Anti-Money Laundering in Italy 2014 Report

(final version)

http://www.aml-in-italy.com/
http://www.compliancenet.it/aml-in-italy
@aml_in_italy
https://twitter.com/aml_in_italy

ComplianceNet


Version 2.0 - June 21st, 2015

Creative Commons  - Attribution 4.0 International (CC BY 4.0)
http://creativecommons.org/licenses/by/4.0/legalcode
http://freedomdefined.org/Definition/It
Attribution 4.0 International (CC BY 4.0)

You are free to:

- **Share** — copy and redistribute the material in any medium or format
- **Adapt** — remix, transform, and build upon the material

for any purpose, even commercially.
The licensor cannot revoke these freedoms as long as you follow the license terms.

**Under the following terms:**

- **Attribution** — You must give appropriate credit, provide a link to the license, and indicate if changes were made. You may do so in any reasonable manner, but not in any way that suggests the licensor endorses you or your use.

**No additional restrictions** — You may not apply legal terms or technological measures that legally restrict others from doing anything the license permits.

- You do not have to comply with the license for elements of the material in the public domain or where your use is permitted by an applicable exception or limitation.
- No warranties are given. The license may not give you all of the permissions necessary for your intended use. For example, other rights such as publicity, privacy, or moral rights may limit how you use the material.
Indice

INTRODUCTION ..................................................................................................................5

AML IN ITALY – 2014 REPORT .........................................................................................5
THE AUTHOR OF “AML IN ITALY – 2014 REPORT” ..................................................5

EXECUTIVE SUMMARY .................................................................................................6

1 ANTI-MONEY LAUNDERING: WHAT HAPPENED IN ITALY IN 2014 (AND IN THE
FIRST QUARTER OF 2015) ..............................................................................................7

1.1 SUMMARY ..................................................................................................................7
1.2 THE STRENGTHENING OF “TAX COMPLIANCE” REGULATORY TRENDS ..........7
1.3 FOURTH EUROPEAN MONEY LAUNDERING DIRECTIVE (4MLD) .........................8
1.4 THE NEW ITALIAN “VOLUNTARY DISCLOSURE” LAW .........................................9
1.5 SELF-LAUNDERING .................................................................................................9
1.6 THE NEW AML “CUSTOMER DUE DILIGENCE – CDD” OBLIGATIONS .............10

2 THE ITALIAN AML SYSTEM .........................................................................................11

2.1 THE LEGISLATIVE FRAMEWORK ............................................................................11
2.2 LAWS, ACTS, REGULATIONS ................................................................................12
2.2.1 Legislative Decree n. 231 of the 21st of November 2007 (the Italian anti-money
laundering law) ...........................................................................................................12
2.2.2 Bank of Italy, “Measures regarding the execution of organizational, procedural and
internal auditing for the prevention of laundering” (March 10th, 2011) ......................13
2.2.3 UIF, “Instructions on data and information to be included in STRs” (May 4th, 2011) 13
2.2.4 CONSOB, “Implementation of measures on internal organization, procedures and
controls of auditors” (June 2011 and November 2012) ..............................................13
2.2.5 CDD - Customer Due Diligence (April 11th, 2013) ............................................13
2.2.6 Instructions on “Single Financial Transactions Database” (April 11th, 2013) ........14
2.2.7 Red flag indicators and Unusual patterns .........................................................14
2.3 AUTHORITIES AND FIGURES ...............................................................................18
2.3.1 The Financial Security Committee .....................................................................18
2.3.2 Ministry of Economy and Finance .....................................................................18
2.3.3 UIF, the Italian Financial Intelligence Unit (FIU) ...................................................19
2.3.4 The Guardia di Finanza .......................................................................................19
2.3.5 Financial Supervisors .........................................................................................19
2.3.6 Bureau of Antimafia Investigation and Special Foreign Exchange Unit of the Finance
Police ............................................................................................................................20
2.4 OBLIGATIONS .........................................................................................................20
2.4.1 Collaboration ......................................................................................................20
2.4.2 Customer due diligence .....................................................................................21
2.4.3 Preservation and recording of data .....................................................................21
2.4.4 Suspicious transactions reporting (STRs) ..........................................................21
2.4.5 Training and awareness .....................................................................................21

3 THE MOST IMPORTANT AML DOCUMENTS AND REGULATORY UPDATES ....23

3.1 2014 .......................................................................................................................23
3.1.1 Customers Due Diligence (CDD) provisions (January 1st, 2014) .......................23
3.1.2 New rules for AUI - Archivio Unico Informatico (SFTD - Single Financial Transactions Database (January 1st, 2014)).................................................................23
3.1.3 FATCA, the intergovernmental agreement between Usa and Italy signed (January 10th, 2014) 23
3.1.4 Data Protection Authority decision related AML customer due diligence (January 16th, 2014) 23
3.1.5 Customer due diligence: new FAQ of the Bank of Italy (January 27th, 2014)..................24
3.1.6 AML aggregated reports – SARA, Segnalazioni AntiRiciclaggio Aggregate (February 3rd, 2014)........................................................................................................24
3.1.7 Anomaly indicators for credit cards (February 18th, 2014).............................................24
3.1.8 Consob: provisions on anti-money laundering due diligence for accounting auditors
(21st, February 2014)........................................................................................................24
3.1.9 Instructions for returning money in case of due diligence failure (March 10th, 2014).24
3.1.10 Assirevi: Doc n. 181, “Application of AML obligations to auditing companies” (May 19th, 2014)..............................................................................................................25
3.1.11 Notaries association: “Guidelines on AML customer due diligence” (May 23th, 2014) 25
3.1.12 IVASS, Regulations n. 5 on “AML Customers Due Diligence for Insurance companies” (July 21st, 2014).................................................................25
3.1.13 Confindustria: risk areas and preventive controls related to money laundering offense (July 21st, 2014).................................................................26
3.1.14 STRs phenomena list – update (21st July 2014)...............................................................26
3.1.15 Agreement between FIU and the Anti-Corruption National Authority for collaboration and exchange of information (July 30th, 2014).................................26
3.1.16 Communication of 1st August 2014 relating to the statement of operations in gold.26
3.1.17 Bank of Italy: consultation on supervisory measures against money laundering related to factoring (August 19th, 2014).................................................................27
3.1.18 AML team at the Milan prosecutor’s office (August 21st, 2014).................................27
3.1.19 The Italian criminal economy worths 170 billion euro (August, 31st 2014).................27
3.1.20 MEF: Report on the 2013 activities against money laundering (September 22nd, 2014) 28
3.1.21 UIF organizational Reform (October 27th, 2014).........................................................28
3.1.22 AML agreement between Italy and San Marino (November 5th, 2014).....................29
3.1.23 UIF: customer aggregation table update (December 3rd, 2014).................................29
3.1.24 Italian national money laundering and terrorist financing risk assessment
(December 4th, 2014).........................................................................................................29
3.1.26 Updating of codes related to synthetic economic activity for AML data aggregates reporting - effective from December 31, 2014.........................................................30
3.2 2015..................................................................................................................................30
3.2.1 Vatican: regulation on Prudential Supervision of the financial entities (January, 29th 2015) 30
3.2.2 Virtual currencies - Communication of the Bank of Italy (January 30th, 2015)........31
3.2.3 UIF, the Financial Intelligence Unit for Italy: “Anomalous use of virtual currencies”
(January, 30th 2015)..........................................................................................................31
3.2.4 DIA – money laundering and criminal infiltration of the Italian legal economy
(February, 2nd 2015).........................................................................................................32
3.2.5 Italian Observatory on “Money laundering and terrorism financing” starts its activities (February 10th, 2015) ................................................................. 32
3.2.6 MEF on voluntary disclosure & money laundering (February 18th, 2015)............. 32
3.2.7 The Ministry of Economy and Finance (MEF) updates the “black list” of tax havens: out of 21 countries, including Singapore and the Cayman Islands (April 1st, 2015)........ 32
3.2.8 UIF, “AML notebook” on STRs - Suspicious Transactions Reporting (April 30th, 2015) 33
3.2.9 MEF: money laundering white-list updated (May 13th, 2015) ................................ 33
3.2.10 4MLD - Fourth European Money Laundering Directive (May 20th, 2015) .......... 34
3.2.11 UIF: 2nd AML Notebook, “2014 statistical data in Italy” (May 29th, 2015) .......... 34
3.2.12 The Italian Parliament approves FATCA agreement (June 3rd 2015) .................... 35

4 ANNEX - SUGGESTED READING ............................................................................. 36

4.1 Money laundering as financial phenomenon (November 25th, 2014) ..................... 36
4.2 International money laundering and contrast regulations; effects on the economic system and companies (February 10th, 2015) ....................................................... 37
4.3 DIA - Criminal infiltration of the legal economy (February 25th, 2015) ................. 39
4.4 Virtual currencies and AML risks, the Italian Supervisors opinions (April 18th, 2015) 50
4.5 National money laundering and terrorist financing risk assessment (April 20th, 2015) ........................................................................................................... 54
4.6 Bank of Italy: “The internal control systems for money laundering” (April 30th, 2015) ............................................................................................................. 56
4.7 Bank of Italy: negative aspects of Italian banking AML compliance (May 7th, 2015) 57
Blank page
INTRODUCTION

AML IN ITALY – 2014 REPORT


The report also aims to improve **awareness on the subject of AML** in a rigorous manner. The document has therefore been released with an “open license” [http://creativecommons.org/licenses/by/4.0/](http://creativecommons.org/licenses/by/4.0/) which allows people to **share** - copy and redistribute the material in any medium or format – and **adapt** - remix, transform, and build upon the material for any purpose, even commercially but giving appropriate **credit**, providing a link to the license, and indicating if changes were made.

---

This is the final version dated June 21st 2015 available in word and pdf formats in

The previous drafts used to discuss and share the content of the text on line in order to prepare the final version are available in [http://www.aml-in-italy.com/](http://www.aml-in-italy.com/) and [http://www.compliancenet.it/aml-in-italy](http://www.compliancenet.it/aml-in-italy)

---

THE AUTHOR OF “AML IN ITALY – 2014 REPORT”

My name is **Agatino Grillo** and I am an Internal Auditor in an Italian bank specialized in electronic payments. Previously I worked in Ernst&Young and Arthur Andersen. I am a CIA (Certified Internal Auditor) and CISA (Certified Information System Auditor). I have professional experience in Anti Money Laundering, ICT governance, Business Continuity. I am founder of the web site [www.compliancenet.it](http://www.compliancenet.it) focused on compliance matters for financial institutions.

Contacts

- Email: agatino.grillo@gmail.com
- LinkedIn: [http://www.linkedin.com/in/agatinogrillo](http://www.linkedin.com/in/agatinogrillo)
- Twitter: [http://twitter.com/agagri](http://twitter.com/agagri)
- Google+: [https://plus.google.com/u/0/+AgatinoGrillo/posts](https://plus.google.com/u/0/+AgatinoGrillo/posts)
- Facebook: [https://www.facebook.com/agatino.grillo](https://www.facebook.com/agatino.grillo)
- Web site: [www.agatinogrillo.it](http://www.agatinogrillo.it)
EXECUTIVE SUMMARY

The Report is divided into three parts:

1. “Anti-Money Laundering: what happened in Italy in 2014 (and in the first quarter of 2015)” that summarizes the main news concerning the anti-money laundering system in Italy.
2. “The Italian AML system” which describes the Italian anti-money laundering landscape, the legal framework and indicates the main figures and authorities involved (financial authorities, police forces, associations).
3. “The most important AML documents and regulatory updates” which refers to the most relevant AML documents and regulatory updates from January 1st 2014 to May 30th 2015.

There is also the following annex:

- **Suggested Reading**: texts extracted from official publications of the Bank of Italy, UIF, CONSOB, the Guardia di Finanza, DIA, useful for a better understanding of the Italian AML system.
1 ANTI-MONEY LAUNDERING: WHAT HAPPENED IN ITALY IN 2014 (AND IN THE FIRST QUARTER OF 2015)

1.1 SUMMARY

In recent months the Italian AML legislative framework has been affected by four relevant regulatory updates:

1) The strengthening of “tax compliance” regulatory trends both in an international and Italian context (mainly: US FATCA and G20 CRS agreements)
3) The new Italian “Voluntary Disclosure” law which introduces the offence of self-laundering into the Penal Code

1.2 THE STRENGTHENING OF “TAX COMPLIANCE” REGULATORY TRENDS

The Italian AML regulatory system should be contextualized in the wider international “tax compliance” framework which has modified AML requirements.

On 2014 several relevant global compliance initiatives focused on tax compliance, resulting in a impact on the AML system:

- tax crimes were established as a predicate offence of money laundering by the Financial Action Task Force (FATF) the inter-governmental body which sets standards for fighting money laundering, terrorist financing and other related threats to the integrity of the international financial system; thus in 2015 the Fourth Money Laundering Directive implemented, among others, this new requirement;
- on January 10th 2014, the Italian Minister for Economy and the US ambassador in Italy signed an intergovernmental agreement for the implementation of FATCA (Foreign Account Tax Compliance Act) to allow the automatic exchange of financial information between the tax authorities of the two countries; on June 3rd 2015 the FATCA agreement between Italy and USA was finally approved by the Italian Parliament;
- on February 23rd, 2014 the G20 Finance Ministers endorsed the “Common Reporting Standard for automatic exchange of tax information” which calls on governments to obtain detailed account information from their financial institutions and exchange that information automatically with other jurisdictions on an annual basis.

All of these events have quickly transformed the AML function of banks and other financial intermediaries into a super compliance entity which have to deal with legal, risk, operational and tax matters.

For all these reasons, strong worldwide AML processes and controls have to be implemented in banks to avoid being fined and prosecuted by the Supervisory Authorities and National Courts.

For further reading
1.3 FOURTH EUROPEAN MONEY LAUNDERING DIRECTIVE (4MLD)

On 20th May 2015, after two years of intense discussions and continuous amendments, the European Parliament approved the Fourth European Directive on Money Laundering (4MLD) which is compliant with AML international standards developed by the FATF - Financial Action Task Force.

