Spain

RISK & COMPLIANCE REPORT

DATE: March 2018

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Executive Summary - Spain	
Sanctions:	None
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	US Dept of State Money Laundering assessment
Medium Risk Areas:	Corruption Index (Transparency International & W.G.I.)) Failed States Index (Political Issues)(Average Score)

Major Investment Areas:

Agriculture - products:

grain, vegetables, olives, wine grapes, sugar beets, citrus; beef, pork, poultry, dairy products; fish

Industries:

textiles and apparel (including footwear), food and beverages, metals and metal manufactures, chemicals, shipbuilding, automobiles, machine tools, tourism, clay and refractory products, footwear, pharmaceuticals, medical equipment

Exports - commodities:

machinery, motor vehicles; foodstuffs, pharmaceuticals, medicines, other consumer goods

Exports - partners:

France 16.8%, Germany 10.8%, Italy 7.7%, Portugal 7.1%, UK 6.5% (2012)

Imports - commodities:

machinery and equipment, fuels, chemicals, semifinished goods, foodstuffs, consumer goods, measuring and medical control instruments

Imports - partners:

Germany 11.8%, France 11.5%, Italy 6.7%, China 5.6%, Netherlands 5.4%, UK 4.1% (2012)

Investment Restrictions:

The Government of Spain (GOS) recognizes the value of foreign investment and the economic importance of attracting more of it, particularly to help spur recovery from Spain's current economic crisis. Spain's Finance Minister has repeatedly emphasized the government's goal to increase Spain's attractiveness to foreign investors.

The Constitution and Spanish law establishes clear rights to private ownership, and foreign firms receive the same legal protections as Spanish companies. There is technically no discrimination against public or private firms with respect to local access to markets, credit, licenses and supplies.

Contents

Section 1 - Background

Spain's powerful world empire of the 16th and 17th centuries ultimately yielded command of the seas to England. Subsequent failure to embrace the mercantile and industrial revolutions caused the country to fall behind Britain, France, and Germany in economic and political power. Spain remained neutral in World War I and II but suffered through a devastating civil war (1936-39). A peaceful transition to democracy following the death of dictator Francisco FRANCO in 1975, and rapid economic modernization (Spain joined the EU in 1986) gave Spain a dynamic and rapidly growing economy and made it a global champion of freedom and human rights. More recently the government has had to focus on measures to reverse a severe economic recession that began in mid-2008. Austerity measures implemented to reduce a large budget deficit and reassure foreign investors have led to one of the highest unemployment rates in Europe.

Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Spain is not on the FATF List of Countries that have been identified as having strategic AML deficiencies

Compliance with FATF Recommendations

In October, 2010, The FATF recognized that Spain had made significant progress in implementing the 49 recommendations and that from that date it should report on a biennial basis on the actions it will take in the AML/CFT area.

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Spain was undertaken by the Financial Action Task Force (FATF) in 2014. According to that Evaluation, Spain was deemed Compliant for 25 and Largely Compliant for 12 of the FATF 40 Recommendations.

Money Laundering/Terrorism Financing Risks (FATF Mutual Evaluation Report)

Spain faces a range of money laundering (ML) and terrorist financing (TF) risks, and the following are particularly important in the Spanish context.

Organised criminal groups, comprised of both Spanish nationals and/or foreign criminals, are active in Spain. Criminals from several countries live in Spain, often taking advantage of the sometimes large resident communities of fellow citizens,2 and may continue their business from Spain, launder the proceeds of crime in Spain, or even invest criminal proceeds in Spain after they have been laundered elsewhere.

Real estate transactions have been involved in recent significant criminal cases and appear to be a major means of ML in Spain. ML through real estate is internationally a subject of concern in its own right. Many cases have involved foreign criminals resident in Spain laundering the proceeds of foreign crime through the Spanish real estate sector. The real estate and construction sectors in Spain underwent a boom in the years before 2009, followed by a significant contraction (during which illicit activity generally becomes more visible). Several high-profile ML cases in recent years (for example, White Whale, and Operation Malaya) have involved major real estate transactions, including the use of cash purchases, and complex networks of companies (and, on occasion trusts) often constituted abroad in nearby off-shore centres, such as Andorra or Gibraltar. There have also been some corruption cases linked to this sector, as described in more detail below.

Spain is a trans-shipment point for cross-border illicit flows of drugs entering Europe from North Africa and South America. Criminals also use Spain as a location to launder the proceeds of the crimes committed in Spain prior to transferring them back to their country of origin. The market for illicit drugs remains dynamic within Europe's criminal markets, with approximately one third of European organised crime groups involved in its distribution and production3. While drug offences and official seizures in Spain have declined slightly in the past several years, Spain remains a logistical hotspot for African and Latin American organised crime groups4, with linguistic and cultural ties to the region. While Colombian cocaine dealers represent the traditional threat, Romanian, Nigerian, Mexican and North African groups have recently entered the drug trade. These groups often import synthetic drugs and hashish from Asia and Northern Africa respectively5.

Spain's geographic position, including the North African enclaves Melilla and Ceuta, expose it to the risk of ML and TF through illicit movement of cash across Spain's borders. The volume of cash movement associated to cross-border trading and to the informal economy across Spain's borders with Morocco in Ceuta and Melilla poses a high risk to camouflage cash flows associated with drug trafficking, tax and customs fraud, counterfeiting and human trafficking.

The money or value transfer service (MVTS) sector has proven vulnerable to exploitation by organised criminal groups seeking to move their illicit gains out of the country.

Spain's general economic situation also affects the ML risks. The recent recession has put pressure on Spain's fiscal position (leading to increased taxation), and has left persistent high unemployment (relative to other EU members). Spain's black economy6 represents a significant share of economic activity, comparable with other countries in the region. These factors indicate an elevated risk of tax crimes. Tax crimes, including VAT fraud and evasion of customs duties, are a problem, and there have been a number of large cases in this area which highlight the significant scale of tax crimes in Spain.

Spain faces significant TF risks, and has been the victim of terrorist attacks, from two main groups—the home-grown separatist terrorist groups such as Euskadi ta Askatasuna (ETA), and Islamist terrorist groups (many of which have links to the al-Qaeda network).

ETA has been characterised by a sophisticated structure, including a branch of operations responsible for financing its activities. The organisation also has strong ties with the Basque region of France, which adds a trans-national element. ETA's methods of TF have ranged from fundraising through raffles, lotteries, and mobile taverns (txoznas), through to extortion (a so-called revolutionary tax), through to operating a complex network of revenue-generating companies. Some abuse of non-profit organisations (NPOs) has also been observed. Through successful investigations and prosecutions, Spain has effectively dismantled the economic wing of ETA and a cease-fire has held for some years. However, ETA has not entirely disappeared and remains a very real risk in Spain.

Spain also faces high terrorism and TF risk from Islamist terrorist groups, many of which have links to the al-Qaeda network. Unlike ETA, these groups tend to operate through small cells that are primarily self back to neighbouring countries in North Africa and the Maghreb, often using informal MVTS (hawaladar) to do so.

Spain is a major advanced economy with a well-developed financial sector, and is exposed to the same general ML/TF risks that affect other advanced economies. The risks affecting the financial sector are also influenced by the financial crisis of 2009-10, which saw significant consolidation in the banking sector in particular.

Spain has no official estimate of the overall value of criminal proceeds or specific types of crime. However, Spanish officials estimate that the value of assets held by high-intensity criminal organisations and standard criminal organisations is EUR 427 million and EUR 1 billion respectively.

On 5 July, 2012 - The FATF heard reports on the Voluntary Tax Compliance programme of Spain. The FATF decided to take no further action in relation to Spain, as its programmes were found to be consistent with the FATF's four basic principles on VTC.

US Department of State Money Laundering assessment (INCSR)

Spain is categorised by the US State Department as a Country/Jurisdiction of Primary Concern in respect of Money Laundering and Financial Crimes.

OVERVIEW

Spain proactively identifies, assesses, and understands its money laundering risks and works to mitigate these risks. Spain remains a logistical hotspot for organized crime groups based in Africa, Latin America, and the former Soviet Union and is a trans-shipment point for illicit drugs entering Europe from North Africa and South America. Spain largely complies with international AML standards and has up-to-date laws and regulations and sound AML institutions. In 2017, Spain maintained funding levels for its FIU, the Executive Service of the Commission for the Prevention of Money Laundering and Monetary Infractions (SEPBLAC). In general, Spain continues to build on its already strong measures to combat money laundering.

VULNERABILITIES AND EXPECTED TYPOLOGIES

Spain is a trans-shipment point for the cross-border illicit flows of drugs. Moroccan hashish and Latin American cocaine enter the country and are distributed and sold throughout Europe, with the resulting proceeds often returned to Spain. Passengers traveling from Spain to Latin America reportedly smuggle sizeable sums of bulk cash. In addition, bulk cash is sent from Latin America to Spain by the same means that drugs enter Spain from Latin America. Informal money transfer services also facilitate cash transfers between Spain and Latin America, particularly Colombia. Law enforcement authorities continue to cite an emerging trend in drugs and drug proceeds entering Spain from newer EU member states with less robust law enforcement capabilities.

The most prominent means of laundering money are through the purchase and sale of real estate, the use of complex networks of companies and legal arrangements, the exploitation of MVTS, and the use of cash couriers. The major sources of criminal proceeds are drug trafficking, organized crime, customs fraud, human trafficking, and counterfeit goods. Illicit proceeds continue to be invested in real estate in the once-booming coastal areas in the south and east of the country, but criminal groups also place money in other sectors, including services, communications, automobiles, art work, and the financial sector.

On September 11, 2017, the Spanish High Court approved a request from the anti-corruption prosecution office to investigate the Industrial and Commercial Bank of China's (ICBC) European headquarters for continued laundering of funds from Chinese criminal groups in Spain. Spanish prosecutors began investigating ICBC Luxembourg, which holds the lender's EU bank license and is in charge of the Madrid branch, following the arrest of seven ICBC executives in Madrid over money laundering allegations. Among those arrested were the Madrid branch manager and the general manager of the bank's European division. The investigation revealed the branch did not adopt any of the AML/CFT rules and failed to report suspicious transactions to the Spanish authorities—actions of which the ICBC parent company was aware.

KEY AML LAWS AND REGULATIONS

Spain enacted its current AML/CFT law in 2010; the law entered into force immediately. All associated implementing regulations were approved and entered into force in May 2014. Spain has comprehensive KYC and STR regulations. Spain issued a Ministerial Order in February 2016 launching and defining the scope of the Asset Recovery and Management Office and the opening of its deposit and consignment account.

Spain is a member of the FATF.

AML DEFICIENCIES

Spain is largely compliant with international standards. Spain has addressed two noted deficiencies: in 2016, SEPBLAC received a nearly 29 percent budget increase in order to increase personnel from 54 to 79 employees; and in June 2017, the new EU Funds Transfer Regulation became effective in Spain.

As of October 2017, Spain has not started the process to update its current AML/CFT law to transpose and implement EU Directive 2015/849, the Fourth AML Directive. Additionally, effective controls are not in place to ensure lawyers comply with their AML obligations. Spain has not updated its penal code to extend the maximum period of disbarment for professionals.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

A number of money laundering cases have been prosecuted, including those involving third-party money laundering, self-laundering, and laundering the proceeds of both domestic and foreign predicate offenses. Spain has had success disabling criminal enterprises and organized criminal groups by identifying and shutting down their complex money laundering networks of national and international companies. However, the relatively low level of sanctions (terms of imprisonment and periods of disbarment) imposed for money laundering offenses is a weakness, as is the judicial system's limited capacity to handle complex money laundering cases in a timely fashion.

Spanish officials report the following updated statistics regarding money laundering-related prosecutions and convictions (all figures from 2015, the most recent year available): 79 cases concluded; 299 people prosecuted; 55 cases resulting in convictions; 216 persons convicted; and one convicted person holding a position in the judicial system. Final data for 2016 are pending the approval of the Commission for the Prevention of Money Laundering.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, Spain conforms with regard to all government legislation required to combat money laundering

EU White list of Equivalent Jurisdictions

Spain is on the EU White list of Equivalent Jurisdictions

World Governance indicators

To view historic Governance Indicators Ctrl + Click here and then select country

Failed States Index

To view Failed States Index Ctrl + Click here

Offshore Financial Centre

Spain is not considered to be an Offshore Financial Centre

Reports

US State Dept Narcotics Report 2017:

Spain remains an important transit point in Europe for cocaine originating in Latin America and for hashish from Morocco, especially across the strait of Gibraltar. Cocaine arrives in Spain in large containerized shipments from Latin America and in lower-volume shipments via recreational boats, sailboats, and within parasitic devices attached to cargo ships. Although small aircraft are still used to smuggle hashish, interdiction actions have stemmed the frequency of this conveyance. Spanish law enforcement efforts continued to be effective, combining strong border control and coastal monitoring, sophisticated geospatial technology, domestic police action, and international cooperation.

