Guide to cash-intensive activities

UIFAND
UNITAT D'INTEL·LIGÈNCIA FINANCERA

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UIFAND
UNITAT D'INTEL·LIGÈNCIA FINANCERA D'ANDORRA

Contents

1. INTRODUCTION

The use of cash has stood out in a number of studies[1] as a significant risk factor in terms of money laundering and terrorist financing, just as it has in various national risk assessments (NRAs), including the one carried out by the Principality of Andorra, which was approved and adopted in December of 2016 and published in July of 2017.

As has been repeatedly demonstrated, cash facilitates the commission of crimes and the subsequent integration of the proceeds of illegal origin into the economic system. Cash forms an anonymous payment method, so it is difficult to trace: its use does not involve the automatic procurement of information relating to its origin and to the beneficiary of its exchange. Moreover, cash may be easily transported and is not usually associated only with a specific criminal activity or with a specific method of money laundering or of terrorist financing.

This is why it is considered that the sectors and/or territories in which the use of cash is most common are exposed to a greater risk of money laundering or terrorist financing. Some of the factors which lead to a greater use of this payment method in activities associated with the legal economy may be based on the following aspects, among others:

- social customs and practices;
- the absence of limitations on its use;
- the absence of payment alternatives;
- the ageing of the population; and
- the existence or prominence of cash-intensive sectors and businesses.

Specifically, cash-intensive businesses are establishments which are found in various sectors of the economy and which usually receive a significant amount of their income, or which have most of their assets, in the form of cash. Most of these businesses carry out a legal activity, although certain features of these businesses, which will be subsequently explained in this guide, lead to a greater risk of money laundering and terrorist financing.

Some common examples of this type of businesses include, among others, the following:

- supermarkets and other stores;
- laundries;
- restaurants, cafés and other establishments in the restaurant sector;
- distributors of alcoholic beverages, liqueurs and tobacco products;
- vending machine operators;

1 Studies published by the Financial Action Task Force (FATF) – 2010, 2013; the International Monetary Fund (IMF) – 2011; and the World Bank (WB) – 2011.

- car parks or parking garages; and
- nightspots.

1.1. Purpose

The purpose of publishing this guide is not to set new obligations for the reporting entities with respect to the prevention of, and fight against, money laundering and terrorist financing (ML/FT), but rather to provide guidelines in relation to the identification and correction, management and mitigation of the risks which may be derived from the use of cash as a payment method in the commercial establishment sector and especially in connection with the commercial establishments which are considered cash-intensive businesses.

Specifically, this guide seeks to:

a. raise the awareness of reporting entities with respect to the existence and the nature of the risks associated with cash and with cash-intensive businesses, in relation to money laundering and terrorist financing;

b. provide knowledge and guidelines to reporting entities so that they will not be used for the purpose of carrying out illegal activities;

c. provide details on international good practices for the correct management of the risks entailed by this type of payment method and this type of businesses, focused on each of the reporting entities which are directly affected by this matter;

d. describe applicable real cases within the scope of this matter in order to provide the reporting entities with real practical examples of the materialization of these risks.

1.2. Target users of this guide

Law 14/2017, of 22 June, on prevention and the fight against the laundering of money or assets and terrorist financing (hereafter *Law 14/2017)* considers, in its Article 2, a broad variety of reporting entities, in terms of both their number and types of activity. Accordingly, although all reporting entities are exposed to a greater or lesser degree to the risk associated with cash-intensive businesses, it is considered that the exposure to such risk is greater for a certain type of reporting entities because of certain quantitative and qualitative particularities which mark them.

Consequently, this guide is mainly addressed to the reporting entities which are directly affected by the activity generated by this type of businesses. These reporting entities are identified below, although this guide is also useful for the rest of the reporting entities, which may be indirectly affected.

1.3. Internal legal references and other applicable publications

For a better understanding, it is recommended that this guide should be read in conjunction with the applicable laws on this matter and the following publications:

- *Law 14/2017;*
- *Regulations on the application of Law 14/2017, of 22 June, on prevention and the fight against the laundering of money or assets and terrorist financing, approved by Decree of 23 May 2018 ;*
- Technical Communiqué CT-03/2019 in relation to cash transactions, issued on 29 May 2019; and
- Guide to the Individual Risk Assessment (IRA), published on 18 July 2018.

1.2.1. Directly affected reporting entities

a. Operating entities of the financial system, especially including bank entities;

The operating entities of the Andorran financial system, and especially the bank entities, are exposed to this risk because they provide financial services (assets- and liabilities-transactions) to cash-intensive businesses, which services are necessary for the performance of such businesses' commercial activity, and to other interested parties of such businesses. It is an international good practice to categorize or to consider this type of businesses to be of greater risk in matters of money laundering and terrorist financing (ML/FT)[2] [3] but in many cases, considering the legitimate appearance of this type of businesses and the diversity of sectors which are associated with them, they may not be assigned such a risk level, leading to a possible lack of control.