This came into effect on 27th June 2015.

The most significant Fourth Directive news concerns:

- the establishment of central registers in every European country containing accurate and current information on beneficial ownership of companies, legal entities or trusts; these records will be of public domain and can be consulted freely and without any restrictions by the competent authorities, as well as by journalists and by any person or organization that can demonstrate a legitimate interest;
- customer due diligence by banks, accountants, lawyers, notaries, real estate agents and casinos with the exception of the professional relationship when representing a client in legal proceedings;
- new rules to make it easier to trace the transfer of funds.

The 4MLD introduces further changes to the current European AML regime; it puts the emphasis on the use of the ‘risk based’ approach in client acceptance and has finally defined tax crimes as a predicate offence.

Last but not least the 4MLD’s aim is to provide much greater transparency in the shadowy business structures that are at the heart of money laundering schemes, as well as schemes used by businesses to avoid their tax responsibilities. It will be required that ultimate owners of companies (so called “beneficial owners”) are listed in central registers in EU countries, accessible to people with a “legitimate interest” probably investigative journalists and concerned citizens too.

So financial institutions will have to improve their reporting obligations in the sense of guaranteeing more accountability and transparency

---

**The final Fourth AML Directive**


For further reading


1.4 THE NEW ITALIAN “VOLUNTARY DISCLOSURE” LAW

The Italian “Voluntary Disclosure” (VD) law was approved on December 4th, 2014 by the Italian Parliament.

It permits individual or legal entities to report assets held in Italy or abroad that have not yet been disclosed to the tax authorities.

The “Voluntary Disclosure” procedure is not a tax amnesty because there is no anonymity and unpaid taxes on disclosure assets will have to be paid; however the penalties are reduced and so the program is attractive because all world financial centers are moving towards more transparent regimes due to the new international tax automatic exchange of information.

For further reading


1.5 SELF-LAUNDERING

The Italian “Voluntary Disclosure” law introduced a new crime of “self-laundering” that previously did not exist in Italian jurisdiction unlike other European countries.

For further reading

1.6  THE NEW AML “CUSTOMER DUE DILIGENCE – CDD” OBLIGATIONS

On January 1st, 2014 the new provisions for “Customer Due Diligence (CDD)” came into force:
• for financial intermediaries based on the Bank of Italy’s regulation issued on April 11th 2013
• for financial revisors based on CONSOB’s regulation issued on December 20th, 2013

On July 21st, 2014 IVASS published the “Regulations on due diligence for the insurance companies” (IVASS Regulation no. 5 of IVASS), which entered into force on January 1st, 2015.

For further reading

2 THE ITALIAN AML SYSTEM

This chapter illustrates the Italian AML system referring to the regulatory framework, the main figures and authorities involved and the most relevant obligations required.

2.1 THE LEGISLATIVE FRAMEWORK


The anti-money laundering system serves to prevent the proceeds of criminal activity from being channeled into legitimate activities, in order to preserve stability, integrity, correct functioning, and competition in the financial markets and in the broader economy and society. At the same time, the preventive system is a significant weapon in the suppression of crime itself, insofar as it impedes the reinvestment and concealment of those proceeds. The anti-money-laundering apparatus, thanks to its ability to detect and reconstruct criminal conduct, is also used to combat the financing of terrorism and the proliferation of weapons of mass destruction.

Italian legislation has developed in line with international standards and European directives.

Legislative Decree 231/2007

The Italian AML legislative framework now consists of Legislative Decree 231/2007, transposing Directive 2005/60/EC (the third anti-money laundering Directive) and rationalizing a series of laws that had accreted over time. Legislative Decree 109/2007 had already transposed the Directive about terrorist financing and countries whose actions threaten international peace and security. Consistent with Community law, Legislative Decree 231/2007 adopted a definition of money laundering that includes self-money laundering, namely transactions executed by the perpetrators or accomplices of the predicate offence, i.e., the crime whose proceeds are being transferred (Article 2). However, the criminal law long considered self-laundering as a mere post-factum to the original crime and so not punishable in itself.

Self-money laundering

On 4th December 2014 the Italian Senate passed a bill on the declaration and re-entry of funds held abroad and on self-money laundering, making the latter a crime, thus attributing penal relevance to the actions specified in the amended Article 648-ter of the Penal Code.

Cooperation between financial institutions and authorities

The system for preventing money laundering is based on cooperation between financial and other institutions and the administrative and law enforcement authorities. As a general principle, the measures are proportionate to the risks (Article 3).
The law requires the addressee institutions to fulfill specified obligations and comply with specified rules:

- customer due diligence and registration of relationships and transactions in a Single database\(^1\) (Articles 15-39);
- the detection and reporting of suspicious transactions, which constitutes “active cooperation” (Articles 41-48);
- dedicated organizational and training measures, which must underlie performance of the reporting obligations (Articles 7 and 54).

There are limits on cash transactions and requirements for fund transfers to be effected via supervised intermediaries (for purposes of traceability), which serve to impede conduct marked by a high money-laundering risk (Articles 49-51).

**Reporting obligations**

The set of persons subject to reporting obligations, which has been extended over time, comprises homogeneous categories according to activity and the related obligations. **First are banking, financial and insurance intermediaries**, including their outside collaborators (Article 11). In addition, the obligations apply to certain professionals (notaries, lawyers, tax accountants, and providers of business and trust services, specified in Article 12), auditors (Article 13), and persons in other occupations specified in Article 14 (credit recovery, custody and transport of cash and securities or valuables, management of casinos, gambling and betting providers both online and via physical network, and real estate brokerage). Article 10 subjects general government offices and a series of other persons to the suspicious transaction reporting obligation as well.

**2.2 LAWS, ACTS, REGULATIONS**

**2.2.1 Legislative Decree n. 231 of the 21st of November 2007 (the Italian anti-money laundering law)**

Based on the Third European AML Directive, Legislative Decree n.231 dated November, 21st 2007 dictates the anti-money laundering regulatory framework for the Italian financial system. Legislative Decree 231/2007 establishes the duties that intermediaries must to carry out in order to aid authorities prevent and fight laundering of dirty money and international terrorist financing. The fundamental obligations are:

- adequate monitoring of clients and of any transaction partner (so-called customer due diligence)
- risk-based approach, according to which customer due diligence obligations are divided into different levels of due diligence proportionate to the customer’s risk profile
- filing of reports and operations, as well as filing of any related documentation that may be of assistance
- reporting all suspicious transactions.

\(^1\) [http://uif.bancaditalia.it/footer/glossario/index.html?letter=s](http://uif.bancaditalia.it/footer/glossario/index.html?letter=s)
Legislative Decree n.231/07 assigns to the Bank of Italy the role of supervisory authority, in partnership with the Ministry of Economics and Finance which has to provide interpretative guidelines and to negotiate on this subject within the European and International community.

2.2.2 Bank of Italy, “Measures regarding the execution of organizational, procedural and internal auditing for the prevention of laundering” (March 10th, 2011)

On March 10th 2011 Bank of Italy issued “Measures regarding the execution of organizational, procedural and internal auditing for the prevention of laundering and terrorist financing through the utilization of intermediaries or other subjects, as per section 7, par.2 of the legislative decree dated 21st November 2007, n.231.” ²
The “Measures” require financial intermediaries to:
• introduce specific organizational units for the monitoring and mitigation of money laundering/terrorist financing risk
• dedicate specialized resources,
• have adequate procedures and organizational functions

2.2.3 UIF, “Instructions on data and information to be included in STRs” (May 4th, 2011)

These instructions govern the new system for collecting and handling STRs (RADAR), launched on 16 May 2011 to support the entire cycle of receipt, analysis and dissemination of reports, thus improving the quality of STRs financial analyses and timelines of information flows. The new report format – the same for all reporting entities, and entirely electronic – increases the amount of structured information available. Reporting entities are called upon to provide a more detailed and complete description of transactions, the parties involved, their interactions/links and the reasons for their suspicion.

2.2.4 CONSOB, “Implementation of measures on internal organization, procedures and controls of auditors” (June 2011 and November 2012)

This guidance aims at preventing auditing firms with appointments for entities of public interest, from being used for purposes of money laundering and terrorist financing.

2.2.5 CDD - Customer Due Diligence (April 11th, 2013)

On January 1st, 2014 the new provisions for “Customer Due Diligence (CDD)” came into force:
• for financial intermediaries based on the Bank of Italy’s regulation issued on April 11th 2013
• for financial revisors based on CONSOB’s regulation issued on December 20th, 2013

On July 21st, 2014 IVASS published the “Regulations on due diligence for the insurance companies” (IVASS Regulation no. 5 of IVASS), which entered into force on January 1st, 2015.

These regulations updated the Legislative Decree of November 21, 2007, no. 231 and oblige financial institutions to evaluate clients, relationships and transactions before accepting them in order to determine the level of money laundering and terrorism financing risk involved. The new discipline requires different types of CDD, based on the risk profile of the client. The obligations consists of:

- client identification; eventually identifying the “beneficial owner” too;
- obtain information regarding the scope and nature of the ongoing relation;
- continuous monitoring of the relationship.

As required by the Third EU AML Directive, financial intermediaries are obliged to carry out enhanced CDD if the client:

- is not physically present during the openness of the relationship
- has a high risk profile
- is a politically exposed person – PEP.

A “simplified” CDD can be carried out if the client turns out to be a credit or financial institution that comes under the Directive.

2.2.6 Instructions on “Single Financial Transactions Database” (April 11th, 2013³)

The Instructions on “Single Financial Transactions Database” (AUI - Archivio unico informatico) were published by the Bank of Italy on April 11 2013 and enforced on January, 1st 2014. They require that intermediaries register operations and the relationship that they have with their customers through the “Single Database” (so-called AUI) which allows the reconstruction of the path of each client using a common standard.

2.2.7 Red flag indicators and Unusual patterns

The “Red flag indicators” and “Unusual patterns in customer behavior” are one of the support tools provided by Legislative Decree no. 231/2007 for the detection of AML suspicious transactions. Even though they play an important role in the orientation of the obligated parties in the evaluation of operations, indicators and patterns are not intended to be either exhaustive or binding.

Red flag indicators

The “Red flag indicators” or anomaly indicators (art. 41, par. 2) consist of a list of examples of customer behavior to be considered "anomalous" and potentially characterize intent to engage in money laundering or terrorist financing.

The indicators are intended to reduce the margins of uncertainty associated with subjective behavior and also contribute to the containment of costs and the correct and consistent fulfillment of obligations to report suspicious transactions to the parties responsible.

It is the duty of the FIU to develop and propose the “Red flag indicators”, which are then issued with formal measures by different authorities, competent according to the nature of the party responsible: the Bank of Italy for financial intermediaries and other entities operating in the financial filed; the Ministry of Justice, for professionals, in consultation with the professional orders; the Ministry of Interior (Home Office), for the remaining non-financial and public administrations.

**Unusual patterns and diagrams of abnormal behavior**

The “Patterns and diagrams representative of abnormal behavior” are complementary and integrate “Red flag indicators” (art. 41, par. 2) as a tool to aid the identification of suspicious transactions to be reported; they are developed and disseminated by the UIF, according to Article. 6, paragraph 7, letter. b) of the Decree.

In order to promote a more effective “active cooperation”, patterns and diagrams provide feedback to addressees on common operation of cases and they are sent as a return flow to STRs senders (art. 48, par 1).

“Patterns and diagrams” exemplify widespread, recurred and abnormal behavior found by the UIF regarding certain sectors of activity or specific phenomena related to possible money laundering or terrorist financing.

These diagrams highlight particular logical-temporal sequences of events and behaviors based on previous analysis of criminal phenomena.

They are prepared on the basis previous financial analysis and with the contribution of the competent investigating authorities and the supervisory bodies.

**Following the list of “Red flag Indicators” and “Patterns and diagrams representative of abnormal behavior” issued by the Italian AML authorities.**

- **Anomaly indicators for credit cards** (February 18th, 2014). On February 18th, 2014 UIF published the list of anomaly indicators (“Red flag indicators”) for financial transactions using payment cards in accordance with article 6, paragraph 7, letter b) of Legislative Decree no. 231/2007
- **Provvedimento della Banca d’Italia del 30 gennaio 2013** Indicatori di anomalia per le società di revisione e revisori legali con incarichi di revisione su enti di interesse pubblico - **Indicators of anomalies for auditing firms** and auditors who are responsible for statutory audits of entities of public interest, as defined in Article 16 of Legislative Decree 39 of 27 January 2010 (February 2013, Bank of Italy upon UIF proposal)
- **Decreto del Ministero dell’Interno del 27 aprile 2012** Modificazione del decreto 17 febbraio 2011 di determinazione degli indicatori di anomalia al fine di agevolare l’individuazione delle operazioni sospette di riciclaggio da parte di talune categorie di operatori non finanziari
- **Decreto del Ministero dell’Interno del 17 febbraio 2011** - Ministry of the Interior (Home Office), “**Red flag indicators for non-financial operators to identify suspicious transactions**”, 17th February 2011. Based upon a UIF proposal, this decree provides indicators addressed to some categories of non-financial operators (such as dealers in
precious metals and antiques, persons performing real estate broking, credit recovery on behalf of third parties, the transportation of cash and securities, the management of casinos, Internet gambling providers or other electronic networks). This decree was amended on 27 April 2012 to include on-line gambling and betting operators.

