



Financial Intelligence Unit

Annual Report 2012 *(Abridged edition)*

Rome, May 2013

CONTENTS

NOTE	4
INTRODUCTION	5
1. INTERNATIONAL ACTIVITY	8
1.1 Financial Action Task Force (FATF)	8
1.2 Egmont Group	9
1.3 Initiatives in Europe	9
2. NATIONAL LEGISLATION	12
2.1 Primary legislation	12
<i>2.1.1 Amendments to Legislative Decree 231/2007</i>	12
<i>2.1.2 Provisions to prevent and combat corrupt and illegal practices in public administration</i>	12
2.2 Secondary legislation	12
2.3 Communications by the FIU	13
3. ACTION REGARDING SUSPICIOUS TRANSACTIONS	15
3.1. Suspicious transaction reports received by the FIU	15
3.2. Financial analysis of STRs. Methodology and process	16
3.3. The transmission of STRs to the investigative bodies	17
3.4. Suspensions	19
4. PREVENTING AND COMBATING MONEY LAUNDERING	21
4.1. Reports from financial intermediaries and other entities engaged in financial activity	21
<i>4.1.1. Geographical distribution</i>	22
4.2. STRs filed by non-financial firms and professionals	23
4.3. Typology of transactions reported	25
5. CLASSIFICATION OF SUSPICIOUS TRANSACTION REPORTS AND TYPES OF CASES	27
5.1. Classification of STRs	27
5.2. Recurrent patterns of behaviour in transactions reported	28
5.3. “Profiling” of specific instruments and vehicles	30
6. PREVENTING AND COMBATING THE FINANCING OF TERRORISM AND OF THE PROLIFERATION OF WEAPONS OF MASS DESTRUCTION	33
6.1. Suspicious transaction reports	33
6.2. Terrorism lists and fund freezes	34
7. ANALYSIS OF AGGREGATE DATA AND RESEARCH ACTIVITY	36
7.1. Analysis of data for anti-money-laundering purposes	36

8. CONTROLS	40
8.1. Inspections	40
8.2. Administrative irregularities	40
9. INTERNATIONAL COOPERATION	41
9.1. Cooperation with FIUs in other countries	41
9.2. Outlook	42
10. COOPERATION WITH THE JUDICIAL AUTHORITIES AND OTHER NATIONAL AUTHORITIES	43
11. ORGANIZATION AND RESOURCES	44
11.1 Human resources and organization	44
11.2 Technology resources: information technology	44

NOTE

This is an abridged translation of *Rapporto Annuale 2012 dell'Unità di Informazione Finanziaria per l'Italia*. The complete document in Italian is available at http://www.bancaditalia.it/UIF/pubblicazioni-uif/Rapporto_UIF_anno_2012.pdf.

INTRODUCTION

The close of 2012 marked the end of the first five years of activity of Italy's Financial Intelligence Unit (FIU), instituted under Legislative Decree 231/2007 to replace the Italian Foreign Exchange Office (UIC) in the task of preventing and combating money laundering and the financing of terrorism. During this period of intensive activity, the new body, which occupies a unique institutional position, has evolved into a different and more complex organization, with new tasks and new structures. Operating autonomously and independently, the FIU has built upon the expertise of the UIC and the human and technical resources assigned to it by the Bank of Italy, following the guidelines laid down in the law.

During this initial period, the FIU was headed by Giovanni Castaldi, whose mandate expired at the end of 2012. His professional skills and human qualities, his firm belief that his duty was both to serve the community and to uphold the law, and his ability to foster improvements in technical competence and motivate staff have been key in helping the FIU attain its objectives and map the course of future progress.

The FIU has achieved important results not only regarding its institutional tasks, but also on the organizational level, with substantial improvements in its effectiveness, productivity and efficiency. Cooperation with the judicial authorities, investigative bodies and operators has been extended, as have the links with foreign counterparties. The FIU has worked to spread anti-money-laundering culture, notably by making operators more aware of the need to comply with reporting requirements. The response has been positive, as is borne out by the considerable rise in the number of suspicious transaction reports (STRs). Since the notification requirement was first introduced in 1997 the FIU has received some 250,000 reports, 189,000 (75%) of which in the last five years and more than 67,000 in 2012 alone. The new automated system for gathering and processing reports has given the FIU a tool to cope with this massive increase and also to speed up and rationalize checks, improve selection capabilities, and set different levels of in-depth examination according to the money laundering or terrorist financing risk, in accordance with the principles approved by the Financial Security Committee and with the guidelines laid down at international level. The Bank of Italy has been a crucial source of support, providing the resources needed to operate in an increasingly complex context.

