

Activities Report

Financial Intelligence
Unit of Andorra

2016
2017



UIFAND

FINANCIAL INTELLIGENCE UNIT
OF ANDORRA

SUMMARY

1. INTRODUCTION	2
2. BALANCE	4
a) National Risk Assessment	4
b) Report on the Moneyval 5 th round of evaluations.....	7
c) Other aspects	14
3. STATISTICS of the years 2016-2017 and comparison with 2015	27
a. Operational analysis	29
• Suspicious transactions reports.....	29
• Intelligence unit initiative	31
• National cooperation.....	32
• International cooperation	33
• Files conveyed to the Public Prosecutor's Office and amounts with possibility of judicial seizure.....	38
• Number of investigated persons	40
b. Foreign investment	41
• Requests submitted	41
• Number of persons analysed	42

1. INTRODUCTION

Article 55.2.p of Law 14/2017, of 22 June, on the prevention of money laundering and terrorist financing, establishes that the function of Uifand is *“to draft and to publish annual reports in order to evaluate the efficiency of the prevention of and fight against the laundering of money or assets, terrorist financing and the proliferation of weapons of mass destruction”*

This rule of law, which was already provided in Law 2/2015, of 15 January, on amendment of the Law on international criminal cooperation and on the fight against the laundering of money or assets proceeding from international crime and against terrorist financing, of 29 December 2000, seeks specifically to provide that Uifand should publish periodically, that is to say, annually, the report on activities of each year, which should cover all the work carried out.

On an exceptional basis, this activities report includes the period 2016-2017 for the notable reason that it is impossible to separate precisely in time the various tasks carried out in the two aforementioned years.

In effect, just as will be presented in the following sections, three main goals have marked our efforts in this two-year period of time as a result of the work completed in September of 2015 with Moneyval's fourth round of evaluations , namely: on the one hand, the National Risk Assessment, which is inseparably associated with the new round of evaluations to make compliance with the international demands; and on the other, the study, preparation and presentation of the Report to Moneyval on the fifth round of evaluations and, lastly, to complete the new, necessary and important legislative proposals subsequent to the fifth round, which are indispensable for our adaptation to the latest international standards.

Following this past five-year period, in which we have succeeded in progressively adapting, in all respects, our system of prevention of money laundering and terrorist financing, the last two years confirm the unequivocal will to carry out this process addressed to implementing the best practices.

Now is the time to make the necessary qualitative leap, (i) through the development of the action plan resulting from the National Risk Assessment which is to lead us, internally, to make improvements in the fields of our action; and in the external sphere, as regards the reporting entities and the various bodies of the Public Administration, it is to lead to an adaptation to the best practices and to an increase in the degree of awareness in matters of money laundering and terrorist financing, (ii) through the development of the set of proposals and recommendations which are set within the framework of the conclusions of the Report on the fifth round of evaluations presented, approved and adopted at the 54th Plenary Meeting of Moneyval in September of 2017, and (iii) through the application of the legal mechanisms with which we have endowed ourselves, to readapt ourselves to the current trends.

The whole set of these measures should allow us to face the future on an equal footing with respect to other leading international jurisdictions, and above all to position the Principality of Andorra, in the eyes of those abroad, as a reformist country set on fulfilling the commitments which it has undertaken.

Aside from this, I do not wish to fail to mention that in this month of December of 2017, Moneyval (formerly PC-R-EV) has celebrated the 20th anniversary of its founding. It was created in 1997 and its functioning is governed by the general provisions of the Resolution Res (2005) 47, on the committees and the subordinate bodies, and their mandates and working methods, subsequently amended by new resolutions. Consequently, we take this opportunity to express our most sincere recognition.

To bring these words to a close, it is only fair to make a special mention of the colleagues who have left us in the search for new and equally notable professional goals. I am referring to Tanjit Sandhu Kaur and Borja Aguado Delgado, without whom we would not by any means have come to reach the solid position in which we now stand.

Carles Fiñana Pifarré

Head of the Financial Intelligence Unit of Andorra

2. BALANCE

In the foregoing section, the introduction to this report, we have already made reference to the exceptional character of this Activities Report as regards the length of time which it covers, the period 2016-2017, due to the priorities of the work carried out with respect to the preparation, study, drafting and presentation of two essential documents: (i) the National Risk Assessment (N.R.A.) and (ii) the mutual evaluation report of the Moneyval 5th round of evaluations, which two documents have been sequentially coupled during this period.

Said documents, which are of capital importance, do not only represent compliance with the new standards developed and demanded by our international mentor, Moneyval. They are, moreover, indispensable within the framework of the improvement processes which other international organizations have placed on the table in their respective evaluation rounds and, quite especially, they very decisively set the course of the future work to be done.

Nevertheless, priorities aside, the departments and/or areas of Uifand have gone about carrying out their task, which is primarily internal but also external, in accordance with the inherent obligations and needs.

Likewise, as will be seen with the data which will be provided, there has been an exponential increase in the work of the various areas forming Uifand, and the positive evolution in terms of analysis of intelligence and of national strategy has been highlighted by the experts from abroad who have examined us.

We analyse below, briefly but emphasizing their basic traits, the two principal challenges which we have faced during this period:

a) National Risk Assessment

If we look at the previous Activities Report for the year 2015, and we must do so to follow the road map that was set at that time, we see that in Point *d* of the same section, "Balance", we already pointed out the tasks which would have to be followed up in the following year with respect to this Assessment.

It is a completely innovative study since it had never been carried out before and it includes a complete in-depth analysis of the risk of our system in terms of money laundering and terrorist financing (hereafter called "ML and TF"), and the preventive response that is made to it.

Although we initially established its direction, its guiding principles and the work and development plan in 2015, it was over the course of 2016 that it took shape, being presented before the Government of Andorra on 14 December 2016 for the purpose of its approval and adoption. Lastly, the Sectoral Level NRA, was published and its

translation into Catalan was concluded. The public presentation of the study was made on 28 July 2017.

Accordingly, in the course of the year 2016, after the first Seminar held in September of 2015, which was the effective starting point of the work and which sought to ensure that all the participants would understand the methodology of application and the parameters of action, the Assessment was prepared, mainly on the basis of:

- the gathering of diverse information, data and statistics by means of forms and questionnaires sent to all the reporting entities and to various departments and bodies of the public administration;
- various workshops, addressed either to individuals or groups, for the professional organizations, associations, foundations and other bodies;
- the holding of a second Seminar, which ran between 20 and 22 September 2016, with the presentation of the work of each of the groups, the proposed plan of action and the establishment of the final conclusions; and lastly,
- the compilation and analysis of this body of information by the leaders of each of the five working groups originally envisaged, all of whom were members of Uifand, to prepare the final report.





From the technical standpoint, this Assessment analyses the overall national or sectoral risk of our ML and TF prevention system.

From the standpoint of the [national sphere](#), it does so on the basis of the identification and study of two variables, namely: (i) the vulnerabilities shown by the system, that is to say, the response capacity of us all, official bodies, reporting entities and stakeholders of the country's socioeconomic system with respect to cases of money laundering and terrorist financing, and (ii) the threats, that is to say, the "viruses" which surround us and which can attack the deficiencies which may be shown by the prevention system.

In relation to vulnerabilities, the variables which were analysed, among others, may be summarized as:

- the quality of the prevention policy and strategy;
- the effectiveness of the definition of the crime of money laundering;
- the confiscation of money, from the normative standpoint and the standpoint of effectiveness;

- the human and technical resources available to the official bodies and the agencies linked to this matter;
- national and international cooperation;
- the integrity and independence of the public representatives; and
- the transparency and formalization of the economic system.

With respect to threats, both internal and external, attention was given to the most common types of crimes in our country, and to the analysis of organized crime, resulting in the consideration of a risk ranging from low, medium-low, and medium to medium-high and high.

From the standpoint of the [sectoral sphere](#), the analysis was basically focused on:

- the exhaustiveness of the legal framework;
- the penal and/or administrative sanctions;
- the control procedures and practices;
- the training and knowledge of employees;
- compliance systems;
- Suspicious Transaction Reports (STRs) and monitoring, and
- identification and verification, and independent sources of information.

All this work gave rise to an Action Plan which concludes on the need to put in place 51 measures to eliminate or at least to mitigate the risk of ML and TF in Andorra, which are presented in the published sectoral report, to which we refer.