Additionally, the operating entities of the financial system, and especially the bank entities, possess sufficient necessary data to detect irregularities in the commercial behaviour of this type of businesses, and for this reason these entities are of key importance in the process of detecting behaviours susceptible of entailing the laundering of money or assets or terrorist financing.

b. Insurance companies and insurance brokers in the life insurance field;

2 Guidance for a Risk Based Approach, The Banking Sector – FATF (2014)
3 FATF Guidance, National Money Laundering and Terrorist Financing Risk Assessment – FATF (2013)

Exposed to this risk are the insurance companies and brokers which offer cash-intensive businesses or the latter's interested parties (employees, suppliers, owners, shareholders, etc.) life insurance products, and especially those which accept cash payments for the contracting of this type of products[4].

c. External accountants, tax consultants and auditors;

The knowledge and the services offered by accounting professionals, tax consultants and auditors may be used by criminals and/or money launderers to cover up the origin of the illegal funds that they generate[5] The former, in the case in which they do not have the pertinent training or do not apply suitable control procedures, could facilitate the money laundering process by participating in the handling of the latter's commercial activity (fictitious invoices, opening/purchase of cash-intensive businesses lacking any apparent commercial rationale, failure to detect irregularities between the stock sold and the amount of cash received, etc.).

d. Notaries, lawyers and members of other legal professions
e. Economists, administrative services agents and other providers of services to companies and to other entities

The knowledge and the services offered by the aforementioned non-financial reporting entities could attract criminals and/or professional money launderers since such knowledge and services could help the latter to cover up the illegal origin of the funds that they generate[6]. The former, in the case in which they do not have the pertinent training, do not apply suitable control procedures, or act negligently, could facilitate the money laundering process by participating in the establishment and/or purchase of cash-intensive businesses (opening/purchase of cash-intensive businesses lacking any apparent commercial rationale, management through interposed third parties, etc.) and/or in the handling of the latter's commercial activity (which could involve fictitious invoices, cash deposits/withdrawals lacking any apparent commercial rationale, etc.).

The non-financial reporting entities in question are exposed to the potential risk of ML/TF which is associated with this type of commercial establishments when they take part, acting in the name and on behalf of the latter, in any financial or real estate transaction, or when they assist in the planning or performance of transactions on the latter's behalf, relating to:

Notaries, lawyers and members of other legal professions

4 Guidance for a Risk Based Approach, Life Insurance Sector – FATF (2018)

5 Professional Money Laundering – FATF (2018)
6 Types of transactions notified by notaries in compliance with anti-money laundering obligation Juan Antonio Aliaga, Fondazione Italiana del Notariato (2012)

- the purchase and sale or other acts of disposal of real estate assets or of entities;
- the management of funds, securities or other assets;
- the opening or management of bank accounts, savings accounts, or securities accounts;
- the organization of the funds required for the establishment, operation or management of companies;
- the establishment, operation or management of trusts, companies, associations, foundations or other analogous structures;

Economists, administrative services agents, and other providers of services to companies and other entities

- the performance of the accounting of the latter's business activity;
- the performance of audits relating to the latter's business activity;
- the provision of corporate/commercial, postal or administrative addresses;
- the performance of management-, secretariat-, or administration-related functions of companies.

1.2.2. Indirectly affected reporting entities

It is considered that the following reporting entities, although they may be exposed to obtaining funds derived from the activity of cash-intensive businesses, do not intervene directly in the latters' development, establishment or movements:

a. real estate agents who carry out activities relating to the purchase and sale of properties;

b. persons who deal in goods only to the extent in which the payments for same are made or received in cash for amounts equal to or greater than 10,000€, regardless of whether such payments involve a single transaction, or various transactions between which there would appear to exist some type of relation;

c. associations, foundations and other non-profit entities according to the terms established in Additional Provision One of Law 14/2017;