The Financial Intelligence Unit carries out its activities in the national and international arena with unswerving dedication. It participates actively in the work of international organizations, helping to develop, refine and share rules to combat money laundering and terrorist financing.

A special effort is dedicated to initiatives associated with the proposal for a fourth anti-money-laundering directive adopted by the European Commission in February 2013. Of particular importance is the discussion regarding the level of harmonization, the scope of safeguards, and the activities of financial intelligence units and the nature of international cooperation between them.

As part of the tasks assigned to it by Italian law, the FIU continues its campaign to raise awareness among operators through meetings to discuss improvements in the quality of reporting, by preparing and disseminating models of anomalous conduct, and by developing indicators of anomaly.

As the FIU's financial analysis capabilities have increased, so have the requests for cooperation from the judicial authorities, who can benefit from its channels of information. Increasing numbers of on-site inspections are conducted to examine in-depth the cases that have emerged as a result of this collaboration.

Cooperation with financial intelligence units in other countries continues to provide exclusive information, which can be transmitted rapidly through secure and efficient channels. With more and more countries willing to remove the obstacles to a full exchange and use of available information, this method of communication is destined to gain importance.

The FIU is increasingly in contact with other Italian institutions with a view to consolidating the network of exchanges designed to ensure effective measures to prevent and combat money laundering. A close synergy has been established with oversight authorities in this field, notably the Bank of Italy's Banking and Financial Supervision Area, with which the FIU has conducted joint on-site controls.

Financial flow analysis plays a strategic role in preventing and combating money laundering and terrorist financing and is one of the main tasks assigned to the FIU. The body of available information and data is increasingly used for in-depth examinations of specific anomalies and phenomena involving operators, financial instruments, means of payment, geographical areas and sectors of the economy.

In the past five years the system of anti-money-laundering safeguards has been strengthened, bringing significant results, but more remains to be done to improve its efficiency. National regulations appear generally satisfactory in the light of the FATF's new Recommendations, but further measures are called for: self-laundering should be made a punishable offence; the FIU should be allowed access, by suitable means, to information obtained during investigations and judicial processes; and methods of money laundering risk assessment should be adopted on a national basis.

The Ministry of Justice has prepared draft criminal legislation governing self-laundering based on the findings of an ad hoc working group in which the FIU took part; it has also proposed new regulations to extend the sources of information accessible to the FIU, step up exchanges between the authorities involved in combating money laundering, and review the system of penalties set out in the 2007 legislation. The Ministry for the Economy has called for a thorough methodological analysis of the assessment of national money laundering risk to which all the authorities concerned will contribute.

Its experience to date will enable the FIU to make a proper evaluation of the results achieved and set targets for increased participation in the system of safeguards.

A primary objective is to increase the FIU's intelligence capability along the lines traced by Parliament and in compliance with international principles. This will entail extending strategic analysis through the use of information on financial flows and operator reports and improving operational verifications by further raising the quality and quantity of investigations.

The databases need to be expanded with external sources of information. If the findings of investigations and judicial examinations into suspicious transaction reports become available as hoped, it will be possible not only to conduct more targeted

analyses but also to give better feedback to reporting entities, in line with the FATF's Recommendations and existing practices in other European countries.

If the availability of additional information is to make a real contribution to the system's effectiveness, we must continue to invest in new analysis technology to maximize our use of statistical and econometric methods, text-based research and other techniques of mass data analysis.

Inspections will be used increasingly to investigate anomalous conduct, to identify and better understand operations associated with money laundering, and to solve the problems that are developing among non-bank intermediaries who remain largely unaware of anti-money-laundering obligations.

Increasingly thorough analysis of financial flows, databases and reports, as well as targeted on-site inspections and close cooperation with the oversight authorities, investigative bodies and judicial authorities and with the international network of financial intelligence units will provide the FIU with the tools to successfully perform its duties, resolutely tackling the challenges that ever more aggressive criminal and unlawful financial practices present for the proper functioning of the markets in today's weak economic context.