- Provvedimento recante gli indicatori di anomalia per gli intermediari - Bank of Italy, August 24th 2010
- Provvedimento del 27 maggio 2009 Indicazioni operative per l’esercizio di controlli rafforzati contro il finanziamento dei programmi di proliferazione di armi di distruzione di massa

“Patterns and diagrams representative of abnormal behavior” by UIF:

- Comunicazione UIF del 18 febbraio 2014 Schemi rappresentativi di comportamenti anomali ai sensi dell’articolo 6, comma 7, lettera b) del d.lgs. 231/2007 – operatività con carte di pagamento
- Comunicazione UIF del 2 dicembre 2013 Schema rappresentativo di comportamenti anomali ai sensi dell’art. 6, comma 7, lett. B) del d.lgs 231/2007 - Operatività connessa con l’anomalo utilizzo di trust
- Comunicazione UIF dell’11 aprile 2013 Schemi rappresentativi di comportamenti anomali ai sensi dell’articolo 6, comma 7, lettera b) del d.lgs. 231/2007 - Operatività connessa con il settore dei giochi e delle scommesse
- Comunicazione UIF del 23 aprile 2012 Schemi rappresentativi di comportamenti anomali ai sensi dell’articolo 6, comma 7, lettera b) del d.lgs. 231/2007 - Operatività connessa con le frodi fiscali internazionali e con le frodi nelle fatturazioni
- Comunicazione UIF del 16 marzo 2012 Schemi rappresentativi di comportamenti anomali ai sensi dell’articolo 6, comma 7, lettera b) del d.lgs. 231/2007 - Operatività connessa con il rischio di frodi nell’attività di factoring
- Comunicazione UIF del 9 agosto 2011 Schemi rappresentativi di comportamenti anomali ai sensi dell’articolo 6, comma 7, lettera B) del d.lgs 231/2007 - Operatività riconducibile all’usura
- Comunicazione UIF del 17 Gennaio 2011 Schemi rappresentativi di comportamenti anomali ai sensi dell’articolo 6, comma 7, lettera B) del d.lgs 231/2007 - Operatività connessa con le frodi nell’attività di leasing
- Comunicazione UIF dell’8 luglio 2010 Schemi rappresentativi di comportamenti anomali ai sensi dell’art. 6, co. 7, lett. B) del d.lgs 231/2007 - Operatività connessa con l’abuso di finanziamenti pubblici
• **Comunicazioni della UIF del 15 Febbraio 2010** Schemi di comportamenti anomali ai sensi dell’articolo 6, comma 7, lettera B) del d.lgs. n. 231 del 2007 - Operatività connessa con il rischio di frode sull’IVA intracomunitaria

• **Comunicazione UIF del 5 febbraio 2010** Schemi rappresentativi di comportamenti anomali ai sensi dell’art. 6, co. 7, lett. b) del d.lgs 231/2007 – Frodi informatiche

• **Comunicazione UIF del 13 ottobre 2009** Schema rappresentativo di comportamenti anomali ai sensi dell’art. 6, comma 7, lett. b) del d.lgs. n.231 del 2007. Conti dedicati

• **Comunicazione UIF del 24 settembre 2009** Schemi rappresentativi di comportamenti anomali ai sensi dell’art.6, co. 7, lett. B) del D.LGS 231/2007 – Imprese in crisi e usura
2.3 **AUTHORITIES AND FIGURES**

**Legislative Decree 231/2007** reordered the apparatus and strengthened powers of the various authorities involved in combating money laundering and terrorist financing, safeguarding the separation between the policy function and technical agencies. The Decree instituted the **UIF (Unità di Informazione Finanziaria)** the Financial Intelligence Unit for Italy and sought to maximize institutional cooperation among Italian authorities and authorities worldwide. The supervisory authorities (and other public agencies and professional associations) are required to provide information to the FIU. There are numerous provisions for cooperation between the FIU and the law enforcement apparatus in detecting and investigating anomalous transactions and financial flows. There are specific provisions concerning international cooperation, centered on the FIU’s relations with its foreign counterparts (Article 9 of Legislative Decree 231/2007). Legislative Decree 231/2007 institutes a comprehensive set of compliance controls with penal sanctions (Article 55 of law 231/2007) and administrative sanctions (Articles 56-58 of law 231/2007).

2.3.1 **The Financial Security Committee**

The Financial Security Committee (CSF), instituted at the Ministry of Economy by Decree Law 369/2001, converted into Law 431/2001, is assigned to coordinate the various authorities and ensure the functioning of the entire system (Article 5). The Committee is given special powers in the field of combating terrorist financing and the activities of countries that threaten peace and international security (Legislative Decree 109/2007, Article 3). CSF is chaired by the General Director of the Treasury and composed by:

- Ministry of the Interior,
- Ministry of Justice,
- Ministry of Foreign Affairs,
- Bank of Italy,
- CONSOB, the Italian Securities and Exchange Commission,
- IVASS, the Italian Insurance Supervisory Authority
- UIF, the Italian Financial Intelligence Unit (FIU),
- Guardia di Finanza, the Italian financial police,
- Anti-Mafia Investigation Department (DIA),
- Carabinieri, the national military police of Italy
- National Anti-Mafia Directorate (DNA).

2.3.2 **Ministry of Economy and Finance**

The Ministry of Economy and Finance is responsible for policy to prevent money laundering and terrorist financing.
As such, it promotes cooperation among the UIF, the sectoral supervisory authorities, professional associations, and the police forces.
The Ministry handles relations with international bodies, exercises sanctioning powers, and is responsible for matters relating to infractions of the limits on the use of cash (Articles 49-51 and 58-60 of law 231/07).

2.3.3 UIF, the Italian Financial Intelligence Unit (FIU)

A key role, among the technical authorities, is assigned to the UIF (Unità di Informazione Finanziaria) the Financial Intelligence Unit for Italy, established at the Bank of Italy and acting in complete autonomy and independence (Legislative Decree 231/2007, Article 6).
The UIF operates in autonomy and independence, making use of human and technical resources, financial resources and assets of the Bank of Italy.
The Italian AML law - Legislative Decree no. 231/2007 - requires UIF to:

• develop “Red flag Indicators”, designed to facilitate the identification of suspicious transaction reporting (STR);
• prepare “Patterns and diagrams representative of abnormal behavior” regarding financial transactions;
• define, with specific instructions, the content of Suspicious Transaction Reports (STRs).

The FIU receives and acquires information on possible cases of money laundering and terrorist financing, mainly through STRs of the institutions subject to the reporting obligation; it performs financial analysis on the data, using all the sources of information and powers at its disposal; and it assesses their relevance for purposes of transmission to the investigative bodies (the Special Foreign Exchange Unit of the Finance Police and the Bureau of Antimafia Investigation) and cooperation with the judicial authorities.
The UIF is the hub of international information exchange with its counterpart bodies abroad, i.e. the financial intelligence units of other countries.
In Italy, the UIF also has regulatory powers with respect to suspicious transactions and powers of control over the persons subject to active cooperation obligations.

2.3.4 The Guardia di Finanza

The Guardia di Finanza (GdF) carries out investigations on money laundering by:

• criminal investigations;
• investigation of suspicious transaction reports (STRs) aimed at identifying and intercepting financial flows of illicit origin;
• controls on cross-border movements of currency.

The GdF also conducts its own “anti-money laundering inspections” on financial operators and intermediaries.

2.3.5 Financial Supervisors
The Sectoral supervisory authorities (Bank of Italy, Ivass, Consob) oversee the issue of regulations in their respective areas of jurisdiction on matters such as customer due diligence, data recording, and organization. They also check compliance on the part of the persons supervised and exercise sanctioning powers (Articles 55-60). The organizations involved also include professional associations, which promote their members’ compliance with the money-laundering rules (Articles 8 and 53 of law 231/07).

2.3.6 Bureau of Antimafia Investigation and Special Foreign Exchange Unit of the Finance Police

The Bureau of Antimafia Investigation and the Special Foreign Exchange Unit of the Finance Police, in their respective areas of competence, investigate the suspicious transaction reports that the FIU, after analysis, transmits to them (Article 8). Cooperation with the various relevant authorities takes a variety of forms. In derogation to the confidentiality requirements, the supervisory authorities collaborate in anti-money laundering activities with one another and with the FIU, the Special Foreign Exchange Unit and the Bureau of Antimafia Investigation.

2.4 OBLIGATIONS

The Italian regulatory framework identifies specific categories of persons and entities to which AML obligations apply, the so-called “Addressees”:

- financial intermediaries and other entities operating financial assets (banks, Poste italiane, SIM, SGR, SICAV, insurance companies);
- professionals (lawyer, notaries, …)
- financial and accounting auditors
- other subjects (casinos, debt collection companies, money transfer companies, societies which guard and transport cash).

For these entities the most relevant AML obligations are:

- collaboration
- customer due diligence
- preservation and recording of data
- suspicious transactions reporting (STRs)
- training and awareness.

2.4.1 Collaboration

Legislative Decree 231/07 (the Italian AML law) imposes duties of cooperation for fight and prevention of money laundering; collaboration can be of two types:

1. passive collaboration aims to ensure knowledge of customers and which requires the preservation of the documents relating to transactions;
2. active collaboration aims to detect and report money laundering suspicious transactions.
2.4.2 Customer due diligence

Customer due diligence is the most important preventive action to fight money laundering; it consists in the identification of the customer and verification of the acquired data; identification and verification are also provided to the effective beneficiary - the so-called beneficial owner - when the customer represent a legal entity or performs an operation on behalf of other parties.

2.4.3 Preservation and recording of data

Other requirements concern the collection of information on the purpose and nature of the relationship established by the client and the continuous monitoring during the relationship itself. Another important accomplishment is the recording of reports and relevant operations in the so-called Single Financial Transactions Database (AUI - Archivio Unico Informatico) using a standardized structure to make this information available to the entire anti-money laundering system.

2.4.4 Suspicious transactions reporting (STRs)

A fundamental obligation regards the money laundering suspicious transactions reporting (STRs) to the FIU. A suspicious transaction is an operation suspected of money laundering due to its characteristics, size, nature or for any other circumstance which leads one to “know, suspect or have reasonable cause to suspect” that a money laundering or terrorist financing operation is being or has been committed or attempted. The FIU makes through investigations on reported suspicious transactions reports and could require to Financial Police (Guardia di Finanza) or to the Anti-Mafia Investigation Department (DIA) more detailed analysis. If the analysis reveals that the suspicious was unfounded the UIF archives the case. Even in the presence of “reasonable grounds to suspect” the “Addressees” are obliged to report transactions to the FIU.

2.4.5 Training and awareness

Effective implementation and compliance with money laundering obligations require a full knowledge of the purposes and principles of the AML regulatory system. All the staff involved in financial transactions must be made aware of the obligations and responsibilities related to AML discipline and of the consequences of non-compliance.

Education requirements of the Legislative Decree 231/07

Article 54 of the law 231/07 imposes an obligation to train staff on anti-money laundering regulations; in particular companies and professionals must prepare “training programs designed to recognize activities potentially related to money laundering”.

21
Education requirements of the Bank of Italy - Regulation of March 10th 2011

The Bank of Italy requires that particular attention be paid to the development of a specialized AML training for employees and especially for employees who are in more direct contact with customers. Also specific training programs appear appropriate for staff of the anti-money laundering department.
AML department employees are also required to undergo continuous training regarding the changes of AML risks and on the typical patterns of criminal financial transactions. The staff training must be continuous and systematic and should be carried-out as part of the company general education program.
3  THE MOST IMPORTANT AML DOCUMENTS AND REGULATORY UPDATES

This chapter refers to the most important AML documents and regulatory updates from January 1st 2014 to May 30th 2015. Publications are ordered by date to facilitate the consultation with a brief summary and the link to the full text.

3.1  2014

3.1.1  Customers Due Diligence (CDD) provisions  (January 1st, 2014)

On January 1st, 2014 the new provisions for “Customers’ Due Diligence (CDD)” came into force:
• for financial intermediaries based on the Bank of Italy’s regulation issued on April 11th 2013
• for financial revisors based on CONSOB’s regulation issued on December 20th, 2013

Note that on July 21, 2014 IVASS published the “Regulations on due diligence for the insurance companies” (IVASS Regulation no. 5 of IVASS) which entered into force on January 1st, 2015.


On January 1st, 2014, the new rules for the AUI - Archivio Unico Informatico (SFTD - Single Financial Transactions Database) are in force as disciplined by UIF through the Bank of Italy’s regulation of April 3rd 2013.

3.1.3  FATCA, the intergovernmental agreement between Usa and Italy signed (January 10th, 2014)

On January 10th 2014, the Italian Minister of Economy and the US ambassador in Italy signed an intergovernmental agreement for the implementation of FATCA (Foreign Account Tax Compliance Act) to allow the automatic exchange of financial information between the tax authorities of the two countries. Similarly as required by Italian AML regime, Italian financial intermediaries will have to identify all customers which are subject to US tax and reporting them to the American tax authorities⁴.

3.1.4  Data Protection Authority decision related AML customer due diligence (January 16th, 2014)

On January 16\textsuperscript{th} 2014, the Data Protection Authority (DPA) published the decision 533/2013, which states that the customer due diligence imposed by money laundering legislation - Legislative Decree n. 231/2007 - must always be conducted with a “risk-based” approach, without excesses, in compliance with the safeguards for the protection of personal data. The information systems used by intermediaries must be “proportionate” to the risk of money laundering; it should be evaluated based on the type of customer and the characteristics of the concrete operation\textsuperscript{5}.

3.1.5 Customer due diligence: new FAQ of the Bank of Italy (January 27\textsuperscript{th}, 2014)

On January 27\textsuperscript{th} 2014, the Bank of Italy updated and integrated its FAQ (Frequently Asked Questions) on money laundering with the questions submitted by financial operators after the publication of the “Measures” by Bankit published on April 3\textsuperscript{rd} 2013 on the “Customers due diligence”\textsuperscript{6}.

3.1.6 AML aggregated reports - SARA, Segnalazioni AntiRiciclaggio Aggregate (February 3\textsuperscript{rd}, 2014)

On February 3\textsuperscript{rd}, 2014 the new rules on AML aggregated report (SARA - Segnalazioni AntiRiciclaggio Aggregate) came into force following the indications of UIF on December 23\textsuperscript{rd}, 2013; the new rules controls are applied to reports starting from March 2014 onwards.

3.1.7 Anomaly indicators for credit cards (February 18\textsuperscript{th}, 2014)

On February 18\textsuperscript{th}, 2014 UIF published the list of anomaly indicators (“Red flag indicators”) for financial transactions using payment cards in accordance with article 6, paragraph 7, letter b) of Legislative Decree no. 231/2007.

