

**INFORMATIVE NOTE ADDRESSED TO THE OBLIGED ENTITIES, ESPECIALLY TO THE  
SECTOR OF TRUST AND COMPANY SERVICE PROVIDERS (TCSPs)**

**Date:** April 1<sup>st</sup>, 2025

**Objective:** To provide recommendations derived from the thematic inspection, as well as the generic ones, conducted throughout 2024, specifically concerning the level of compliance in identifying the beneficial owner in business relationships and/or occasional transactions, as well as verifying searches conducted on international sanctions lists and public sources.

**1. Motivation**

The UIFAND, in the exercise of its supervisory and control function, has been able to assess the degree of effectiveness of the internal control systems and procedures implemented by entities, with special attention to the sector trust companies and service providers (TCSPs), through the thematic inspection carried out during the year 2024, focused on the following points:

- Internal procedures related to searches in Lists of persons with international sanctions, including the United Nations Security Council Consolidated Sanctions List as well as the Lists related to the armed conflict between Ukraine and Russia in force at the time of the inspection<sup>1</sup>.  
The verifications must ensure that the procedures cover clients, beneficial owners, and any person acting on their behalf.
- Internal procedures related to searches in open public sources. In this case, the objective is to determine:
  - Whether the obliged entity has a guiding document that highlights cases in which it is mandatory to verify the client's statements in order to determine the level of knowledge about them.

---

<sup>1</sup> At the time of issuance of this Informative Note, it should be noted that reference is made to Decree 491/2024, of December 23, 2024, on restrictive measures in relation to the conflict between Ukraine and the Russian Federation, which approves a new regulatory text and two annexes, and repeals Decree 16/2024, of January 17, 2024.

- Whether the obliged entity conducts searches in public, independent, and reliable sources of the client's name accompanied by negative keywords to ascertain their reputation, profile, etc.  
The verifications must ensure that the procedures cover clients, beneficial owners, and any person acting on their behalf.
- Internal procedures related to the identification of the beneficial owner and the verification of their identity, in order to determine:
  - The type of documentation that must be requested to identify the beneficial owner and, for example, whether there is a specific list of documentation adapted to the characteristics of the client.
  - How the analysis of the obtained documentation should be conducted.
  - The cases in which it is necessary to keep a written record of the study of the documentation, and, conversely, the cases in which it is not required.

In the analysis of the conclusions derived from the inspection reports conducted in 2024, including the thematic inspection, the UIFAND issues this Informative Note, which contains a set of Recommendations, to assist obliged entities, in the exercise of their activity, in mitigating the inherent risks of money laundering and terrorist financing.

## **2. Foundations**

The sectoral report of the National Risk Assessment, published in May 2021, classifies the TCSP sector as medium risk, both in terms of overall threat and the sector's own vulnerability.

Furthermore, from the on-site inspections carried out in recent years, it has been verified that obliged entities have little knowledge of their obligations regarding the determination of the beneficial owner and persons subject to international sanctions.

In this regard, the identified deficiencies are as follows:

- A large number of obliged entities do not document the searches conducted in the lists of persons subject to international sanctions, and when they do, the recorded data is often insufficient.
- Client knowledge is based solely on the clients' own statements, without any verification, meaning no checks are performed through reliable and independent public sources, among others.
- The majority of obliged entities have established in their Internal Policies and Procedures the obligation, as a due diligence measure, to identify and verify the identity of the beneficial owner. However, the manual does not describe how this practice should be carried out.

Moreover, in general, internal procedures merely provide a literal transcription of the applicable articles contained in Law 14/2017<sup>2</sup>.

Additionally, a significant number of employees of obliged entities request information or documentation as a matter of routine, without understanding the real reasons or the necessity of doing so based on the business relationship, despite being required to request it.

### **3. General considerations on the prevention of money laundering and terrorist financing (ML/TF)**

#### *a) Lists of Persons Subject to International Sanctions*

Regarding terrorism and its financing, it is important to distinguish between the purpose of **verifications against the List<sup>3</sup> and the detection of ML/TF activities**.

When the result of a query is positive, this **does not constitute suspicion but certainty**, as the persons and entities included in the List have been designated due to links with terrorism, its financing, or the financing of the proliferation of weapons of mass destruction, among others, and require the **application of restrictive measures**.

Conversely, when suspicious activities potentially related to ML/TF are detected, this should, if applicable, lead to the submission of a **Suspicious Transaction Report (STR)** to UIFAND.

Therefore, entities must make greater efforts to differentiate, within their internal control procedures, between various preventive measures and the identification of suspicious ML/TF transactions, as well as the actions to be taken in cases of designated persons.

In light of the above, it is recommended to consider both the TF indicators (available on the UIFAND website under “Publications” > “Typologies”) and the Guide issued by UIFAND in December 2019 on the application of restrictive measures.