The UN's "2016 World Report on Drugs" reported that among Spanish citizens, drug usage and treatment rates for cannabis and cocaine remain one of the highest in Europe. Spain accounted for 26 percent of the world volume of hashish seizures, and is one of the main points of entry to Europe for cocaine. Spain's national drug strategy focuses on prevention, risk reduction, treatment, and supply reduction.

Domestic drug production is minor, save for localized cannabis cultivation. There are a small number of labs involved in cutting, mixing, and reconstituting cocaine and heroin, and Spanish officials discovered and dismantled a sophisticated extraction lab in 2014. Transnational criminal organizations are more frequently shipping cocaine in raw form mixed within cargo to avoid detection. In 2015, the most recent year for which data is available, law enforcement seizures of cocaine remained constant with 21.58 metric tons (MT) seized. There was a slight increase in heroin seizures from 244 kilograms (kg) in 2014 to 256 kg in 2015. Hashish seizures remained constant in 2015 with a total of 380.36 MT seized. Seizures of MDMA (ecstasy) fell significantly, from 554,867 dosage units in 2014 to 120,579 in 2015.

Spain enjoyed excellent bilateral and multilateral law enforcement cooperation with international partners in 2016. Cooperation on EU operations in the Mediterranean continued. Additionally, Spain improved law enforcement cooperation with Latin American governments. Spain is a member of the Maritime Analysis and Operation Centre-Narcotics, and has a liaison officer at the U.S. Joint Interagency Task Force South. U.S. law enforcement agencies maintained strong working relationships with Spanish police, leading to significant cocaine and hashish seizures in 2016. For example, between April and September, in a joint operation with the U.S. Drug Enforcement Administration and U.S. Immigration and Customs Enforcement, Spanish authorities seized 950 kg of cocaine and over 10 million euros in bulk cash destined for a cocaine supplier in South America.

US State Dept Trafficking in Persons Report 2016 (introduction):

Spain is classified a Tier 1 country - is a country whose government fully complies with the Trafficking Victims Protection Act's (TVPA) minimum standards

Spain is a destination, source, and transit country for men, women, and children subjected to forced labor and sex trafficking. Women from Eastern Europe (particularly Romania, Bulgaria, Ukraine, and Russia), South America (particularly Paraguay, Brazil, Colombia, and Ecuador), China, and Nigeria are subjected to sex trafficking in Spain. Men and women from China, India, and Pakistan are subjected to forced labor in the domestic service, textile, agricultural, construction, industrial, and service sectors. Victims are recruited by false promises of employment in the service industry or agriculture and forced into prostitution and debt bondage upon their arrival to Spain. Traffickers also lure some victims from within Spain and other regions of the EU. A large percentage of individuals in prostitution in Spain are believed to be victims of human trafficking. Many women in prostitution in Spain are held under the control of Nigerian, Romanian, and Spanish trafficking networks that operate out of major cities in Spain, though victims are increasingly subjected to trafficking by individuals and smaller groups of traffickers. Unaccompanied migrant children in Spain continue to be vulnerable to sex trafficking and forced begging. Police and other officials have been investigated, charged, and convicted for complicity in human trafficking crimes.

The Government of Spain fully meets the minimum standards for the elimination of trafficking. During the reporting period, the government prosecuted and convicted fewer traffickers than in 2014, while the number of ongoing investigations increased. Law enforcement efforts continued to focus on sex trafficking, but increased attention to labor trafficking resulted in more victims identified. The number and proportion of trafficking prosecutions involving forced labor was higher in 2015 than in previous years (15 of 45 defendants prosecuted in 2015 were for labor trafficking, compared with six defendants in both 2013 and 2014). The government identified more trafficking victims, maintained funding for victim assistance and law enforcement efforts, and cooperated closely with NGOs on victim identification and referral to services. The government updated its national anti-trafficking action plan and increased public awareness campaigns aimed at preventing trafficking.

US State Dept Terrorism Report 2016

Overview: Spain partnered actively with the United States to disrupt transnational terrorism in 2016. Spanish authorities maintained robust information sharing with U.S. counterparts on terrorist threats and worked closely with regional partners, including Morocco and Algeria, to dismantle foreign terrorist fighter recruitment and facilitation networks. Spain also made initial progress implementing a domestic program to counter violent extremism.

Spain has been a significant contributor to the Global Coalition to Defeat ISIS since its inception. Spain has a military-training mission in Iraq, co-located with the United States at Bismayah, near Baghdad, with more than 300 Spanish personnel deployed during 2016. In December, Spain’s Council of Ministers approved the deployment of 150 additional military and police personnel to support the Coalition’s training efforts.

The domestic terrorist group Basque Fatherland and Liberty (ETA) has not launched any attacks since it announced a “definitive cessation of armed activity” in October 2011. Although ETA had not formally disbanded or given up its weapons arsenal, its coherence was further eroded this year by the arrest of members of its vestigial leadership, including the November arrest of accused leader Mikel Irastorza in France.

Legislation, Law Enforcement, and Border Security: Spain has a mature legal framework for counterterrorism as a result of its long fight against the domestic terrorist group ETA. The

Spanish Criminal Code specifically punishes any act of collaboration with the activities or purposes of a terrorist organization. Spain revised its penal code in 2015, empowering law enforcement agencies to prosecute individuals who glorify terrorism on social media, train remotely, operate without clear affiliation, or travel in support of non-state actors.

Spain's counterterrorism capabilities, coordinated by the national Intelligence Center for Counter-Terrorism and Organized Crime (CITCO), have proven effective. The National Police and Civil Guard share responsibility for counterterrorism. Spain continued to implement its cybersecurity strategy to safeguard its critical information systems under the direction of the Cyber Defense Committee, charged with coordinating cybersecurity across government agencies.

Spain continued to focus on improved security and the detection of false documents at its borders. Spain participates in the U.S. Department of Homeland Security/U.S. Immigration Advisory Program, which maintains staff at Madrid-Barajas International Airport, and allows for coordination between Customs and Border Protection and Immigration and Customs Enforcement officials, Embassy Madrid Consular staff, airline security personnel, and police regarding high risk passengers traveling to the United States. Spain continued to use a network of radar stations, known as the Integrated External Surveillance System, along its maritime borders.

Spanish authorities arrested 177 suspected terrorists between June 2015, when the national terrorism alert was raised to "4" (high) on a five-point scale, and December 2016. Arrests have occurred across Spain, from Madrid and Barcelona to the North African exclaves of Ceuta and Melilla and the Balearic islands of Ibiza and Mallorca. Charges against these suspects have included glorification of terrorism and promulgation of ISIS propaganda; recruiting foreign terrorist fighters and facilitating travel to conflict zones; and obtaining or delivering training to commit terror attacks. According to Spanish authorities, 204 individuals have traveled from Spain to Iraq and Syria as foreign terrorist fighters as of December. This includes both Spanish nationals and foreign nationals with links to Spain. Several dozen are believed to be deceased, and most of Spain's returned foreign terrorist fighters (roughly 25) remained in prison.

In March, Spanish authorities seized approximately 20,000 military uniforms that reportedly were being shipped from Spanish ports in Valencia and Algeciras to affiliates of ISIS or al-Nusrah Front (al-Qa'ida's affiliate in Syria) in Syria and Iraq. Ministry of Interior officials said they had uncovered a "very active and effective business network" seeking to provide military supplies to the terrorist organizations. The uniforms were declared as "secondhand clothes" to pass through customs inspections.

Countering the Financing of Terrorism: Spain is a member of the Financial Action Task Force (FATF) and has observer or cooperating status in the following FATF-style regional bodies: the Caribbean Financial Action Task Force, the Financial Action Task Force of Latin America, and the Middle East and North Africa Financial Action Task Force. Its financial intelligence unit, the Executive Service for the Prevention of Money Laundering and Monetary Infractions (SEPBLAC), is a member of the Egmont Group of Financial Intelligence Units. The Director and CEO of SEPBLAC assumed the position of FATF president on July 1, 2016.

In 2016, Spain continued to demonstrate leadership in the area of anti-money laundering (AML) and countering the financing of terrorism (CFT). Spain effectively investigates and prosecutes terrorist financing and uses criminal forfeiture provisions to freeze terrorist assets, but has had more limited success in implementing and using UN terrorism-related targeted financial sanctions.

Spain enacted its current law on Preventing Money Laundering and the Financing of Terrorism in 2010. The related regulations greatly enhance authorities' capacity to counter terrorist financing by placing greater requirements, with stiffer penalties for non-compliance, on financial institutions and other businesses, and by strengthening monitoring and oversight. The government has diligently implemented relevant UN Security Council resolutions (UNSCR) and has the legal authority to impose autonomous designations.

International Sanctions

None applicable

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	57
World Governance Indicator – Control of Corruption	69

Bribery is not widespread in business dealings in Spain, yet companies cite corruption as a business impediment. Many corruption cases have been initiated in recent years, revealing corruption risks and mismanagement in local-level public procurement in urban planning and construction. The Criminal Code (in Spanish) makes it illegal for individuals to offer and accept bribes, and corporate entities can be held criminally liable for corruption offences committed by their representatives. Facilitation payments are prohibited, and gifts and hospitality may be considered illegal depending on the intent and benefit obtained. Spain's attempts to limit corruption have intensified in recent years. New anti-corruption units have been created, new transparency-enhancing legislation has been passed, and efforts have been made to improve public control and governance systems. As a result, corruption investigations, arrests and prosecutions have significantly increased. **Information provided by GAN Integrity.**

Corruption and Government Transparency - Report by US State Department

Giving or accepting a bribe is a criminal act. Under Section 1255 of the Spanish civil code, corporations and individuals are prohibited from deducting bribes from domestic tax computations.

Spain has a wide variety of laws, regulations, and penalties dealing with corruption. The legal regime has both civil and criminal sanctions for corruption, bribery, financial malfeasance, etc. The Spanish Criminal Code was amended in December 2010 to allow corporations (legal persons) to be held criminally liable for their actions, as per Article 31bis.

On November 29, 2006, the parliament passed a tough law against tax evasion designed, in part, to combat corruption. The government also issued two regulations imposing new requirements on banks and financial institutions to fight money laundering. In April 2010 Spain's parliament passed Law 10/2010 aimed at protecting the integrity of the financial and other economic sectors through the establishment of obligations to prevent money laundering and terrorist financing. With this law, Spain has successfully transposed the third EU money laundering Directive (Directive 2005&60/CE) of the European Parliament and the Council of October 26, 2005. Banks and other financial institutions, investment services firms, collective investment institutions, management companies of private equity and venture capital firms are all obliged to comply with the law. Some portions of the new law entered into force immediately, but others are still awaiting implementing regulations. Law 7/2012, passed October 29, 2012, restricts cash transactions in an attempt to reduce the size of

Spain’s large underground economy. The law prohibits cash payments equal to or above 2,500 euros involving business deals by entrepreneurs and freelancers. The limit is up to 15,000 euros for non-resident payers. In December 2013, the Parliament approved the Law of Transparency aimed at reducing corruption among public officials. Central and regional administrations have one and two years, respectively, to implement the articles of the law that deal with corruption and transparency. In an additional attempt to fight corruption, in February 2014, the Government presented in Parliament its plan for democratic regeneration that includes two bills that are currently being debated in Congress: the Law of Control of Political Parties’ Economic and Financial Activities, and the Law for the regulation of public office of officials in the General Administration.

Spain is a signatory of the OECD Convention on Combating Bribery. The government amended domestic law to make the Convention a more useful investigative and prosecutorial tool in 2010. Following a December 2012 review of Spanish implementation of the OECD Convention, the OECD noted that “Spain’s enforcement of its foreign bribery laws has been extremely low, with not a single prosecution out of seven investigations in 13 years....” The OECD report concluded that “Spain must vigorously pursue foreign bribery allegations and strengthen its legal framework for fighting bribery by addressing gaps in its Penal Code.”

The General State Prosecutor is authorized to investigate and prosecute corruption cases involving funds in excess of roughly $500,000. The Office of the Anti-Corruption Prosecutor, a subordinate unit of the General State Prosecutor, has 15-20 prosecutors in Madrid, Barcelona, and Valencia who are tasked with investigating and prosecuting domestic and international bribery allegations. There is also the "*Audiencia Nacional*," a corps of magistrates with broad discretion to investigate and prosecute alleged instances of Spanish businesspeople bribing foreign officials.