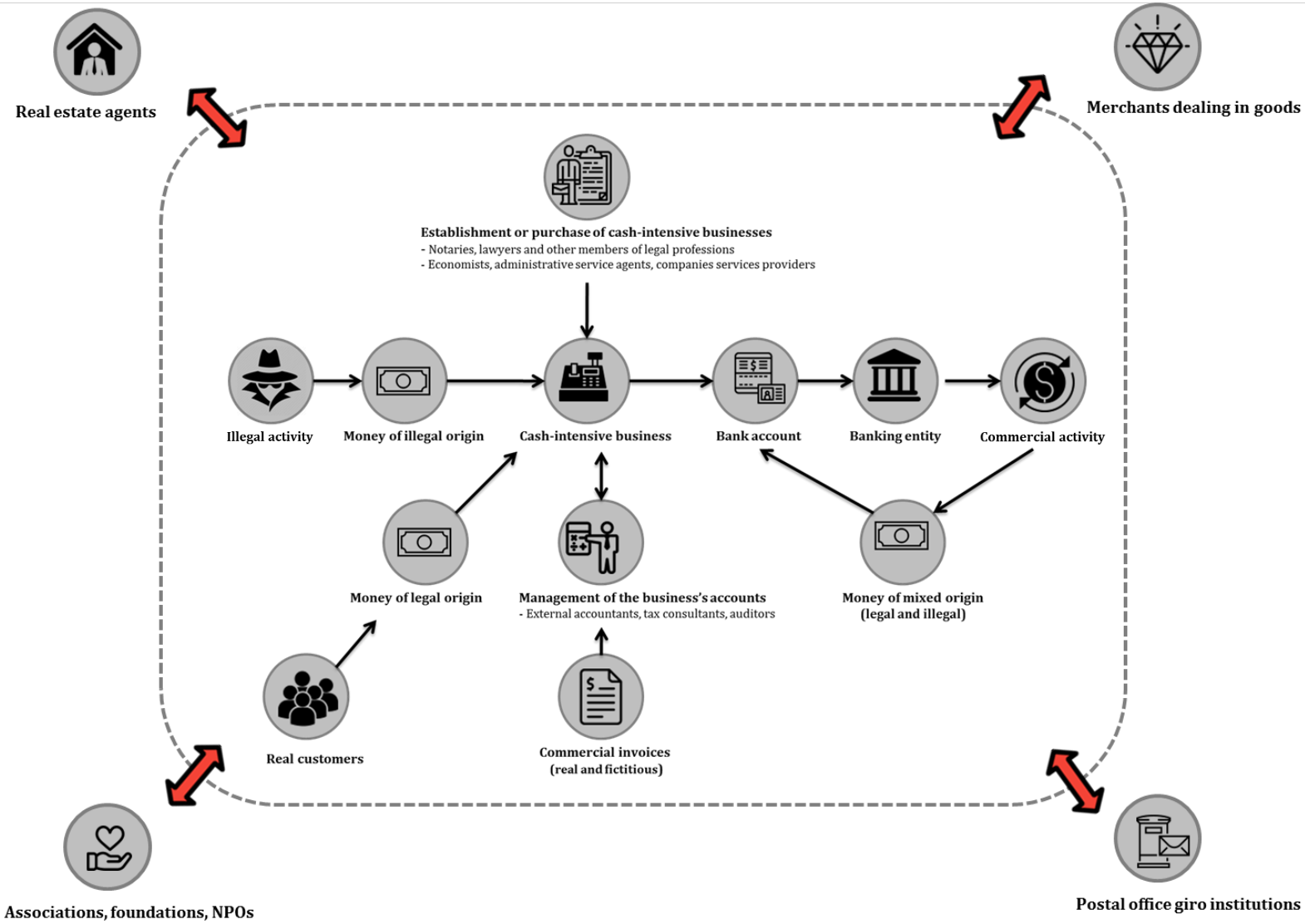
d. postal order institutions.

1.2.3. Reporting entities not covered in this guide

This guide does not cover the aspects which may affect either in-person or on-line gambling casinos (non-financial reporting entities), since at the time of this writing, no such entity is actively operating in the Principality of Andorra.

The following diagram (Figure 1) shows the ways in which the reporting entities under *Law 14/*2017 are possibly affected by the matter under discussion here, in line with what is set out in the foregoing points in relation to the activities carried out by cash-intensive businesses.

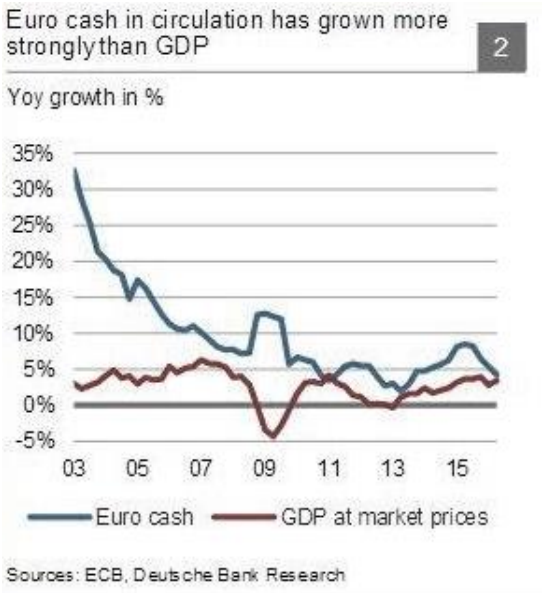
Figure 1


Real estate agents
Merchants dealing in goods
Establishment or purchase of cash-intensive businesses
- Notaries, lawyers and other members of legal professions
- Economists, administrative service agents, companies services providers
Illegal activity
Money of illegal origin
Cash-intensive business
Bank account
Banking entity
Commercial activity
Money of legal origin
Management of the business's accounts
- External accountants, tax consultants, auditors
Money of mixed origin
(legal and illegal)
Real customers
Commercial invoices
(real and fictitious)
Associations, foundations, NPOs
Postal office giro institutions

