount from abroad.



- e) A substantial increase in cash deposits or deposits of negotiable instruments made by a professional firm or company, using the accounts opened on behalf of a third party, especially if the deposits are promptly transferred between another client company and the trust account.
- f) Accounts registering repeated deposits due to the collection of lottery, betting or gambling winnings.
- g) Tax refunds and / or grants that are paid in repeatedly and in relevant amounts, associated, in particular, with trading activities within the European Union, regarding customers who fail to evidence an actual business or commercial activity that could justify them.
- h) The repeated issuance of bearer cheques for amounts equal to or less than € 3,000.
- i) Client companies that perform more transactions with cash than with other standard means of payment and collection in their business areas.
- j) Circular transfers of funds between companies and / or individuals with accounts at the same branch, whose holders may or may not be related.
- k) Accounts opened in the name of new companies by the same individuals (administrators, proxies, representatives) with addresses or registered offices that coincide with those of other companies with accounts in the entity that have apparently ceased business (ephemeral companies).
- l) Attempts of electronic transfers from abroad not showing the identity of the sender or the source account number.
- m) Multiple transactions carried out on the same date of deposit or withdrawal of cash or other monetary instruments (cheques, promissory notes, etc...) and for amounts that are systematically slightly below the limit for identification or mandatory monthly declaration, especially if the numbering of such documents is correlative.
- n) Accounts credited with large cheques, endorsed in favour of the customer.
- o) Accounts on behalf of minors or legally incapable persons whose representatives conduct a large number of transactions or movements in the account.
- p) Numerous deposit transactions in the account via credit cards and readily available. These deposits are often paid into accounts of newly formed companies, which make it difficult to identify the nature of their business or profession and the business relationship.



- q) Transactions performed by individuals or companies engaged in activities in high-risk industries in terms of money laundering or terrorist financing.
- r) Transactions with a country or with groups within a single country that is considered to be a high-risk state in terms of money laundering or terrorist financing (e.g. money transfers made through an intermediate country; transfers to that country based on unclear commercial or business activities; transfers preceded by cash deposits, etc.).
- s) Receiving transfers, usually international and involving not particularly large amounts, in accounts of individuals whose known activities and contractual purpose are not associated with such transactions.
- t) Channelling transactions, cash, transfers and debits, usually related to trading activities through customer accounts whose profile, known activity contractual purpose and operational background do not justify such operations.
- u) High volume of transfers and internal transfers between the accounts of those involved that hinder tracking the real flow of funds, which flow in a circle attempting to make transactions appear as lawful, such as corporate share capital increases.
- v) Purchasing bank cheques or bonds which are not cashed within a standard time limit, or once the latter has elapsed, they are re-deposited in the debit account or in another with related holders.
- w) Movement of funds through online banking systems (especially the Internet) between seemingly independent parties, when it is noted that such transactions are actually being made by the same person, or it is otherwise detected that they are being carried out under a single master plan.
- x) In general, any kind of movement clearly showing the splitting of payments to avoid the submission of declarations or to avoid appearing in declarations, which will eventually be specifically or globally known by the relevant authorities (for example, splitting amounts to avoid the balance of payments declaration, or to avoid appearing in declarations to be made to the AEAT (Spanish Tax Administration Agency) regarding cash movements over 3,000 € - Form 171; split payments to avoid the identification threshold for the prevention of money laundering or for the inclusion in the Compulsory Monthly Declaration, etc.).
- y) Non-resident accounts, belonging both to individuals and companies, which channel funds without a clear economic purpose, especially when credits and debits level rapidly.