Once the Assessment is finished, approved and adopted, it is added to the Report on the 5th round of evaluations and it becomes an essential document for consultation and analysis when qualifying the implementation status of any of the forty FATF Recommendations which are analysed in the section on technical compliance, as well as a source of inspiration with respect to the aspects in question with regard to the eleven Immediate Outcomes (IO), that measure the effectiveness of the ML and TF prevention system.

b) Report on the Moneyval 5th round of evaluations

The Moneyval 5th round of evaluations has some particular features with respect to: (i) the applicable standards, on this occasion with the analysis of the new 40 FATF Recommendations approved in February of 2012 and their different methodology of application of February of 2013; (ii) the same structure of the procedure to be used after the approval of the new rules adopted by Moneyval at the 46th Plenary Meeting in December 2014 and revised at the 53rd Plenary Meeting in June 2017; and lastly, (iii) the focus of the content of the Report, which pivots around two main aspects, namely, technical compliance and, consequently, the implementation of the aforementioned 40 Recommendations, and the analysis of the effectiveness of the ML and TF prevention

system of each country with the assignment of a mark for each of the eleven Immediate Outcomes.

Additionally, in relation to our case and the other cases which we present, our focus pivoted around three main elements, namely:

- the consideration of the conclusions derived from the last follow-up report presented in the course of the 4th round of evaluations of September of 2015 in which Moneyval, in the form of recommendations, suggested improvements for the future;
- the application of the aforementioned new FATF standards since this 4th round of evaluations, which took place between April 2012 and September 2015, dealt with the old 40 + 9 FATF Recommendations and the application methodology in force at that time; and
- the consideration, for the effects, among others, of the Monetary Agreement, of the implementation of the new rules derived from the European Union in the form of directives, regulations and framework decisions, especially including the Directive 2015/849, known as the Fourth Directive.

More specifically, in this same order, it should be basically remarked that:

1. With respect to the conclusions of the 4th round of evaluations, aside from the fact that the evaluators emphasized that many technical deficiencies observed during the evaluation had been solved; that many key legislative aspects had been implemented; and that there was a clear and stronger political commitment in favour of the reform of the system, the following was recommended:
 - to expand the list of predicate crimes of money laundering, especially in relation to the smuggling of goods and tax crime;
 - to classify all self-laundering conducts;
 - to improve the effectiveness of the system in relation to investigations and convictions;
 - to expand the hypotheses of SRTs, with better techniques and raised awareness of reporting entities;
 - to legally regulate the fit & proper criteria of the insurance sector;
 - to regulate the activity and to grant administrative authorization for the provision of financial services to the postal services;
 - to legally recognize the criminal responsibility of legal persons, and
 - to increase resources and training.
2. With respect to the new FATF standards and the most appropriate measures for implementing them, the following recommendations were made:
 - to carry out a national risk assessment, making demands in this respect, on an individual basis, to the reporting entities;

- to conduct a legislative study and to take more effective measures for the assets recovery and management offices;
 - to make legislative amendments in the operating system of associations, foundations and other NGOs;
 - to strengthen the due diligence measures, also for third persons, on the transfer of funds;
 - to apply specific measures for politically exposed persons (PEP);
 - to improve the supervision and control of reporting entities;
 - to make a strategic analysis of the system;
 - to integrate, into the internal legal system, essential conventions like that of Mérida of 2003 on corruption, and that of Warsaw, of 2005, on the seizure and confiscation of the proceeds from crime, and
 - to maintain and improve international cooperation.
3. With respect to the *acquis communautaire*, the rules to be implemented –which are very closely linked, as regards contents, to the FATF standards– should include the following rules, as already mentioned in the Activities Report of 2015:
- the Directive 2014/42/EU of the Parliament, on the freezing, seizure and confiscation of the instrumentalities and proceeds of crime;
 - the Regulation (EU) 2015/847 of the Parliament, relating to the information which is to accompany the transfers of funds, and
 - the Directive 2015/849/EU of the Parliament, which deals, among other things, with the inclusion of the national PEPs, the criminal responsibility of legal persons, improvements of the due diligence measures, greater control of identification and verification, new measures to determine the true beneficiary, and tax crime as predicate crime.

However, the preparation of the Report essentially on the basis of the reception of the questionnaires submitted by the evaluation team and by the Moneyval Secretariat in June 2016, was marked by the preliminary step entailed by the visit to Andorra of a delegation of the Secretariat for the purpose of informing about the whole process of the 5th evaluation and its follow-up.

Consequently, a Seminar was held on 4 and 5 February 2016 with the attendance of representatives of all the financial and non-financial reporting entities and of the departments of the Public Administration linked to this matter. At the Seminar, through ten modules, the specific characteristics of the process of the 5th Evaluation were presented, and they may be summarized as follows:

- stages of the evaluation process;
- risk analysis and its context;
- technical compliance principles;
- principles of and information on effectiveness;

- preparation of the on-site visit to the country;
- planning and organizational aspects; and
- conclusions of the evaluation and presentation of the reports.





Returning to the stages in the job of configuring the Report, mention should primarily be made of three key moments, namely:

1.- As previously mentioned, the reception of the technical questionnaire and the effectiveness questionnaire with the pertinent annexes, which carries with it the first reply report of each of them, submitted respectively in October of 2016 and January of 2017, with the subsequent provision, in the form of a preliminary working document, of a preliminary draft Report in June and July,



2.- The on-site visit, that is to say, the visit to the country by the evaluating experts and members of the Secretariat, which took place between 6 and 18 March 2017, and

3.- The pre-meeting held in Strasbourg between 19 and 21 July 2017, with an in-depth review of the key aspects and a discussion among the parties, which is concluded with the Report which will be presented to the Plenary Meeting. This Report is already open for the analysis of the Moneyval scientific experts and it is likewise provided to the representatives of the delegations of the countries forming Moneyval, for the pertinent effects.



Lastly, after a final review of the document, according to the rules of procedure, before a representative of each delegation and the scientific experts, at a final meeting of the mini-plenary type held on 25 September 2018, the final document was presented at the 54th Plenary Meeting on 18 September 2017, whereby Andorra became the fifth Moneyval country to comply with this important formality, the result of which was its approval and adoption with the best notes to date, and which required that we present a follow-up Report in December of 2018.



We will now analyse the other aspects which should be included in this section of the balance:

c) Other aspects

With respect to our usual [international participations](#), which allow us, on the one hand, to maintain and to strengthen our contacts with the representatives of our international counterparts and, on the other, which permit us to participate in the working exercises in the form of workshops which propose and lead to an increase of our knowledge and our updating with respect to the working rules and trends in the field of money laundering and terrorist financing, in 2017 we were present at the two scheduled Egmont congresses.

The first one was the intersessional congress held in Doha (Qatar) between 29 January and 3 February, in which two representatives attended the working groups “Policy and Procedures WG (PPWG)” and “Technical Assistance and Training WG (TATWG)”. A third representative attended the Regional meetings (Europa II Region) and the plenary sessions.

The plenary session dealt, among other issues, with the latest major project which is to be implemented and to be made available to all the world's intelligence units with the aim to establish it as a standard of reference and a source of guidance on specific matters and also as a source of advice and experience for a better exchange of information. This is the project called Ecofel (Egmont Group Centre of FIU, Excellence and Leadership).

Likewise, two Memorandums of Understanding -MOUs- were signed with the directors of the financial intelligence units of Japan (JAFIC) and of the Holy See.



The second Egmont event was the 24th Plenary Meeting held in Macau (China) between 2 and 7 July 2017. Just as on the previous occasion, we attended the planned meetings and working groups, this time involving “Information Exchange on ML/TF WG (IEWG)” and “Technical Assistance and Training WG (TATWG)”.

We also signed a Memorandum of Understanding with the director of the Israeli Financial Intelligence Unit (IMPA).



Moreover, our delegation participated in the Moneyval Plenary Meetings held at the headquarters of the Council of Europe in Strasbourg according to the following list:

- 1.- In 2016, the Plenary Meetings numbers 50 to 52, held respectively in the months of April, September and December, and
- 2.- In 2017, the Plenary Meetings numbers 53 to 55, held respectively in the months of May-June, September and December.

It should be recalled that it was at the session of the 54th Plenary Meeting that the Principality of Andorra presented, on 28 September, its Report on the 5th round of evaluations.



With respect to [training activities](#), once again we should state that we consider them to be an essential priority of our work and although we have not been able to carry out all the activities which we had envisaged, we will insist unflinchingly on this action in the internal sphere not only with the aim to update our legislation but also to continue to raise the awareness of the reporting entities with respect to their obligations.

Despite this, at present we can state a highly important fact: in the period between the years 2012 and 2015, all the parties who are considered financial and non-financial reporting entities by our Law have received at least training in the matter of money laundering and terrorist financing or they have had the chance to receive it.