2. DETECTED RISKS

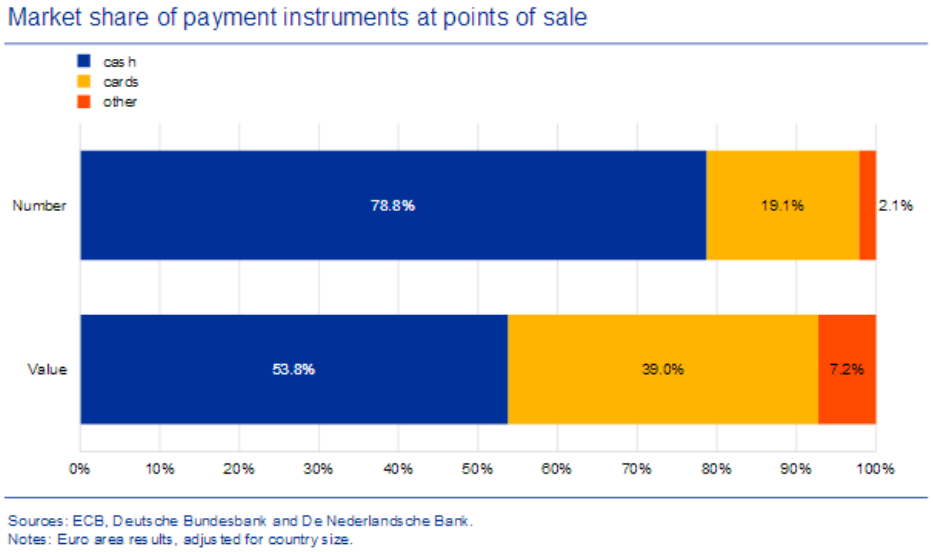
2.1. Cash, the most commonly used payment method, generally speaking and in association with ML/FT

With the development of different alternative payment systems to cash and other traditional methods, the use of new formats based on electronic means has become popular in recent times. It could be thought that this fact would have led to a decrease in the use of cash and in the amount of cash in circulation. According to data obtained from the European Central Bank (ECB), however, the use of cash has not declined[7] in general, but rather the opposite has occurred. Indeed, at European level, it is observed that the growth in the use of cash is even greater than the growth of the GDP[8]:

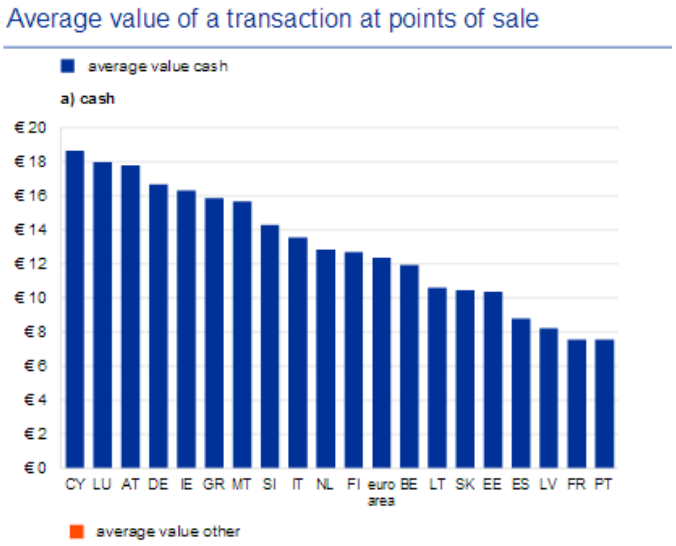


[7] The use of cash by households in the euro area – Hank Esselink, Lola Hernández, European Central Bank (2017)

[8] Cash, freedom and crime, Use and impact of cash in a world going digital – Deutsche Bank Research (2016)



As may be seen in the following graph, 78.8% of the total number of payments in the Euro zone are cash payments, while 21.2% (19.1% + 2.1%) involve other alternative payment methods, such as credit/debit cards and others, like mobile devices, for example.