The Director

Claudio Clemente

1. INTERNATIONAL ACTIVITY

After the new *International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation*, consisting of 40 Recommendations, were adopted in February 2012, the Financial Action Task Force began a vigorous campaign to promote the adoption of the new principles. It aimed to foster a greater commitment on the part of the single countries and increase the effectiveness of national measures to prevent and combat money laundering and the financing of terrorism and of the proliferation of weapons of mass destruction. At the same time work continued on developing guidelines and best practices and examining the main forms taken by money laundering and terrorist financing activities.

Within the European Union, the member states and competent authorities continued their efforts to promote the harmonized application of common rules and an exchange of views on operating practices. In February 2013 the European Commission published two proposals, one for a fourth anti-money-laundering directive and one for a regulation on the information accompanying money transfers. They will be discussed by the European Parliament and the Council of Europe.

The regulatory framework now taking shape at European level includes proposals for new regulations governing the characteristics and activities of financial intelligence units to take account of the principles laid down by the Egmont Group. Italy's FIU is represented in the competent international fora and participates actively in drawing up rules and principles, as well as helping to draft proposals for future European regulations.

1.1 Financial Action Task Force (FATF)

The new FATF Recommendations approved in February 2012 have redrawn a global, coherent framework of measures for combating money laundering and the financing of terrorism and of the proliferation of weapons of mass destruction. The Recommendations, and the annexed notes on interpretation, constitute reference standards that countries are required to transpose into their own body of law and administrative and financial regulations.

The risk-based approach, which is extended and rationalized within the new regulatory framework, must more clearly inform national structures, the action of the competent authorities, and compliance by reporting entities. Each country will be required to perform a thorough risk assessment of its anti-money-laundering regulations, structures and institutions and to update it periodically.

In February 2013 the FATF drew up a new *Methodology for Assessing Compliance and Effective Implementation of the FATF Recommendations*, containing detailed instructions for assessing whether the systems in place in the single countries

The revision
of the FATF
standards

The new FATF
assessment
methodology

conform to international standards and whether the measures adopted in each are effective.

The methodology will form the basis for the FATF's fourth round of mutual evaluations beginning in 2014, which will see Italy among the first countries to be assessed. The assessment will look not only at the extent to which the standards have been transposed into primary and secondary legislation and practice (technical compliance), but also at the effectiveness of the measures adopted, i.e. the country's ability to transform regulatory intentions into concrete results.

During the year the FATF continued its work to identify new risks and new types of transaction. It published documents on, inter alia, the sharing and exchange of information on the financing of terrorism and of proliferation of weapons of mass destruction; the safeguarding of anti-money-laundering mechanisms in national legislation linked to tax amnesties or asset repatriation; the confiscation of goods; and potential abuses in the use of non-profit organizations.

The FATF's efforts to draft specific guidance for applying the risk-based approach in connection with new means of payments deserve special mention. Further progress was made on the study into the risk factors associated with the laundering of revenues from corruption. On several occasions the FATF stressed the importance of its Recommendations in furthering the fight against corruption: by applying the standards for preventing and combating money laundering it is possible to create an environment in which corruption is less likely to occur or go unpunished.

The FATF also continued its work to identify the countries whose systems for preventing and combating money laundering and terrorist financing have serious shortcomings and which have not made sufficient progress to overcome them. Risk factors have been found in the international system, and all countries are called upon to strive for closer alignment to common standards.

Other
activities of
the FATF

1.2 Egmont Group

In 2012 four FIUs became members of the Egmont Group, taking the number to 131. The membership has increased continuously since the organization was launched, reflecting its aim to expand the scope of international cooperation. Some changes have been made to the admission process for new FIUs to ensure that the Group can pursue its goal of maximum inclusion while ensuring that new members fulfil the requirements. The Egmont Group has updated its standards for the characteristics, activities and international cooperation of financial intelligence units. This revision, a consequence of the new FATF rules, provides the units with guidelines designed to ensure maximum harmonization, which is essential for effective international cooperation.

1.3 Initiatives in Europe

During 2012 the Committee for the Prevention of Money Laundering and Terrorist Financing, chaired by the European Commission and made up of

representatives of the member states, continued its examination of issues relating to the application of anti-money-laundering mechanisms in a harmonized European framework, taking account of the new standards adopted by the FATF.