3.1.8 Consob: provisions on anti-money laundering due diligence for accounting auditors (21\textsuperscript{st}, February 2014)

On February 21\textsuperscript{st} 2014, the CONSOB issued Resolution no. 18802 on anti-money laundering due diligence for accounting auditors\textsuperscript{7}.

3.1.9 Instructions for returning money in case of due diligence failure (March 10\textsuperscript{th}, 2014)

On March 10\textsuperscript{th} 2014, UIF, the Italian FIU, published the “Instructions for returning money and reporting suspicious transactions in case of due diligence failure” with regard to paragraph 1 of

\begin{itemize}
\item \textsuperscript{5} http://www.garanteprivacy.it/web/guest/home/docweb/-/docweb-display/docweb/2865605, vedi http://www.compliancenet.it/content/antiriciclaggio-senza-eccessi-italia-oggi-17-gennaio-2014
\item \textsuperscript{6} http://www.bancaditalia.it/vigilanza/anti/antiriciclaggio/faq e http://www.compliancenet.it/content/adeguata-verifica-clientela-integrale-faq-banca-italia-antiriciclaggio-diritto-bancario-27-gennaio-2014
\item \textsuperscript{7} http://www.compliancenet.it/consob-disposizioni-adeguata-verifica-antiriciclaggio-revisori-21-febbraio-2014
\end{itemize}
article. 23 of Legislative Decree 231/07, which requires that when financial intermediaries are not able to satisfy the customers due diligence requirements they must end the relationship and also evaluating the opportunity to send a suspicious transaction report.

3.1.10  Assirevi: Doc n. 181, “Application of AML obligations to auditing companies” (May 19th, 2014)

On May 19th 2014, Assirevi, the Italian Association of accounting auditors, published the document no. 181 “Application of AML obligations to auditing companies” (here in pdf, 323 K 51 pp.), which analyzes the formalities required for the accounting firm by Legislative Decree no. 231 2007 (Italian AML law) because of the particular nature of the auditing activities and the specific instructions and regulations issued by Consob8, the Italian Stock Exchange authority.

3.1.11  Notaries association: “Guidelines on AML customer due diligence” (May 23th, 2014)

On May 23rd 2014, the Notary, the Italian association of notaries, published “Guidelines on AML customer due diligence”; the document was approved by the Italian Financial Security Committee (CSF – Comitato sicurezza finanziaria)9.

3.1.12  IVASS, Regulations n. 5 on “AML Customers Due Diligence for Insurance companies” (July 21st, 2014)

On July 21st, 2014 IVASS, the Italian insurance supervisory authority, published the Regulations n. 5 on “AML Customers Due Diligence for Insurance companies”. The “Report” accompanying the Regulations stresses that “the obligation of Customer Due Diligence (CDD) requires the customer monitoring for all the duration of the insurance contract”. Insurance companies must identify and verify also the identity of the beneficiary who is different from the customer and the beneficial owner.

With reference to this subject the Regulation sets out a specific framework in line with the provisions of the FATF Recommendation n. 10 on CDD10. The IVASS - Institute for the Supervision of Insurance companies- issued Regulation n. 5/2014 to identify methods and procedures that insurance companies and intermediaries have to comply with in matters of customer due diligence and data and information recording.

---

3.1.13 Confindustria: risk areas and preventive controls related to money laundering offense (July 21st, 2014)

On July 21st 2014, the Ministry of Justice approved the new “Guidelines” related to Law 231/01 on “Administrative liability” issued by Confindustria, the association representing the manufacturing, construction, energy, transportation, ITC, tourism and services industries in Italy. The new Confindustria “231/01 Guidelines” are divided into two parts, general and special part. The special part is dedicated to analyze offenses related to administrative liability through special case studies and introduces a rapid analysis method. The special part contains also a chapter on anti money-laundering.11

3.1.14 STRs phenomena list – update (21st July 2014)

In order to allow a concise and effective reporting of suspicious transactions, the UIF updated the list of "phenomena" that addressees have to use to describe suspicious operations. The new “phenomena list” reflects the patterns and models of abnormal behavior developed by the UIF on usury, international tax fraud, fraud in billings, factoring, the suspicious use of prepaid cards of trust and anomalous activity in the gambling and betting industry. They are also taken into account the anomaly indicators, relating to money transfers and irregular withdrawals with credit cards.

3.1.15 Agreement between FIU and the Anti-Corruption National Authority for collaboration and exchange of information (July 30th, 2014)

On July 30th 2014 the Financial Intelligence Unit for Italy (UIF) and the National Anti-Corruption Authority (ANAC) signed a memorandum of understanding enabling the reciprocal exchange of information and collaboration for common initiatives against money laundering and corruption. The protocol defines the specific areas of cooperation between the two authorities, aimed, among other things, to:

- the identification of activities or behaviors indicative of suspicious transactions, with particular reference to the sectors most exposed to the risk of money laundering and corruption;
- the definition of models or patterns representing abnormal behavior;
- the development of parameters, risk factors and indicators for the prevention of corruption;
- the conduction of joint studies and analysis on specific areas or phenomena;
- the awareness of public administrations, also through training programs, about the proper fulfillment of obligations under the AML.12

3.1.16 Communication of 1st August 2014 relating to the statement of operations in

---


gold

On 1st August 2014, the UIF issued new instructions for the preparation and transmission of the statements in gold as referred in Article 1, paragraph 2 of Law 7/2000, replacing those contained in the circular of 28th March 2001 of the UIC (the previous name of UIF).
The new procedure, which came into effect on 1st December 2014, requires that statement of operations in gold are transmitted only electronically to fill, through the use of the Infostat-FIU web portal.
The documentation for the access and adherence to the portal, as well as for sending statements, is available on the UIF website.

3.1.17 Bank of Italy: consultation on supervisory measures against money laundering related to factoring (August 19th, 2014)

On August 19th 2014, the Bank of Italy published the consultation document “Supervisory provisions concerning the anti-money laundering obligations applicable to factoring transactions” (pdf 147 K, 5 pp.).
The document proposes some changes to the provisions on customer due diligence and on AUI (Archivio Unico Informatico) recording respect to the measures required by Bank of Italy (ref: April 3rd 2013 Measures) relating to anti-money laundering obligations13.

3.1.18 AML team at the Milan prosecutor’s office (August 21st, 2014)

On August 2014 a new team has been set up at the Milan prosecutor’s office in order to investigate and contrast international Money Laundering crimes.
The new operating group consists of 8 deputy prosecutors.
The team, created in collaboration with the OECD, Organisation for Economic Cooperation and Development, was called:”European and International Affairs Office”14.

3.1.19 The Italian criminal economy worthies 170 billion euro (August, 31st 2014)

According the CGIA of Mestre, Italian criminal economy worthies 170 billion euros per year. The estimate of the economic value generated by criminal activities was calculated by CGIA using data from the Bank of Italy.
According to the definitions established by the OECD, it should be mentioned that the data produced by Bank of Italy do not include violent crimes such as theft, robbery, usury and extortion, but only illicit transactions agreed between the seller and the buyer, such as smuggling, arms trafficking, illegal disposal of waste, gambling, receiving stolen goods, prostitution and drug trafficking.

These criminal activities turnover for 170 billion per year, the equivalent of the GDP of a region like Lazio.
The escalation of criminal organizations turnover is confirmed by Suspicious Transactions Reportings (STRs) related to money laundering sent to the UIF, the Italian FIU, by financial intermediaries (80% from banks, but also post offices, finance companies or insurance). Between 2009 and 2013 these STRs have increased by almost 212 percent.
In 2009 there were 20,660, in 2013 they have reached 64,415, although it must be said that the record level was reached in 2012, with 66,855 STRs.
The analysis conducted by CGIA also classified 2013 STRs on regional basis.
The most “affected” regions are Lombardy (11,575), Lazio (9188), Campania (7174), Veneto (4959) and Emilia Romagna (4,947).
Almost 60 per cent of reports registered at national level is concentrated in these five regions\(^\text{15}\).

3.1.20  MEF: Report on the 2013 activities against money laundering (September 22\(^\text{nd}\), 2014)

On September 22\(^\text{nd}\) 2014, the Italian Ministry of Economy and Finance (MEF) released the "2013 Report" on national preventive actions against money laundering and the financing of terrorism.
The 4\(^\text{th}\) chapter (“The Supervisory activities”) illustrates controls carried out during 2013 by the FIU, the Bank of Italy, the Financial Police and the Anti-Mafia Investigation \(^\text{16}\).

3.1.21  UIF organizational Reform (October 27\(^\text{th}\), 2014)

On 27th October 2014 the UIF - the Financial Intelligence Unit for Italy - adopted a new organizational model that takes into account the similar reorganization of the Bank of Italy and the evolution of the operational framework.
The new structure aims to improve the effectiveness of the activities of financial intelligence and strengthen the structure of supervision of suspicious transaction reports.
The new organization is divided into 2 Directorate called “Suspicious transactions” and “Analysis and institutional relations” in turn divided into a total of seven divisions.
In detail:
- The Suspicious Transactions Directorate is in charge of the financial analysis of suspicious transaction reports and ascertains how well grounded they are; it assesses compliance with the regulations governing the sector of the reporting entities; it supervises data quality and implements procedures to integrate the available information with other data sources.
- The Analysis and Institutional Relations Directorate liaises with the Judicial Authority and with other national institutions; it participates in defining the regulatory framework; it cooperates with foreign national authorities and international bodies; and it carries out aggregate analyses of financial flows. \(^\text{17}\)

\(^{15}\) http://www.compliancenet.it/l-economia-criminale-vale-170-miliardi-di-euro-cgia-mestre-31-agosto-2014


3.1.22 AML agreement between Italy and San Marino (November 5th, 2014)

On November 5th, 2014 law n. 160 of 2014 came into force ratifying a financial cooperation agreement between Italy and San Marino.
The law aims to strengthen banking, finance and insurance supervisory cooperation against money laundering and the control of trans-boundary money movements.
The agreement also includes an “exchange of confidential information” and the possibility of “direct inspection activities” by the Sanmarinian AIF - Agency for Financial Intelligence – and the Italian UIF (Unità di Informazione Finanziaria) 18.

3.1.23 UIF: customer aggregation table update (December 3rd, 2014)


3.1.24 Italian national money laundering and terrorist financing risk assessment (December 4 th, 2014)


On December 4 th 2014, the Italian “Comitato di sicurezza finanziaria” - Financial Security Committee - conducted the first national analysis of the risks of money laundering and terrorist financing as required by the new Financial Action Task Force (FATF) “Recommendations”.
The analysis aims to identify, analyze and assess the threats of money laundering and terrorist financing, identifying those most relevant ant the methods of conducting such criminal activities, the vulnerability of the national system of prevention, investigation and repression of these phenomena, and therefore the sectors most exposed to these risks.
The assessment reveals that the risk of illegal activities and money laundering involving the Italian economy is significant but, at the same time, the Italian system for preventing and fighting AML appears adequate.


Law no. 186/2014 (Italian Official Journal no. 292 of 17th December 2014) introduced into the Italian legislation the crime of self-laundering (art. 648-ter.1 of the Criminal Code), which punishes with imprisonment from two to eight years and fine from Euro 5,000 to Euro 25,000 “anyone who commits or participates an intentional crime, employs, replaces, moves in economic activities, financial, entrepreneurial or speculative, money, goods or other benefits from the commission of such crime, in a manner which obstructs the identification of their criminal origin.”


The legislator has chosen to differentiate the new offense of self-laundering from the money laundering one providing a lower term of imprisonment.

This choice is consistent with the requirements of punishment proportionality because the sanction for the self laundering is in addition to that provided for the predicate offense, that is money laundering.

The self laundering is pursued based on a double level of punishment, depending on the severity of the predicate offense.

It applies a sentence of one to four years and a fine from Euro 2,500 to Euro 12,500 if the money, goods or other benefits come from the commission of an intentional crime punishable by imprisonment in less than five years.

In case of collaboration from the person under investigation a reduction of imprisonment term could be applied.

Even the crime of self laundering was included in the list of crimes which may give rise to the liability of the legal person pursuant to Legislative Decree. N. 231/2001.

In order to facilitate the regularization of funds held abroad in violation of the legislation on fiscal monitoring, the law n. 186/2014 ruled that, by September 30th 2015, the infringer of declaratory obligations under art. 4, paragraph 1 of the Decree-Law no. 167/1990, converted into Law no. 227/1990, may use the so-called procedure of “Voluntary Disclosure” to regularize its position concerning violations committed until 30 September 2014.

In case of Voluntary Disclosure it is necessary to declare all financial assets consist or detained abroad, be indirectly or nominees, accompanied by the relevant documents and supporting information, and paid the sums due.

By applying to Voluntary Disclosure produces the exclusion of criminal liability for certain tax offenses (crimes referred to in Articles 2, 3, 4, 5, 10-bis and 10-ter of Legislative Decree. N. 74/2000) as well as for the conduct of money laundering and use of Articles 648-bis and 648-ter committed in relation to the reported tax offenses. Moreover, the conduct of self laundering under Article 648-ter is not punishable if tax offenses were committed until the date of 30 September 2015.

With the circular no. 109560 of 9th January 2015, the Ministry of Economy and Finance has clarified that financial assets voluntarily declared to the tax authorities are subjected to AML obligations of customer due diligence, data recording and reporting of suspicious transactions.

### 3.1.26 Updating of codes related to synthetic economic activity for AML data aggregates reporting - effective from December 31, 2014

Following the update of the Circular of the Bank of Italy n. 140 11 February 1991 “Instructions on economic classification of customers”, the UIF updated Annex n. 2 of the Order dated 23rd December 2013 concerning the sending of AML data aggregates.

The update contains the new criteria for aggregation between subgroups of economic activity; the new codes have to be used for transactions carried out from 31st December 2014.