It may also be observed that the total value of the cash used for payments at Point of Sale (POS) represents only 53.8% of the total value of payments made. According to the data presented by the ECB, however, it would appear that even though the use of cash is still quite high, it is usually associated with payments for small amounts (< 20€):

Nevertheless, the ECB[9] published the following data, as of 31 December 2018, with respect to the cash in circulation:

Denomination	Quantity	% Share	Value	% Value
500	521.630.046	2,30%	260.815.023.000	21,18%
200	255.696.896	1,14%	51,139,379.200	4,15%
100	2.804.486.391	12,40%	280.448.639.100	22,77%
50	10.446.866.397	46,19%	522.343.319.850	42,44%
20	4.020.474.877	17,77%	80.409.497.540	6,55%
10	2.629.767.998	11,62%	26.297.679.980	2,13%
5	1.935.901.993	8,58%	9.679.509.965	0,78%
TOTAL	**22.614.824.598**	**100%**	**1.231.133.048.635**	**100%**

The above data show that although most of the payments made in cash are for small amounts; the bank notes considered to be of large denominations (100€, 200€ and 500€) represent nearly 50% of the total value of cash in circulation. This fact leads one to think that these denominations are used as value reserve units since they are not usually payment methods accepted by commercial establishments in general. Although this is not a direct indicator of suspicion, it would not make much sense, in financial and practical terms, to use cash for this purpose, since its value would not match the value of inflation, and cash could be exposed to additional risks such as those involving its loss or theft, for example.

However, bearing in mind that:

a) criminals show a preference for cash since it is a negotiable bearer instrument and does not provide information with respect to its origin; and

b) a large proportion (>30%) of the Suspicious Transaction Reports (STRs) submitted in Europe are connected with the misuse of cash[10];

[9] https://www.ecb.europa.eu/stats/policy_and_exchange_rates/banknotes+coins/circulation/html/index.en.html

[10] Why is cash still king? A strategic report on the use of cash by criminal groups as a facilitator for money laundering, EUROPOL (2015)

it may be assumed that, while not all the cash in circulation is used for, or comes from, criminal activities, almost all criminals use cash at some time in the process of money laundering or terrorist financing.

2.2. Apparently legal activities

Cash-intensive businesses usually arouse great interest among professional money launderers (PMLs), since the activity which they carry out is, at least in appearance, legal. The premise is simple: a business that generates cash profits or income offers ideal coverage for demonstrating the otherwise unexplainable origin of large amounts of cash.

In contrast to the enterprises known as "shell companies" or "front companies", in which no real activity is carried out, cash-intensive businesses generate legal income from real customers in exchange for real goods or services. This fact benefits criminals since it allows them to do what is known as "co-mingling", which consists in mixing funds of legal provenance with funds of illegal provenance.

Criminals typically have two options for involving themselves in this type of businesses: they can either establish a new business or purchase one that is already established. However, the risks associated with the first option (exposure risk since they could be potentially required to prove the origin of the funds used to cover the initial costs, for example), make the second option the most desirable one for criminals.

2.3. Andorra, a country of services: the commerce and hospitality sector

Although a drop has been registered in recent times in the growth of the commercial and hospitality sector, Andorra is and has historically been characterized as offering a broad range of services and possessing a large number of retail businesses.

As may be observed from the data presented below, which have been obtained from a study conducted by the Statistics Department of the Government of Andorra, prepared with data from 2017[11], commerce[12] and hospitality, two of the subsectors most closely affected by the issues discussed in this guide, represent the greater part of the country 's economic structure (41% of the total number of companies in the service sector) and they have the largest proportion of contracted employees in the Principality (42.1% of the total number of employees in the service sector).

11 Andorra in figures 2018, Statistics Department of the Government of Andorra.
12 The figures associated with the commerce subsector include those relating to motor vehicle repair.

Service sector				
			Variation	% of total
	2016	2017	2017/2016	2017
Number of companies	**6.878**	**7.242**	**5,3%**	**100%**
Commerce and motor vehicle repair	1.964	1.914	-2,5%	26,4%
Hospitality subsector	852	850	-0,2%	11,7%
Number of employees	**32.001**	**33.061**	**3,3%**	**100%**
Commerce and motor vehicle repair	8.754	8.838	1,0%	26,7%
Hospitality subsector	4.702	4.957	5,4%	15,0%

Source: Ministry of Economy, Competitiveness and Innovation; Service for Commerce and Inspections.

3. RED FLAGS

The following is a non-exhaustive list of risk indicators or "red flags" linked to cash-intensive activities that could be taken into consideration by the various reporting entities which are directly affected by what is discussed in this guide:

3.1. Operating entities of the financial system

- businesses and/or customers that operate with amounts, denominations and types of currencies that do not fit their profile or their usual commercial activity;
- lack of correlation between the volumes of cash deposited and the volumes of money entering by other payment methods, without historical or commercial justification of such circumstance;
- acyclic cash payment trends relative to periods of greater commercial affluence;
- deposits of cheques or other monetary instruments from other businesses of similar nature or which are located nearby, without justification;
- use of cash machines for the deposit of large amounts of cash in a single deposit or in the sum total of deposits that are made, avoiding direct contact with the personnel of the bank entity;
- cash payments and/or cash investments in financial products;
- cash deposits in round amounts in accounts linked to businesses;
- businesses that register a significantly greater use of cash in comparison to other businesses of similar nature, location and characteristics;

- the existence of non-resident beneficial owners in this type of activity should increase the risk assigned to the customer.