The European Commission has presented a report on the application of the Third Directive to the European Parliament and the Council of Europe. The report describes the main areas in which there is scope to improve current regulations, with special emphasis on a review of the sphere of application of preventive measures (notably, customer due diligence, recording of information, and reporting of suspicious transactions), definition of the risk-based approach, and the activities of financial intelligence units and cooperation between them. In February 2013, on the basis of specific analyses, the Commission submitted a proposal for a fourth anti-money-laundering directive and a proposal for a regulation on the information that must accompany credit transfers. Both will be discussed by the European Parliament and the Council.

**Proposal for a
fourth anti-
money-
laundering
directive**

Although the proposed Fourth Directive is designed to replace the existing directive in its entirety, it aims to introduce changes and amendments without altering the structure of its predecessor. One of the aims is to ensure the harmonized transposition in the EU of the new version of the FATF's Recommendations approved last year. However, the proposed directive will not achieve closer harmonization than the minimum level attained under the current system as it will still allow significant divergences in transposition into national laws.

The EU-FIU platform continued to look into the main issues emerging in the application of EU rules and the practical functioning of international cooperation.

**FIU platform,
Council of
Europe and
Moneyval**

The Council of Europe participates in international action to combat money laundering mainly by promoting the application of the Warsaw Convention signed by the EU countries in 2005. Questions relating to the application of the Convention are examined by the competent Conference of the Parties. Areas of special focus in 2012 were the possibility of adapting the Convention to take account of the new FATF standards and the creation of suitable mechanisms for assessing the measures taken by the signatories.

Especially important are the activities of Moneyval, the regional body modelled on the FATF and operating under the umbrella of the Council of Europe, which discusses the assessment reports of European countries not belonging to the FATF. Moneyval continued its fourth round of evaluations of the adequacy and effectiveness of member countries' legal frameworks for the prevention of money laundering and terrorist financing. The Committee examined the new regulations introduced by the Vatican City State, submitting its full evaluation report in June 2012.¹

¹ The report can be viewed at:
[http://www.coe.int/t/dghl/monitoring/moneyval/Evaluations/round4/MONEYVAL\(2012\)17_MER_HS_en.pdf](http://www.coe.int/t/dghl/monitoring/moneyval/Evaluations/round4/MONEYVAL(2012)17_MER_HS_en.pdf).

MARKET INTEGRATION IN THE EU AND THE PREVENTION OF MONEY LAUNDERING: CRITICAL ISSUES

There are large differences between the national rules transposing EU financial directives. These lead to practical difficulties, particularly in cross-border transactions and when applying measures to prevent money laundering. Such difficulties are aggravated by the minimal harmonization of EU money laundering rules contained in the Third Directive and the resulting discrepancies between national legislations. This also affects competition between intermediaries.

The most notable example is that of Directive 2007/64/EC (Payment Services Directive) and Directive 2009/110/EC of 16 September 2009 on the taking up, pursuit and prudential supervision of the business of electronic money institutions (EMEL 2 Directive). In Italy, EU payment institutions are allowed to operate, alongside national payment institutions, through branches or agents or under the freedom to provide services. As a result many businesses that had previously operated in Italy as financial intermediaries on behalf of international money transfer circuits were transformed into EU payment institutions (usually based in an Anglo-Saxon country) under the regulations in force in their foreign host country. They operate in Italy through agents registered with the home country authorities or under the freedom to provide services.

Similar considerations apply to other areas of operation. In the insurance industry, especially as regards certain areas and products, the national market is witnessing the entry of companies – often traceable back to Italian owners – that have been set up with greater ease in East European countries and now operate in Italy as service providers. Failure to harmonize the legislation in force in member states could distort competition as well as increase the risk of money laundering.

In the gaming and betting sector, already highlighted as a money laundering risk by the FATF in 2009, the opportunity for large amounts of money to be moved, including online, by foreign businesses not authorized under Italian rules, is clear evidence of the unequal competition between foreign and national operators. According to the body of EU case law, cross-border transactions in the gaming sector, which is not harmonized across Europe, invoke two of the fundamental freedoms of the European Union: freedom of establishment and freedom to provide services.¹

In this non-standardized framework, it cannot be ruled out that some delocalization decisions are based on the cost of compliance associated with money laundering regulations, to the disadvantage of countries that have tighter rules in place than those envisaged by the Directive.