#### *b) Searches in public, reliable, and independent sources*

Regarding searches in public, reliable, and independent sources, it is important to note that specific applications compile the resolutions of the List as well as other lists of persons and adverse news. During on-site inspections, it has been observed that obliged entities use applications such as World-Check, Namebook, or Dow Jones Factiva, among others.

---

<sup>2</sup> Law 14/2017, of June 22, on the prevention and combating of money laundering or asset laundering and the financing of terrorism.

<sup>3</sup> When referring to the List, the following lists and/or resolutions are included:

- Resolution 1/2020, of October 9, 2020, which repeals Resolutions 1/2019, of May 23, 2019, and 2/2019, of October 1, 2019.
- Consolidated Sanctions List of the United Nations Security Council.
- Decree 491/2024, of December 23, 2024, on restrictive measures in relation to the conflict between Ukraine and the Russian Federation, which approves a new regulatory text and two annexes, repealing Decree 16/2024.

However, these applications usually **include results related to final resolutions, though they do not always contain information on ongoing or recent investigations.**

Additionally, it should be noted that these applications do not collect the same level of information for all countries, as certain geographic areas have less available data. Furthermore, searches in public sources not only **assist obliged entities in detecting potential adverse information but also help verify and enrich their knowledge of the client.**

For these reasons, conducting such searches is highly advisable. On one hand, there may be news regarding ongoing investigations related to a potential client that are not included in the application, allowing the obliged entity to better assess whether it is prepared to assume the risk associated with that client. On the other hand, these searches help confirm the accuracy of the information obtained from clients and provide additional context regarding their background, business relationships, and reputation, while always considering the origin of the public information to ensure its independence and reliability.

*c) Identification of the beneficial owner and verification of their identity*

Designated persons and money launderers do not typically carry out transactions on their own behalf; instead, they execute them through other natural and/or legal persons with no apparent connection between them, and without necessarily involving high-risk or prohibited countries or jurisdictions.

Therefore, controls applied to corporate services are crucial for ML/TF prevention, and this is where TCSPs play a key role.

In this regard, TCSPs participate in the incorporation, management, or administration of entities and legal structures, as well as companies or other similar legal arrangements that are often considered potentially useful vehicles for giving a façade of legality to illicit funds and concealing beneficial ownership, thereby increasing the overall complexity of corporate structures.

For example, pre-established companies (shelf companies<sup>4</sup>) may be misused, creating the false impression that the company has been operating regularly for a long time, when in reality, it has been inactive. Similarly, shell companies<sup>5</sup> may be used.

**To prevent TCSPs from being exploited in this manner, it is necessary to obtain the highest possible level of knowledge regarding the client's control structure and beneficial owner to detect such cases.**

A good practice to achieve this, in addition to analyzing the relevant documentation related to the identification of the beneficial owner, is to directly question the client so that the obliged entity can gain reasonable certainty about the beneficial owner's identity.

---

<sup>4</sup> Shelf companies, or pre-established companies, are entities that have been incorporated by TCSPs in advance and later sold to clients.

<sup>5</sup> Shell companies, or front companies, are entities that have no ongoing business activity or assets.

Additionally, searches in public registries and other public and independent sources should be conducted to corroborate the client's statements.

It is important to remember that TCSPs must document all actions taken as well as the conclusions of their analyses. Furthermore, as stipulated in Technical Communiqué 01/2023, published by UIFAND on February 13, 2023, the review period for beneficial ownership information must not exceed five years.

#### **4. Recommended actions**

The following recommended actions, related to different BC/FT risk factors, aim to serve as a best practice guide concerning the points analyzed during the thematic inspection, particularly for the TCSP sector. These actions are intended to enhance the effectiveness of detection and prevention controls against behaviors that could involve BC/FT.

##### *1. Specific controls regarding international sanctions lists and searches conducted in public sources*

- a) Regarding internal procedures related to searches in **international sanctions lists**, obligated entities should design a procedure detailing how searches should be conducted, including, among other aspects: (i) the tool(s) to be used; (ii) the timing of the searches; (iii) the frequency of search updates based on the client's risk level; (iv) how the searches should be documented; and (v) the procedure to follow in case of positive results.
- b) If the search process is automated, control systems must be implemented to **detect any updates to international sanctions lists**, especially the United Nations Security Council Consolidated List, and ensure that such updates are correctly implemented in the systems as soon as they occur, rather than performing periodic uploads.  
Therefore, it is essential to ensure that clients are always checked against the most updated version of the lists, guaranteeing that restrictive measures are applied immediately when applicable.
- c) If the search is conducted through a specific application, it is necessary to be aware of the lists included in the application's search scope and ensure that resolutions from the List are included. This should be documented in internal procedures. Additionally, internal procedures must outline the practical process for conducting these searches through the application.
- d) Regarding **searches in public sources**, internal control procedures must establish their mandatory nature to verify the statements made by the client. These procedures should include various scenarios in which searches must be conducted, serving as a guideline in this regard. For example, verifying the

professional activity of a client claiming to be an elite athlete can be easily done with an online search.