Aside from this, in the period 2016-2017 Uifand has carried out the following training actions:

- 1.- On 22 April 2016, in the framework of a seminar held by the Bar Association, we presented a conference entitled "*Treatment of Suspicious Transaction Reports -STRs-*".
- 2.- On 2 May 2016, we provided general training for the heads of the Tax Department.
- 3.- On 12 May 2016, once again in conjunction with the Bar Association, we gave a training conference under the title of "*The role of Uifand: Management of suspicions, procedures, inspections and recommendations*".
- 4.- On 23 March 2017 at the University of Andorra, which organized a course on money laundering and terrorist financing –in which the Andorran Banks Association (ABA) also took part– structured as a seminar of 24 hours of in-person classes over the course of February and March, we were present at the close of the course.
- 5.- Lastly, in the external sphere, we were invited to the 7th Compliance Symposium under the title of "International Risk Management in the Fight against Financial Crime", held in Madrid on 26 and 27 April 2017, where we presented the legislative evolution and the latest novelties regarding Andorran regulations on matters of money laundering and terrorist financing.

Likewise, we have also received training and, in this respect, a member of Uifand took part in the Moneyval Seminar for the training of financial experts held at Nice between 14 and 19 May 2017.

To conclude with the matter of training, we will inform you of the outlook for the year 2018, which will involve two stages, and a new round of training actions to deal with the important new legislative aspects that have been recently approved.

On the other hand, for the effects of the [Monetary Agreement](#), we have formed part of the Delegation of the Principality of Andorra on the Mixed Committee in the usual annual meetings: the 5th Meeting held in Brussels on 29 September 2016 and the 6th Meeting held in Andorra on 6 October 2017.

Between those two dates, we have transposed to our internal legislation the latest regulatory demands of the European Union, namely: (i) Directive 2014/42/EU on the freezing and confiscation of instrumentalities and proceeds of crime; (ii) Regulation EU 2015/847 on the information accompanying transfers of funds; and (iii) Directive 2015/849/EU, of 20 May, on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing.

In this way, the implementation of the *acquis communautaire*, as was initially demanded, according to the annex of the Agreement, has been completed.

The [Permanent Committee on Prevention of Money Laundering and Terrorist Financing](#), which takes on a new form that includes new functions through the changes established in Law 14/2017, of 22 June, has worked intensely and productively in the sphere of the legislative council in the period 2016-2017.

It has held meetings with the attendance of various representatives of the departments and bodies of the Public Administration, as follows: (i), in the year 2016, on 25 February, 8 March, 27 May, 29 July, 25 November and 14 and 19 December, and (ii) in 2017, on 8 February, 27 July and 15 December.

Among the matters and subjects approached, two points in particular should be mentioned which have involved analysis, drafting and discussion in relation to the two new preliminary draft laws approved by the Parliament in 2017, namely: (i) Law 14/2017, of 22 June, on money laundering and terrorist financing, and (ii) Qualified Law 15/2017, of 13 July, on amendment of Qualified Law 9/2005, of 21 February, of the Penal Code.

To be more specific, in view of the importance of these two laws, I wish to underline their most significant new aspects:

1.- Law 14/2017, of 22 June, on money laundering and terrorist financing, which, as mentioned, establishes both the required Community provisions and the FATF Recommendations, becomes the backbone of the system for the prevention of money laundering and terrorist financing.

Specifically, this law, which went into effect on 20 July 2017, is structured in twelve chapters in the following way:

Chapter One: This chapter contains the general provisions, states the purpose and scope of application of the law, establishes the definitions and regulates the measures addressed to the suitable detection, evaluation, understanding and mitigation of the risk for both the State and the country's economic operators.

Chapter Two: This regulates the due diligence measures, including both the ordinary ones and the simplified and enhanced ones. Anonymous savings books or accounts are forbidden. It states the applicable measures for politically exposed persons (PEP) including nationals.

Chapter Three: This regulates the information on the effective beneficiaries of Andorran legal entities. It obliges companies and other legal persons to obtain

and keep suitable, accurate and up-to-date information on their beneficial owners.

Chapter Four: This regulates the reporting obligations and the prohibition of disclosure. Reporting entities should report to Uifand, on their own initiative, any operation or planned operation relating to funds with respect to which there are indications or reasonable grounds for suspecting that they are the proceeds from a criminal activity or are related to terrorist financing, even including those which have remained in a phase of attempt.

Chapter Five: It regulates the information that is to accompany transfers of funds and includes all the new aspects of Regulation 2015/847, namely:

- The complete identification of the payer and the payee for all international transfers; this identification should be available to the competent authorities;
- The definitions contained in the Regulation (payer and payment service provider), are included in it and the information on the payer and the beneficial owner which is to accompany all international transfers is specified in detail, and
- Financial reporting entities should implement effective procedures based on risk in order to determine when a transfer of funds that does not contain all the required information is to be made, refused or suspended. In the case in which the financial reporting entity does not obtain the information established in the Law, the transaction should be denied and in cases of suspicion, a suspicious transaction report -STR- should even be submitted to Uifand.

Chapter Six: It deals with the keeping of documents, which is increased to ten years, and with the protection of data.

Chapter Seven: It regulates the internal procedures and the training of reporting entities which, with a different degree of intensity depending on whether financial or non-financial reporting entities are involved, imposes obligations addressed to ensuring that the procedures for prevention of money laundering and terrorist financing are robust and effectively applicable.

Chapter Eight: It regulates the declaration of cross-border transport of cash, with the possibility of seizing all cash transported and/or found, except 1,000 euros for survival, and it increases the amount of the sanctions which were in force up to now.

Chapter Nine: It provides the measures for the prevention of, fight against and elimination of terrorism and its financing and for the prevention and disruption of the proliferation of weapons of mass destruction and their financing.

Chapter Ten: It refers to institutional organization and it establishes the competences and functions of Uifand as the competent body for promoting and coordinating the measures for the prevention of and fight against money laundering and terrorist financing. Moreover, it merges the two current permanent committees in a single committee.

Chapter Eleven: It regulates the cooperation, whether internal with the judicial authorities or with the Andorran National Institute of Finances (INAF), or international, between financial intelligence units. In accordance with the Directive, the differences between the tax definitions established in different countries are not an obstacle to the exchange of information or the provision of assistance to other equivalent foreign bodies.

Chapter Twelve: It regulates the system of sanctions and includes an abbreviated sanctioning procedure for cases in which the reporting entity fully admits the attributed facts and the sanction or sanctions imposed, and moreover waives remedies of any type.

Lastly, two additional provisions, four transitory provisions, two repeal provisions and seven final provisions are included.

2.- Qualified Law 15/2017, of 13 July, on the amendment of Qualified Law 9/2005, of 21 February, on the Penal Code.

This amendment, in force since 3 August 2017, includes:

a.- Firstly, as a predicate crime, the crime of the laundering of the smuggling of goods and, consequently, not only the smuggling of sensitive materials. It amends Article 245 of the Penal Code for a twofold purpose: (i) to classify as a crime the smuggling of any type of goods, and (ii) to strengthen the fight against the smuggling of sensitive goods through the amendment of the minimum threshold provided and the elimination of Article 498, which classifies the smuggling of sensitive goods within the framework of a criminal offence.

b.- Secondly, tax crime is categorized, establishing an ordinary type and an aggravated type, the latter being a predicate of the crime of money laundering; likewise, a remission of punishment is introduced.

In this way, amendment is made of Article 409 of the Penal Code – combined system of list and threshold–, which includes as predicate crimes, in addition to

tax crime, those of punishable insolvencies, the defrauding of the Andorran Social Security Fund, the illegal financing of political parties and the squandering of public funds.

Likewise, amendment is made of various articles relating to the prevention of terrorism and its financing in compliance with Resolution 2178 (2014) of the United Nations Security Council and FATF Recommendation 5.

With respect to the [Operational Area](#), it should be pointed out that, happily, in May of 2017 another person was taken on who now supplements the working team, formed by three people.