¹ See Court of Justice of the European Union, judgment No. 72 of 16 February 2012, known as the ‘Stanley’ ruling.

2. NATIONAL LEGISLATION

2.1 Primary legislation

2.1.1 Amendments to Legislative Decree 231/2007

In 2012 several amendments were made to the anti-money-laundering provisions of Legislative Decree 231/2007, some of which had immediate effect on the activities of the FIU. In particular, new methods of reporting suspicious transactions were introduced for insurance brokers, credit mediators and agents providing payment services to EU electronic money institutions or payment institutions. Other amendments were introduced to improve the exchange of information and cooperation between authorities and police forces with a view to reinforcing countermeasures.

2.1.2 Provisions to prevent and combat corrupt and illegal practices in public administration

Implementing the United Nations Convention against Corruption and the Criminal Law Convention against Corruption, a national anti-corruption authority was instituted with the task of controlling, preventing and combating corrupt and illegal practices in public administration. The body in question is the Committee for Evaluation, Transparency and Integrity in Public Administration (CIVIT).

A national anti-corruption plan is awaiting approval and prevention plans will be adopted by the single public administration bodies. The principle of risk management has been introduced, which will involve mapping administrative procedures and services provided to the public, identifying areas at risk (e.g. public procurement and tendering, purchases of goods and services, healthcare, town planning and building projects), and adopting preventive measures and organizational models.

2.2 Secondary legislation

Ministerial
decrees

Following a proposal by the FIU, the Ministry of the Interior issued a decree on 27 April 2012 amending the decree of 17 February 2011 which sets anomaly indicators designed to help some categories of non-financial operators identifying suspected money laundering activities. Use of the indicators has been extended to gaming operators with a physical network.

On 4 May 2012 the Ministry for the Economy and Finance issued a decree authorizing the National Council of the Order of Accountants and Bookkeepers to accept STRs from its members.

Bank of Italy
regulations

In a Provision dated 30 January 2013 the Governor of the Bank of Italy issued a list of anomaly indicators for auditors and auditing companies charged with reviewing the accounts of bodies of public interest.

On 3 April 2013 the Bank of Italy issued, in agreement with Consob and the insurance supervisory authority IVASS, the Provision on Customer Due Diligence for banking and financial intermediaries. The Provision enters into force on 1 January 2014.

2.3 Communications by the FIU

In 2012 the FIU continued to develop and disseminate models and patterns of anomalous conduct from an economic and financial perspective relating to specific operational sectors and phenomena. The areas taken into consideration related to transactions involving the risk of factoring fraud, international tax fraud and invoicing fraud.

In a communication dated 16 March 2012 the FIU called on all intermediaries to examine attentively the characteristics and economic and financial objectives of factoring contracts, noting that the contents of the model could prove generally useful in evaluating lending operations.

The purpose of the FIU's communication of 23 April 2012 was to facilitate the assessment of transactions possibly linked to international tax fraud and invoicing fraud. The two models of anomalous conduct developed jointly with the Finance Police also apply, where compatible, to professionals.

The models show that tax evasion and money laundering are closely linked and that alongside the most recurrent and widespread irregularities are sophisticated forms of evasion involving complex triangulations or deceptive representations of operations through which massive financial flows escape the tax authorities, often to countries with a favourable fiscal system. The FIU has drawn up a list of transactions considered to be at risk and of the sectors in which unusual transactions may take place.

In the first half of 2013 the FIU completed several in-depth examinations based on suspicious transaction reports in the gaming and betting sector, with the assistance of the Finance Police and the Customs and Monopolies Agency. The communication issued on 11 April 2013 contains two models of anomalous conduct relating to the gaming industry.

The first model applies to all entities subject to anti-money-laundering obligations. Banks, Poste italiane S.p.a., electronic money institutions and payment institutions in particular may be open to substantial operational, legal and reputational risks. On a subjective level, entities are required to verify that customer has the required administrative authorisation. On the objective level, important indicators include the compatibility of the single transaction – especially if carried out in cash – with the gaming operator's financial profile and the indication of the actual account-holder's name.