3.2. Insurance companies and insurance brokers operating in the field of life insurance

- request, by a cash-intensive business, of products and/or services associated with life insurance that allow cash subscriptions, payments and/or withdrawals;
- contracting of products for large amounts, which do not fit the risk profile or the knowledge possessed of the customers;
- payments made by third parties which do not appear to have a relation with the insurance policy holder;
- payments for which there appears to be some difficulty in determining the origin of the funds;
- partial and/or total reimbursements in cash, made repeatedly and excessively.

3.3. External accountants, tax consultants and auditors

- cash income obtained in an inconsistent way according to the stock records and the sales made;
- requests for the performance of transactions on behalf of customers in which cash transactions or cash transfers intervene without any apparent logic;
- advance cash payments of large amounts for future transactions or fees;
- lack of limitation of cash payments of fees;
- recording and accounting of cash payments of wages or supplies by customers;
- use of fictitious invoices or documents to cover up the origin of funds;
- business dealings with unusual invoicing cycles;

3.4. Notaries, lawyers and members of other legal professions; Economists, administrative services agents, and other providers of services to companies, other legal entities, trust instruments and other trust structures

- advance cash payment of large amounts for future transactions or fees;

- lack of limitation of cash payments of fees;
- customers seeking to carry out a new business activity and/or commercial activity in cash-intensive sectors, with a profile completely unrelated to their respective profession;
- cash payments made by third parties without apparent justification;
- performance of transactions of the same or similar nature within short periods of time, without any logical explanation;
- unexpected changes relative to the origin and/or provenance of funds;
- offers of payments greater than the established fees, paying the difference in cash;
- large cash payments that do not fit the profile of customers;
- payments for which there appears to be some difficulty in determining the origin of the funds;
- connection of family-, work- or company-related nature between the parties, for the execution of bilateral contracts;
- persons acting as administrators and/or representatives who do not appear to be appropriate for the exercise of such representation, increasing the risk of the use of front men or interposed persons;
- performance of transactions of the same or similar nature within short periods of time, without any logical explanation;
- significant differences between the stated price and the real value of the goods involved in the transactions carried out;

- lack of specific training relative to the risk of money laundering and terrorist financing in connection with cash transactions or with transactions carried out by cash-intensive businesses.

4. MITIGATING MEASURES

- Implementation of specific internal control procedures on the management and authorization[13], if appropriate, of cash transactions relating to cash-intensive businesses;
- application of continuous follow-up measures, considering typical typologies associated with this type of cash-intensive businesses;
- implementation of processes of customer knowledge and customer classification by risk profile, considering cash-intensive activity as a significant risk factor;
- extension of the scope of the due diligence measures relative to customers with a higher risk assessment;
- consideration, in the preparation of individual risk studies, of the operations maintained with cash-intensive businesses as a customer risk factor and transaction risk factor;
- assurance of the consistency of cash transactions: obtaining information, preferably from reliable independent sources, and making analyses in order to establish sectoral reference points;
- performance of training that covers specific risks detected by each of the reporting entities, relative to typologies of money laundering and terrorist financing, and to the implementation of measures for their mitigation.
- keeping of a specific register of cash deposits/payments received from one same natural person or legal entity.
- consideration of making on-site visits that will allow justification of the transactions carried out and the activity stated by businesses registering large volumes of cash, and verification of the purpose and nature of the business relation maintained.

13 According to what is set out in the Technical Communiqué CT-03/2019, applicable to financial reporting entities under *Law 14/2017*

5. PRINCIPAL OBLIGATIONS RELATIVE TO CASH-INTENSIVE BUSINESSES

5.1. Knowledge of the customer and application of due diligence measures

By virtue of the provisions of Article 9 of *Law 14/2017*, reporting entities are to apply due diligence measures and they are to determine the scope of such measures according to the risk entailed by each of the business relations which they establish.

In order to assess and to determine the risks posed by their customers in terms of money laundering and terrorist financing, and to regulate the scope of these measures, reporting entities are to consider various factors:

i) Risk factors according to the customer;

ii) Risk factors according to the product, services, transaction, or distribution channel; and

iii) Risk factors according to geographical area.

In each particular case, in relation to the risk factors based on the customer, reporting entities are to take into account specific factors which would entail an increase in the risk assessment of the customers and of the business relations which are established with them. Among others, Article 12 of *Law 14/2017,* points out, as a customer-based risk factor, the fact that the respective customer carries out cash-intensive economic activities.