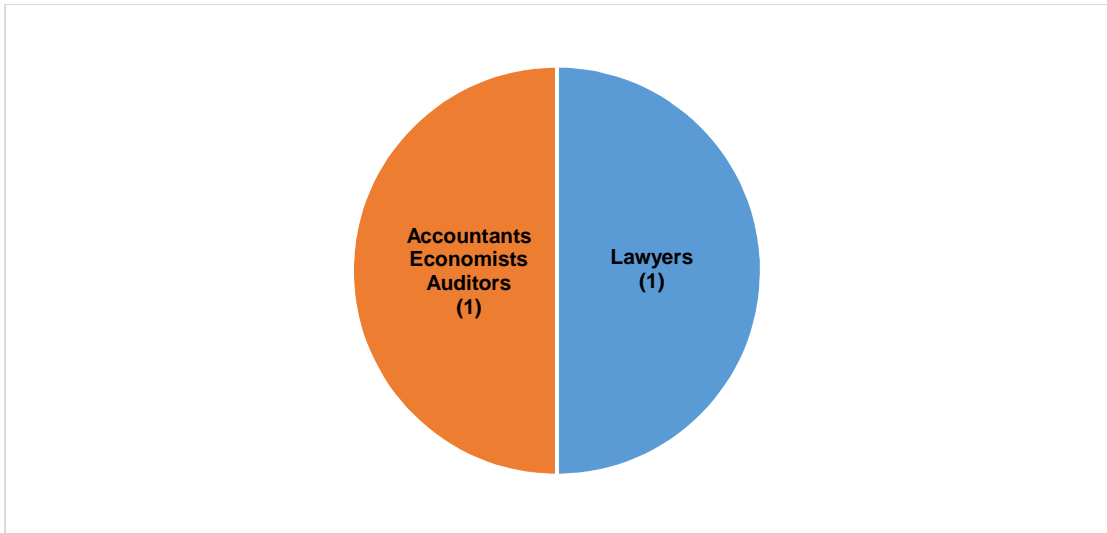
This circumstance has entailed an important added value, on the one hand because of the qualification of this person for handling files in terms of intelligence analysis and strategic terms; and on the other, because this represents an essential help in view of the increase in files in the period under study here.

In effect, as will be seen further on in the third section devoted to statistics, the volume of work generated in this area has grown considerably with respect to the submission of suspicious transaction reports by the reporting entities.

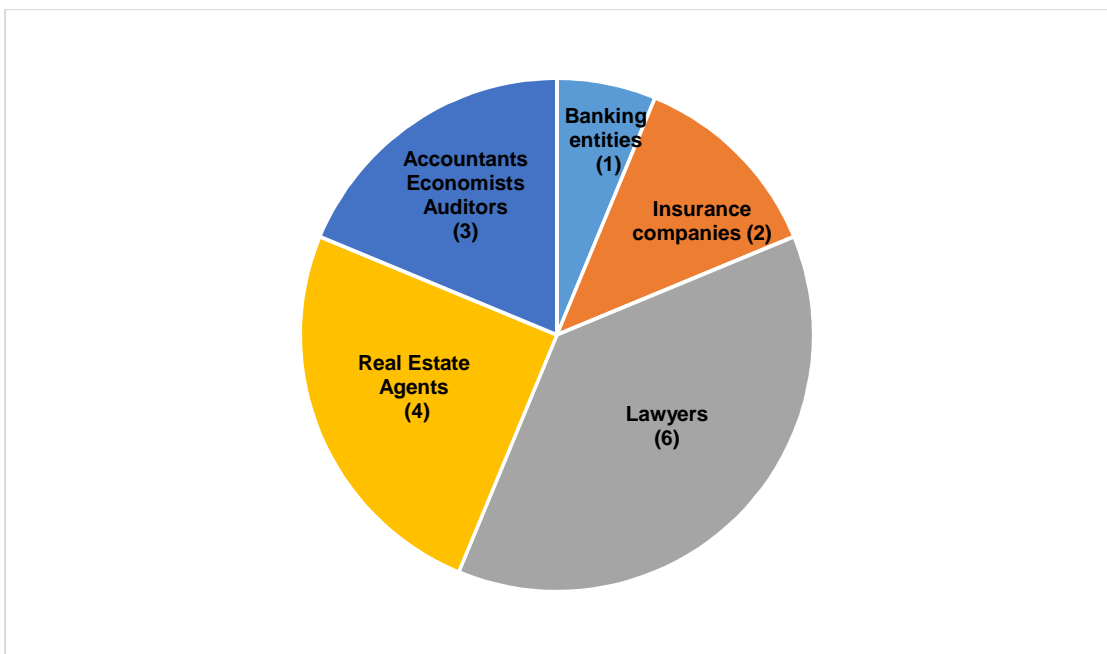
In relation to the [Supervision Area](#) and with respect to the inspections carried out during this two-year period, we now present the following tables:

Inspections:

**2016:
Distribution of inspections by sectors**



**2017:
Distribution of inspections by sectors**

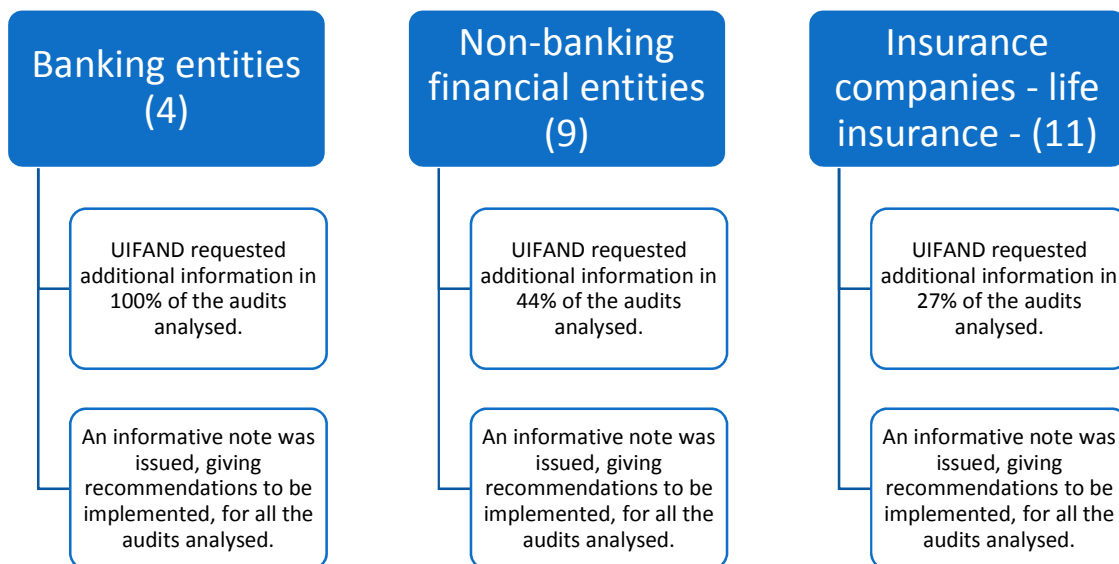


Likewise, in **two** of the inspections carried out in 2017 additional support documentation was requested a posteriori to clarify specific points of customer files analysed in the random review of samples which is performed in each inspection. This supplementary information has been duly analysed and its content has also been reported in the body of the respective inspection reports.

With respect to the next business year, 2018, the forecast on the basis of the programme envisaged at the beginning of the year, which is developed on a quarterly basis, is that a total of 22 inspections should be carried out, eight of which are on financial reporting entities and fourteen of which are on non-financial reporting entities.

With respect to external audits, the following tables give the data on the audits received and analysed, and on the follow-up that they have led to:

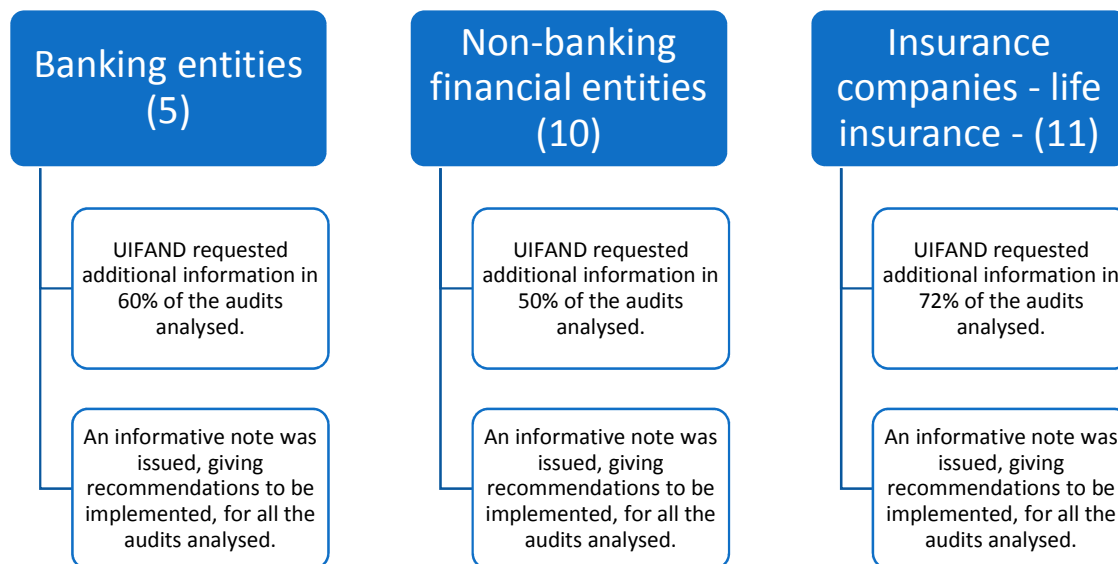
Audits 2016 (fiscal year 2015):



Figures:

	Banking entities	Non-banking financial entities	Insurance companies – life branch –
Number of audits in which additional information was requested	4	4	3
Audit supplements	2	4	0
Requests for information	4	1	3
Informative notes	4	9	11

Audits 2017 (Fiscal year 2016)



Figures:

	Baking entities	Non-banking financial entities	Insurance companies – life branch –
Number of audits in which additional information was requested	3	5	8
Audit supplements	1	3	7
Requests for information	3	3	3
Informative notes	5	10	11

Sanctioning procedures

With respect to sanctioning administrative files which have been initiated, in 2016 there were none, whereas in 2017 two files were initiated.