These internal control procedures should include, among other aspects, the following: (i) the websites, search engines, or databases to be consulted, prioritizing the most reliable sources of information; (ii) the method for conducting searches, i.e., whether searches should include client names and/or persons of interest accompanied by negative keywords (and what these should be, such as “corruption,” “money laundering,” “fraud,” or “terrorism”); (iii) detailed guidance on the circumstances in which searches should be conducted; (iv) instructions on how to document searches, the frequency of searches, and their adaptation based on client risk; and (v) the procedure to follow in case of positive results.

- e) Finally, **checks of both international sanctions lists and public sources** must ensure they cover clients, beneficial owners, and any person acting on their behalf. These checks must be performed using the full names of these individuals and updated periodically while the business relationship with the client is maintained.

Additionally, evidence of these checks and their updates based on risk must be stored in the client’s file, containing at least the date and time of the search, the name of the person searched, and the internal handling of results in case of a match.

## 2. *Specific controls regarding the identification and verification of the beneficial owner*

- a) Design a practical procedure adapted to the size of the entity to identify the beneficial owner. This involves conducting an analysis to determine the natural person who controls the client (whether an individual or a legal entity), applying measures according to the client’s risk categorization (considering various factors such as the type of legal entity, client risk factors, or operational risks, among others). Documentary evidence of the analysis performed must be maintained.
- b) Internal control procedures must include, among other aspects: (i) The mandatory requirement to document the procedure and/or the analysis verifying the identity of the beneficial owner, with particular emphasis on cases involving complex legal structures; and, (ii) for ongoing business relationships, the necessary measures to ensure proper updates of client risk profiles, especially in cases where shareholding changes have occurred.

- c) A copy of the beneficial owner's official identification document, containing a photograph, must be obtained, in accordance with Article 7.2 of the Regulation<sup>6</sup>.

For example, even if the business relationship is conducted through an attorney-in-fact of the client, this does not exempt the obligated entity from properly identifying and verifying the beneficial owner's identity. Therefore, in this specific case, it is necessary to have both the identification document of the beneficial owner and that of the attorney-in-fact, as well as the corresponding powers of representation.

- d) Internal control procedures should include an exemplary list of the types of documentation that must be requested to identify the beneficial owner, adapted to the characteristics of the parties involved.
- e) Additionally, for corporate clients, Andorran foundations, or associations, proof from the Beneficial Owners Register must be obtained in accordance with Article 10.1 of Law 14/2017, dated June 22. It is worth noting that for Andorran companies, the competent Register has developed a consultation platform available to representatives (designated by the obligated entity<sup>7</sup>) before UIFAND.
- f) The supporting documentation required to verify the beneficial owner's identity must be up to date. However, the obligated entity must ensure that the beneficial owner is correctly identified through a periodic review of ongoing business relationships, which must not exceed five years.

As stated in the Technical Communiqué CT-01/2023, dated February 13, 2023, this review involves a new assessment to identify and verify the beneficial owner's identity, rather than merely updating the documentation used in the previous review.

### 3. Other considerations

#### 3.1. Adaptation of internal control procedures to practice

- a) The mentioned procedures must align with the actual business practice of the parties under obligation, as several discrepancies have been detected between

---

<sup>6</sup> Decree 76/2022, of March 2, 2022, which approves the Regulation for the implementation of Law 14/2017, of June 22, on the prevention and fight against money laundering or the financing of terrorism.

<sup>7</sup> The link to access the Beneficial Owners Register is as follows:

[Access to the Beneficial Owners Register](#)

Additionally, more information about this platform can be found in the following news article on the UIFAND website: [News about the Beneficial Owners Register](#)

what is established in the internal control procedures, the information provided, and the actual practice.

As an example, if the entity performs searches in public sources only for high-risk clients, the internal procedures cannot state that searches should be performed for all clients.

### *3.2. Understanding the activity of legal entity clients*

- a) The knowledge of the client held by the party under obligation must be properly documented and sufficiently complete. As good practice, parties under obligation collect this information in a single document of client knowledge (generally called KYC, for its English acronym). However, it is recommended that the KYC be a living document where the knowledge of the client can be incorporated throughout the business relationship, and not just a closed form.
- b) Include in the KYC a field that clearly indicates whether the client, a legal entity, is an active company or not, depending on whether or not it is carrying out commercial activities. This statement must be verified based on reliable documentation or information (consultation with the Business Registry, on-site visit to the client's facilities, the company's website with an offer of its services/products, etc.).
- c) The measures for monitoring the client's operations must also be consistent with this statement and must be documented (financial statements, invoices, etc.).  
In the case where the service provided by the party under obligation is the incorporation of a company, keep evidence of the actual incorporation of the company (among other things, a consultation with the Company Registry or obtaining a copy of the deed of incorporation).

Supervision Division