### 3.2 2015

#### 3.2.1 Vatican: regulation on Prudential Supervision of the financial entities (January, 29th 2015)
On January, 29 2015 the Vatican Financial Intelligence Authority (AIF) of the Holy See/Vatican City State published the Regulation no. 1 on Prudential Supervision of the Entities Carrying Out Financial Activities on a Professional Basis, entered into force on 13 January 2015. The new AIF regulations are in response to the requirements the Holy See has committed towards the European Union and Moneyval (the Council of Europe’s anti-money laundering and counter terrorist financing body). The regulations set out all criteria and standards of “competence, creditworthiness, risk management, valuation of capital” - and potential sanctions – which must be respected by the IOR, APSA and any other bodies engaged in financial activities.

### 3.2.2 Virtual currencies - Communication of the Bank of Italy (January 30th, 2015)


On January 30th 2015, the Bank of Italy published in its “Supervisory Bulletin” a warning relating to virtual currencies.

“The Bank of Italy discourages banks and other supervised institutions from purchasing, holding or selling virtual currencies,” writes the Financial Intermediaries Supervisory Authority.

On this issue Bankitalia “shares” the EBA (European Banking Authority) opinion which had already warned about the virtual currencies, issuing an opinion in July 2014.

“Therefore Bank of Italy addressees - banks, financial intermediaries and other persons subject to its supervision - are advised to carefully consider the risks indicated by the EBA and to consider that in the absence of an adequate legal framework and certainty about the legal nature of virtual currencies, those risks can expose to losses and affect, consequently, the consistency of the regulatory capital and the stability of intermediaries”.

Bankitalia also points out that “the real modus operandi of virtual currency can result in a violation of regulations which are punished by law”.

### 3.2.3 UIF, the Financial Intelligence Unit for Italy: “Anomalous use of virtual currencies” (January, 30th 2015)


On January 30th 2015 UIF, the Italian Financial Unit, published an opinion on so-called “virtual currencies”.

The UIF reminds financial operators that virtual currencies are not issued by central banks or by public authorities and do not constitute legal tender neither are comparable to electronic money. There are more than 500 different types of virtual currencies; the most common is “Bitcoin”. Virtual currencies are used especially in electronic commerce and for gambling especially online.

According to the UIF the use of virtual currencies may expose operators to the risk of money laundering and terrorist financing, as evidenced by international and European authorities, such as the Financial Action Task Force (FATF), the European Banking Authority (EBA) and the European Central Bank (ECB).

Transactions with virtual currencies take place mainly online, between subjects that can operate in different countries, often in countries or territories at risk.
3.2.4 DIA – money laundering and criminal infiltration of the Italian legal economy (February, 2nd 2015)


On February 2015, the DIA – the Italian Anti-Mafia Investigation Department - published its report for the first half 2014.

3.2.5 Italian Observatory on “Money laundering and terrorism financing” starts its activities (February 10th, 2015)

The Observatory, presented at the conference “International money laundering and terrorist financing” of February 10th, 2015 at the LUISS University, published a summary of its first research entitled “International money laundering and contrast regulations: effects on the economic system and companies”. The research is divided into three chapters.

1. Chapter I – Money laundering as a transnational phenomenon, by Stella Magistro
2. Chapter II - The anti-money laundering regulations in Italy, by Ranieri Razzante
3. Chapter III - Leaks of the illegal economy in businesses, by Antonio Arrotino

In particular the third chapter analyzes also the criminal infiltration in the Italian public sector where legislative changes have recently occurred in order to prevent infiltration of organized crime. This part of the research also focuses on the economic sectors most infiltrated by illegal activities in Italy: illegal construction, excavation activities, illicit traffic and illegal disposal of hazardous waste (hazardous and non), animal racket, fruits and trades of artistic and archaeological.

3.2.6 MEF on voluntary disclosure & money laundering (February 18th, 2015)

In Italy there is a heated debate that continues on anti-money laundering obligations for legal professionals (mainly: lawyers) in order to respect particularly on Suspicious Transaction Reporting (STR).

On January 23rd 2015, the Ministry of Economy (MEF) published its opinion in the form of FAQs on the topic but leaving many open questions.

On February 19th, 2015 the Deputy Minister of Economy Luigi Casero cleared that the obligation for STRs by the legal professionals starts only if they have received an explicit mandate by the taxpayer in order to be assisted to adhere to the Voluntary Disclosure (VD) and not just in the case of preliminary phase in which lawyer and client discuss together whether to join the VD.

3.2.7 The Ministry of Economy and Finance (MEF) updates the "black list" of tax havens: out of 21 countries, including Singapore and the Cayman Islands (April 1st, 2015)
On April 1st 2015, the Minister of Economy and Finance, Pier Carlo Padoan, signed two ministerial decrees that modify the blacklist on the non-deductibility of costs and on the “Controlled Foreign Companies” (CFC), decrees already adopted pursuant to Articles 110 and respectively 167 of the Consolidated Income Tax.

The Minister underlined that under this new policy the signed decree rewrites the black list on the non-deductibility of costs while keeping the list of 46 countries and jurisdictions.

21 countries and jurisdictions were deleted from the black list thanks to bilateral (Convention against double taxation or TIEA - Tax Information Exchange Agreement) or multilateral (Multilateral Convention on Mutual Administrative Assistance in Tax Matters OECD / Council ‘ Europe) agreements that allow the exchange of information on tax matters.

3.2.8 UIF, “AML notebook” on STRs - Suspicious Transactions Reporting (April 30th, 2015)

On April 30th, 2015 the UIF, the Italian the Financial Intelligence Unit (FIU), published the 2nd “AML notebook” focused on STRs.

The text contains a selection of particularly interesting cases identified by UIF since 2008, year of its establishment.

The notebook is an additional instrument, alongside the “anomaly indicators” and the “patterns of abnormal behavior” useful for detecting financial transaction potentially related to money laundering and terrorist financing.

The book is divided into two sections: " recurring cases " and " emerging cases ".

The first one concerns abnormal financial behavior types which are more frequently detected.

The second section includes less frequent cases which present, however, criminal innovative elements.

In particular, innovations refer to the use of complex financial instruments or the exploitation of illegal elements of vulnerability or of regulatory gaps in certain production or financial sectors.

The basic techniques adopted are often related to the handling of cash, used as screen for shell companies or other legal entities, distortion or simulation of financial transactions or transactions.

3.2.9 MEF: money laundering white-list updated (May 13th, 2015)

On May 13th 2015 the decree of the Ministry of Economy and Finance (MEF) of 10th April 2015 entered in force after its publication in the Italian Official Gazette; it expands the list of non-EU countries which are deemed compliant with anti-money laundering obligations imposed by the EU Directive 2005/60/ce.

The new money laundering white-list now also includes the following countries:

- Australia;
- Brazil;
- Canada;
- Hong Kong;
- India;
- Japan;
- Republic of Korea,
- Mexico;
- Singapore;
As a result of the decree, with these states it is now possible to use a simplified customer due diligence (CDD) approach. The list is subject to a periodical review.

3.2.10 4MLD - Fourth European Money Laundering Directive (May 20th, 2015)

On the 20th May 2015, after two years of intense discussions and continuous amendments, the European Parliament approved the Fourth European Directive on Money Laundering (4MLD) which is compliant with AML international standards developed by the FATF - Financial Action Task Force.

3.2.11 UIF: 2nd AML Notebook, “2014 statistical data in Italy“ (May 29th, 2015)

In the second half of 2014, the UIF, the Italian Financial Intelligence Unit, received 34,183 Suspicious Transactions Reports (STRs) with an increase of 3.3% compared to the same period of last year and of 9% compared to the previous six months. The reduction of 3,392 STRs in the last six months is due to the sector of financial intermediaries which has recorded substantial a drop in percentage terms in the number of reports submitted to the FIU, with the exception of SIM, Insurance Companies and the residual category of “other financial intermediaries”. In particular, the number of reports sent by the «Banks and “Poste”» category, which in the previous six months had surpassed 30,000, showed a decrease of about 2,600 units. The growing global trend in the number of STRs in the non-financial sector, with a total increase of 2.98 percent, must be analyzed by dividing its two main components: there is in fact a decrease in the number of STRS from professionals and an increase from non-financial agents. With reference to the territorial basis of the STRs, the drop in the number of reports was widespread and affected all the three major regions in terms of STRs (Lombardia, Lazio and Campania) and also those sent by smaller regions than in the previous six months had recorded substantial increases. The number of entities that have sent at least one STR fell slightly: 506 bank intermediaries, 196 financial institutions, 84 professionals and 38 non-financial agents. The number of reports analyzed and transmitted to the investigative organs during the analyzed semester exceeded 36,000 units. In the period under observation, the UIF adopted 20 measures of suspension of suspicious transactions pursuant to Article 6, paragraph 7, letter c) of Legislative Decree no. 231/07, corresponding to a total value of 23.4 million euro. In the second part of 2014, the Judicial Authority sent 129 requests for information and collaboration to the UIF (+25.2 percent compared to the same period in 2013).
The exchange of information with foreign FIUs grew and a total of 977 cases were dealt with through international reserved circuits. With reference to the Anti-Money Laundering Aggregate Reporting (SARA) in the second part of 2014 there was a slight decrease in the number of reporting banks, which corresponds to a decrease in total reported value. The data relating to payment institutions, intermediaries that began sending the information only at the beginning of the year, shows a slight expansion both in terms of the number of entities and in the amounts reported.

3.2.12 The Italian Parliament approves FATCA agreement (June 3rd 2015)

http://www.compliancenet.it/the-italian-parliament-approves-fatca-agreement-june-3-2015

On June 3rd 2015 the FATCA agreement between Italy and USA was signed. The agreement is aimed to contrast tax evasion of American citizens who have bank accounts abroad thanks to the automatic exchange of fiscal information between countries authorities. In Italy financial intermediaries have to:
1. identify American citizens
2. transmit their data to the Italian tax agency (Agenzia delle Entrate).

The “Agenzia delle Entrate” will forward the information to IRS, Internal Revenue Service, the American tax agency.
The obligations for Italian financial intermediaries start retroactively from July 1st 2014. The implementing decree and the final provision of Agenzia delle Entrate will be issued in the next weeks.

FATCA is just one of the legislative initiatives that Italy is moving forward against the international tax evasion; another initiative is the “Common Reporting Standard” regarding a better transparency on tax data exchange.
ANNEX - SUGGESTED READING

Following a set of “suggested reading” on the Italian AML system. Text are extracted from official publications of the Bank of Italy, UIF, CONSOB, the Guardia di Finanza, DIA and so on (indicating whether the texts have been translated in English from Italian by ComplianceNet or not)

4.1 MONEY LAUNDERING AS FINANCIAL PHENOMENON (NOVEMBER 25TH, 2014)


- Unofficial English translation of the paragraph “Money laundering as financial phenomenon and the role of FIU - Il riciclaggio come fenomeno finanziario e il ruolo della UIF” by Claudio Clemente, UIF Director, available in “Disegno di legge recante disposizioni in materia di auto-riciclaggio” (AS 1642), 25 novembre 2014 (pdf, 209 K, 13 pp.)

Money laundering is a very complex phenomenon, subject of increasing attention for a long time also due to the international community commitment. The national initiatives of fighting money laundering developed by the different countries involved both the repression way, with the gradual extension of the range of offenses for money laundering, and the growth and the strengthening of a prevention system, based on collaboration between public authorities and private operators to identify the direct infiltration into the legal economy of the proceeds of crime. The prevention phase is at once an opportunity and a necessity. An opportunity because it allows you to intercept the crimes at the time of their cash flow effect, with a legality protection view. A necessity because the input to legal economy of illicit capital produces distortions in the mechanisms of resource allocation and affects the proper functioning of markets distorting competition between individual traders. Effective controls against money laundering is particularly necessary in Italy, a country historically characterized by high levels of corruption and tax evasion, as well as a penetrating presence of organized crime. Preventive action must be carried out in close connection with the prevention of criminal activities. This requirement is codified in the Community legislation and also in national legislation; the Legislative Decree no. 231 of 2007 (art. 2, par. 6) expressly states that prevention has to be carried out in coordination with repression. Therefore the two phases are complementary. The money laundering prevention system involves several addressees which have to comply with precise rules, proportional to the characteristics of the different categories involved:

- the customer due diligence on the basis of a modulated approach on the risk of money laundering,
- the recording of data on relationships and transactions,
- the adoption of appropriate organizational measures and specific training initiatives.
The in-depth knowledge of customers is functional to the money laundering suspicions transactions reporting to send to the FIU as soon as possible.

**The alliance between public authorities and private operators against money laundering**

The UIF, the Italian FIU - established in 2008 - is the authority delegated to receive and analyze information related to possible money laundering and terrorist financing activities.

The Unit performs financial analysis of the reports received on the basis of the information contained in its records and other available sources; it avails of the collaboration of the Supervisory and Control Authorities, the Judicial and Investigative bodies; it can count on the cooperation provided by the worldwide network of Financial Intelligence Unit to identify transnational flows of illicit funds.

The results of the carried out analyzes are transmitted to the competent investigating authorities (a special unit of the “Guardia di Finanza” and the Anti-Mafia Investigation Department - DIA) and help to steer any subsequent investigations.

The information concerned the “active collaboration” of the operators show a continuous increase in quantity and quality of Suspicious Transactions Reports - STRs. The reports received by the FIU rose from 12,500 in 2007 to about 74,000 estimated for 2014; this is a very high trend of expansion.

A growing group of operators - which are still concentrated in the banking and financial sector - reveals awareness of the importance of controls to prevent money laundering.

In recent years more than 50 per cent of STRs re-transmitted by the Unit has been judged by the investigative bodies as valuable of interest and further investigation of criminal offenses.

This finding, particularly significant also in international comparison, demonstrates how useful is coordination between preventive and repressive actions and shows the value of the “alliance” between public authorities and private operators.

### 4.2 International money laundering and contrast regulations; effects on the economic system and companies (February 10th, 2015)


On February 10th, 2015 the “Money laundering and financing terrorism observatory” was presented in Roma by AIRA, Italian Association of Anti-Money Laundering Officers, and Fondazione Bruno Visentini (FBV) - LUISS.