#### 4. Use of fictitious corporate structures, existing companies or scarcely active associations or foundations

- a) Transactions through accounts of Spanish investee companies of companies incorporated in tax havens or designated territories and represented by independent professionals or other intermediaries, which receive international transfers of large amounts from abroad.
- b) Transactions made by Spanish companies with a real economic activity that at a given moment receive transfers from tax havens or designated territories in order to increase the share capital, shareholder loans or similar transactions with no changes noted in the company's management or its representatives.
- c) Transactions of newly established companies having a reduced share capital which, since starting business, receive or issue international transfers for large amounts, as the payment or collection for consumables (computer products, mobile phones or similar) and receive or issue domestic transfers to or from a closed list of companies in the same sector, with much activity over a short period of time, then stopping or being replaced by other companies that take their positions.
- d) Extremely active accounts in terms of receiving and sending domestic and international transfers, levelling balances daily, in which the payer or recipient identify an activity related to sensitive VAT-fraud sectors, or other taxes in the context of intra-Community trade.
- e) Accounts receiving a high number of international transfers from abroad in small single amounts adding up to large overall sums, while the account operation fails to reflect transactions typical of a business activity. The funds received are made effective through cash withdrawals and / or transfers to other entities and countries.
- f) Deposits in accounts of associations or foundations, by way of donations, free fundraising, raffles or similar in relevant amounts, without due known reason for such collection, while the subsequent use of the funds is not consistent with the organisational purposes or funds are sent to countries where there is no record of regular business.
- g) Movement in customer accounts of legal persons (corporations, foundations, associations) in which charges fail to show payments of supplies, payroll, taxes, contributions, etc., while money is managed through transactions hardly consistent with the declared purpose of the account.



- h) Transactions aimed at the purchase of dormant or inactive companies by subjects involved in court procedures-or third persons acting on their behalf-, to resume their normal operations through these companies, thereby cutting their legal ties with their former companies.
- i) Accounts of corporations whose income shows billing volumes that are inconsistent with other commercial circumstances: Business or organisational structure, human and material resources, etc.
- j) Receiving numerous transfers or deposits of exact or repeated amounts without due cause.

#### 5. Atypical, unusual or uneconomical international movements of large sums

- a) Accounts with cash deposits showing ATM withdrawals abroad using one or more cards, especially in high-risk countries. Deposits and withdrawals often coincide in time.
- b) Using invoices, import receipts, insurances, or proof of transport of goods under a dubious appearance to support repeated international transfers abroad.
- c) Repeatedly using over-invoicing or under-invoicing in international trade transactions , reflecting an ostensibly higher or lower price than the standard market price, according to the experience of the entity in previous similar transactions.
- d) Customers acting as fundraisers for other people of the same nationality, in small amounts, grouping them together and sending them abroad, acting as an informal remitter of funds.
- e) Movements of funds by foundations or associations incorporated in Spain and mainly formed by foreign nationals.
- f) Accounts owned by individuals (usually foreign nationals ) or companies (usually newly formed LLCs having a minimum share capital) that show, since their incorporation, major cash deposits and immediate international transfers abroad, keeping low balances in relation to the volume of funds handled by the account, justifying the transactions with economic activities that are difficult to check.
- g) Accounts owned by natural persons (usually non-residents), who claim to be merchants or mere intermediaries in international trade transactions, directly



showing cash deposits of large amounts or deposits of smaller amounts from different parts of the country, immediately ordering transfers of large amounts abroad, while the recipients are distribution companies (usually in Asian countries) of very varied products with proven economic activity.

- h) Accounts domiciled in offices in towns close to border areas, where the owners or the authorised signatories are residents (national or not), whose operation involves the mass reception of transfers or cheque deposits originating from that country, and which are cashed or transferred abroad.
- i) Analysis of transfers to or from tax havens or designated territories regardless of their amount, and transfers to or from countries other than the above, but considered high-risk countries for other reasons (drug trafficking, terrorism, etc.).
- j) Transfers from other countries, ordered by companies or persons other than the holder of the account credited, justified by private loan or service agreements.
- k) Operations lacking in commercial logic: sending the funds to other entities in Spain, from which funds would allegedly be sent abroad, thus increasing commission expenses.
- l) Movement of funds of parties with accounts in Spain with operators established in other Member States of the EU, under the cover of trading operations, where such parties or operators are not registered – or registration has been cancelled - in the mandatory registers established for this purpose (such as the Register of Intra-Community Operators, ...).
- m) Transactions aimed at evading the restrictive measures imposed by the EU and other international organisations.
- n) Transactions to send and receive transfers regarding intra-Community commercial transactions (e.g. purchase of vehicles in an EU country and subsequent sale in another), showing discrepancies between VAT returns and the movements recorded in the accounts.
- o) Customers who report particularly complex economic activities related to the international financial sector and try to justify the same by providing multiple documents that are difficult to check. Sometimes they require the entity to issue bank guarantees via Swift messages (MT799 and similar) for unrealistically high amounts.