The second model applies only to the activity of gaming operators and describes potential anomalies connected with physical and/or online gambling; active collaboration is required in this area. Subjective anomalies may not only be detected in the ownership and control structure of the licensee companies or gaming operators, but may also concern differences between the identity of the player actually gambling and that of the person collecting the win. Objective anomalies in physical

gaming include the use of cash for unusually large amounts, and in online gambling unusual movements in and out of a gaming account, particularly by persons other than the account-holder and when deposits are immediately followed by withdrawals or closure of the account.

On 27 February 2012 the FIU issued a communication on the anomalous use of payment cards for cash withdrawals, calling on intermediaries to pay close attention to such movements in Italy and abroad, and to adopt appropriate measures to assess and report potentially suspicious transactions.

The FIU has noted that payment cards, sometimes issued by foreign institutions, are used at the ATMs of some banks for repeated cash withdrawals, including for very large sums. These cards are being used in an anomalous manner with respect to their usual function as an alternative to cash, allowing the holder to obtain amounts of banknotes that are not consistent with normal inter-person cash transfer needs and that exceed the strict limits on such transactions imposed by law.¹

¹ On this point see the box “The anomalous use of payment cards” in Chapter 5.

3. ACTION REGARDING SUSPICIOUS TRANSACTIONS

3.1. Suspicious transaction reports received by the FIU

Pursuant to Legislative Decree 231/2007, the FIU receives the reports of transactions suspected of involving money laundering or the financing of terrorism, conducts the financial analysis on these reports and transmits them, accompanied by a technical report, to the Special Foreign Exchange Unit of the Finance Police and the Bureau of Antimafia Investigation for investigation if appropriate.

In 2012 the number of suspicious transaction reports (STRs) received continued to grow, as in the preceding years. They numbered 67,047, an increase of 17,972 or 36.6% on 2011 (Table 3.1).

Table 3.1

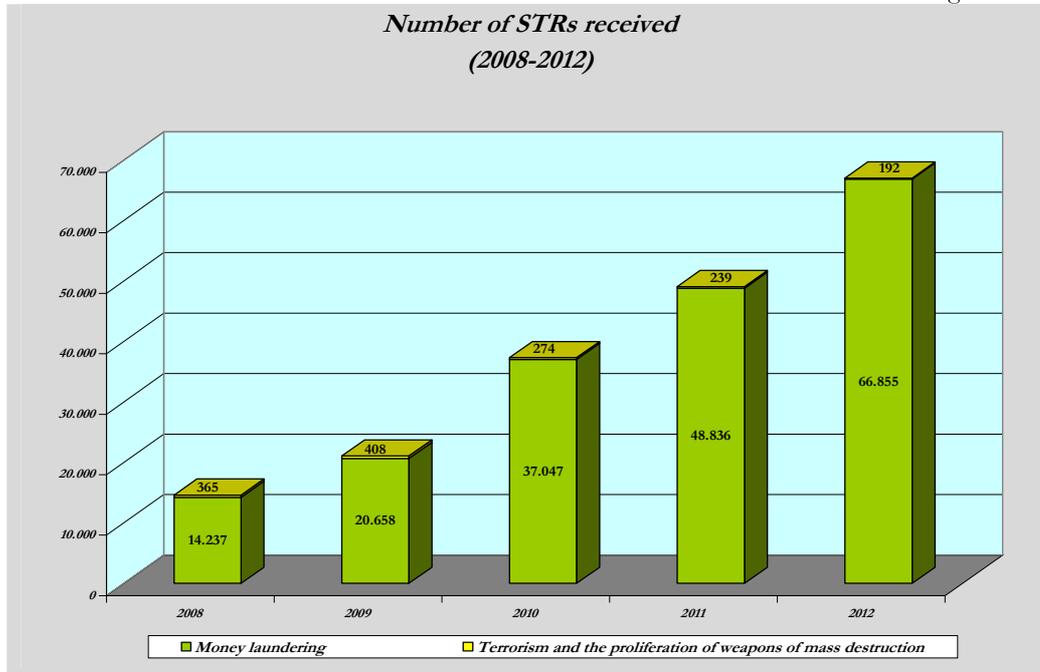
<i>Reports received</i>			
		<i>Number</i>	<i>Change on the corresponding period of the previous year (%)</i>
2008	H1	6,862	5.0%
	H2	7,740	28.8%
	Year	14,602	16.4%
2009	H1	9,936	44.8%
	H2	11,130	43.8%
	Year	21,066	44.3%
2010	H1	15,097	51.9%
	H2	22,224	99.6%
	Year	37,321	77.2%
2011	H1	23,883	58.2%
	H2	25,192	13.4%
	Year	49,075	31.5%
2012	H1	34,296	43.6%
	H2	32,751	30.0%
	Year	67,047	36.6%

Although the number of STRs received in the first quarter of 2013 was slightly down on the corresponding period in 2012 (by 15,552 or about 5%), it suggests that there will again be a very large number of reports.

