

THE CNMV AND THE DIRECTORATE-GENERAL OF THE POLICE SIGN A COLLABORATION AGREEMENT TO COMBAT FINANCIAL FRAUD

13 March 2019

- Specific collaboration mechanisms have been put in place in order to combat financial fraud committed by unauthorised persons and entities
- A Monitoring Committee has been set up to facilitate optimal cooperation between the two parties

The Director-General of the Spanish National Police, Francisco Pardo, and the Chairman of the Spanish National Securities Market Commission (CNMV), Sebastián Albella, have today signed a collaboration agreement for the purpose of combating those responsible for financial fraud, particularly that committed by persons and entities not authorised to provide investment services.

The agreement establishes a framework for collaboration between the two institutions that will strengthen their degree of coordination and includes specific mechanisms for taking action.

Both institutions consider that in a climate of growing development of new technologies and digital communication channels it is necessary to join forces to clamp down on illegal activities carried out in the financial sector. In 2018 alone, the CNMV issued more than 600 warnings to the public on unauthorised entities or “financial boiler rooms”.

The agreement provides for the exchange of information between the two parties. The Directorate-General of the Police will inform the CNMV of any unauthorised natural or legal persons that it detects and may be breaching the rules of order and discipline of the securities markets, as well as the initiation of legal proceedings in relation to the illegal provision of investment services.

For further information:

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The Central Economic and Fiscal Delinquency Unit (UDEF) will act as the Coordination Point for the Directorate-General of the Police, centralising investigations related to the purpose of the agreement and requests for information submitted to the CNMV. The UDEF is responsible for investigating and prosecuting finance- and tax-related criminal activities at both national and international level, as well as operational coordination and technical support for territorial units.

It is envisaged that the CNMV will communicate to the UDEF information relating to indications or evidence of financial fraud committed by persons not authorised to operate in the securities markets, as well as queries and complaints regarding facts constituting potential crimes, both nationally and internationally. It is also envisaged that the CNMV will provide advice to UDEF to facilitate its investigations.

In order to foster proper coordination, a Monitoring Committee has been set up made up of four members, two from the CNMV and two from the Directorate-General of the Police, and the possibility of creating specific working groups is also foreseen. In addition, collaboration in the field of training is planned.

Furthermore, the CNMV intends to sign a similar collaboration agreement with the Directorate-General of the Spanish Guardia Civil (the other central-national law enforcement agency, together with the National Police) in the near future.

Operations aimed at eradicating financial boiler rooms

In recent years there has been an increase in financial fraud, especially that committed by criminal organisations and groups that perpetrate it by means of so-called “boiler rooms”, as the Spanish National Securities Market Commission calls them, whose strategy is to replicate the activities of investment firms for the purpose of committing scams or other types of fraud.

The Spanish National Police have conducted several operations in an attempt to put a stop to this type of crime, such as the so-called FOCUS (carried out between 2017 and 2019), which entailed the dismantling of the largest financial boiler room discovered in Spain to date and allowed the arrest of 95 people involved, who are believed to have swindled almost 12 million euros from more than 700 victims. Another example is Operation RICO, carried out between 2013 and



2015, which dismantled an international financial boiler room, based in Barcelona, which was causing serious damages to thousands of British and American victims, culminating in the arrest of 144 people (84 in Spain, 50 in the UK, two in the USA and eight in Serbia) and involving the Spanish National Police, the City of London Police, the UK National Crime Agency and the Tampa Police. Those arrested are said to have defrauded an amount to the tune of over 200 million pounds.

The primary objective of these investigations is to ensure economic stability in all areas of society and especially in the financial markets, where the interests of large companies and small investors converge. This has prompted both the Spanish Ministry of the Interior (Directorate-General of the Police) and the Spanish National Securities Market Commission to work in tandem to improve the results obtained in the fight against financial boiler rooms and prevent the breakdown of confidence in the financial markets.

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