Spain enforces anti-corruption laws on a generally uniform basis. Public officials are probably subjected to more scrutiny than private individuals, but several wealthy and well-connected business executives have been successfully prosecuted for corruption. There is no obvious bias for or against foreign investors. U.S. firms have not identified corruption as an obstacle to investment in Spain. Although no formal corruption complaints have been lodged, U.S. companies have indicated that they have been disqualified at times from public tenders based on reasons that these companies’ legal counsels did not consider justifiable.

Spain’s rank in Transparency International’s annual Corruption Perceptions Index worsened in 2013, going from position 30 to position 40. According to Transparency International, one of the reasons for this decline is more efficient enforcement, which has brought many corruption cases to the public’s attention.

Section 3 - Economy

After experiencing a prolonged recession in the wake of the global financial crisis that began in 2008, in 2014 Spain marked the first full year of positive economic growth in seven years, largely due to increased private consumption. At the onset of the financial crisis, Spain's GDP contracted by 3.7% in 2009, ending a 16-year growth trend, and continued contracting through most of 2013. In 2013, the government successfully shored up struggling banks - exposed to the collapse of Spain's depressed real estate and construction sectors - and in January 2014 completed an EU-funded restructuring and recapitalization program.

Until 2014, credit contraction in the private sector, fiscal austerity, and high unemployment weighed on domestic consumption and investment. The unemployment rate rose from a low of about 8% in 2007 to more than 26% in 2013, but labour reforms prompted a modest reduction to 22% in 2015. High unemployment strained Spain's public finances, as spending on social benefits increased while tax revenues fell. Spain’s budget deficit peaked at 11.4% of GDP in 2010, but Spain gradually reduced the deficit to just under 7% of GDP in 2013-14, and 4.7% of GDP in 2015. Public debt has increased substantially – from 60.1% of GDP in 2010 to nearly 101% in 2015.

Exports were resilient throughout the economic downturn and helped to bring Spain's current account into surplus in 2013 for the first time since 1986, where it remained in 2014-15. Rising labour productivity and an internal devaluation resulting from moderating labour costs and lower inflation have helped to improve foreign investor interest in the economy and positive FDI flows have been restored.

The government's efforts to implement labour, pension, healthcare, tax, and education reforms - aimed at supporting investor sentiment - have become overshadowed by political activity in 2015 in anticipation of the national parliamentary elections in December. The European Commission criticized Spain’s 2016 budget for its easing of austerity measures and its alleged overly optimistic growth and deficit projections. Spain’s borrowing costs are dramatically lower since their peak in mid-2012, and despite the recent uptick in economic activity, inflation has dropped sharply, from 1.5% in 2013 to a negative 0.6% in 2015.

Agriculture - products:

grain, vegetables, olives, wine grapes, sugar beets, citrus; beef, pork, poultry, dairy products; fish

Industries:

textiles and apparel (including footwear), food and beverages, metals and metal manufactures, chemicals, shipbuilding, automobiles, machine tools, tourism, clay and refractory products, footwear, pharmaceuticals, medical equipment

Exports - commodities:

machinery, motor vehicles; foodstuffs, pharmaceuticals, medicines, other consumer goods

Exports - partners:

France 15.7%, Germany 11%, Italy 7.4%, UK 7.4%, Portugal 7.1%, US 4.5% (2015)

Imports - commodities:

machinery and equipment, fuels, chemicals, semi-finished goods, foodstuffs, consumer goods, measuring and medical control instruments

Imports - partners:

Germany 14.4%, France 11.7%, China 7.1%, Italy 6.5%, Netherlands 5%, UK 4.9% (2015)

Banking

Spain has a diversified modern financial system fully integrated with international financial markets. The system includes credit, stock and money markets, and specific markets for derivatives (options and futures based on different assets).

The banking system is regulated by the Directorate General of Treasury and Financial Policy in the Ministry of Economy and Finance; the Directorate General of Trade and Investments in the Ministry of Industry, Tourism and Trade; and the Bank of Spain.

The EU single market in banking and insurance services has changed the Spanish legal framework. Spain has adopted EU Directives regulating the equity and solvency ratio of credit institutions, and Council Directives on banking coordination. It has also adopted EU Directives on the securities market and insurance services.

Spain's 15 years of rapid economic growth greatly benefited the banking industry. Competition in the banking market is intense. Interest rates have been low by traditional Spanish standards, and they now fluctuate according to European Central Bank actions. Spanish banks withstood reasonably well the initial phase of the economic crisis that started in 2007. However, as time passed, certain imbalances became apparent. Over the past year, regional savings banks ("cajas de ahorro") have undergone an adjustment process involving numerous mergers which saw their number fall from 45 to 17 savings banks or groups to improve efficiency through capacity reduction and transparency. This sector is still undergoing change as a result of new government requirements.

Stock Exchange

The Spanish stock market is comprised of four stock exchanges. The two major exchanges are the Madrid Stock Exchange and the Barcelona Stock Exchange. After dealing only in stock and bond issues, Spain's stock exchanges underwent a process of renovation, which brought new ways of operating and new types of financial assets.

The Spanish system of market regulation is based on a British/U.S. model. Spain has a single computerized and centralized continuous stock market in which insider trading is penalized. The National Stock Exchange Commission supervises the system and cooperates in developing its regulations.

The competitive securities market has a three-day settlement system. Trading on credit is permitted and new hedging instruments, index and warrant options are available. The government has enacted stricter and more comprehensive regulations regarding takeover bids. Other positive developments in the stock market in Spain include establishment of markets for options and futures and an unofficial second market for trading in fixed-income assets. These advances have made the Spanish securities market safer and more transparent.

Section 4 - Investment Climate

Executive Summary

Spain is open and seeking to attract additional foreign investment, particularly to help spur recovery from its recent economic crisis. Spain's well-educated work force, excellent infrastructure, large domestic market, and export possibilities have attracted foreign companies in large numbers over the past three decades. Spanish law permits foreign ownership in investments up to 100 percent, and capital movements are completely liberalized. In 2015, gross new foreign direct investment reached EUR 22.695 billion, with the six main investors in Spain being the United States, Luxembourg, the Netherlands, Mexico, France, and the United Kingdom. This investment focused particularly on activities related to energy, real estate, finance and insurance, manufacturing and sales.

Spain emerged from its recession in the third quarter of 2013. Even with a high unemployment rate – 20.9 percent at the close of 2015 – and significant stocks of household and public indebtedness, the economy continued to recover in 2015 and has benefited from a resurgence in domestic consumption. The government attributes this turn-around in part to the economic reforms it implemented beginning in 2012, the largest in the country's democratic history, which streamlined budgets and loosened labor laws to make hiring and firing easier. As part of this effort, the government sharply curbed public spending, which helped stabilize the fiscal situation. Major economic imbalances are being corrected, and competitiveness and flexibility are being restored.

The government implemented a series of labor market reforms and the restructuring of the banking system, all measures aimed at improving the efficiency in the allocation of resources, the full effects of which were visible by the end of 2014. To avoid the fragmentation of the domestic market emerging from differences of central, regional and local regulation, the 2013 Market Unity Guarantee Act was adopted. The law aims to rationalize the regulatory framework for economic activities, eliminating duplicative administrative controls by implementing a single license system that facilitates the free flow of goods and services throughout Spain. Spain has regained access to affordable financing from international financial markets, which has improved Spain's credibility and solvency, in turn generating more investor confidence. However, the Spanish government has yet to improve significantly access to financing for small and medium-sized enterprises (SMEs), which have some difficulty accessing credit.

In implementing its fiscal consolidation program, the government has taken actions which negatively affect U.S. and other investors in the renewable energy sector on a retroactive basis. As a result, Spain is facing several international arbitration claims. Spain is a member of both the International Centre for Settlement of Investment Disputes (ICSID Convention) and the 1958 Recognition and Enforcement of Foreign Arbitral Awards (New York Convention). Spanish law protects property rights and those of intellectual property. The government has amended the Intellectual Property Act, the Civil Procedure Law, and the Penal Code to strengthen online protection. Still, internet piracy has continued to increase over the past several years.

Spain and the United States have a Friendship, Navigation and Commerce (FCN) Treaty, and a Bilateral Taxation Treaty (1990), which was subsequently amended in 2013 and went into force in December of 2014.

Investment Trends

In 2015, Spain experienced an increase in foreign investment of 9.6 percent over the previous year. This was almost certainly driven by Spain's significantly improved economic fundamentals; the Spanish economy was one of the fastest growing economies in the EU in 2015, largely driven by a return of consumer confidence and consumption. 84.3 percent (EUR 18.3 billion) of total foreign direct investment went to companies not listed on the stock market. By the end of 2015, productive foreign investment, which excludes Entities Holding Foreign Securities –ETVE, reached EUR 21.7 billion, 10.9 percent more than in 2014 (EUR 19.6 billion), according to data from the Foreign Investment Register of the Ministry of Economy and Competitiveness. The growth was the result of increased influx of foreign capital and less disinvestment. The total growth foreign investment in equity stakes in companies resident in Spain in 2015, including holding companies, amounted to EUR 22.7 billion (9.6 percent year—on-year), up from EUR 20.7 billion in 2014. The six main investors in Spain, defined as the countries of ultimate origin of the investment, are the United States (7.3 percent, EUR 1.581 billion), Luxembourg (16.5 percent, EUR 3.584 billion), Netherlands (12.8 percent, EUR 2.777 billion), France (9.9 percent, EUR 2.140 billion), the United Kingdom (6 percent, EUR 1.311 billion), and Mexico (4.5 percent, EUR 977 million), which represented 57 percent of total gross investment in Spain in 2015. By regions, foreign investment in Spain was highly concentrated in the autonomous communities of Madrid and Catalonia, which received EUR 14.9 billion and 68.5 percent of the total, a decrease of 1.2 percent in Madrid and an increase of 57.8 percent in Catalonia. Companies invested especially in activities related to real estate, building and infrastructures, financial services and insurance, whole and retail sale, and energy. These sectors (EUR 14.8 billion) received 65.1 percent of total gross investment (EUR 22.7 billion).

However, there is growing investor concern about political stability in Spain. So far it does not appear to have translated into a slowdown in investments. Separatist leaders of the region of Catalonia, which accounts for about 19 percent of Spain's economic activity, have become increasingly vocal about independence and have announced plans to declare independence from Spain, a process that has no clear pathway under the Spanish constitution. Additionally, at the time of publication, the national election on December 20, 2015 has yet to yield a government. The legislature is split between four top parties, each with different policy objectives. As of April, there is no clear outcome in the government formation process, which some economists have said is leading to a domestic slowdown as households and firms are unsure about what future labor and other economic policies will be. Foreign investors so far do not appear to have slowed investments in Spain's capital markets over this political uncertainty.

Although Spain continues to face an unemployment rate above 20 percent and significant household and public indebtedness, in the third quarter of 2013, the country emerged from recession. In 2014, the country saw a resurgence in domestic consumption, which became the driver of economic recovery. The government attributes this turn-around in part to the reform program it implemented during the past two years, the largest in the country's democratic history. As part of this effort, the government undertook sharp public budget cuts that have helped to stabilize the fiscal situation. Major economic imbalances have been corrected, and competitiveness and flexibility are being restored. The government also implemented a series of structural reforms such as a labor market reform and the restructuring of the banking system, all measures aimed at improving the efficiency in the allocation of resources, whose full effects were visible by the end of 2014. Spain has regained access to affordable financing from international financial markets, which has improved Spain's credibility and solvency, generating investor confidence. However, the Spanish government has yet to improve access to financing for small and medium enterprises (SMEs), which still suffer from an important credit crunch. The government took additional steps in 2014 to provide a clear, stable and fair legal, regulatory and policy framework to attract more foreign investment.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2015	36 of 167	transparency.org/cpi2015/results
World Bank's Doing Business Report "Ease of Doing Business"	2015	33 of 189	doingbusiness.org/rankings
Global Innovation Index	2015	27 of 143	globalinnovationindex.org/content/page/data-analysis
U.S. FDI in partner country ($M USD, stock positions)	2014	USD 36,363	http://www.bea.gov/international/factsheet/factsheet.cfm
World Bank GNI per capita	2014	29,390 USD amount	data.worldbank.org/data/download/GNIPC.pdf

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

Foreign direct investment (FDI) has played a significant role in modernizing the Spanish economy over the past 35 years. Attracted by Spain's large domestic market, export possibilities, and growth potential, foreign companies set up operations in large numbers. Spain's automotive industry is almost entirely foreign-owned. Multinationals control half of the food production companies, a third of chemical firms, and two-thirds of the cement sector. Several foreign investment funds acquired networks from Spanish banks, and foreign firms control close to one third of the insurance market.