Both these files were opened on detecting the non-compliance with precepts categorized in the sanctioning procedure as serious and/or very serious: (i) the first file was initiated against a banking financial entity on 19 January 2017 and it concluded with the imposition of a financial sanction in the amount of 140,000 euros, and (ii) the second file, which was also against a banking financial entity, was initiated on 15 March 2017 and its outcome was the imposition of a financial sanction in the amount of 20,000 euros.

Lastly, with respect to the [statistics](#), on this occasion they are presented in a new format because they have been divided into two different sections (files and foreign investment), which makes them more explanatory and improves their visualization.

The analysis of these statistics and the explanation of each of the graphs are given in the respective section.

3. STATISTICS of the years 2016-2017 and comparison with 2015

This third section relating to statistics is doubtless the most objective of all since it presents in full detail a large part of the work generated at Uifand in the year concerned.

As we have previously mentioned, on this occasion the statistics are presented differently since they are dealt with under two main headings: (i) the operational analysis in relation to the suspicious transaction reports submitted by the financial and non-financial reporting entities, and (ii) foreign investment, referring to the requests from the Register of Companies for the purpose of reviewing the foreign investment applications.

In this way, bearing in mind the different analysis and follow-up processes undergone by these two types of petitions, the data which are provided may be understood more clearly.

Moreover, these data, reflected in the respective graphics for each one of the concepts into which these two headings are subdivided, evidence in a general way a highly significant increase (which has been called exponential in the introduction) in the work generated, especially with respect to the last business year, 2017.

BALANCE OF THE WORK GENERATED AND PERFORMED AT UIFAND									
YEAR 2015			YEAR 2016		YEAR 2017		Evolutio n % (2015- 2016)	Evolutio n % (2016- 2017)	Evolutio n % (2015- 2017)
1. OPERATIONAL ANALYSES									
Concept	Number	Remarks	Number	Remarks	Number	Remarks			
STRs received	60	-	53	-	116	-	-11,67%	118,87%	93,33%
Files on UIFAND initiative	9	-	3	-	0	-	-67%	-100%	-100%
National cooperation	30	30 INAF	28	26 INAF 2 Government	17	17 INAF	-6,67%	-39,29%	-43,33%
International cooperation (FIUs)	48	41-FIUs to UIF 7-UIF to FIUs	31	20-FIUs to UIF 11-UIF to FIUs	88	41-FIUs to UIF 47- UIF to FIUs	-35,42%	183,87%	83,33%
Volume of analyses generated	147		115	-	221	-	-21,77%	92,17%	50,34%
Files conveyed to Public Prosecutor's Office	21	1 from 2013 2 from 2014 18 from 2015	29	1 from 2013 10 from 2015 18 from 2016	56	7 from 2016 49 from 2017	38,10%	93,10%	166,67%
Values of files conveyed to Public Prosecutor's Office with possibility of judicial seizure	55.203.451.00€	Equivalent value in Euros	10.720.222,05€	Equivalent value in Euros	254.272.517,00€	Equivalent value in Euros	-	-	-
Files shelved	107	-	94	-	99	-	-12,15%	5,32%	-7,48%
Volume of analyses carried out	128		123	-	155	-	-3,91%	26,02%	21,09%
Files in process of investigation	36	1 from 2013 35 from 2015	16	16 from 2016	36	36 from 2017	-56%	125,00%	0,00%
Total persons investigated (natural persons & legal entities)	707	425 natural p. 282 legal e.	437	281 natural p. 156 legal e.	1729	966 natural p. 763 legal e.	-38,19%	295,65%	144,55%
Freezing of transactions by UIFAND	-	-	-	-	-	-	-	-	-
2. FOREIGN INVESTMENT									
Requests received	1140	Direct investment (Companies): 736 Real estate investment: 404	1143	Direct investment (Companies): 656 Real estate investment: 487	1464	Direct investment (Companies): 940 Real estate investment: 524	0,26%	28,08%	28,42%
Unfavourable notices	10	-	4	-	2	-	-60,00%	-50,00%	-80,00%
Notices of inquiry to Police	37	-	37	-	46	-	0,00%	24,32%	24,32%
Report to Register of Companies	420	-	512	-	243	-	21,90%	-52,54%	-42,14%
Withdrawn	2	-	-	-	1	-	-100,00%	-	-50,00%
Requests analysed	1140	Direct investment (Companies): 736 Real estate investment: 404	1143	Direct investment (Companies): 656 Real estate investment: 487	1464	Direct investment (Companies): 940 Real estate investment: 524	0,26%	28,08%	28,42%
Persons analysed within framework of foreign investment	3254	2221 natural persons 1033 legal entities	3737	2592 natural persons 1145 legal entities	3560	2782 natural persons 778 legal entities	14,84%	-4,74%	9,40%
3. TOTAL									
Volume of work carried out (operational analyses)	128	-	123	-	155	-	-3,91%	26,02%	21,09%
Number of requests for foreign investment analysed	1140	-	1143	-	1464	-	0,26%	28,08%	28,42%
Total volume of work carried out	1268	-	1266	-	1619	-	-0,16%	27,88%	27,68%

a. Operational analysis

- **Suspicious transactions reports**

I would insist on the increase, in the last year, of the suspicious transaction reports submitted, which has totalled over 100% with respect to both the financial and non-financial sectors.

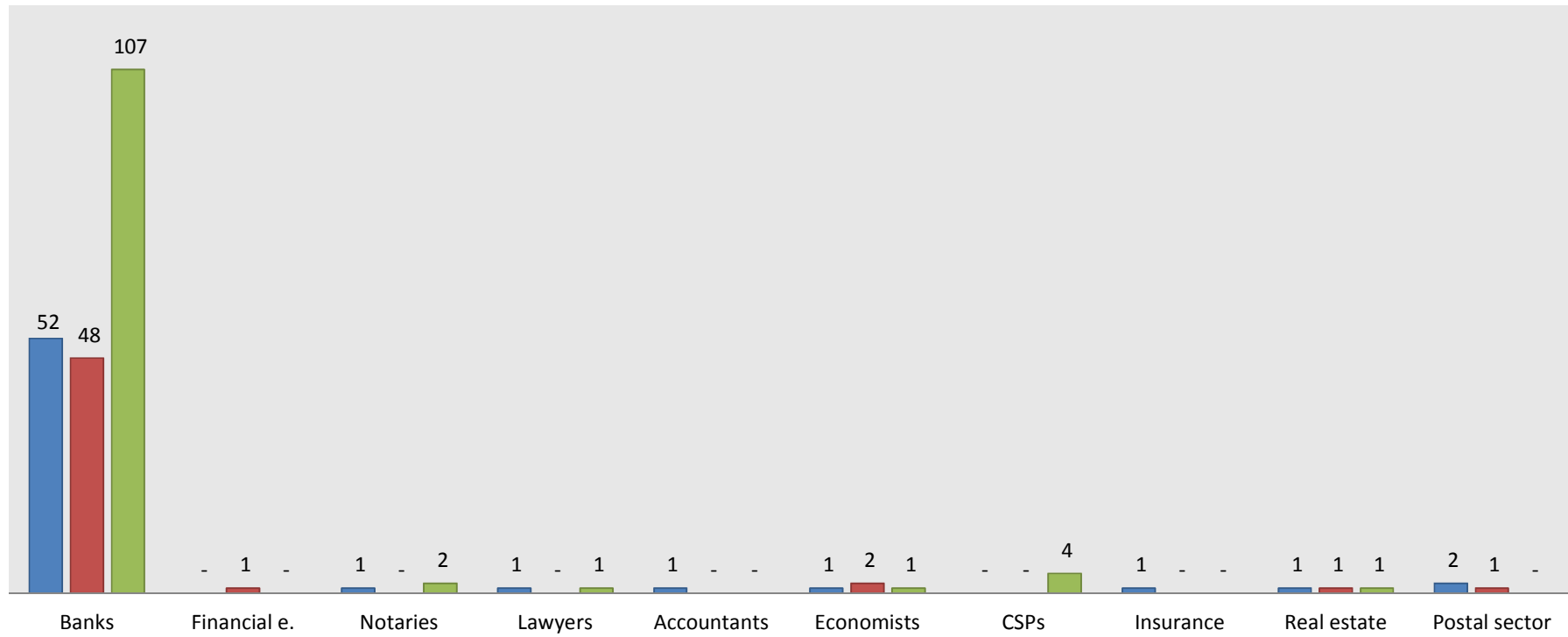
The financial sector continues to show by far the highest percentage of submission of suspicious transaction reports, while the non-financial sector continues to be marked by the variety of reporting entities which submit reports.