The Observatory is working on a research paper titled “Money laundering and international law enforcement: the effects on the company system”; a summary is already available on the FBV web site (pdf, 166 K, 9 pp.)

The research is composed of three parts:

1. an analysis of the phenomenon of money laundering both from a legal and economical perspective
2. insights about criminal organizations infiltrations of business
3. the new frontiers of money laundering: currency transfers, buying gold, gambling, betting shops.

Below is a brief summary of the research topics.
Chapter I – Money laundering as transnational phenomenon

The first chapter of the AIRA research, by Stella Magistro, is dedicated to the transnational dimension of the Money Laundering (ML) offense, with a specific analysis of what are the international organizations and authorities involved in ML fighting. The paper underlines that the European anti-money laundering regulation is based on awareness that the creation of the EU single market is not only an extraordinary opportunity but also a significant risk source to the integrity of the system due to relevant presence of financial crime. The chapter also evidences the proliferation of so called “tax havens” that is European regimes or territories which take advantage of tax policies to attract capital. These countries have rapidly transformed into company havens thanks the correlation of tax benefits, tax evasion, money laundering, concealment of assets to creditors due to the reduction of time and costs using “offshore corporate vehicle”. In fact regulations provided in many countries reduced formalities and corporate accounting, anonymous companies with the possibility of limiting the liability of the ownership and to issue bearer shares; finally all of this produces a substantial lack of transparency. However this phenomenon is not an exclusive of so called ax havens because it also occurs in states with a normal level of taxation which permit establishment of "gray" corporate entities.

Chapter II – Italian anti-money laundering regulations. Critical operations and future proposals

The second part of the research, by Ranieri Razzante, is dedicated to a careful analysis of what is, at present, the Italian anti-money laundering legislation. Law 231/2007 is based on a complex system of cooperation between private operators, administrative authorities and investigation with the ultimate aim of protecting the integrity of the financial and economical system as well as the correct behavior and is interlinked with the activities of banking and financial supervision. The aim is to guarantee that financial intermediaries have a sound and prudent management, an overall stability and regular competitiveness. Aimed to this goal, Italian anti-money laundering regulation has focused on the cooperation of the banking and financial system and on recording and analysis of each financial transaction. The core of the Italian AML system is the Customers Due Diligence (CDD) to be observed during the entire relationship and to modulate, according to the principle of proportionality depending on the type of customer, business relationship, the professional service, product or transaction.

Chapter III - Illegal economy leaks in businesses

The third and final chapter, by Antonio Arrotino, deals with the effects of money laundering and organized crime on the business system. The author analyzes the specific areas in which an increased risk of criminal infiltration has been detected. The chapter begins by illustrating criminal infiltration in the public sector where on 2014 there were relevant legislative improvements in order to prevent the infiltration of organized crime because mafia interference could create a concrete destabilizing effect.
After criminal infiltration in commercial enterprises is analyzed with a focus on the areas where statistics indicate greater infiltration of the illegal economy: illegal construction, excavation activities, illegal traffic and illegal disposal of hazardous waste, animal rackets, artistic and archaeological traffic.

Specific analysis are conducted for the food, gaming, "buy gold", money transfer industries.

Annex

- Osservatorio sul riciclaggio e sul finanziamento al terrorismo, “Riciclaggio internazionale e normativa di contrasto. Gli effetti sul sistema imprese”, 18 febbraio 2015 (pdf, 166 K, 9 pp.)

4.3 DIA - CRIMINAL INFILTRATION OF THE LEGAL ECONOMY (FEBRUARY 25th, 2015)


One chapter of the report is devoted to "criminal infiltration of the legal economy" and contains some important information and data on the phenomenon of money laundering in Italy.

5. Criminal infiltration of the legal economy

a. Anti money-laundering

Money-laundering and reinvestment of the proceeds arising from criminal activities continue to pose real economic and social emergencies due to their progressive expansion on a national and international scale.

Money laundering, especially, assumes considerable importance, at the macroeconomic level, because the flow of illicit money into the financial system creates serious distortions of the legal economy by altering the conditions of competition, and this affects the proper functioning of markets and the allocation of resources, with consequences, ultimately, on the stability and efficiency of the economic system.

The fight against money-laundering is essential to safeguard national economic and financial integrity.

The shared strategy to combat money-laundering consists in the prevention and repression of the accumulation of illicit capital and avoiding its “cleanup” through the traceability of money.

The mission of the DIA is also to investigate ML transactions in collaboration with the “Guardia di Finanza”, examining suspicious transaction reports (STRs) sent through the UIF, the Italian FIU (Financial Intelligence Unit) by financial intermediaries, professionals, auditors and other addresses by Legislative Decree no. 231/07.

Suspicious transaction reports (art. 41 of D. Lgs. 21.11.2007, no. 231)
Thanks to the information system "El.IOS" (Elaborazioni Investigative Operazioni Sospette - Suspicious Transactions Investigative Elaboration) [315] in the 1st half of 2014 the DIA analyzed 9,011 STRs.

They are related to 27,265 subjects, 18,635 of which are individuals and 8,630 legal entities. STRs were submitted only by credit institutions (7526), financial intermediaries (553) and, in part, by electronic money institutions (352), the almost exclusive sources of active collaboration in the Italian AML system.

The STRs contribution by non-financial agents and professionals appears limited probably due to the close relationship between these categories and their clients as well as to an excessive consideration of matters relating to privacy.

The 9,011 STRs correspond to 29,468 financial transactions. The following table indicates the different types detected:

<table>
<thead>
<tr>
<th>Type</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prelevamento contante &lt;15,000 euro</td>
<td>1215</td>
<td>5%</td>
</tr>
<tr>
<td>Bonifico a favore di ordine e conto</td>
<td>4426</td>
<td>20%</td>
</tr>
<tr>
<td>Prelevamento con moduli di sportello</td>
<td>3338</td>
<td>15%</td>
</tr>
<tr>
<td>versamento di contante</td>
<td>3039</td>
<td>14%</td>
</tr>
<tr>
<td>Bonifico in partenza</td>
<td>2826</td>
<td>13%</td>
</tr>
<tr>
<td>Bonifico estero</td>
<td>1901</td>
<td>9%</td>
</tr>
<tr>
<td>Disposizioni di trasferimento</td>
<td>1639</td>
<td>7%</td>
</tr>
<tr>
<td>Emissione di assegni circolari e titoli sim.</td>
<td>1418</td>
<td>6%</td>
</tr>
<tr>
<td>Versamento di assegni tratti altro itermed.</td>
<td>1364</td>
<td>6%</td>
</tr>
<tr>
<td>Addebito per estinzione assegno</td>
<td>1229</td>
<td>5%</td>
</tr>
</tbody>
</table>

(Tav. 103)

The following table highlights the macro territorial areas for number of transactions reported in the half year:

<table>
<thead>
<tr>
<th>Area</th>
<th>Transactions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nord</td>
<td>11,045</td>
</tr>
<tr>
<td>Centro</td>
<td>7,860</td>
</tr>
<tr>
<td>Sud</td>
<td>7,443</td>
</tr>
<tr>
<td>Isole</td>
<td>2,650</td>
</tr>
<tr>
<td>N.d.</td>
<td>470</td>
</tr>
</tbody>
</table>
The following table indicates, however, for the reports received in the 1st half of 2014, the number of distinct operations by region:

<table>
<thead>
<tr>
<th>Regione</th>
<th>Segnalazione pervenute</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lazio</td>
<td>4.600</td>
</tr>
<tr>
<td>Lombardia</td>
<td>4.060</td>
</tr>
<tr>
<td>Puglia</td>
<td>3.617</td>
</tr>
<tr>
<td>Emilia Romagna</td>
<td>2.532</td>
</tr>
<tr>
<td>Toscana</td>
<td>2.495</td>
</tr>
<tr>
<td>Piemonte</td>
<td>2.252</td>
</tr>
<tr>
<td>Sicilia</td>
<td>2.185</td>
</tr>
<tr>
<td>Campania</td>
<td>2.090</td>
</tr>
<tr>
<td>Veneto</td>
<td>955</td>
</tr>
<tr>
<td>Liguria</td>
<td>728</td>
</tr>
<tr>
<td>Calabria</td>
<td>616</td>
</tr>
<tr>
<td>Abruzzo</td>
<td>517</td>
</tr>
<tr>
<td>altro</td>
<td>470</td>
</tr>
<tr>
<td>Sardegna</td>
<td>465</td>
</tr>
<tr>
<td>Marche</td>
<td>464</td>
</tr>
<tr>
<td>Basilicata</td>
<td>396</td>
</tr>
<tr>
<td>Friuli Venezia</td>
<td>354</td>
</tr>
<tr>
<td>Giulia</td>
<td></td>
</tr>
<tr>
<td>Umbria</td>
<td>301</td>
</tr>
<tr>
<td>Molise</td>
<td>207</td>
</tr>
<tr>
<td>Trentino Alto Adige</td>
<td>132</td>
</tr>
<tr>
<td>Valle d’Aosta</td>
<td>32</td>
</tr>
</tbody>
</table>
ELIOS reveals that among the 9,011 STRs analyzed in the first half of 2014, 251 have been further analyzed and investigated. These 251 STRs forwarded to the competent Operational Centres of the DIA for a more detailed investigation, provided - in the 1st half - a contribution of 18 investigations. Of these, 9 were launched thanks to the STRs. The 18 original investigations were reduced, finally, to 6 which allowed the seizure or confiscation of relevant real estate assets. Simultaneously also international cooperation has benefited from these investigations: in fact following a warning from Europol for an alleged failure of financial flows from abroad to Italy, a monitoring allowed the identification of further 1382 cases requiring analysis and these are ongoing coordinated by the National Anti-Mafia Directorate. Regard the STRs deemed of interest, they are classified by the type of criminal organizations involved in the following table, ‘Ndrangheta with 103 STRs appears the most significant.

<table>
<thead>
<tr>
<th>Organizzazioni criminali</th>
<th>1° semestre 2014</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>criminalità organizzata pugliese</td>
<td>6</td>
<td>2,39%</td>
</tr>
<tr>
<td>camorra</td>
<td>34</td>
<td>13,55%</td>
</tr>
<tr>
<td>altre org. Italiane</td>
<td>50</td>
<td>19,92%</td>
</tr>
<tr>
<td>cosa nostra</td>
<td>58</td>
<td>23,11%</td>
</tr>
<tr>
<td>ndrangheta</td>
<td>103</td>
<td>41,04%</td>
</tr>
<tr>
<td><strong>Totale complessivo</strong></td>
<td><strong>251</strong></td>
<td><strong>100,00%</strong></td>
</tr>
</tbody>
</table>

(Tav. 105)
The exercise of rights of access and assessment of addressees by the obligations Legislative Decree no. 21 November 2007 n. 231

The Anti-Mafia Investigation Department, for its preventive investigations, exercises powers delegated by the Minister of the Interior, on a permanent basis, to the Director of the DIA, relating to:
- Access and investigations against the persons provided for in Chapter III of Legislative Decree no. 21 November 2007 n. 231 [316];
- Execution of internal inspections and requesting data and information from legal representatives of companies [317].

The use of such institutions is aimed at preventing the infiltration of mafia crimes into the economy and is implemented by direct entry into the corporate bodies, either through the use of the banking and financial system to launder the proceeds of illegal activity, introducing it into the legal circuit. The exercise of these powers is a preliminary step of a specific judicial investigation and/or aimed at the application of preventive measures.

In the first half of 2014, this activity continued its upward trend, manifesting itself in the issue and subsequent execution of:
- 1 measure of access to a company operating activities related to gambling and betting, being a person under art. 14 of Legislative Decree no. 231/2007. In the course of this activity information was acquired relating to entities directly or indirectly linked to criminal organizations;
- Two measures of access and assessment performed at two banks, which led to the acquisition of information and documentation related to financial positions deemed worthy of study because they could be linked to organized crime;
- 44 requests for data and information from the headquarters of financial intermediaries, related to people probably linked to organized crime, for the purpose of investigation of a financial nature. In the course of this activity documentation was acquired for five individuals.

Money, goods or illicit origin assets laundering
In this part of the document the data relating to offenses under Article 648-bis (money laundering) and 648-ter (use of money, goods or assets of illicit origin) of criminal code, is discussed and reported by the police to the court during the period under review. This data relating to criminal cases is not directly linked to suspicious transactions reports but it derives from SDI information system (Sistema di Indagine). These investigative activities are often long and complex and made even more difficult by the need to show that the author has not committed the alleged offenses or has not contributed to their commission.

Regarding this subject in the first half of 2014 a decline compared to similar periods in the past starting from 1st half of 2012. This trend should not lead to hasty conclusions because it could be caused by the increasing complexity of the assessment procedures, determined by the increasingly sophisticated methods of money laundering adopted by criminal organizations. One should not forget that each time law enforcement successfully intercept money-laundering mechanisms, criminal organizations react by changing their strategy. For this reason it is essential that the State is always ready to react by adapting the legislative tools, methods and techniques.