The Government of Spain recognizes the value of foreign investment and the economic importance of attracting more of it, particularly to help spur recovery from the economic crisis. Acting Prime Minister Mariano Rajoy has repeatedly commented that the government aims to make Spain increasingly attractive to foreign investors. Spain offers investment opportunities in sectors and activities with significant added value. There have not been any major changes in Spain's regulations for investment and foreign exchange under the Popular Party (PP) administration, which took office in December 2011. Spanish law permits 100 percent foreign ownership in investments, and capital movements are completely liberalized. Due to its degree of openness and the favorable legal framework for foreign investment, Spain has received significant foreign investments in knowledge-intensive activities in the past few years. Foreign investment in Spain, excluding foreign stockholders, grew 10.9 percent in 2015 by EUR 21.7 billion, according to Finance Ministry data. EUR 6.3 billion, or 73.7 percent of foreign investments, were in greenfield projects in the first half of

2015 - a project that lacks any constraints imposed by prior work, suggesting significant foreign investor interest in new operations in Spain. This was an increase of 65.6% percent compared to the same period of previous year. The United States was a lead foreign investor in Spain with a gross investment of EUR 1.6 billion, accounting for 7.4 percent of total investment and representing a decline of 56.7 percent compared to 2014.

The United States continues to be a primary destination for foreign outbound investment. Spain is one of the fastest growing investors in the United States, with much of the investment going to strategic sectors. Companies are attracted not only by the opportunities the largest single economy of the developed world offers but also by the access to a market of more than 1.4 billion when all free trade agreements are taken into consideration. Spanish investment increased from USD 14 billion in 2006 to more than USD 58 billion in 2014, making Spain the 9th overall source of Foreign Direct Investment (FDI) into the United States.

Other Investment Policy Reviews

Spain is a signatory to the convention on the Organization for Economic Co-operation and Development (OECD). Spain is also a member to the World Trade Organization (WTO) and the United Nations Conference on Trade and Development (UNCTAD). In the past three years, the government has not conducted an investment policy review through any of these three organizations.

Laws/Regulations on Foreign Direct Investment

On August 1, 2014, the Spanish Council of Ministers approved three Tax Reform bills relating to Personal Income Tax, Corporate Income Tax, and Value Added Tax (VAT) that went into effect on January 1, 2015. Although the reforms generally reduced personal and corporate taxes in most categories, one of the new measures was an exit tax that applies to taxpayers that have had tax residency in Spain for at least ten of the last fifteen years and who own more than EUR 4 million in relevant assets or more than 25 percent of a company worth over EUR 1 million. Although the measure seeks to combat offshore tax evasion, the provision has caused concern among Spanish entrepreneurs and foreign investors who say that the reform will make it difficult for Spanish start-ups to relocate outside the EU, which can be essential for the growth of a new business.

In April 1999, the adoption of royal decree 664/1999 eliminated requirements for government authorization in investments save those in activities directly related to national defense, such as arms production. The decree abolished previous authorization requirements on investments in other sectors deemed of strategic interest, such as telecommunications and transportation. It also removed all forms of portfolio investment authorization and established free movement of capital into Spain as well as Spanish capital out of the country. As a result, Spanish law conforms to multi-disciplinary European Union (EU) Directive 88/361, part of which prohibits all restrictions of capital movements between member states as well as between such states and other countries, and which classifies investors according to residence rather than nationality.

Registration requirements are straightforward and apply to foreign and domestic investments equally. They aim to verify the purpose of the investment, and do not block any investment.

Useful websites:

Legislation: http://www.comercio.gob.es/es-ES/inversiones-exteriores/normativa/Paginas/normativa-textos-legales.aspx

Statement of Foreign Investments (Instructions for filing the forms): http://www.comercio.gob.es/en/inversiones-exteriores/declaracion-inversiones-exteriores/Pages/declaracion-inversiones-exteriores.aspx

Residency program for investors and entrepreneurs: http://www.comercio.gob.es/en/inversiones-exteriores/programa-residencia-inversores-emprendedores/Pages/default.aspx

International Sanctions: http://www.comercio.gob.es/en/inversiones-exteriores/sanciones-internacionales/Pages/sanciones-internacionales.aspx

International Agreements: http://www.comercio.gob.es/es-ES/inversiones-exteriores/acuerdos-internacionales/Paginas/acuerdos-internacionales.aspx

Statistics: http://www.comercio.gob.es/es-ES/inversiones-exteriores/estadisticas/Paginas/Estad%C3%ADsticas-de-Inversiones-Exteriores-DataInvex.aspx

Investor Support Center: http://www.comercio.gob.es/es-ES/inversiones-exteriores/centro-asistencia-inversor-exportador/Paginas/que-es-cai.aspx

National Contact Point for Guidelines: http://www.comercio.gob.es/en/inversiones-exteriores/punto-nacional-contacto-lineas-directrices/pages/el_pnc.aspx

Attracting Foreign Investment: http://www.comercio.gob.es/en/inversiones-exteriores/atraccion-inversiones-extranjeras/Pages/detalle-atraccion-inversiones-extranjeras.aspx

Invest in Spain (investment promotion agency): http://www.investinspain.org/invest/es/index.html

Business Registration

For setting up a company in Spain, the basic requirements include incorporation before a Public Notary and filing with the companies register called Mercantile Register (Registro Mercantil). The public deed of incorporation of the company must be submitted. It can be submitted electronically by the Public Notary. The Central Mercantile Register is an official institution that provides access to companies' information supplied by the Regional Mercantile Registers after January 1, 1990. Any national or foreign company can use it, but must be registered and pay taxes and fees. Per the World Bank, it is much easier now to form a company in Spain and the whole process should take between one week and a month.

"Invest in Spain" is the Spanish investment promotion agency to facilitate foreign investment. Services are available to all investors.

Useful web sites:

Companies register: www. http://www.rmc.es/Home.aspx
Companies register for the Madrid region:
https://www.rmercantilmadrid.com/rmm/RegistroMercantil.aspx#
More information on the Mercantile Registry:

http://www.mjusticia.gob.es/cs/Satellite/Portal/es/areas-tematicas/registros/registro-mercantil
Investment promotion agency: http://www.investinspain.org/invest/es/cabecera/faq-s/establecimiento-de-una-empresa/index.html

Industrial Promotion

Among the financial instruments approved by the Spanish Government to provide official support for the internationalization of Spanish enterprise are the Foreign Investment Fund (FIEX), the Fund for Foreign Investment by Small and Medium-sized Enterprises (FONPYME), and the Enterprise Internationalization Fund (FIEM), as well as financing lines for investment in the electronics, information technology and communications, energy (renewables), and infrastructure concessions sectors.

Limits on Foreign Control and Right to Private Ownership and Establishment

Spain has a favorable legal framework for foreign investors. Spanish law has adapted its foreign investment rules to a system of general liberalization, without distinguishing between European Union (EU) residents and non-EU residents. Law 18/1992 of 1 July, establishing rules on foreign investments in Spain, provides a specific regime for non EU persons investing in certain sectors: national defense-related activities, gambling, television, radio, and air transportation. For EU residents, the only sectors with a specific regime are the manufacture and trade of weapons or national defense- related activities. For non-EU companies, the Spanish government restricts ownership of audio-visual broadcasting licenses to 25 percent.

The Spanish Constitution and Spanish law establishes clear rights to private ownership, and foreign firms receive the same legal treatment as Spanish companies. There is no discrimination against public or private firms with respect to local access to markets, credit, licenses and supplies.

Privatization Program

A process of privatization of state-owned firms began in the mid-1980s and was carried out by both Socialist and Popular Party governments in several stages. Spain’s privatization process was especially intense between 1996 and 2000, when large utilities and industrial groups, such as Telefonica, Tabacalera, Repsol, and Endesa, among others, were completely privatized. However, several of these companies maintain a de facto monopoly position under private ownership, and a high degree of sector concentration persists years after the main privatizations, reflecting the slow progress of competition in those sectors. U.S. companies have reported difficulty competing particularly in regulated sectors. The Public Works Ministry partially privatized Spanish Airports and Air Navigation (AENA) in early 2015 with the government retaining control of 51 percent and the remaining 49 percent divided between three private consortia (21 percent) and institutional and private shareholders and employees (28 percent).

Screening of FDI

Companies planning to enter the Spanish market should consider the fact that the acquisition of, or merger with companies active in Spain may be subject to a mandatory merger control review by the competition authorities. This mandatory review regime implies an obligation on the acquiring company or on the merging parties to notify the deal and to suspend its execution until approval by the authorities. Transactions that may be subject to merger control review are mergers of two independent companies or joint control over undertakings, and the creation of a joint venture. A notification and suspension obligation will apply provided that certain thresholds are met. Two different sets of rules apply to transactions affecting the Spanish market: European Union merger control rules and Spanish legislation. For transactions that do not reach the European Union thresholds, the smaller scaled, Spanish merger control legislation may apply. According to this legislation, transactions must be notified to the national competition authority if one of the following alternative thresholds is triggered: if the transaction results in the acquisition or increase of a market share of 30 percent or more in the relevant market in Spain, or if the combined turnover of the relevant undertakings in Spain amounts to EUR 240 million, provided that at least two of the undertakings concerned have a turnover of EUR 60 million in Spain. However, transactions are exempt from the notification obligation where the turnover or assets in Spain of the acquired company do not exceed EUR 10 million, as long as the parties do not have an individual or joint market share of 50 percent or more in any of the markets concerned.

Public takeover bids will not be subject to the suspension obligation provided in the Spanish merger control legislation provided the following conditions are met: the transaction must be notified to the national competition authority within five days of the submission of the bid to the National Stock Market Commission (CNMV); and the acquirer must not exercise the voting rights attached to the shares acquired, or must do so only to maintain the full value of those investments and on the basis of a derogation granted by the competition authority.

Competition Law

The parliament passed Act 3/2013 on June 4, 2013, by which the entities that regulated energy (CNE), telecoms (CMT), and competition (CNC) merged into a new entity, the National Securities Market and Competition Commission (CNMC). The law attributes practically all of the functions entrusted to the National Competition Commission under the Competition Act 15/2007, of July 3, 2007 (LDC) to the new CNMC.

2. Conversion and Transfer Policies

Foreign Exchange

There are no controls on capital flows. In February 1992, Royal Decree 1816/1991 provided complete freedom of action in financial transactions between residents and non-residents of Spain. Previous requirements for prior clearance of technology transfer and technical assistance agreements were eliminated. The liberal provisions of this law apply to payments, receipts and transfers generated by foreign investments in Spain.

Remittance Policies

Capital controls on the transfer of funds outside the country were abolished in 1991. Remittances of profits, debt service, capital gains, and royalties from intellectual property can all be affected at market rates using commercial banks.

3. Expropriation and Compensation

Spanish legislation has set up a series of safeguards to prevent the nationalization or expropriation of foreign investment. Since of the beginning of the economic crisis, Spain has altered its renewables policy six times, creating a high degree of regulatory uncertainty, and resulting in losses to U.S. companies' earnings and investments. In December 2012, the government enacted a comprehensive energy sector reform plan in an effort to address a EUR 30 billion energy tariff deficit caused by user rates that were insufficient to cover system costs. Spain's government announced on February 3, 2014 the details of its plan to cut subsidies for renewable-energy producers, a move that producers say could cause defaults across their industry. Additional reforms in 2014 negatively affected U.S. investors in the solar power sector, with some companies arguing that the changes to the legal regime are tantamount to indirect expropriation. As a result of Spain’s energy reforms the country has accumulated more than a dozen lawsuits, totaling EUR 1 billion in claims. Spain now faces several international claims, all of which come from the photovoltaic energy sector. As such, Spain has become the country with the largest number of open cases in the International Center for the Settlement of Investment Disputes (ICSID).

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

Local legislation establishes mechanisms to solve disputes if they arise. The judicial system is open and transparent, although sometimes slow-moving. Judges are in charge of prosecution and criminal investigation, which permits greater independence. The Spanish prosecution system allows for successive appeals to a higher Court of Justice. The European Court of Justice can hear the final appeal. In addition, the Government of Spain abides by rulings of the International Court of Justice at The Hague.

Bankruptcy

Spain has a fair and transparent bankruptcy regime. Bankruptcy proceedings are governed by the Bankruptcy Law of 2003 that entered into force on September 1, 2004. It applies to individuals and companies. The main aim of the law is to ensure the collection of debts by creditors, to promote consensus between the parties and, if possible, to enable the survival and continuity of the company. On March and September 2014, the government approved a reform of the bankruptcy law in two steps to promote Spain’s economic recovery. The reforms aim to avoid the bankruptcy of viable companies and preserve jobs by providing for refinancing agreements to be reached through debt write-off, capitalization, and rescheduling.