Although it is true that the existence of isolated factors which have been duly justified, does not determine that the respective business relation is of above-average risk (Article 4.3 of the *Regulations for application of Law 14/2017),* such above-average risk is, in effect, determined by the existence of combined factors. That is to say, if various risk factors are presented in addition to those relating to the activity carried out, reporting entities are to apply the enhanced measures defined in Article 12 of *Law 14/2017* and Article 10 of the *Regulations for application of Law 14/2017.*

5.2. Technical Communiqué CT-03/2019 on cash transactions

On 29 May 2019, UIFAND issued the Technical Communiqué CT-03/2019 on cash transactions, applicable to the financial reporting entities, repealing the earlier Technical Communiqué CT-02/2015.

Among other transactions, it defines cash operations for large amounts, which are as follows:

- cash operations for an amount of over 100,000 euros or its equivalent value in foreign currency, regardless of whether such operations are carried out in a single

transaction or in various transactions between which there appears to be some type of relation.

- Cash operations regardless of their amount, for an accumulated annual sum of over 250,000 euros or its equivalent value in foreign currency, in the transactions in which there are signs that some connection exists. The operations for an accumulated annual amount of over 250,000 euros are considered to have been carried out on the date on which said amount is surpassed.

Accordingly, said communiqué establishes two possible methods to be implemented with respect to their authorization process, and it establishes the control methods applicable to the verifications which are to be made of these measures.

The second method described, that is to say, the method relative to cash operations for an accumulated annual amount of over 250,000 euros, refers explicitly to the authorization processes relating to cash transactions for large amounts derived from large-scale commercial activities. In relation to this second method, the applicable control measures are as follows:

- The Board of Directors is to be informed, on a quarterly basis, of this type of operations, by means of a report that contains information on the amounts of the cash inflows and outflows during the respective period, as well as on the number of associated transactions and, among the latter, on those which have been authorized by members of the top management, with the respective details of such members;

- The consistency of such operations is to be assessed by means of documentation of accounting- or tax-related nature, the business turnover registered, and the commercial activity carried out; and

- The effectiveness of such authorizations is to be limited to a period of one year.

5.3. Individual Risk Assessment

According to the provisions of Article 5 of *Law 14/2017,* reporting entities are to adopt suitable measures to identify, assess and understand their risks in matters of the laundering of money and assets, and terrorist financing.

Moreover, it provides that this individual risk assessment (IRA) should:

- be suitably documented and presented in a written report;

- consider all the significant risks before determining the overall risk level and the appropriate mitigation measures. These risk factors should include those relative to customers, countries or geographical areas, products, services, transactions, or distribution channels; and
- be periodically updated and be updated whenever important events or news arise in the reporting entity's management and activity.

Accordingly, the individual risk assessment (IRA) is a tool that is to allow each reporting entity to identify and to manage suitably the risks of the laundering of money or assets and of terrorist financing (ML/FT) to which it is exposed. This assessment should entail a process of self-assessment of the reporting entity's own business, by the reporting entity, in order to detect the most vulnerable areas, on which the greater part of the efforts and measures of control should be focused to reduce the risk associated with such areas to an acceptable level according to the tolerance that is to be determined by the respective reporting entity.

In the risk identification process, which corresponds to the first stage of the performance of the assessment, reporting entities should take various risk factors into account, including those relative to the customers with which the reporting entities maintain business relations. The aspects which should be assessed may include the following:

- the typology of their customers (natural persons, legal entities, other legal structures...);
- their corporate structure (public limited company, limited-liability company, single-member company...);
- their nationality and residence;
- their professional activity or sector, taking cash-intensive activities into account as an additional risk element;
- their size (small companies, multinationals...);
- the duration of the company; and
- how long the business relation has been maintained.

6. CASE STUDIES

6.1. Case 1 – Doner Halal Operation *(Spain)*[14]*:*

In March of 2018, EUROPOL issued a press release reporting the dismantling, by the Spanish Civil Guard, of a money laundering scheme based on cash-intensive businesses: kebab restaurants. According to police data, the scheme was carried out by a criminal organization operating in Spain and Germany.

The investigation conducted by the Civil Guard, in collaboration with EUROPOL, began when some police agents stationed at the Barcelona–El Prat Airport discovered that large amounts of cash were being transported weekly to Germany, detecting movements of over 200,000€ per trip. On being questioned by the police authorities with respect to the reason for this transport, the members of the criminal organization justified the movements as payments from Spanish companies to a German company supplying kebab meat. It was subsequently verified that none of the respective Spanish companies carried out any real commercial activities.

In the course of the investigation, it was determined that the criminal organization, which had been operating since the year 2012, had created a network of numerous cash-intensive businesses for the purpose of laundering the proceeds from illegal activities. These businesses used false invoices copied from those issued by companies with a real existence, without the latter companies' knowledge.