**6. Secured or unsecured loans, lines of credit or asset transactions.**

- a) Customers who unexpectedly return loans or repay loans in advance involving large sums, primarily through cash payments.
- b) Loans guaranteed by several persons who seem to have no relationship with the customer, who fails to pay and eventually one of the guarantors settles the loan.
- c) Applications for loans backed by assets deposited with a financial institution or a third party, whose origin is unknown or whose value is not related to the customer's situation.
- d) Applications for loans secured by assets deposited in tax havens or designated territories.
- e) Applications for loans, lines of credit and asset transactions by customers whose formally declared repayment capacity (tax returns) is markedly lower than their genuine repayment capacity and the difference is quantitatively relevant.
- f) Resident companies or individuals financed by loans or capital contributions from abroad, the lender being an individual or a financial institution.
- g) Loans applied for in Spain by residents or non-residents secured by "stand-by" letters of credit issued by banks established in countries considered tax havens or designated territories.
- h) Financing transactions for the purchase of goods, wherein there is an evident disparity between any of the following values: market value (estimated, declared or assessed by a specialised company), purchase value (pursuant to an agreement or deed) and investment volume (sum of own funds and borrowed funds), in which the use of illicitly obtained funds is noted, or whose result shows grounded circumstantial evidence of constituting tax fraud in a sufficient amount to be considered a criminal offense (evading more than 120,000 Euros), in accordance with Article 305 of the Criminal Code.
- i) Refinancing transactions (any type), in which customers justify their capacity to pay using money not declared to tax authorities.



## 7. People with political responsibility from high-risk areas

Spanish accounts held by persons who occupy prominent political positions, officers or equivalent (Directors of public companies, etc..) usually in non-democratic countries, including their close family, which receive international funds that are applied to the purchase of property or financial assets in a large amount or to the provision of large deposits.

## 8. Data gaps, deliberate avoidance of contact with the office or disregard for the office or the product profitability or benefits

- a) Potential customers who do not act in their own name and do not wish to reveal the true identity of the actual owner.
- b) Opposition to provide the information required when opening an account, or difficult or impossible verification of that provided.
- c) Customers of whom an acceptable degree of "financial literacy" might be expected who refuse to provide information that in normal circumstances would allow them to access credits or other evidently valuable banking services.
- d) Representatives of the companies or individuals who unreasonably avoid contact with the office conducting the majority of operations through remote channels.
- e) Insufficient use of standard banking advantages, such as avoiding high interest rates for large balances.
- f) Repeated difficulties for the entity to contact the customer at the address or phone number provided; returned mail due to wrong addresses.
- g) Customers introduced to the bank by known and reputable people (professional offices, in particular), if it appears that the introduction intends to slacken customer due diligence obligations.
- h) Customers featuring media linking them with criminal activity likely to generate economic benefits.
- i) Customers showing more interest than usual in establishing direct and personal relationships with the branch manager and employees, in order to



slacken the bank's duties or controls, or those who are curious about the bank's systems, controls and internal policies on the prevention of money laundering and terrorist financing.

- j) The documentation provided by customers is not consistent with their business or with the recorded movement.
- k) The customer is reluctant to provide information on the source of funds or the documentation provided by the customer does not allow assessment of the legality of the source of funds.
- l) Upon the bank's request of documentation evidencing the source of the funds, the authorised account holder closes the account.

#### **9. Correspondent accounts with insufficiently known foreign entities and / or from tax havens or designated territories**

- a) Applications to subscribe correspondent relationships with foreign financial institutions incorporated in high-risk areas with no record of money laundering prevention policies.
- b) Accounts opened in Spain by a financial institution appearing as the account holder, structured into several sub-accounts, wherein one of these sub-accounts specifically reflects the transactions performed by a customer of such financial institution who is formally the account holder.
- c) Accounts opened in Spain by foreign financial institutions having correspondent accounts open with shell banks or entities in countries considered tax havens or designated territories.
- d) Impossible identification of the destination of the funds, which are fully transferred to the customer's accounts held in another entity.

#### **10. Unusual behaviour of bank employees and representatives**

- a) Changes in the employee's life style or standard of living, without regard to his or her family situation or income.
- b) Unusual increases in the employee's or representative's results without due cause (for example, representatives that sell cash products obtain remarkable or unexpected results).



- c) Representatives that seek to hinder or conceal the identity of the ultimate beneficiary or person in question, contrary to standard procedure for the type of business involved.
- d) Employees whose function entails customer relations and who refuse to accept promotions or changes in their duties which imply abandoning such activities without good cause.
- e) Repeated non-compliance with the bank's internal procedures on money laundering prevention.