<table>
<thead>
<tr>
<th>Period</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>2° Sem. 2011</td>
<td>569</td>
</tr>
<tr>
<td>1° Sem. 2012</td>
<td>779</td>
</tr>
<tr>
<td>2° Sem. 2012</td>
<td>750</td>
</tr>
<tr>
<td>1° Sem. 2013</td>
<td>914</td>
</tr>
<tr>
<td>2° Sem. 2013</td>
<td>850</td>
</tr>
<tr>
<td>1° Sem. 2014</td>
<td>626</td>
</tr>
</tbody>
</table>

The following table shows the number of reported crimes, broken down by region.
### Money laundering - nr. crimes reported

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Abruzzo</td>
<td>7</td>
<td>8</td>
<td>6</td>
<td>7</td>
<td>9</td>
<td>5</td>
</tr>
<tr>
<td>Basilicata</td>
<td>2</td>
<td>4</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>8</td>
</tr>
<tr>
<td>Calabria</td>
<td>17</td>
<td>22</td>
<td>36</td>
<td>23</td>
<td>23</td>
<td>20</td>
</tr>
<tr>
<td>Campania</td>
<td>77</td>
<td>99</td>
<td>92</td>
<td>101</td>
<td>130</td>
<td>70</td>
</tr>
<tr>
<td>Emilia Romagna</td>
<td>16</td>
<td>41</td>
<td>49</td>
<td>50</td>
<td>48</td>
<td>29</td>
</tr>
<tr>
<td>Friuli Venezia Giulia</td>
<td>9</td>
<td>16</td>
<td>15</td>
<td>13</td>
<td>16</td>
<td>11</td>
</tr>
<tr>
<td>Lazio</td>
<td>59</td>
<td>64</td>
<td>86</td>
<td>78</td>
<td>76</td>
<td>64</td>
</tr>
<tr>
<td>Liguria</td>
<td>40</td>
<td>66</td>
<td>74</td>
<td>65</td>
<td>66</td>
<td>70</td>
</tr>
<tr>
<td>Lombardia</td>
<td>41</td>
<td>89</td>
<td>104</td>
<td>79</td>
<td>93</td>
<td>65</td>
</tr>
<tr>
<td>Marc He</td>
<td>4</td>
<td>34</td>
<td>30</td>
<td>19</td>
<td>24</td>
<td>18</td>
</tr>
<tr>
<td>Molise</td>
<td>1</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Piemonte</td>
<td>21</td>
<td>51</td>
<td>62</td>
<td>57</td>
<td>69</td>
<td>31</td>
</tr>
<tr>
<td>Puglia</td>
<td>51</td>
<td>52</td>
<td>48</td>
<td>56</td>
<td>55</td>
<td>45</td>
</tr>
<tr>
<td>Sardegna</td>
<td>16</td>
<td>16</td>
<td>23</td>
<td>14</td>
<td>17</td>
<td>12</td>
</tr>
<tr>
<td>Sicilia</td>
<td>47</td>
<td>59</td>
<td>59</td>
<td>55</td>
<td>61</td>
<td>56</td>
</tr>
<tr>
<td>Toscana</td>
<td>24</td>
<td>165</td>
<td>148</td>
<td>68</td>
<td>41</td>
<td>26</td>
</tr>
<tr>
<td>Trentino Alto Adige</td>
<td>0</td>
<td>5</td>
<td>7</td>
<td>5</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>Umbria</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>4</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Valle D'aosta</td>
<td>1</td>
<td>0</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Veneto</td>
<td>16</td>
<td>55</td>
<td>65</td>
<td>50</td>
<td>35</td>
<td>28</td>
</tr>
<tr>
<td>Regione Ignota</td>
<td>176</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Italia</td>
<td>626</td>
<td>850</td>
<td>914</td>
<td>750</td>
<td>779</td>
<td>569</td>
</tr>
</tbody>
</table>
In the following tables data in relation to the nationality of the alleged perpetrators of the crime in question (reported / arrested) is highlighted.

<table>
<thead>
<tr>
<th>Country</th>
<th>Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italia</td>
<td>1,063</td>
</tr>
<tr>
<td>Romania</td>
<td>69</td>
</tr>
<tr>
<td>Luogo ignoto</td>
<td>69</td>
</tr>
<tr>
<td>Altri stati</td>
<td>63</td>
</tr>
<tr>
<td>Marocco</td>
<td>23</td>
</tr>
<tr>
<td>Albania</td>
<td>11</td>
</tr>
<tr>
<td>Moldavia</td>
<td>10</td>
</tr>
<tr>
<td>Repubblica Popolare Cinese</td>
<td>9</td>
</tr>
<tr>
<td>Ucraina</td>
<td>8</td>
</tr>
<tr>
<td>Perù</td>
<td>6</td>
</tr>
<tr>
<td>Russia</td>
<td>4</td>
</tr>
<tr>
<td>Bosnia ed Erzegovina</td>
<td>4</td>
</tr>
<tr>
<td>Tunisia</td>
<td>4</td>
</tr>
</tbody>
</table>
Romania: 39, 9%
Italia: 296, 66%
Tunisia: 20, 4%
Marocco: 16, 4%
Luogo ignoto: 14, 3%
Nigeria: 8, 2%
Serbia-Montenegro (ex Jugoslavia): 7, 1%
Georgia: 7, 1%
Albania: 3, 1%
Ucraina: 5, 1%
Francia: 4, 1%
Altri stati: 30, 1%

(tav 109)
With regard to the crime of art. 648-ter, the following table shows the data at a national level.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Abruzzo</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basilicata</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Calabria</td>
<td>1</td>
<td>3</td>
<td>2</td>
<td>3</td>
<td>0</td>
<td>4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Campania</td>
<td>5</td>
<td>7</td>
<td>14</td>
<td>21</td>
<td>8</td>
<td>10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emilia Romagna</td>
<td>1</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Friuli Venezia Giulia</td>
<td>1</td>
<td>0</td>
<td>2</td>
<td>21</td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lazio</td>
<td>1</td>
<td>7</td>
<td>6</td>
<td>10</td>
<td>3</td>
<td>6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liguria</td>
<td>1</td>
<td>5</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lombardia</td>
<td>5</td>
<td>7</td>
<td>10</td>
<td>14</td>
<td>16</td>
<td>9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marche</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Molise</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Piemonte</td>
<td>3</td>
<td>2</td>
<td>14</td>
<td>4</td>
<td>3</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Puglia</td>
<td>11</td>
<td>1</td>
<td>3</td>
<td>4</td>
<td>1</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sardegna</td>
<td>1</td>
<td>4</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sicilia</td>
<td>4</td>
<td>7</td>
<td>3</td>
<td>4</td>
<td>7</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Toscana</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>3</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trentino Alto Adige</td>
<td>0</td>
<td>1</td>
<td>4</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Umbria</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Valle D’aosta</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Veneto</td>
<td>0</td>
<td>3</td>
<td>1</td>
<td>4</td>
<td>1</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regione Ignota</td>
<td>5</td>
<td>5</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Italia</td>
<td>45</td>
<td>60</td>
<td>76</td>
<td>99</td>
<td>57</td>
<td>41</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(tav 111)

Below, broken down by nationality, people reported and arrested for the same offense.

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Italia</td>
<td>103</td>
</tr>
<tr>
<td>Luogo Ignoto</td>
<td>6</td>
</tr>
<tr>
<td>Repubblica Popolare Cinese</td>
<td>3</td>
</tr>
<tr>
<td>Perù</td>
<td>2</td>
</tr>
<tr>
<td>Russia</td>
<td>2</td>
</tr>
<tr>
<td>Romania</td>
<td>2</td>
</tr>
<tr>
<td>Senegal</td>
<td>1</td>
</tr>
<tr>
<td>Pakistan</td>
<td>1</td>
</tr>
<tr>
<td>Albania</td>
<td>1</td>
</tr>
<tr>
<td>Egitto</td>
<td>1</td>
</tr>
<tr>
<td>Costa d’Avorio</td>
<td>1</td>
</tr>
</tbody>
</table>
Italia 74
Germania 1
Romania 1

Footnotes

- 315) Applicativo informatico finalizzato a supportare l’attività della D.I.A. sia nella ricezione, sia nella gestione, ai fini investigativi, del flusso documentale, costantemente in crescita negli ultimi anni, costituito dalle segnalazioni di operazioni sospette
Virtual Currencies (VC) are a digital representation of value that can be traded and used as a medium of exchange, a unit of account, or a store of value. VC do not have legal tender status, meaning they are not recognized as a valid offer of payment in any jurisdiction. VC can be exchanged for traditional fiat currencies, but they do not have the same legal status or recognition.

AML and Virtual Currencies

The Financial Action Task Force (FATF) issued a report on virtual currencies in 2014, which outlined the key definitions and potential AML/CFT risks associated with these digital assets. FATF clarified that virtual currencies lack legal tender status and are not issued nor guaranteed by any jurisdiction. They function only by agreement within the community of users.

FATF recommended that virtual currencies be treated as a new tool for criminals, terrorist financiers, and other illicit activities. The report emphasized the importance of regulatory frameworks to mitigate the risks posed by virtual currencies.

Introduction: FATF, EBA and ECB Positions

On June 27th, 2014, the Financial Action Task Force published "Virtual Currencies: Key Definitions and Potential AML/CFT Risks". This report provided a framework for understanding the characteristics of virtual currencies and their associated risks.

The FATF report highlighted the need for international cooperation to address the challenges posed by virtual currencies. It recommended the implementation of AML/CFT measures to prevent the misuse of virtual currencies in illegal activities.

The report also noted the potential benefits of virtual currencies, such as increased efficiency and accessibility in financial transactions. However, it emphasized the importance of a regulatory approach that balances innovation with risk management.

The European Banking Authority (EBA) and the European Central Bank (ECB) have also issued guidance on virtual currencies. EBA noted the growing interest in virtual currencies and recognized the need for a comprehensive regulatory framework.

ECB, on the other hand, focused on the implications of virtual currencies for monetary policy and financial stability. It stressed the importance of addressing the risks associated with these digital assets, particularly in terms of financial stability and monetary policy.

In conclusion, the regulatory landscape for virtual currencies continues to evolve, with a growing recognition of both the potential benefits and the attendant risks. Effective AML/CFT measures and international cooperation are crucial in managing these challenges.

References

FATF, EBA, and ECB have published reports and guidance on virtual currencies, providing a comprehensive framework for understanding the characteristics and risks associated with these digital assets.
sanctions evaders to move and store illicit funds, out of the reach of law enforcement and other authorities.

On July 4th 2014, the European Banking Authority (EBA) published an “Opinion” (pdf, 620 K, 46 pp.) addressed to the EU Council, European Commission and European Parliament setting out the requirements that would be needed to regulate “virtual currencies”.

The Opinion is also addressed to national supervisory authorities and advises to discourage financial institutions from buying, holding or selling virtual currencies while no regulatory regime is in place.

Finally on February 2015, the European Central Bank (ECB) published “Virtual currency schemes – a further analysis” (pdf, 491 K, 37 pp.) which reiterates and confirms the general consideration of the previous ECB’s report on virtual currency schemes of 2012: although VC can have positive aspects in terms of financial innovation and the provision of additional payment alternatives for consumers, it is clear that they also entail risks.

According to ECB “the materialisation risks depends on the volume of VC issued, their connection to the real economy – including through supervised institutions involved with VC – their traded volume and user acceptance. For the moment, all these risk drivers have remained low, which implies that there is no material risk for any of the central bank’s tasks as yet. Nevertheless, a major incident involving VC and a subsequent loss of trust in them could also undermine users’ confidence in electronic payment instruments, in e-money and/or in specific payment solutions, such as those in place for e-commerce.”

**The Italian AML Supervisory authorities opinions on virtual currencies**

- On January 30th 2015 the Bank of Italy issued a statement about Virtual Currencies on its Supervisory Bulletin n.1: “Virtual currencies - Communication (Comunicazione sulle valute virtuali)”

- On February 2nd 2015 the UIF (Unità di Informazioni Finanziarie), the Italian FIU, published its opinion: “Anomalous use of virtual currencies (Utilizzo anomalo di valute virtuali)”.

**Virtual currencies - Communication of the Bank of Italy on January 30th, 2015**

On January 30th 2015, the Bank of Italy published in its “Supervisory Bulletin” a warning relating to virtual currencies.

“The Bank of Italy discourages banks and other supervised institutions from purchasing, holding or selling virtual currencies,” writes the Financial Intermediaries Supervisory Authority.

On this issue Bankitalia “shares” the EBA (European Banking Authority) opinion which had already warned about the virtual currencies, issuing an opinion in July 2014.

“Therefore Bank of Italy addressees - banks, financial intermediaries and other persons subject to its supervision - are advised to carefully consider the risks indicated by the EBA and to consider that in the absence of an adequate legal framework and certainty about the legal nature of virtual currencies, those risks can expose to losses and affect, consequently, the consistency of the regulatory capital and the stability of intermediaries”.

Bankitalia also points out that “the real modus operandi of virtual currency can result in a violation of regulations which are punished by law”.

The Bitcoin is an electronic currency created in 2009 by a computer scientist known by the pseudonym Satoshi Nakamoto.

Bitcoin is based on completely anonymous encrypted transactions.

Bitcoin is not managed by any financial institutions and its value depends on the trust of its
investors.
This crypto currency can be transferred via web to everyone who has a “bitcoin address”, saved in a computer in the form of “portfolio” or held by a third part which offices as a bank.
EBA in its report ha explained that although there are “some potential benefits, for example, quicker and easier transactions and financial inclusion too” at the moment in absence of well-defined rules “risks are higher than benefits even though in Europe it remains less significant.”