Although in the case of the latter it is important that the range of reporting entities which address themselves to Uifand is quite broad, it is also true that the number of suspicious transaction reports remains low if we consider the importance of some of them and the turnover they generate, or in the case of others, the varied offering of work that they propose. This fact has not gone unnoticed to the evaluators in the process of the 5th round of evaluations.

	STRs		
	2015	2016	2017
Banks	52	48	107
Financial entities	-	1	-
Notaries	1	-	2
Lawyers	1	-	1
Accountants	1	-	-
Economists	1	2	1
Company service providers (CSPs)	-	-	4
Insurance companies	1	-	-
Real estate companies	1	1	1
Money orders (postal sector)	2	1	-
TOTAL	60	53	116

Suspicious Transactions Reports (STRs)

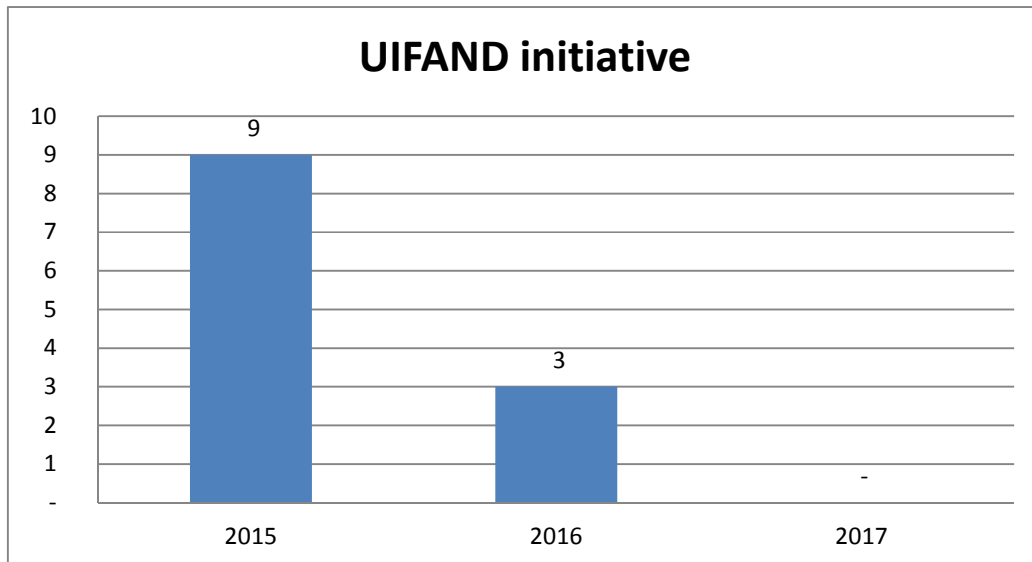
■ 2015 ■ 2016 ■ 2017



- **Intelligence unit initiative**

On this occasion, the files initiated ex officio by Uifand present lower figures than in previous years.

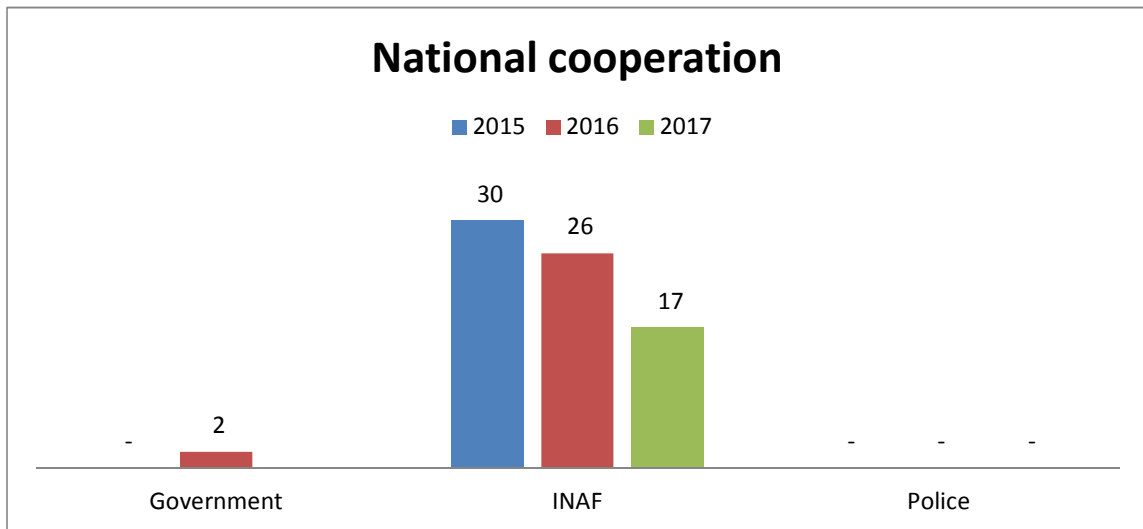
	UIFAND		
	2015	2016	2017
	9	3	-
TOTAL	9	3	-



- **National cooperation**

The data given in this section refer only to the petitions of external origin which have given rise to the opening of a file for the purpose of intelligence analysis. In the particular case of INAF, these petitions have involved the pertinent analysis on the bases of authorization processes.

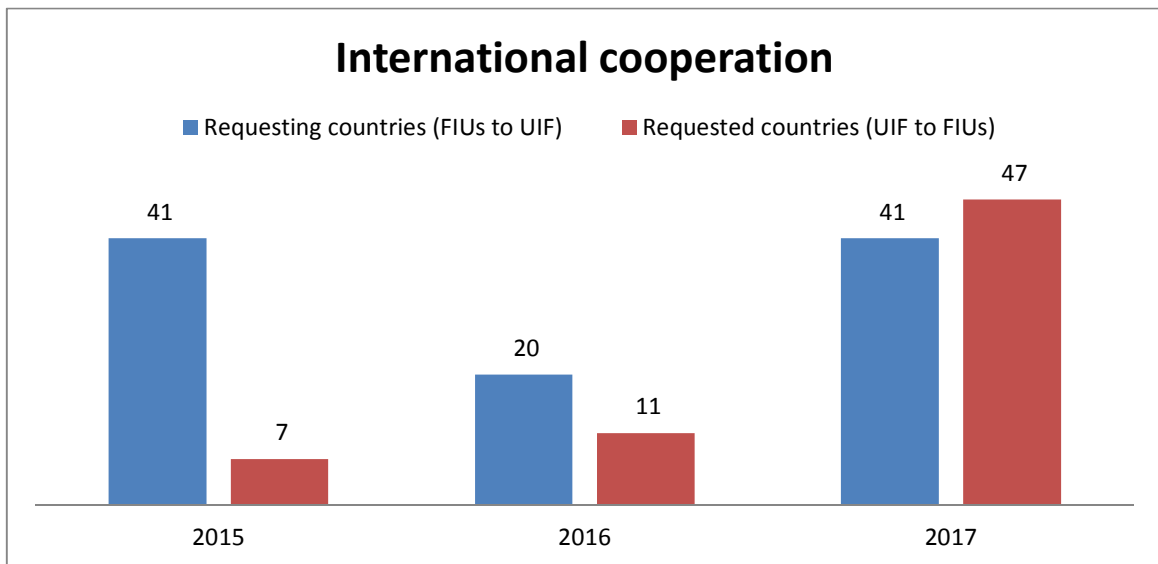
National cooperation			
	2015	2016	2017
Government	-	2	
INAF	30	26	17
Police department	-	-	-
TOTAL	30	28	17



- **International cooperation**

Two quite interesting facts should be pointed out in this section: (i) the first one is the increase of petitions for both active and passive cooperation with foreign counterparts, and (ii) the second is that Uifand's average reply time is now ten days.