The increase in STRs received was accompanied by an even larger increase in the reports examined and transmitted to the investigative bodies, thanks to the gains in efficiency made possible by the RADAR system and the consequent upgrading of the process of analysing reports, which is now more closely aligned with an approach based on assessing the risk of money laundering inherent in the different types of transactions reported, in accordance with international standards. The virtuous circle created in this way should make it possible to reduce the backlog of reports to be processed to a normal level.

Since 1997 more than 250,000 STRs have been received, of which 189,111 came in the last five years, following the setting up of the new FIU (Figure 3.1). Various factors contributed to the rising trend of the STRs received, not least the commitment of the FIU to enhancing the awareness of reporting entities and the increase in the number of checks on compliance with the reporting requirements.

Figure 3.1



Active cooperation

For more than a year now, following the adoption of the RADAR system, the entirely electronic format for the transmission of STRs has made it possible to overcome the rigidities of the previous system.¹

Problems with the system

There nonetheless remain problems with the system for reporting suspicious transactions: there are shortcomings in the ability of several categories of reporting entities to identify truly suspect behaviour and the reporting activity of some important categories of economic agent continues to be marginal. In addition, there is still some non-compliance with the reporting requirements.

3.2. Financial analysis of STRs. Methodology and process

The analysis of STRs by the FIU consists basically in investigating the financial aspects in order to understand the context underlying the report, ascertain the origin and destination of the funds and identify the possible aims of the transaction.

In line with the positions adopted at international level by the FATF, which provide for a selective approach in the treatment of STRs, the analytical process differs with the depth of financial investigation required, according to the risk of money laundering and the financing of terrorism inherent in the various transactions reported.

¹ The new report format, which is the same for every category of reporting entity, includes in a structured way all the subjective and objective elements needed for a clear understanding of the context underlying a report.

Financial analysis can proceed on several levels and is preceded by an enrichment phase consisting in the supplementation of the information originally notified by the reporting entities with additional information of help in assessing the transactions reported. Enrichment, triggered automatically by RADAR immediately after reports are received, concerns information in other databases owned by the FIU or available to it.

In 2011 the FIU launched a project for the construction of a data warehouse to further enhance the automatic enrichment of reports and improve the exploitation of the information possessed not only by the FIU and the Bank of Italy but also by third parties.

If analysts conclude there is no risk of money laundering or terrorist financing, they propose that reports be dismissed. Although they have been dismissed, such reports are nonetheless transmitted to the investigative bodies with a standard technical report and may be re-examined later if new evidence should emerge making the hypothesis of money laundering plausible or if so requested by the investigative bodies.

In 2012 the FIU dismissed 3,271 reports that it deemed to be unfounded from a financial standpoint on the basis of the information in its possession. The dismissal of such reports is notified to the reporting entities.

The investigation of the more complex transactions is carried out as part of a broader financial analysis whose direction and depth vary from case to case in accordance with the risk associated with the suspect transactions under examination.

During investigations analysts may use multiple information sources and the broad powers of initiative provided by law; in particular, they may acquire data and information from reporting entities and all the persons required to make reports and use information obtained from institutional entities and foreign financial intelligence units.