Investment Disputes

Contractual disputes between U.S persons and Spanish entities are handled accordingly. U.S. citizens seeking to execute American court judgments within Spain must follow the Exequator procedure established in Spanish law.

International Arbitration

Law 11/2011, of May 20, amending Law 60/2003 of December 23 on Arbitration applies to national and international arbitration conducted on Spanish territory, and aims to contribute to the promotion of methods of alternative dispute resolution (ADR), particularly arbitration. The Arbitration Act includes that the Civil Court and Criminal Court of Justice are competent to recognize of foreign arbitral awards. The Spanish Arbitration Act is based on the UNCITRAL Model law.

There are two main arbitration institutions in Spain, the Court of Arbitration of the Official Chamber of Commerce and Industry of Madrid (CAM), and the Civil and Commercial

Arbitration Court of Madrid (CIMA), both of which have modern and flexible rules, leading to successful support of arbitration. The number of cases –both domestic and international– handled by both institutions, has been rapidly increasing over the past years and the trend continues. In particular, proceedings in the CAM are resolved swiftly, allowing the parties to obtain an award in as little as six months.

ICSID Convention and New York Convention

Spain is a member state to the International Centre for the Settlement of Investment Disputes (ICSID) and a signatory to the 1958 Recognition and Enforcement of Foreign Arbitral Awards (New York Convention).

Duration of Dispute Resolution – Local Courts

The current economic difficulties in Spain have led to an increase in litigation, putting the judiciary system under severe pressure. The number of civil claims grew significantly over the past decade, resulting in an increase towards alternative dispute resolution mechanisms. Although ordinary proceedings are relatively straightforward, due to the significant number of cases within each court, getting to trial could take up to years. Domestic court decisions are subject to appeal, and the average time taken for a final judgment to be issued by the Court of Appeal can be anywhere between months up to years. After this, the decision may still be subject to appeal to the Supreme Court (although the grounds for this appeal are very limited) and this court generally takes between two to three years to issue a decision. Due to the uncertainty surrounding the duration of appeals, disputes involving large companies or significant amounts of money tend to be resolved through arbitration.

The Spanish judiciary has a well-established tradition of supporting and facilitating the enforcement of both foreign judgments and awards. In fact, the recognition and enforcement of foreign judgments is so well entrenched in the judicial system, that it has not been subject to any relevant modifications (save those imposed by international conventions) since the late nineteenth century, implying the strength of the system. For a foreign judgment to be enforced in Spain, an order declaring it is enforceable or exequatur is necessary. Once the exequatur is granted, enforcement itself is quite fast, provided that the assets are identified. Attachment of the assets will be immediate and time for realization will depend on the type of asset. First instance courts are competent for the enforcement of foreign rulings.

As to awards, Spain is a signatory to the New York Convention and has made no reservations. Therefore, the recognition and enforcement of awards is straightforward and implies the same guarantees and practicalities sought by the New York Convention and arbitration practitioners worldwide, with the additional advantage of the existence of a court specialized only in arbitration issues.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

Spain is in compliance with its World Trade Organization/Trade-Related Investment Measures obligations.

Investment Incentives

A range of investment incentives exist in Spain, and they are provided according to the authorities granting incentives and the type and purpose of the incentives.

The European Union:

Since Spain is a European Union Member State, potential investors are able to access European aid programs, which provide further incentives for investing in Spain:

a. The European Union provides incentives primarily to projects that focus on economically depressed regions or that benefit the European Union as a whole.

b. The European Investment Bank provides guarantees, microfinance, equity investment, and global loans for small and medium enterprises as well as individual loans focusing on innovation and skills, energy, and strategic infrastructure.

c. The European Investment Fund (EIF) provides venture capital to small and medium-sized enterprises, particularly new firms and technology-oriented businesses, via financial intermediaries. It also provides guarantees to financial institutions (such as banks) to cover their loans to small and medium-sized enterprises. The EIF does not grant loans or subsidies to businesses, nor does it invest directly in any firms. Instead, it works through banks and other financial intermediaries. It uses either its own funds or those entrusted to it by the European Investment Bank (EIB) or the European Union.

d. There are various structural and investment funds designed to fund initiatives which reduce the wealth disparity between member states. Most autonomous regions of Spain qualify for structural funds under the EU's 2014-2020 budget (EUR 454 billion). Investments under the European Regional Development Fund (ERDF) will be concentrated in 4 key priorities: innovation and research, the digital agenda, support for small and medium-sized enterprises (SMEs) and the low-carbon economy, depending on the category of region. Through the European Social Fund (ESF), Cohesion Policy will provide a significant contribution to EU priorities in the field of employment, as through training and life-long learning, education and social inclusion. The ESF allocation will be established according to the needs of each Member State. The new Youth Employment Initiative linked to the ESF will support the implementation of the Youth Guarantee.

e. Financial incentives are routed through major Spanish banks, such as the Instituto de Credito Oficial (ICO) and Banco Bilbao-Vizcaya Argentaria (BBVA), and must be applied for through the financial intermediary.

The Central Government:

a. Spain's central government provides numerous financial incentives for foreign investment, generally designed to complement European Union financing. The Ministry of Economy and Competitiveness (MINECO) runs the Directorate General for International Trade and Investments and Directorate General for Innovation and Competitiveness to assist businesses seeking investment opportunities. They provide support to foreign investors in both the pre- and post-investment phases. Most grants are aimed at encouraging the development of certain economic sectors, but often for a given subsidy, there may be sectors that are not exclusive but are preferential. A comprehensive list of incentive programs is available at the website, www.investinspain.org. Using this tool, companies can gain access to updated information regarding the grants available for investment projects. Users can sign up to the automatic alert system which prompts a tailor-made newsflash as suitable grants or subsidies are published. Applications for these incentives should be made directly to the relevant government agency.

b. Spain provides certain subsidies for job training and job creation, although they have been recently reduced due to budget constraints. Projects designated as Investment and Employment may be eligible for further subsidies from the Government Public Employment Service (formerly the National Employment Institute). Labor law reforms adopted in June 2012 increased hiring bonuses for youth and long-term unemployed. On February 28, 2014 the Council of Ministers approved a royal decree-law to promote employment and permanent contracts with a new “flat rate” for Social Security contributions. The measure applies to contracts signed after February 25, 2014. For the benefit to apply, the hiring must create net employment, although the benefit also can be applied for temporary contracts that are converted into permanent ones. On March 2015, the government approved an extraordinary credit of €850 million to fund the Activation Program for Employment during 2015, which is aimed at long-term unemployed with family responsibilities. This program has been extended by a Royal Decree-Law to April 15, 2017.

c. Spain is emphasizing support for small and medium-sized enterprises (SMEs) with a national program for innovative cluster networks to strengthen innovative business groups and competitiveness.

d. The central government provides financial aid and tax benefits for activities carried out in certain industries which are considered to be priority sectors in view of their growth potential and their impact on the nation’s overall economy (e.g., activities in new industrial plants, as well as increases in production capacity or relocations that industries decide to undertake to gain competitiveness, new infrastructure projects, and though more selectively, for the extension of projects which are already mature, preferably in the transport, energy and environment, and social infrastructure and services sectors; creation/growth of Research &Development (R&D) and innovation; the acquisition, upgrading and maintenance of scientific-technological equipment for R&D activities made by companies, private technology centers and private centers of innovation support that are located in science and technology parks, etc.). In addition, the regional governments provide similar incentives for most of these industries. Financial aid includes both nonrefundable subsidies and interest relief on the loans obtained by the beneficiaries, or combinations of the two. Companies are classified according to the size of business, which is a limiting factor in accessing certain types of public aid. According to the current usage, the term micro company refers to those employing fewer than 10 employees, with a turnover of less than EUR 2 million and with the same limit for its total assets. A small company has fewer than 50 employees, a turnover below EUR 10 million and total assets also below EUR 10 million. Medium-sized enterprises are those with fewer than 250 employees, annual turnover not exceeding EUR 50 million and total assets lower than EUR 43 million.

e. The state-owned corporate entity (Instituto de Crédito Oficial, ICO) attached to the Ministry of Economy and Competitiveness, has the status of State Financial Agency. Its activity seeks to boost small and medium companies and to encourage technological innovation and renewable energy projects as well as help to alleviate critical situations. ICO direct financing programs are aimed at financing large-scale investment projects in strategic sectors in Spain, backing large-scale investments by Spanish companies abroad, and supporting projects that are economically, financially, technologically and commercially sound and involve a Spanish interest.

f. Other official bodies that grant aid and incentives:

- MINHAP - Ministry of Finance and Public Administration
- MINETUR - Ministry of Industry, Energy and Tourism
- ENISA - National Innovation Company S.A. (under MINECO)
- AXIS ICO Group (under MINECO)
- INVEST IN SPAIN (under MINECO)
- RED.ES (under MINETUR)
- IDAE - Institute for Energy Diversification and Saving (under MINETUR)
- CERSA - Spanish Guarantee Company S.A. (under MINETUR)
- CDTI - Centre for Industrial Technological Development (under MINECO)
- Tripartite Foundation for training in employment (under Ministry of Employment and Social Security)
- CESGAR - Spanish Confederation of Mutual Guarantee Companies

The Regional Governments:

Spain's 17 regional governments, known as autonomous communities, provide additional incentives for investments in their region. Many are similar to the incentives offered by the central government and the European Union (EU), but they are not all compatible. Additionally, some autonomous community governments grant investment incentives in areas not covered by state legislation but which are included in EU regional financial aid maps. Royal Decree 899/2007, of 6 July, sets out the different types of areas which are entitled to receive aid, and their maximum ceilings. Each area's specific aspects and requirements (economic sectors, investments which can be subsidized and conditions) are set out in the Royal Decrees determining the different areas. Most are granted on an annual basis.

Generally, the regional governments are responsible for the management of each type of investment. This provides a benefit to investors as each autonomous community has a specific interest in attracting investment that enhances its economy. No investment project can receive other financial aid if the amount of the aid granted exceeds the maximum limits on aid stipulated for each approved investment in the legislation defining the eligible areas. Therefore, the subsidy received is compatible with other aid, provided that the sum of all the aid obtained does not exceed the limit established by the legislation of demarcation and EU rules do not preclude it (incompatibilities between Structural Funds).

Types of incentives available:

- Financial loans and subsidies
- Exemption from certain taxes
- Preferential access to official credit

- Reduction of burdens, with social security discounts to companies
- Bonuses for acquisition of certain material
- Customs exemption for certain imported goods
- Real estate grants, and gratuitous or favorable land grants
- Guarantees granted in credit operations
- Loans with low interest, long maturities, and grace periods
- Guarantee of dividends
- Professional training and qualification
- Indirect aid by means of supplying infrastructure facilities (access, services, communications, etc.)

Incentives from national, regional or municipal governments and the European Union are granted to Spanish and foreign companies alike without discrimination.

Municipalities:

a. Municipal corporations offer incentives to direct investment by facilitating infrastructure needs, granting licenses, and allowing for the operation and transaction of permits, although they have been reduced significantly due to budget constraints. Municipalities such as Madrid offer numerous support services for potential foreign investors. Local economic development agencies often provide free advice on the local business environment and relevant laws, administrative support, and connections to human capital in order to facilitate the establishment of new businesses. Spain recently made starting a business easier by eliminating the requirement to obtain a municipal license before starting operations and by improving the efficiency of the commercial registry.

Some U.S. and other foreign companies operating in Spain say they are disadvantaged by the Tax Administration's (AEAT) interpretation of Spanish legislation designed to attract foreign investment. For the past several years, AEAT has investigated and disallowed deductions based on operational restructuring at the European level involving a number of U.S.-owned Spanish holding companies for foreign assets (Empresas de Tenencia de Valores Extranjeros or ETVEs), claiming the companies are committing "an abuse of law." This situation disadvantages foreign direct investment in Spain; many U.S. companies now channel their Spanish investments and operations through third countries.

Research and Development

Incentives from national, regional or municipal governments and the European Union are granted to Spanish and foreign companies alike without discrimination.

Performance Requirements

Performance requirements are not used to determine the eligibility or level of incentives granted to investors.

Data Storage

The Spanish Data Protection Agency and the Spanish Police request data from companies, although the companies may refuse unless required by court order.