International cooperation			
	2015	2016	2017
Requesting countries (FIUs to UIFAND)	41	20	41
Requested countries (UIFAND to FIUs)	7	11	47
TOTAL	48	31	88



INTERNATIONAL COOPERATION BY COUNTRIES - YEAR 2015 -						
Requesting countries (FIUs to UIFAND)	Number of requests	Response time (days)				
Spain	5	8	90	16	7	26
United States of America	2	26	35			
Germany	1	62				
Philippines	1	16				
Belgium	3	16	5	9		
Guatemala	1	17				
Netherlands	3	2	6	1		
Jersey	1	3				
Luxembourg	1	3				
Russia	1	7				
France	4	5	61	10	18	
Liechtenstein	2	6	13			
Isle of Man	1	25				
Cayman Islands	1	11				
Czech Republic	1	65				
New Zealand	1	18				
United Kingdom	2	19	34			
Switzerland	4	17	7	22	4	
Turkey	1	1				
Ukraine	1	14				
Uruguay	1	9				
Hungary	1	22				
Taiwan	1	1				
Slovakia	1	22				
Total :	41	Average : 18,5 days.				

INTERNATIONAL COOPERATION BY COUNTRIES - YEAR 2015 -	
Requested countries (UIFAND to FIUs)	Number of requests
Spain	2
Brazil	1
Kazakhstan	1
Switzerland	2
Mexico	1
Total :	7

INTERNATIONAL COOPERATION BY COUNTRIES - YEAR 2016 -						
Requesting countries (FIUs to UIFAND)	Number of requests	Response time (days)				
Bangladesh	1	22				
Belgium	1	6				
Brazil	1	2				
Spain	4	32	14	13	4	
Philippines	1	8				
France	3	12	10	6		
Guatemala	1	20				
Italy	1	8				
Kazakhstan	1	21				
United Kingdom	1	27				
Czech Republic	1	5				
Russia	1	11				
Samoa	1	20				
Switzerland	1	5				
Ukraine	1	13				
Total :	20	Average:12,95 days.				

INTERNATIONAL COOPERATION BY COUNTRIES - YEAR 2016 -	
Requested countries (UIFAND to FIUs)	Number of requests
Spain	1
Switzerland	2
France	1
Czech Republic	2
Panama	1
Estonia	1
Latvia	2
Belgium	1
Total :	11

INTERNATIONAL COOPERATION BY COUNTRIES - YEAR 2017 -					
Requesting countries (FIUs to UIFAND)	Number of requests	Response time (days)			
Germany	1	5			
Argentina	4	10	8	15	17
Austria	2	3	2		
Bangladesh	3	20	20	3	
Belgium	1	18			
Ecuador	2	1	8		
United States of America	1	4			
Slovenia	1	14			
Spain	2	35	3		
France	5	7	14	10	1
		5			
Mauritius	1	7			
Jersey	1	11			
Jordan	1	8			
Latvia	1	25			
Luxembourg	1	8			
Monaco	1	2			
Panama	1	26			
Peru	6	1	1	1	10
		1	17		
United Kingdom	1	6			
Czech Republic	1	(*)			
Switzerland	2	1	14		
Syria	1	14			
Vatican City	1	22			
Total :	41	Average:10 days			

(*) Spontaneous dissemination of information

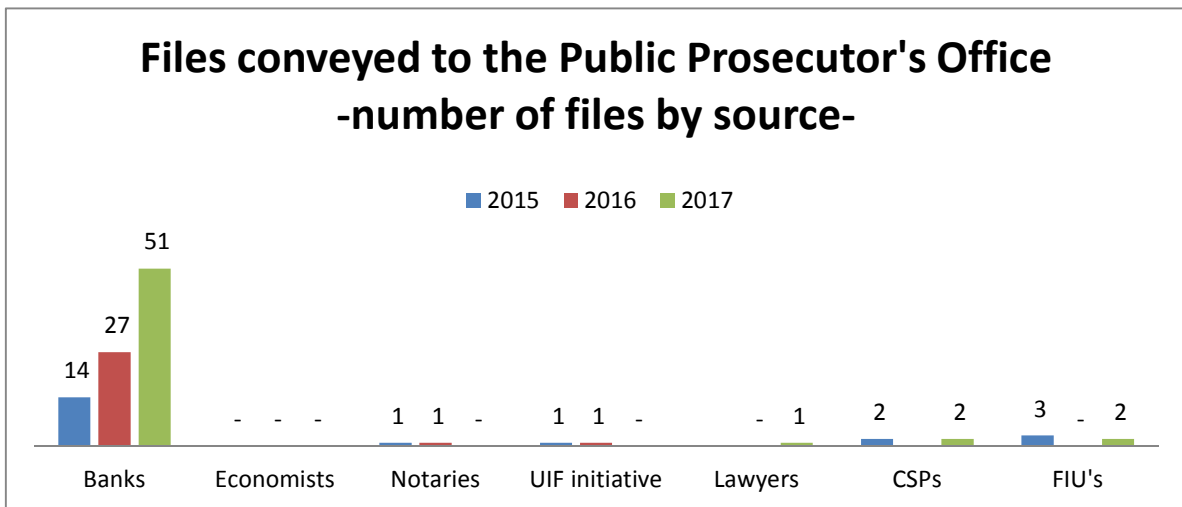
INTERNATIONAL COOPERATION BY COUNTRIES - YEAR 2017 -	
Requested countries (UIFAND to FIUs)	Number of requests
Germany	3
Austria	1
Belgium	1
Brazil	1
Canada	1
Cayman Islands	1
Spain	5
France	2
Hong Kong	2
Italy	1
Latvia	5
Luxembourg	2
Malta	1
Mexico	2
Panama	1
Poland	1
Russia	3
Switzerland	4
Thailand	1
Ukraine	1
United Kingdom	2
United States of America	3
Cyprus	3
Total :	47

- **Files conveyed to the Public Prosecutor's Office and amounts with possibility of judicial seizure**

Two essential facts appear in these graphs:

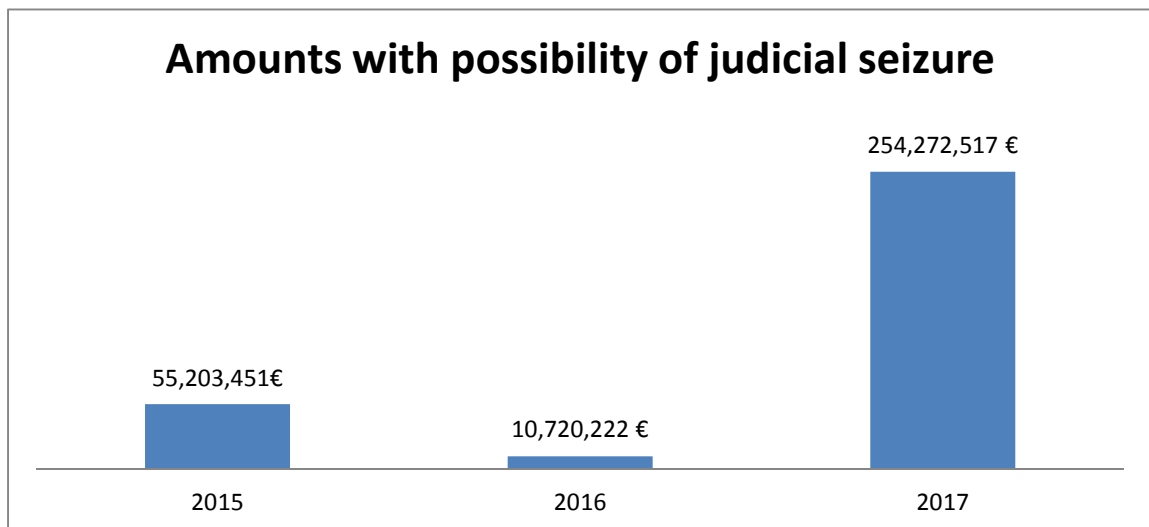
The first point refers to the files that have been judicialized after the intelligence analysis conducted by the Operational Area concluding with reasonable indications of money laundering or terrorist financing. In this period, it may be observed that there has been a quite substantial increase of cases and that their origin is also of interest.