As a result of the investigation, the Civil Guard:

- arrested 5 criminals;
- brought charges against 15 other persons; and
- froze 36 bank accounts and financial products, 35 credit cards, and 5 real estate properties located in Alicante.

According to statements of the Head of Financial Intelligence at EUROPOL, Simon Riondet, these facts demonstrate that "criminal business is still largely done in cash" and he added that "very often networks of front and shell companies are established in order to facilitate the movement of the money and to provide justification for the proceeds. These activities are further enabled by the lack of cash payment restrictions in some EU countries and they... reinforce the need to discontinue the production and circulation of 500 and 200 euro banknotes".

[14] https://www.europol.europa.eu/newsroom/news/spanish-money-laundering-network-fronting-kebab-meat-supplier-dismantled-police

6.2. Case 2 – 'Cambalache' Operation *(Spain, Argentina and Italy)*[15]:

On 21 December 2018, Spain's Directorate-General of Police issued a press release announcing the dismantling of a criminal organization engaged in drug trafficking, as a result of an international operation carried out by the Spanish National Police, the Italian Guardia di Finanza, and the Argentine Gendarmería Nacional.

The gang, led by the 'Lozas clan (formed by three brothers who had been one of the main targets of the Argentine police for over a decade), was engaged in drug trafficking with South America as its origin and Spain and Italy as its destination. The organization was also engaged in money laundering by means of large investments in the real estate sector, the purchase of winning lottery tickets, and the use of apparently legal businesses such as restaurants, car washes, and hotels, among others.

As a result of the investigation, the police authorities involved in the operation:

- arrested over 50 persons;
- searched over 80 domiciles and companies;
- seized numerous vehicles;
- froze over 50 real estate properties;
- seized nearly 350,000 euros in cash.

The authorities also expect to access the safety deposit boxes in various bank entities in which it is suspected that the gang stored large amounts of cash from illegal activities.

[15] https://www.policia.es/prensa/20181221_1.html

7. BIBLIOGRAPHIC REFERENCES AND DOCUMENTS OF INTEREST

The following is a list of documents, publications and articles relating to the subject of this guide, which have been used for this guide's preparation and/or which may be of use to the various reporting entities for the purpose of identifying and managing the risks of money laundering and of terrorist financing entailed by cash-intensive businesses.

- Bank Secrecy Act/Anti-Money Laundering Examination Manual - Federal Financial Institutions Examination Council (2014).
- Money Laundering: A Banker's Guide to Avoiding Problems - Office of the Comptroller of the Currency (2002).
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- Guidance for a risk-based approach / The banking sector – Financial Action Task Force, FATF (2014).
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- Insurance Regulatory Authority guidelines to the insurance industry on implementation of the proceeds of crime and anti-money laundering act and prevention of terrorism act – Insurance Regulatory Authority of Kenya (2016).
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- Catálogos ejemplificativos de operaciones de riesgo de blanqueo de capitales y financiación del terrorismo – Sector de aseguradoras y corredores de seguros (ramo de vida) – Comisión de Prevención de Blanqueo de Capitales e Infracciones Monetarias (N/D). (Exemplifying catalogues of operations entailing risk of money laundering and terrorist financing – Sector of insurance companies and insurance brokers (life insurance) – Commission for Prevention of Money Laundering and Monetary Offences (N/D))
- Anti-money laundering guidance for accountancy sector – Consultative Committee of Accountancy Bodies CCAB (2017).
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- Tipos de operaciones comunicadas por los notarios en el cumplimiento de las obligaciones de prevención del blanqueo – Juan Antonio Aliaga, Consejo General del Notariado, Comisión Europea D.G. Justicia (2012). (Types of operations communicated by notaries in compliance with laundering prevention obligations - Juan Antonio Aliaga, General Council of Notaries, European Commission D.G. Justice (2012))
- La responsabilidad del asesor fiscal por blanqueo de capitales – Carlos David Salgado Sancho, Hacienda del Estado (N/D). (The responsibility of tax consultants for money laundering - Carlos David Salgado Sancho, State Tax Office (N/D))
- "Role of advisors and intermediaries in the schemes revealed in the Panama Papers" – European Parliament (2017).
- "Why is cash still king, a strategic report on the use of cash by criminal groups as a facilitator for money laundering" – Europol (2015).
- "Spanish money laundering network fronting as kebab meat supplier dismantled by police" (https://www.europol.europa.eu/newsroom/news/spanish-money-laundering-network-fronting-kebab-meat-supplier-dismantled-police) – Europol (2018).
- "Mapping the risk of serious and organized crime in Europe – Final Report of the MORE Project" (www.transcrime.it/wp-content/uploads/2018/12/MORE_FinalReport.pdf) - Transcrime - Università Cattolica del Sacro Cuore (2018).
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