6. Protection of Property Rights

Real Property

The improvement in the Spanish economy has been reflected in the Spanish real estate market. Prices in the real estate and foreign investment markets have stabilized generally, and are beginning to firm up in some markets such as Barcelona and Madrid. This new trend has been particularly evident in the market for foreign investment in second homes on the Spanish coast and in office space in Madrid. New financing to acquire shares and assets of Spanish banks and financial institutions has helped support prices. Spain is a market of opportunities in real estate and business in which investors are competing. Investment in real estate is made directly through a permanent establishment or a Spanish company. Special vehicles may also be used to invest in real estate. Access to bank finance for the acquisition of real estate has been limited in Spain since 2007 due to the situation in the financial sector. Only those investors with their own finance were able to take advantage of opportunities in the real estate market. Individual investors were almost absent from the market. Funding came mostly from foreign funds and individuals.

There are generally no restrictions on foreign ownership of real estate. The buyer must fill out a Declaration to the Foreign Investment Register form before buying the property if the funds for the purchase come from a country or territory considered to be a tax haven. The declaration lasts six months. Foreign individuals require an identification card for foreigners (NIE for individuals). Other foreign legal persons require an identification card known as a CIF. Apart from money laundering regulations, no special restrictions or limitations apply to foreign mortgage guarantees and loans.

The Land Register provides evidence of title. The registration system is rigid, formalistic and functions efficiently. It provides legal certainty to all parties involved in a transaction. Public or private acts that affect the property are included in the land register. The Property Registry is responsible for managing the Land Register. A right or title recorded in the registry prevails over any other right or title. Certain administrative concessions (licenses for individuals to use or develop publicly-owned property for a particular purpose) may also be registered. Anyone who can prove a legitimate interest in the information contained in the register may access the register. It is not possible to make changes to the ownership of the real estate by electronic means. The transfer of real estate or the grant of rights over property should be executed by public deed in front of a notary before being registered with the Land Registry. A registered title includes the plot of land and the buildings attached to the land. Each plot constitutes a registered property. Each registered property is a legal object and has its own separate entry in the registry in which all data affecting it is registered. There are rules that determine whether a parcel of land, a building, farm, spring or other type of property has a separate entry in the registry system.

Lenders generally use mortgages as security. Mortgages are made by public deed and registered at the land registry. Once registered, the mortgage takes priority over the interest of any third party. Anyone with a legitimate interest in a property can find out whether it is mortgaged by consulting the register. Sale and leaseback is another form of real estate financing that has been used by some Spanish financial institutions. These institutions raised finance through the sale of their offices to their clients and subsequently leased them back. The institution raised funds and their clients received a stream of rental income.

Intellectual Property Rights

Spanish law protects property rights, with enforcement carried out at the administrative and judicial levels. Any administrative decision pertaining to property rights can be appealed first at the administrative and then at the judicial level, which has three levels of court appeals. Property protection is effective in Spain, although the system is slow. Spanish patent, copyright, and trademark laws all approximate or exceed European Union levels of intellectual property protection. Spain is a party to the Paris Convention, Bern Convention, the Madrid Accord on Trademarks and the Universal Copyright Conventions.

Copyrights

Spanish law extends copyright protection to all literary, artistic or scientific creations, including computer software. Spain has ratified the World Intellectual Property Organization's (WIPO) Copyright Treaty (WCT) and the WIPO Phonograms and Performances Treaty (WPPT), the so-called Internet treaties. In 2006, Spain passed legislation implementing the EU Copyright Directive, thereby also making the Internet treaties part of Spanish law. However, the Internet presents the most problematic area in terms of respect for intellectual property rights in Spain. While law enforcement agencies are combating street piracy, Internet piracy has increased sharply over the past several years. U.S. copyright-dependent industries - music, movies, and entertainment software - continue to report a steady decline in sales attributable to digital piracy and cite Spain as having one of the worst problems in the world in this regard.

Spanish cultural industries have also been hit hard by piracy. In December 2015, the Attorney General's office published a new "Circular," which interprets changes to the Penal Code related to intellectual property crimes. The revisions to the Penal Code went into effect in July 2015. The 2015 Circular clarified two significant components of Spain's intellectual property rights protections: 1) linking to pirated content is a crime and 2) websites that benefit from infringing content, directly or indirectly (e.g., through advertising or other revenue), are subject to prosecution.

In February 2011, parliament passed the Sustainable Economy Law (LES), which contains provisions giving the government authority to shut down or block websites found to host or link to infringing content. The law provides for an administrative process with two separate judicial interventions before action can be taken against a site. The government approved implementing regulations on December 30, 2011 and established in March 2012 the Intellectual Property Commission (IPC), the administrative body that accepts complaints from right holders. After a two-year process, the government completed reforms to Spain's Intellectual Property Rights legal framework, amending the intellectual property law, civil procedure law, and the penal code. The new legal framework now criminalizes online piracy and the facilitation of online piracy and allows the IPC to take action against copyright infringers by going after their funding sources, blocking access to websites, and applying fines up to 600,000 euros.

Public and private sector enforcement actions (especially private sector initiatives) using Spain's patent, copyright and trademark legal framework have increased, though less so in cases involving alleged Internet piracy. Industry groups praise police enforcement actions;

their concerns have to do more with the judiciary than with Spain's police forces. Despite enforcement efforts, piracy remains a significant problem. Industry sources estimate that in 2014 nearly 88 percent of all content consumed in Spain was illegal, representing over 4.45 billion digital works estimated at 23 billion euros. Access to pirated content is broken down by category as follows: music (41 percent), TV series (23 percent), movies (20 percent), books (7.5 percent), video games (5.38 percent), and soccer (3.12 percent). In 2014, Spanish law enforcement confiscated more than three million counterfeit items valued at 151.9 million euros.

Patents

Spanish authorities published a new Patents law in 2015 (Law 24/2015). It will enter into force on April 1, 2017. A non-renewable 20-year period for working patents is available if the patent is used within the first three years. Spain permits both product and process patents. The European Parliament approved regulations to establish a single patent for the European Union (EU) in December 2012. Spain and Italy decided to opt out, however, due to discrepancies with the patent’s linguistic regime (English, French, and German). A special court will be created to resolve disputes arising from the 25 country signatories. Companies or individuals who want to protect their innovations throughout the EU will have to request a patent in three places – in Munich, the headquarters of the European patent, in Spain, and in Italy (compared to the need to do so in 27 different countries currently) – and will be exposed to litigation in many other jurisdictions. Patents will be issued in English, French, or German, although applications may be presented in any official EU language, along with a summary in one of the three aforementioned languages. Although the regulations entered into force on January 20, 2013, the Patent Package will not enter into force until Germany, France, the United Kingdom and 10 other Member States have ratified the Agreement on a Unified Patent Court. As ofMarch 2016, nine countries have ratified the agreement: Austria, Belgium, Denmark, Finland, France, Luxembourg, Malta, Portugal, and Sweden.

Pharmaceutical companies have reported that Spain’s lack of patent harmonization with the majority of European Union member states has left holders of pharmaceutical process patents with weaker patent protection than required by the WTO Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement. The Spanish government has amended the penal code to stipulate that patent infringers will receive one to three years imprisonment for infringing on protected plant varieties for commercial or agricultural purposes.

Trademarks

Spanish authorities published a new Trademark law in 2001 (Law 17/2001), which came into effect in July 2002. The Spanish Office of Patents and Trademarks oversees protection for national trademarks. Trademarks registered in the Industrial Property Registry receive protection for a 10-year period from the date of application, which may be renewed. Protection is not granted for generic names, geographic names, those that violate Spanish customs or other inappropriate trademarks. In March 2015, the Spanish parliament passed a reform of the penal code that entered into force in July 2015 (Ley Organica 1/2015). The revised penal code removed the condition that certain intellectual property rights crimes related to the sale of counterfeit items meet a threshold of EUR 400 in order to merit prosecution. The new penal code now specifies three tiers of criminal behavior that warrant three different levels of corresponding penalties. The new penal code also changed the procedure for destruction of counterfeit items seized by law enforcement. Counterfeit items may now be destroyed as soon as an official report has been made regarding the items, unless a judge formally requests that the items be retained. This alleviates a burden for trademark holders who previously had to request and receive judicial approval for counterfeit items to be destroyed prior to the conclusion of criminal proceedings. Businesses may seek a trademark valid throughout the European Union. The Office for Harmonization in the Internal Market (OHIM) for the registration of community trademarks in the European Union started its operations in 1996. Its headquarters are located in Alicante:

Office for Harmonization in the Internal Market (Trade Marks and Designs)

Avenida de Europa, 4
E-03008 Alicante
Tel: (34) 96-513-9100
http://oami.europa.eu/ows/rw/pages/OHIM/contact.en.do

The World International Property Organization (WIPO, headquartered in Geneva) oversees an international system of registration. Applicants must designate the countries where they wish to obtain protection. However, this system only applies to U.S. firms with an establishment in a country that is a party of the Agreement or the Protocol.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at http://www.wipo.int/directory/en/.

Resources for Rights Holders

Embassy POC: Madrid_ECON@state.gov

A list of local lawyers can be found at: http://madrid.usembassy.gov/citizen-services/professional-services/attorneys2.html

7. Transparency of the Regulatory System

Spain modernized its commercial laws and regulations following its 1986 entry into the EU. Its local regulatory framework compares favorably with other major European countries. Bureaucratic procedures have been streamlined and much red tape has been eliminated, though permitting and licensing processes can still suffer delays. Efficacy of regulation at the regional level is uneven. To avoid the fragmentation of the domestic market emerging from differences and overlapping of central, regional and local regulation, the Market Unity Guarantee Act 20/2013 was adopted in December 2013. The law aims to rationalize the regulatory framework for economic activities, eliminating duplicities in administrative control over one and the same activity or product through a “single license” system that will facilitate the free flow of goods and services throughout Spain. It also reinforces coordination among competent authorities and introduces a mechanism to rapidly solve operators’ problems. With a license from only one of Spain’s 17 regional governments, companies will be able to operate throughout the Spanish territory, rather than having to requests licenses from each region. The measures are expected to reduce business operating costs, improve competitiveness and attract foreign investment.

8. Efficient Capital Markets and Portfolio Investment

The convergence of monetary policy following the adoption of the euro led to a significant lowering of interest rates; however, the eurozone crisis and the downgrade of Spanish sovereign debt had a negative impact on public financing costs. Foreign investors do not face discrimination when seeking local financing for projects. There is a large range of credit instruments available through Spanish and international financial institutions. Many large Spanish companies rely on cross-holding arrangements and ownership stakes by banks rather than pure loans. However, these arrangements do not act to restrict foreign ownership. Several of the largest Spanish companies that engage in this practice are also traded publicly in the U.S. There is a significant amount of portfolio investment in Spain, including by American entities. During 2014, foreign investment flows in negotiable securities showed a strong increase of 26.62 percent over 2013, and accumulated foreign investment amounted to 733.7 billion euros. 99.8 percent of this amount was in equity securities, and 0.2 percent in shares of investment funds. Investors were mainly from the Organization for Economic Co-operation and Development (OECD) countries (98.6 percent), especially from EU countries (88.5 percent) and the United States (7.7 percent).

Money and Banking System, Hostile Takeovers

A domestic housing slump that began in 2007 had a great impact on savings banks (cajas de ahorros), many of which were heavily exposed to troubled construction and real estate companies. The government created a Fund for Orderly Bank Restructuring (FROB) through Royal Decree-law 9/2009 of June 26, which restructures credit institutions with an eye toward bolstering capital and provisioning levels. The number of Spanish financial entities has shrunk significantly since 2009 with 50 entities consolidated into 13 as of April 2016 (Santander, BBVA, Banco Popular, Bankinter, Banco Sabadell, CaixaBank, Bankia, Banco Ibercaja, Kuxtabank, Banco, Banco Mare Nostrum, Liberbank, Abanca, and Unicaja Banco). Between 2008 and 2015, more than 13,000 Spanish bank branches closed, with 1,906 closures in 2014,. After this reduction there were 31,876 banking offices in Spain.. The sector has also shed 62,000 workers, representing 22.3 percent of the pre-crisis workforce. The downsizing runs in parallel with a 32 percent drop in credit to households and businesses in Spain from 2008 to 2013. Total bank deposits have remained roughly stable at 1.16 trillion euros. Industry analysts foresee a continued downsizing of bank branches until the total drops to about 30,000 offices, suggesting an additional reduction of 3,500 branches before the end of 2016.