**UIF, the Financial Intelligence Unit for Italy: “Anomalous use of virtual currencies”**

*(January, 30th 2015)*

On January 30th 2015 UIF, the Italian Financial Unit, published an opinion on so-called “virtual currencies”.
The UIF reminds financial operators that virtual currencies are not issued by central banks or by public authorities and do not constitute legal tender neither are comparable to electronic money. There are more than 500 different types of virtual currencies; the most common is “Bitcoin”.
Virtual currencies are used especially in electronic commerce and for gambling especially online. According to the UIF the use of virtual currencies may expose operators to the risk of money laundering and terrorist financing, as evidenced by international and European authorities, such as the Financial Action Task Force (FATF), the European Banking Authority (EBA) and the European Central Bank (ECB).
Transactions with virtual currencies take place mainly online, between subjects that can operate in different countries, often in countries or territories at risk.
These subjects are not easily detectable and anonymity is facilitated for those involved in the network and the real beneficiaries of transactions.
Suppliers of “virtual coin” activities such as use, exchange and storage of virtual currencies and their conversion from / into legal currencies are not, as such, recipients of money laundering legislation and therefore are not required to comply with the obligations on customer due diligence, data recording and suspicious transaction reporting.
This circumstance can make the virtual instrument attractive for those who intend to engage in criminal conduct and facilitate the activities of prevention and response.
The UIF reminds financial operators again that during 2014 the Unit received from addressees of anti-money laundering obligations some suspicious transaction reports regarding purchases or sales of virtual currencies considered opaque because of the “subjective profile” of the client, the nature of the parties who were often from abroad, or the modus operandi, for example, the use of cash or payment cards.
To avoid the infiltration of money laundering and terrorist financing into the legal economic and financial system, the addressees of the Legislative Decree no. 231/2007 must be careful to identify the operations involving virtual currencies and thus detect any suspicious elements.
In particular, financial intermediaries, especially when providing payment services must evaluate with great attention the operations of withdrawal and / or payment of cash and the movements of payment cards, connected with the buying and / or selling of virtual currencies carried out over a limited period of time and for large sums of money.
Gambling operators referred to in Article 14, d), e) and e-bis) of the decree against money laundering must pay particular attention to the operation carried out through virtual currencies. Such operations must be examined in relation to the subjective profile of the customer, the involvement of countries or territories at risk and any additional information available.
Suspicious transactions related to the phenomenon described must be reported to the Financial Intelligence Unit as soon as possible, specifying the same phenomenon in the appropriate section of the report, in accordance with what is indicated in the instructions for the compilation of reports of suspicious transactions.
It is responsibility of the persons obliged to report suspicious transactions, as part of his
organizational autonomy and in the manner deemed most appropriate, to raise awareness among
staff and the team responsible for the evaluation of suspicious transactions, communicating the
appropriate instructions.

Footnotes

1. The nature and characteristics of virtual currencies that exist today are described analytically
in the following documents available online: EBA Opinion on ‘virtual currencies’ of 4 July
2014; FATF Report, Virtual Currencies, published in June 2014; ECB -Virtual Currency
Schemes October 2012.

Currencies”, cit., ECB “Virtual Currency Schemes”, cit.; in particular, the FATF document
describes some criminal acts committed by exploiting virtual currencies, for example, in the
United States, also part of the “deep web” (eg. Silk Road and Liberty Reserve).

3. It means the countries or territories not included in anti-money laundering regime equivalent
to those laid down in the relevant decree of the Ministry of Economy and Finance and, in
any case, those indicated by competent international bodies (eg. The FATF, OECD) as
exposed to risk of money laundering or terrorist financing or uncooperative in the exchange
of information in tax matters.

4. For active collaboration purpose see, in particular, FIU communication of 11 April 2013,
scheme 2.

Annexes

AML/CFT Risks”, 27 June 2014 (pdf, 545 K, 17 pp.)

- European Banking Authority (EBA), “Opinion on virtual currencies”, EBA/Op/2014/08,
July 4th, 2014 (pdf, 620 K, 46 pp.)

- European Central Bank (ECB), “Virtual currency schemes – a further analysis” (pdf, 491 K,
37 pp.)

Italian, 30 January 2015 (pdf, 69 K, 2 pp.)

- Bank of Italy, "Avvertenza sull’utilizzo delle cosiddette valute virtuali", Italian, 30 January
2015 (pdf, 180 K, 3 pp.)

- UIF, Unità di Informazioni Finanziaria, “Anomalous use of virtual currencies”, Italian, On 2
February 2015 (pdf, 26 K, 2 pp.)

Links

- Stefano Capaccioli, “Central Bank of Italy Declares Virtual Currency Exchanges Are Not
Subject to AML Requirements”, BitCoinMagazine, February 4th, 2015

- Jessica Lloyd, “Italy: Bitcoin operators do not have to comply with AML/KYC regulations”,
GetBitcoin


On December 4th 2014, the Italian “Comitato di sicurezza finanziaria” - Financial Security Committee - conducted the first national analysis of the risks of money laundering and terrorist financing (pdf, 479 K, 37 pp.) as required by the new Financial Action Task Force (FATF) “Recommendations”.

The analysis aims to identify, analyze and assess the threats of money laundering and terrorist financing, identifying those most relevant and the methods of conducting such criminal activities, the vulnerability of the national system of prevention, investigation and repression of these phenomena, and therefore the sectors most exposed to these risks.

The assessment reveals that the risk of illegal activities and money laundering involving the Italian economy is significant but, at the same time, the Italian system for preventing and fighting AML appears adequate.

System’s inherent risk

Money laundering threat involving the Italian economy is considered to be very significant, the highest value of the rating scale used by the analysis model.

Corruption, tax evasion, drug trafficking, bankruptcy crimes and usury are some of the most troubling criminal conduct.

Crimes are perpetrated mostly by organized crime both Italian and foreign.

With the exception of tax evasion almost all crimes, including corruption, are for very large part and in certain cases exclusively due to organized crime (eg. drug trafficking, extortion, gambling, illicit waste, smuggling and counterfeiting).

Although there is not an official estimate on the economic value of criminal activities, the various assessments agree to indicate a relevant significance of the threat that the proceeds of illicit products in the national territory and are put back in Italian and foreign financial circuits, some up to 12% of GDP.

The excessive use of cash and the shadow economy adversely affect very significantly the level of risk in Italy.

According to a 2012 European Central Bank study, in Italy the volume of transactions settled in cash is equal to 85% of the total, against an EU average of 60%.

Cash is considered to be the preferred means of payment for transactions related to the informal and illegal economy as it guarantees non-traceability and anonymity of trade.

Vulnerabilities

As a whole, the Italian system for AML preventing and fighting appears adequately responding to the threat that the proceeds of criminal activities can be reinserted into the financial and economic system.

Into AML prevention system, banks, financial intermediaries and professionals play a central role; nearly 700 banks, as many financial companies, 150 investment companies, more than 4,600 notaries, 230,600 lawyers, almost 115,000 accountants.

But AML obligations are not applied uniformly by all the addressees.

This heterogeneity is also revealed by the uneven degree of suspicious transactions reported to the Italian Financial Information Unity.

Banks and Italian Post Office has a high specific risk, but also appropriate controls and counter
measures. Adequate safeguards are also present for brokerage companies (SIM), the management company (SGR), compared to a significant operational risk, but not most. The so-called “static trust” have objectively a high level of risk due to the obscurity of the property and beneficial owners. The sector is still guarded by the authorities even if it is considered appropriate for further strengthening the application of the controls. This results in a very significant vulnerability.

There are very significant vulnerabilities regarding Electronic Money Institutions (EMI) and Payment Institutions (IP) essentially due to an EU framework in which, thanks to the freedom to provide services and relocation processes, agents can operate in the Italian territory outside of an appropriate framework of regulation and control. Investigations have shown how that EMI and IP networks are not able to create adequate barriers against illicit financial flows. The legal professionals generally do not respond satisfactorily to the AML prevention system due to a training not always adequate on these issues. There has been progress made by notaries both in the process of due diligence and the obligations of active cooperation which would allow a more satisfactory capacity to fulfill the anti-money laundering rules. The interest of the mafia to the gaming industry is not limited to illegal gambling but it also significantly extends to the gaming legal activities. Given this premise, the various types of game (not all currently included in the anti-money scope) differ in their specific risk and vulnerability profiles. Among the gambling online forms, the gaming platforms from other EU countries which operate thanks to the free provision of services that involve very significant vulnerabilities because the related cash flows completely escape the monitoring authorities. Among the physical network gambling forms, VLT machines and fixed odds betting have very significant vulnerabilities - significant specific risk and very significant vulnerability – because you can use them for laundering operations. The economic crisis has led, among other things, to increased diffusion of pawn-shop and cash-for-gold stores a heterogeneous category of operators currently holding the sole obligation to report suspicious transactions. Several investigations will confirm both the high specific risk as the high vulnerability and the opportunity to suggest an intensification of the principals. Real estate is one of the privileged sectors in the redeployment of illegal revenues of criminal mafia and illegal foreign capital.

Although the trades are then intercepted by other categories more mature in the application of safeguards, estate agents have not yet aware of its role of overseeing money laundering in a context of significant risk. The vulnerability is very significant. In Italy there is a growing diffusion of trust, a situation that creates several problems in terms of transparency. Investigation and analysis of suspicious transactions reveal a frequent use of the trust for illegal purposes, in particular for the commission of tax crimes, money laundering, bankruptcy, market abuse, and to shield the illegal assets of organized crime. In terms of the punishment of crimes, the criminalization of “self-laundering” is confirmed to be a necessary step.
4.6 **BANK OF ITALY: “THE INTERNAL CONTROL SYSTEMS FOR MONEY LAUNDERING”  
(APRIL 30TH, 2015)**


On 25 June 2014 Luigi Mariani, deputy head of Bank of Italy supervision department, gave a speech at the “10th Meeting on Compliance” by AICOM (Associazione Italiana Compliance) about “The internal control systems for money laundering”. Mariani outlined the key points that financial intermediaries are required to adopt for the prevention and fighting of money laundering, also focusing on the main problems and shortcomings of the Italian banking anti money-laundering system.

**Bankit supervision approach**

The Bankit anti money-laundering supervision has changed over time – said Mariani – Initially money-laundering was considered a secondary reputational and legal risk but now money-laundering is defined as an autonomous risk capable of affecting the financial stability of banking system. This type of risk, in common with other compliance risks, cannot be tolerated even to a minimal degree: it must be eliminated.

**Risk-based approach**

The Italian anti money-laundering regulation requires that very strict obligations are respected, and also that intermediaries adopt organizational measures proportional to their ML risk exposure. Following this logic, on March 2011, Bankit issued the “AML measures” a document that requires specific controls on money laundering organizations. The document requires that the board of directors is responsible AML policy formulation and the definition of appropriate operating procedures and also the importance of the structure of internal controls.

**Compliance and Anti Money-Laundering (AML)**

In a bank the AML function has a relevant role as “second level” control: it has to assess and mitigate the risk that the financial intermediary could be involved in criminal activities. The ML risk is part of the wider legal and reputational risks that the Compliance function has to oversee. The Compliance function has the primary responsibility for dealing with these risks, as reiterated by the new supervisory provisions relating to internal controls, which anticipate the implementation of the principles and rules of the EU Directive CRD IV. The directive extends "to all corporate activities" the scope of Compliance as an independent and permanent function, subject to the principle of proportionality.
So, ultimately, the Compliance function must assessment of the adequacy and appropriateness of the second level controls on anti-money laundering and the effectiveness of the behavior of market participants, as well as the residual risk represented by corporate bodies; these activities must be shared with the anti-money laundering function supplying the appropriate information.

Internal Audit and Anti-Money Laundering

The Internal Audit represents third level of control and is responsible for inspections in order to verify the actual conduct and the continuous compliance with AML obligations; of these obligations the most important are “active and passive collaboration. Use of inspection is a typical prerogative of the internal audit function while the anti-money laundering function can only carry out spot checks on a sample basis.

4.7 Bank of Italy: Negative Aspects of Italian Banking AML Compliance (May 7th, 2015)


This is the second part; the first part, “Bank of Italy: the internal control systems for money laundering” is available in http://www.compliancenet.it/bank-of-italy-the-internal-control-systems-f...

On 25 June 2014 Luigi Mariani, deputy head of Bank of Italy supervision department, gave a speech at the “10th Meeting on Compliance” by AICOM (Associazione Italiana Compliance) about “The internal control systems for money laundering”.

In the first part of his speech, Mariani outlined the key points that financial intermediaries are required to adopt for the prevention and fighting of money laundering.

The second part of Mariani’s speech illustrates the major weakness of banks AML compliance: the inability to promote a strong corporate culture of control by the governing bodies and the inadequate fulfillment of the obligations of due diligence and reporting of suspicious transactions.

Customer Due Diligence (CDD)

Improvements should be adopted by the Italian banking system to strengthen the CDD as unsatisfactory Bankit inspections often reveal. CDD is the core of the risk-based approach that calls for a series of cognitive activities extended to the complete business life of the customer relationship: CDD is a fundamental prerequisite for ensuring the effectiveness of the other obligations of collaboration: the recording of transactions and reporting of suspect transactions.

Frequent Bankit inspections reveal that in many cases CDD banks’ controls only exist on paper and lack the necessary continuity to establish the identity of the real owner and his economic power. Banks should implement internal procedures to intensify the ongoing monitoring of operations and
update substantial data; activities that are little used considering their potential in terms of information available for customers’ AML risk profiling.

**Archivio Unico Informatico (AUI)**

It is very important that requirements for the recording of operations should be properly fulfilled in the Single Electronic Archive (Archivio Unico Informatico - AUI) because AUI is the database used to analyze the “unusual behaviors” of customers and produce risk profiles. Often we have found gaps in data collection due to programming errors and delay in the completion of temporary registrations.

**Enhanced customer due diligence (ECDD)**

Further areas of improvement concern enhanced customer due diligence (ECDD) - which should be carried out by someone of a more senior level and more frequently - and the identification of the beneficial owner, especially for corporate structures with limited ownership transparency such as trusts. In these cases there must be no doubt that banks must identify the ultimate beneficiary that is the person who controls or owns the legal entity to guarantee that real people are not concealed by corporate structures; banks should avoid putting their trust exclusively in customers’ statements but carry out adequate controls.

Consequently all reasonable steps should be taken to identify beneficial ownership and the operation should be blocked if this is not possible. Moreover it would be better, especially for more relevant positions, to adopt a “network” approach instead of traditional analysis controls to entities also aggregating them respect to their economic or financial interests.

**Unified approach of AML risk management in banking groups**

Financial intermediaries organized in group structures must make effective use of a holistic approach to money laundering risk management; in many cases it was discovered that the information available to some members of the group was not accessible to other entities of the conglomerate, thwarting the potential synergies which could be possible if a more unified approach was adopted.

**Spread and consolidation of the control culture**

Strengthening the system of internal controls against money laundering inevitably requires resolute action in order to spread and consolidate a culture of control and sensibility towards staff on the part of governing bodies. Fundamental, in this context, is the effective dissemination of staff training, which helps to raise the overall quality of the process: organization, procedures and training are aimed at strengthening the connection between assessment and risk and help to assure effective and appropriate conduct.