Files forwarded to the Public Prosecutor's Office - Number of files by origin -			
	2015	2016	2017
Banks	14	27	51
Economists	-	-	-
Notaries	1	1	-
UIFAND initiative	1	1	-
Lawyers		-	1
Company service providers (CSPs)	2		2
FIUs	3	-	2
Total	21	29	56



The second essential fact involves the amounts with possibility of judicial seizure which, as a result of the first point mentioned above, have also undergone substantial growth.

Possibility of seizure			
	2015	2016	2017
Possibility of judicial seizure	55.203.451 €	10.720.222 €	254.272.517 €

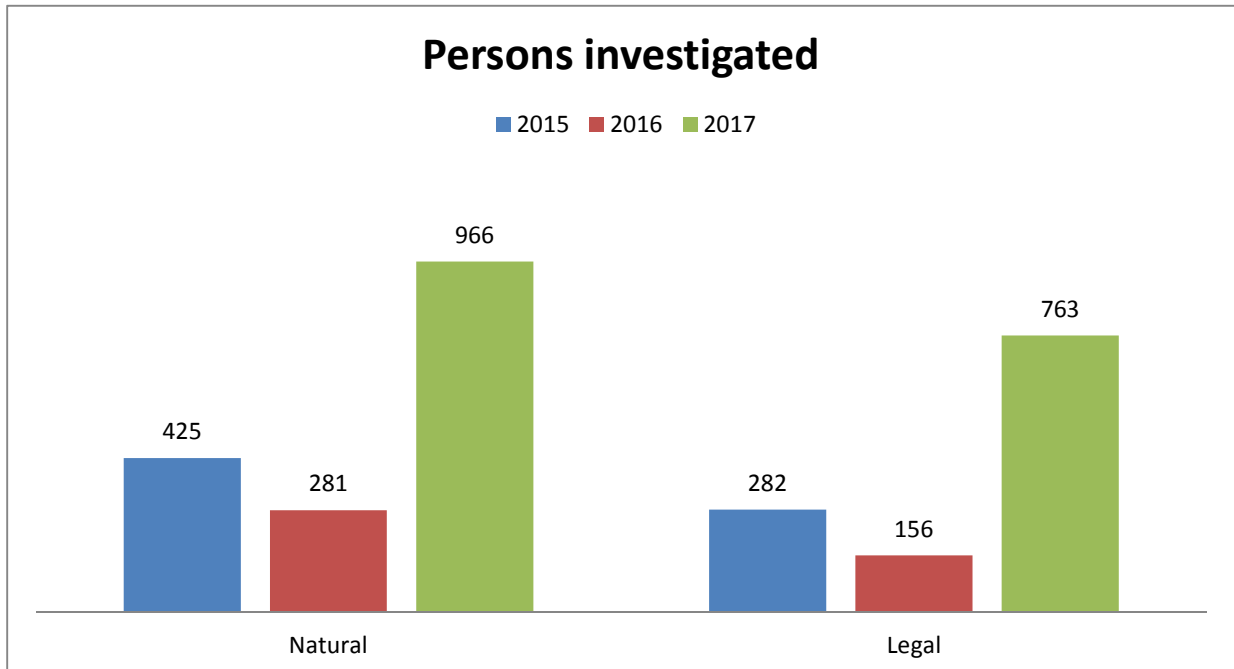


- **Number of investigated persons**

These data relating to natural and legal persons are closely linked to the submitted suspicious transaction reports because they are the result of such reports.

On this occasion, however, just as we have previously mentioned, they are presented separately since the operational analysis is separated from foreign investment.

Persons investigated			
	2015	2016	2017
Natural persons	425	281	966
Legal entities	282	156	763
Total	707	437	1729



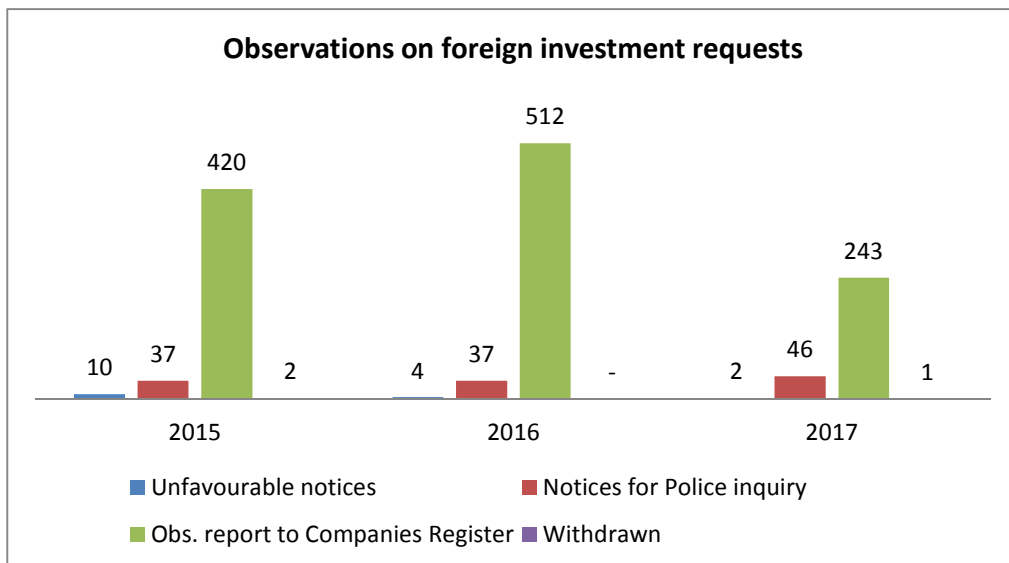
b. Foreign investment

- **Requests submitted**

For the reasons explained above, on this occasion the data relating to the requests for foreign investment are presented separately from the requests for direct investment or for real estate investment.

As may be observed, the figures on requests remain stable while the result of their analysis has varied. In this respect, the number of unfavourable notices has dropped, the number of notices of inquiries to be made through the Police Service has risen, and the number of observation reports has decreased.

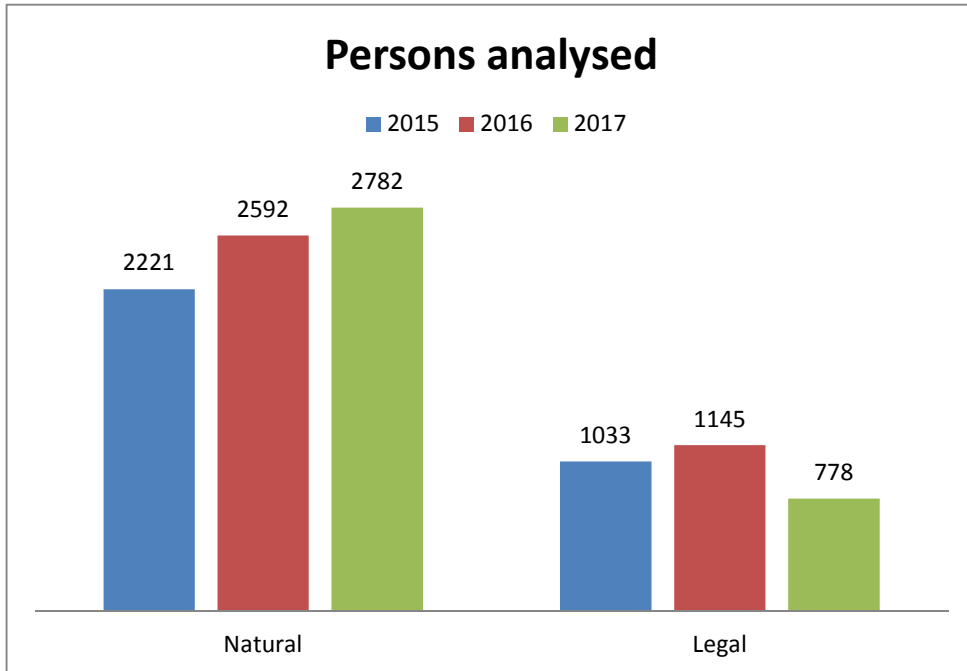
	Foreign investment		
	2015	2016	2017
Requests received	1,140	1,143	1,464
Requests analysed	1,140	1,143	1,464
Unfavourable notices	10	4	2
Notices for Police inquiry	37	37	46
Observations report to Company Registry	420	512	243
Withdrawn	2	-	1
TOTAL	1,140	1,143	1,464



- **Number of persons analysed**

These data also refer to natural and legal persons, based on the interested parties appearing in requests.

	Persons analysed in the framework of foreign investment		
	2015	2016	2017
Natural persons	2,221	2,592	2,782
Legal entities	1,033	1,145	778
Total	3,254	3,737	3,560





UIFAND

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