Financial sector reforms announced in February and May of 2012 sought to increase bank transparency with regard to exposure to toxic assets, reduce oversupply of financial services by encouraging further consolidation, and alleviate the credit crunch by stabilizing bank balance sheets to increase lending. In January 2014, Spain cleanly exited its EU aid program and has made several prepayments of its ESM obligations, steps that have earned praise for Spanish restructuring efforts from EU officials. In November 2015, the Government approved legislation implementing the Law on the Recovery and Resolution of Credit Institutions and Investment Service Companies. The regulation also develops the role of the Orderly Bank Restructuring Fund (Spanish acronym: FROB), as the National Resolution Authority, as well as the contributions of institutions to the National Resolution Fund and the Deposit Guarantee Fund. The flow of credit has been restored and alternative financing mechanisms have been created.

Total assets for the six biggest banks in Spain as of late 2015 were 2.765 trillion euros:

Banco Santander: 1.340 trillion euros
Banco Bilbao Vizcaya Argentaria (BBVA): 750.1 billion euros
CaixaBank: 317.7 billion euros
Bankia: 208.2 billion euros

Banco Popular: 148.8 billion euros
Banco Sabadell: 208.6 billion euros

9. Competition from State-Owned Enterprises

The size of the public enterprise sector in Spain is relatively small. Over the last two decades, the role and importance of state-owned enterprises (SOE) in Spain decreased notably due to the privatization process that started in the early 1980s. The reform of SOE oversight in the 1990s led the government to create the State Holding for Industrial Participations, (Sociedad Estatal de Participaciones Industriales, SEPI). SEPI was created as a public-law entity by decree in 1995; its status was then protected by law in 1996. SEPI has direct majority participation in 16 SOEs, and also is a direct minority shareholder in ten SOEs (five of them listed on stock exchanges), and participates indirectly in ownership of more than a hundred companies. Both legislative chambers and any parliamentary group may request the presence of SEPI and SOE representatives to discuss issues related to their performance. SEPI and the SOEs are required to submit economic and financial information to the legislature on a regular basis. The European Union, through specialized committees, also controls SOEs' performance on issues concerning sector-specific policies and anti-competitive practices.

OECD Guidelines on Corporate Governance of SOEs

Corporate Governance of Spain's SOEs uses criteria based on principles and guidelines from the Organization for Economic Co-operation and Development (OECD). These include the state ownership function and accountability, as well as issues related to performance monitoring, information disclosure, auditing mechanisms and the role of the board in the companies.

Sovereign Wealth Funds

Spain and its companies are at the center of attention of sovereign wealth funds, not only in these funds' traditional sectors of operation, such as energy and finance, but also in real estate, technology and infrastructure. The growth of sovereign wealth funds offers both a financial and industrial opportunity for Spain. Attracted by the economic recovery, sovereign wealth funds again targeted Spanish assets as a destination for European investment in 2014. In 2014 numerous transactions were carried out by funds involving foreign subsidiaries of Spanish multinationals or Spanish companies.

More than EUR 4.6 billion has been invested into Spain since January 2014 by sovereign wealth funds. Spain is consolidating its position as an attractive destination for global sovereign investment: Norway, the Middle East (Kuwait, Qatar, Oman, United Arab Emirates), and Asia (China, Singapore and Malaysia) have targeted Spain as an attractive investment destination in 2014 and 2015, and all the signs point to their continuing to do so in the medium term. Investments were largely concentrated in the real estate sector, highlights being the equity stakes taken by Singapore's GIC in property group GMP and by QIA in Colonial and its French subsidiary SFL, although main transactions have been concentrated in energy (distribution), construction, and infrastructures companies. Sovereign wealth funds are also increasingly betting on innovation and technology, and in the coming decades, they could lead a new wave of investment in agricultural assets. Kuwait has started investing again in Spain, through Wren House Infrastructure Management (WHI). In December 2014 it invested together with the infrastructure fund Macquarie in E.ON, acquiring the German energy company's Spanish assets. The transaction, valued at EUR 2.5 billion (including debt), has a very interesting strategic spin-off. KIA is thought to have contributed EUR 1 billion to the transaction. The strategic co-investment dimension follows a similar logic to that of International Petroleum Investment Company (IPIC) with Cepsa.

10. Responsible Business Conduct

Spanish companies consider corporate reputation, competitive advantage, and industry trends to be the major driving forces of responsible business conduct (RBC). Initiatives undertaken by the EU and international organizations have influenced companies' decision to implement RBC, and companies continue to increasingly adhere to its principles. Associations and fora that bring together the heads of leading corporations, business schools and other academic institutions, NGOs and the media are actively contributing to implementation of RBC in Spain. Although the visibility of RBC efforts is still moderate by international standards, in the last two decades there has been a growing interest in it. Today, almost all of Spain’s largest energy, telecommunications, infrastructure, transport, financial services and insurance companies, among many others, have undertaken RBC projects, and such practices are spreading throughout the economy. The Spanish government has taken some measures to promote RBC since 2002.

The Spanish government has taken some measures to promote RBC since 2002. The government endorsed the Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, and the national point of contact is the Ministry of Industry, Energy, and Tourism.

11. Political Violence

Austerity measures and the resulting budgetary cuts have led to peaceful demonstration in Madrid and other parts of Spain throughout 2015. Public sector employees and union members have organized frequent small demonstrations in response to service cuts, privatization, and other government measures.

12. Corruption

Giving or accepting a bribe is a criminal act. Under Section 1255 of the Spanish civil code, corporations and individuals are prohibited from deducting bribes from domestic tax computations.

Spain has a wide variety of laws, regulations, and penalties dealing with corruption. The legal regime has both civil and criminal sanctions for corruption, bribery, financial malfeasance, etc. The Spanish Criminal Code was amended in March 2015 to include jail sentences and hefty fines for corporations’ (legal persons) administrators who receive financing in violation of the current legislation, as per Article 304 bis. In March 2015, Congress approved the Law for the Control of Political Parties Economic and Financial Activities, by which Parties cannot accept donations from companies, while donations from private citizens cannot be higher than 100,000 euros a year. Other measures to fight corruption were also included in the Law, such as the publishing in the web of the Parties accounting as well as the financial credits they have pending.

On November 29, 2006, the parliament passed a tough law against tax evasion designed, in part, to combat corruption. The government also issued two regulations imposing new requirements on banks and financial institutions to fight money laundering. In April 2010 Spain’s parliament passed Law 10/2010 aimed at protecting the integrity of the financial and other economic sectors through the establishment of obligations to prevent money laundering and terrorist financing. With this law, Spain has successfully transposed the third European Union money laundering Directive (Directive 2005&60/CE) of the European Parliament and the Council of October 26, 2005. Banks and other financial institutions, investment services firms, collective investment institutions, management companies of private equity and venture capital firms are all obliged to comply with the law. Some portions of the new law entered into force immediately, but others are still awaiting implementing regulations. Law 7/2012, passed October 29, 2012, restricts cash transactions in an attempt to reduce the size of Spain's large underground economy. The law prohibits cash payments equal to or above 2,500 euros involving business deals by entrepreneurs and freelancers. The limit is up to 15,000 euros for non-resident payers. In December 2013, the Parliament approved the Law of Transparency aimed at reducing corruption among public officials. Central and regional administrations have one and two years, respectively, to implement the articles of the law that deal with corruption and transparency. In an additional attempt to fight corruption, in February 2014, the Government presented in Parliament its plan for democratic regeneration that includes two bills that were finally approved in Congress in March 26, 2015: the Law of Control of Political Parties' Economic and Financial Activities, and the Law for the regulation of public office of officials in the General Administration.

The General State Prosecutor is authorized to investigate and prosecute corruption cases involving funds in excess of roughly USD 500,000. The Office of the Anti-Corruption Prosecutor, a subordinate unit of the General State Prosecutor, has 15-20 prosecutors in Madrid, Barcelona, and Valencia who are tasked with investigating and prosecuting domestic and international bribery allegations. There is also the Audiencia Nacional, a corps of magistrates with broad discretion to investigate and prosecute alleged instances of Spanish businesspeople bribing foreign officials.

Spain enforces anti-corruption laws on a generally uniform basis. Public officials are subjected to more scrutiny than private individuals, but several wealthy and well-connected business executives have been successfully prosecuted for corruption. There is no obvious bias for or against foreign investors. U.S. firms have not identified corruption as an obstacle to investment in Spain. Although no formal corruption complaints have been lodged, U.S. companies have indicated that they have been disqualified at times from public tenders based on reasons that these companies' legal counsels did not consider justifiable.

Spain's rank in Transparency International's annual Corruption Perceptions Index improved slightly in 2015, going from position 37 to position 36. According to Transparency International, one of the reasons for this improvement is increased public perception of the efficacy of the judicial system and the role of the media which continues to investigate and report corruption cases and bring them to the public's attention, as well as the improved level of transparency of Spanish political parties.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

Spain is a signatory of the Organization for Economic Co-operation and Development (OECD) Convention on Combating Bribery. The government amended domestic law to make the Convention a more useful investigative and prosecutorial tool in 2010. Following a December 2012 review of Spanish implementation of the OECD Convention, the OECD noted that Spain's enforcement of its foreign bribery laws has been extremely low, with not a single prosecution out of seven investigations in 13 years. The OECD report concluded that

Spain must vigorously pursue foreign bribery allegations and strengthen its legal framework for fighting bribery by addressing gaps in its Penal Code.

Resources to Report Corruption

Ministry of Finance and Public Administrations
Alcalá, 9
28071 Madrid, Spain
34 91 595 8000
sugerencias.portal@meh.es
informacion.administrativa@minhap.es

13. Bilateral Investment Agreements

Bilateral Taxation Treaties

Spain has concluded bilateral investment agreements with Hungary (1989), the Czech Republic (1990), Russia (1990), Azerbaijan (1990), Belarus (1990), Georgia (1990), Tajikistan (1990), Turkmenistan (1990), Kirgizstan (1990), Armenia (1990), Slovakia (1990), Argentina (1991), Chile (1991), Tunisia (1991), Egypt (1992), Poland (1992), Uruguay (1992), Paraguay (1993), Philippines (1993), Algeria (1994), Honduras (1994), Pakistan (1994), Kazakhstan (1994), Peru (1994), Cuba (1994), Nicaragua (1994), Lithuania (1994), South Korea (1994), Bulgaria (1995), Dominican Republic (1995), El Salvador (1995), Gabon (1995), Latvia (1995), Malaysia (1995), Romania (1995), Indonesia (1995), Venezuela (1995), Turkey (1995), Lebanon (1996), Ecuador (1996), Costa Rica (1997), Croatia (1997), Estonia (1997), India (1997), Panama (1997), Slovenia (1998), South Africa 1998), Ukraine (1998), the Kingdom of Jordan (1999), Trinidad and Tobago (1999), Bolivia (2001), Jamaica (2002), Iran (2002), the Federal Republic of Yugoslavia (2002), Bosnia and Herzegovina (2002), Serbia (2002), Nigeria (2002), Guatemala (2002), Namibia (2003), Albania (2003), Uzbekistan (2003), Syria (2003), Equatorial Guinea (2003), Colombia (2005), Macedonia (2005), Morocco (2005), Kuwait (2005), China (2005), the Republic of Moldova (2006), Mexico (2006), Vietnam (2006), Libya (2007), Bahrain (2008), Senegal (2008), and the Islamic Republic of Mauritania (2008).

Spain and the United States have a Friendship, Navigation and Commerce (FCN) Treaty, and a Bilateral Taxation Treaty (1990), which was amended on January 14, 2013, approved by the United States Senate Foreign Relations Committee on July 16, 2014, authorized by the Spanish Parliament on December 10, 2014, but awaits approval of the United States Senate.

Some United States and other foreign companies operating in Spain say they are disadvantaged by the Tax Administration's (AEAT) interpretation of Spanish legislation designed to attract foreign investment. For the past several years, AEAT has investigated and disallowed deductions based on operational restructuring at the European level involving a number of U.S.-owned Spanish holding companies for foreign assets (Empresas de Tenencia de Valores Extranjeros or ETVEs), claiming the companies are committing "an abuse of law." This situation disadvantages foreign direct investment in Spain; many U.S. companies now channel their Spanish investments and operations through third countries.

14. Foreign Trade Zones/Free Ports/Trade Facilitation

Both on the mainland and islands (and in most Spanish airports and seaports) there are numerous free trade zones where manufacturing, processing, sorting, packaging, exhibiting, sampling and other commercial operations may be undertaken free of any Spanish duties or taxes. The largest free trade zones are in Barcelona, Cadiz, and Vigo, and the entire province of the Canary Islands is a Special Economic Zone. Others vary in size from a simple warehouse to several square kilometers. Spanish customs legislation allows companies to have their own free trade areas. Duties and taxes are payable only on those items imported for use in Spain. These companies have to abide by Spanish labor laws.

15. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) ($M USD)	2014	$1.4	2014	$17.4 trillion	www.worldbank.org/en/country
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country ($M USD, stock positions)	2013	59,873	2014	36,363	http://bea.gov/international/direct_investment_ multinational_companies_comprehensive_data.htm
Host country's FDI in the United States ($M USD, stock positions)	2013	57,975	2014	58,138	http://bea.gov/international/direct_investment_ multinational_companies_comprehensive_data.htm
Total inbound stock of FDI as % host GDP	2013	44.23%	2013	3.46%	N/A

*Ministry of Economy and Competitiveness

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations *(US Dollars, Millions)*					
Inward Direct Investment			Outward Direct Investment		
Total Inward	573,806	100%	Total Outward	516,539	100%

Netherlands	139,350	24%	United Kingdom	78,860	15%
Luxembourg	81,743	14%	United States	67,219	13%
United Kingdom	68,302	12%	Brazil	54,979	11%
France	48,050	8%	Mexico	39,859	8%
Germany	41,374	7%	Portugal	26,847	5%
"0" reflects amounts rounded to +/- USD 500,000.					

Table 4: Sources of Portfolio Investment

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			Equity Securities			Total Debt Securities		
All Countries	535,704	100%	All Countries	244,881	100%	All Countries	290,821	100%
Luxembourg	121,904	23%	Luxembourg	N/A	N/A	Italy	93,217	32%
Italy	96,991	18%	France	N/A	N/A	France	22,558	8%
France	48,242	9%	Ireland	N/A	N/A	Netherlands	27,000	9%
United Kingdom	37,283	7%	United Kingdom	N/A	N/A	United States	21,947	8%
United States	34,378	6%	United States	N/A	N/A	United Kingdom	19,274	7%

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments

Legal system:

civil law system with regional variations

International organization participation:

ADB (nonregional member), AfDB (nonregional member), Arctic Council (observer), Australia Group, BCIE, BIS, CAN (observer), CBSS (observer), CD, CE, CERN, EAPC, EBRD, ECB, EIB, EITI (implementing country), EMU, ESA, EU, FAO, FATF, IADB, IAEA, IBRD, ICAO, ICRM, IDA, IEA, IFAD, IFC, IFRCS, IHO, ILO, IMF, IMO, IMSO, Interpol, IOC, IOM, IPU, ISO, ITSO, ITU, ITUC (NGOs), LAIA (observer), MIGA, NATO, NEA, NSG, OAS (observer), OECD, OPCW, OSCE, Paris Club, PCA, Schengen Convention, SELEC (observer), SICA (observer), UN, UNCTAD, UNESCO, UNHCR, UNIDO, UNIFIL, Union Latina, UNRWA, UNWTO, UPU, WCO, WHO, WIPO, WMO, WTO, ZC

Exchange control

In principle, all direct investments into Spain require previous verification by the Dirección General del Tesoro y Política Financiera (DGTPF). Outward direct investments also require approval by the DGTPF.

Treaty and non-treaty withholding tax rates

Spain has signed **102 agreements** (**93 DTC** and **9 TIEA** agreements) providing for the exchange of information.

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5
Albania	DTC	2 Jul 2010	4 May 2011	Unreviewed	Yes
Algeria	DTC	7 Oct 2002	6 Jul 2005	Unreviewed	No
Andorra	TIEA	14 Jan 2010	10 Feb 2011	Yes	Yes
Argentina	DTC	11 Mar 2013	not yet in force	Yes	Yes
Armenia	DTC	16 Dec 2010	21 Mar 2012	Unreviewed	Yes
Aruba	TIEA	24 Nov 2008	27 Jan 2010	Yes	Yes
Australia	DTC	24 Mar 1992	10 Dec 1992	Yes	No
Austria	DTC	20 Dec 1966	1 Jan 1968	Yes	No
Azerbaijan	TIEA	12 Nov 2009	1 Dec 2010	Unreviewed	Yes
Bahamas, The	TIEA	11 Mar 2010	17 Aug 2011	Yes	Yes
Barbados	DTC	1 Dec 2010	14 Oct 2011	Yes	Yes
Belarus	DTC	1 Mar 1985	7 Aug 1986	Unreviewed	No
Belgium	DTC	14 Jun 1995	25 Jun 2003	Yes	No
Belgium	DTC Protocol	2 Dec 2009	not yet in force	Yes	Yes
Bolivia	DTC	30 Jun 1997	23 Nov 1998	Unreviewed	No
Bonaire, Saint Eustatius and Saba	TIEA	10 Jun 2008	27 Jan 2010	Unreviewed	Yes
Bosnia and Herzegovina	DTC	5 Feb 2008	4 Jan 2011	Unreviewed	Yes
Brazil	DTC	14 Nov 1974	3 Dec 1975	Yes	No
Bulgaria	DTC	6 Mar 1990	14 Jun 1991	Unreviewed	No
Canada	DTC	23 Nov 1976	26 Dec 1980	Yes	No
Chile	DTC	7 Jul 2003	23 Dec 2003	Yes	No
China	DTC	22 Nov 1990	20 May 1992	Yes	No
Colombia	DTC	31 Mar 2005	23 Oct 2008	Unreviewed	Yes
Costa Rica	DTC	4 May 2004	15 Dec 2010	Yes	No
Croatia	DTC	19 May 2005	20 Apr 2006	Unreviewed	Yes
Cuba	DTC	3 Feb 1999	31 Dec 2000	Unreviewed	No
Curaçao	TIEA	10 Jun 2008	27 Jan 2010	Yes	Yes

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5	
Cyprus	DTC	14 Feb 2013	not yet in force	Yes	Yes	
Cyprus	EEC directive	1 Jan 2003	1 Jan 2004	Yes	No	
Czech Republic	DTC	8 May 1980	5 Jun 1981	Yes	No	
Denmark	TIEA	12 Nov 2009	1 Dec 2010	Yes	No	
Dominican Republic	DTC	16 Nov 2011	not yet in force	Unreviewed	Yes	
Ecuador	DTC	20 May 1991	19 Apr 1993	Unreviewed	No	
Egypt	DTC	10 Jun 2005	28 May 2006	Unreviewed	No	
El Salvador	DTC	7 Jul 2008	13 Aug 2009	Unreviewed	Yes	
Estonia	DTC	3 Sep 2003	28 Dec 2004	Yes	No	
Finland	DTC	15 Nov 1967	30 Oct 1968	Yes	No	
Former Yugoslav Republic of Macedonia	DTC	20 Jun 2005	1 Dec 2005	Yes	No	
France	DTC	10 Oct 1995	1 Jul 1997	Yes	No	
Georgia	DTC	7 Jun 2010	1 Jul 2011	Unreviewed	Yes	
Germany	DTC	3 Feb 2011	18 Oct 2012	Yes	Yes	
Greece	DTC	4 Dec 2000	21 Aug 2002	Yes	No	
Hong Kong, China	DTC	1 Apr 2011	13 Apr 2012	Yes	Yes	
Hungary	DTC	9 Jul 1984	20 May 1987	Yes	No	
Iceland	DTC	22 Jan 2002	2 Aug 2002	Yes	No	
India	DTC	8 Feb 1993	12 Jan 1995	Yes	No	
India	DTC Protocol	26 Oct 2012	not yet in force	Yes	Yes	
Indonesia	DTC	30 May 1995	20 Dec 1999	Yes	No	
Iran	DTC	19 Jul 2003	30 Jan 2006	Unreviewed	No	
Ireland	DTC	10 Feb 1994	21 Nov 1994	Yes	No	
Israel	DTC	30 Nov 1999	20 Nov 2000	Yes	No	
Italy	DTC	8 Sep 1977	14 Nov 1980	Yes	No	
Jamaica	DTC	8 Jul 2008	16 May 2009	Yes	Yes	
Japan	DTC	13 Feb 1974	20 Nov 1974	Yes	No	
Kazakhstan	DTC	7 Feb 2009	18 Aug 2011	Unreviewed	Yes	
Korea, Republic of	DTC	17 Jan 1994	21 Nov 1994	Yes	No	
Kuwait	DTC	26 May 2008	19 Jul 2013	Unreviewed	Yes	
Kyrgyzstan	DTC	1 Mar 1985	7 Aug 1986	Unreviewed	No	
Latvia	DTC	4 Sep 2003	14 Dec 2004	Unreviewed	No	
Lithuania	DTC	22 Jul 2003	26 Dec 2003	Yes	No	
Luxembourg	DTC	3 Jun 1986	19 May 1987	Yes	Yes	
Malaysia	DTC	24 May 2006	28 Dec 2007	No	No	
Malta	DTC	8 Nov 2005	12 Sep 2006	Yes	Yes	
Mexico	DTC	24 Jul 1992	6 Oct 1994	Yes	No	
Moldova, Republic of	DTC	8 Oct 2007	30 Mar 2009	Unreviewed	Yes	
Morocco	DTC	10 Jul 1978	16 May 1985	No	No	
Netherlands	DTC	16 Jun 1971	20 Sep 1972	Yes	No	
New Zealand	DTC	28 Jul 2005	31 Jul 2006	Yes	No	
Nigeria	DTC	23 Jun 2009	not yet in force	Yes	Yes	

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5
Norway	DTC	6 Oct 1999	18 Dec 2000	Yes	No
Pakistan	DTC	1 Jan 2010	not yet in force	Unreviewed	Yes
Panama	DTC	7 Oct 2010	25 Jul 2011	Yes	Yes
Peru	DTC	6 Apr 2006	not yet in force	Unreviewed	Yes
Philippines	DTC	14 Mar 1989	12 Sep 1994	Yes	No
Poland	DTC	15 Nov 1979	6 May 1982	Yes	No
Portugal	DTC	26 Oct 1993	28 Jun 1995	Yes	No
Romania	DTC	24 May 1979	28 Jun 1980	Unreviewed	No
Russian Federation	DTC	16 Dec 1998	13 Jun 2000	Yes	No
San Marino	TIEA	6 Sep 2010	2 Aug 2011	Yes	Yes
Saudi Arabia	DTC	19 Jun 2007	1 Oct 2009	Yes	Yes
Senegal	DTC	5 Dec 2006	not yet in force	Unreviewed	Yes
Serbia	DTC	9 Mar 2009	28 Mar 2010	Unreviewed	Yes
Singapore	DTC	13 Apr 2011	2 Feb 2012	Yes	Yes
Sint Maarten	TIEA	10 Jun 2008	27 Jan 2010	Yes	Yes
Slovakia	DTC	8 May 1980	5 Jun 1981	Yes	No
Slovenia	DTC	23 May 2001	19 Mar 2002	Yes	No
South Africa	DTC	23 Jun 2006	28 Dec 2007	Yes	No
Sweden	DTC	16 Jun 1976	21 Dec 1976	Yes	No
Switzerland	DTC	26 Apr 1966	2 Feb 1967	Yes	Yes
Tajikistan	DTC	1 Mar 1985	7 Aug 1986	Unreviewed	No
Thailand	DTC	14 Oct 1997	16 Sep 1998	Unreviewed	No
Timor-Leste	DTC	30 May 1995	20 Dec 1999	Unreviewed	No
Trinidad and Tobago	DTC	9 Mar 2009	28 Dec 2009	No	Yes
Tunisia	DTC	2 Jul 1982	14 Feb 1987	Unreviewed	No
Turkey	DTC	5 Jul 2002	18 Dec 2003	Yes	No
Turkmenistan	DTC	1 Mar 1985	7 Aug 1986	Unreviewed	No
Ukraine	DTC	1 Mar 1985	7 Aug 1986	Unreviewed	No
United Arab Emirates	DTC	4 Feb 2006	2 Apr 2007	Yes	Yes
United Kingdom	DTC	21 Oct 1975	25 Nov 1976	Yes	No
United Kingdom	DTC	14 Mar 2013	not yet in force	Yes	Yes
United States	DTC	22 Feb 1990	21 Nov 1990	Yes	No
United States	DTC Protocol	14 Jan 2013	not yet in force	Yes	Yes
Uruguay	DTC	10 Sep 2009	24 Apr 2011	Yes	Yes
Uzbekistan	DTC	8 Jul 2013	not yet in force	Unreviewed	Yes
Venezuela	DTC	4 Aug 2003	29 Apr 2004	Unreviewed	No
Viet nam	DTC	3 Jul 2005	22 Dec 2005	Unreviewed	No

Methodology and Sources

Section 1 - General Background Report and Map

(Source: CIA World Factbook)

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	**Medium Risk**	**Higher Risk**
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: CIA World Factbook)

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: US State Department)

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: CIA World Factbook / https://www.cia.gov/library/publications/world-leaders-1/index.html)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: OECD Global Forum on Transparency and Exchange of Information for Tax Purposes PKF International)

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