



# Conference on the prevention of the use of the financial system for money laundering and financing of terrorism. IFs and Management Companies

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I would like to start by thanking AFI for organising this conference on the prevention of management companies and investment firms for money laundering and financing of terrorism (AML/CFT) for. I would also like to thank the speakers for their participation and all of you for your attendance.

Proper compliance with anti-money laundering obligations is necessary for obliged entities, not only to follow the obligations established in the regulation and the public purpose that such regulations pursue, but also to minimise their legal and, particularly, reputational risk. This is why I believe that initiatives such as this conference, which discusses the main developments and challenges, as well as shares and disseminates the corresponding good and bad practices, are positive.

Today, I will be speaking briefly about the CNMV's role in the supervision of money laundering and the challenges in this area for the supervised entities attending this conference.

## 1 The CNMV's role in AML/CFT and a supervisory approach

In July 2023, the CNMV signed an agreement with the AML Commission under which it assumed the supervision of compliance with certain anti-money laundering obligations by entities subject to our supervisory activity. In particular, obligations related to due diligence, reporting obligations and internal control. Executing the agreement was another milestone of the collaboration that the CNMV had already been providing to Sepblac.

Among the CNMV's main obligations included in the agreement is to draft an annual supervision plan on money laundering (jointly with Sepblac, the Bank of Spain and the Directorate-General for Insurance and Pension Funds (DGS)) and implement the part corresponding to entities supervised by the CNMV, submitting the due supervision reports and policy recommendations. In order to comply with such obligations, we have created a (small) department for AML at the CNMV, with two of its members who will be speaking at two round tables today. In any case, allow me to now go over the main features of the supervisory approach being implemented:

- Risk-based approach. It is worth highlighting that the CNMV is responsible for the supervision of a large number and types of reporting entities (UCIT and AIF management companies, investment firms and “national financial advisers” (EAFN for its abbreviation in Spanish)) totalling currently almost 650, to which we will soon add cryptoassets service providers (from 2025) and crowdfunding service providers (in July 2027), considering we have limited resources to do so. Therefore, the supervisory approach must necessarily be based on the drafting of a risk map assigning different levels of risk of the reporting entities, which allows establishing supervisory strategy and priorities (inspection of entities, horizontal analysis, etc.), taking into account the means available. In turn, developing the risk map requires access to detailed information on the activity of the subject entities, types of clients, cash flows, onboarding channels, etc.
- Availability of information. It is the same supervisory approach that the CNMV applies to all the entities we supervise, which requires, as a starting point, the subject entities to report on the information needed to draw up the risk maps. To this effect, we included an information report model related to AML/CFT in a draft Circular of the CNMV, currently in progress of being adopted and which will be discussed in more detail at the second round table. Such reporting obviously represents a cost for entities, but it is the most efficient way of carrying out supervisory activities. In fact, data-driven supervision is one of the strategic lines envisaged in the CNMV's public plan and it is also the approach that is gradually gaining headway at a European and international level in different areas.
- Proportionality. Our objective is to modulate the intensity of our supervisory actions in order for them to be proportionate to the risk of the different services provided. Therefore, as an example, there is no particular supervisory interest in the area of money laundering for financial advisory firms, as their activity is limited to providing their clients investment recommendations without receiving or channelling funds (cash). On the other hand, in the case of future crypto-asset service providers (CSPs), we understand that there could be a higher risk of money laundering (as they have been subject to lower levels of supervision and carry out mostly non-face-to-face client onboarding processes), reason why we will prioritise our activities accordingly.
- Preventive approach. A final detail I would like to highlight is our specific expertise on the sector's regulations and activity. As is the case of other sectoral supervisors, the Bank of Spain and the DGS, I believe that such knowledge on the sector should help us to carry out a close supervision in the area of money laundering and to have fluid communication with entities. Our idea is to bring attention to risk prevention so as to avoid having to react when the risk has materialised. To this end, we will strive to promptly share the good and bad practices that we identify, in order for subject entities to be able to adjust their procedures at an early stage.

## 2 Challenges entities face in relation to the prevention of money laundering

I mentioned earlier that compliance with anti-money laundering regulations should be a priority for entities as a way to avoid legal and reputational risks, but we should acknowledge that this is not always easy to do and, of course, it implies certain costs. In this regard, I believe that the following challenges for subject entities can be identified:

- Allocation of sufficient resources with authority and independence. AML/CFT requires an allocation of sufficient resources (human and technical) by the entities. Moreover, those holding responsibility within the organisation should have the necessary independence and authority to avoid their work to be in conflict with business areas, or have it negatively influenced by the hierarchy of said responsible (or those they report to). It is important to stress that this responsibility should lie on the entities' boards of directors, as they would also be responsible for possible breaches.
- Monitoring of regulations and developments in illegal practices. This conference will address both issues in the different round tables, so I will limit my speech to highlighting that, recently, three regulations and a Directive (the sixth) have recently been approved at European level, which make up the European package on money laundering, providing a preview of the effort involved in keeping up to date with their obligations (especially for small and medium-sized entities, as is the case for most of those supervised by the CNMV). We could say something similar about the ongoing development of illegal practices applying the latest technological advances and the difficulty this implies for subject entities to detect and prosecute such practices.
- Effectiveness of controls. The controls designed by entities must be effective from two different perspectives: on one hand, by taking into account the entity's type of clients and the risks of its operations and, on the other, they must be sufficiently automated to allow all relevant operations to be covered.

## 3 Final considerations

I will end by saying that I am sure that these issues will be discussed in detail in today's conference, and I hope they are of great interest to you all. I believe that the financial system (entities and their clients), as well as society at large, benefit from the prosecution of money laundering. Moreover, it is fair to recognise that, at least as far as the entities supervised by the CNMV are concerned, there have been no significant issues in this area to date. Therefore, I encourage everyone to carry on this path by being prudent in assuming risks arising from new activities (in particular with regard to the provision of crypto-asset services) and by dedicating the necessary resources to AML, improving control systems and remaining alert to "innovations" of those seeking to launder illicit funds. You have at your disposal all the support and collaboration that the CNMV may provide.