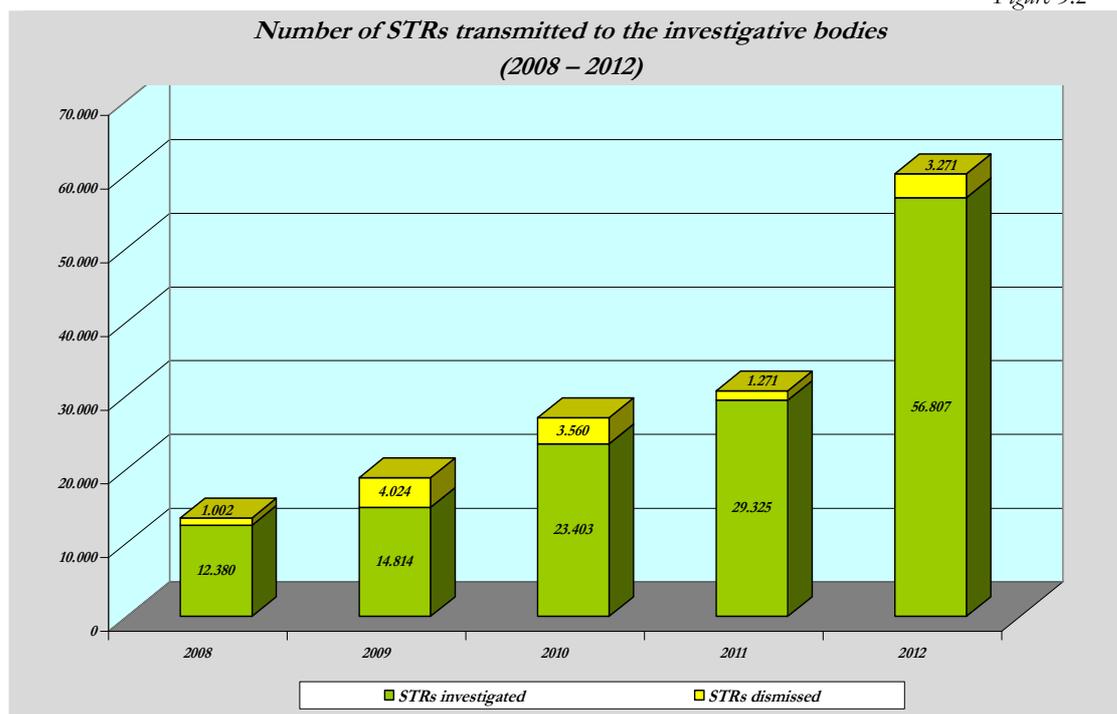
Ultimately, the assessment of reports involves several information sources and, where appropriate, more than one analyst. The financial analysis, possibly carried out on several levels marked by different degrees of detail, makes it possible to process a large number of reports while keeping the quality high.

The effectiveness of the process depends on the synergies deriving from the involvement of all the actors – reporting entities, the FIU and the investigative bodies – and can be measured in terms of the reduction in the time taken to process reports and send them to the competent authorities, the increase in the number dismissed and the better quality of the investigations of the truly important reports.

3.3. The transmission of STRs to the investigative bodies

A total of 60,078 STRs were transmitted to the Special Foreign Exchange Unit of the Finance Police and the Bureau of Antimafia Investigation in 2012. Since 1997 more than 210,000 STRs have been transmitted to the investigative bodies, of which about 150,000 in the last five years (Figure 3.2).

Figure 3.2



The flow of reports that the FIU analyses and transmits to the investigative bodies gathered strength in 2012, especially in the second half of the year (Table 3.2).

Table 3.2

<i>STRs transmitted to the investigative bodies</i>			
		<i>Number</i>	<i>Change on the corresponding period of the previous year (%)</i>
2008	H1	5,946	-5.1%
	H2	7,436	36.3%
	Year	13,382	14.2%
2009	H1	8,909	49.7%
	H2	9,929	33.5%
	Year	18,838	40.7%
2010	H1	12,556	41.0%
	H2	14,407	45.1%
	Year	26,963	43.1%
2011	H1	15,663	24.7%
	H2	14,933	3.7%
	Year	30,596	13.5%
2012	H1	14,227	-9.2%
	H2	45,851	207.0%
	Year	60,078	96.4%

The increased report processing capacity is the result of several factors.

The methodology for analysing STRs described above has made it possible to concentrate resources on investigating those worthiest of analysis and to increase the number of those dismissed.

At the same time the RADAR system has produced a much richer database than was available in the past, based on structured data, more information provided by reporting entities and the links between both names and reports received. This information set, which will expand further with the imminent completion of the data warehouse project, has improved the analysis and this in turn has made it possible to process a larger number of reports in a more streamlined and speedy way.

The increase in productivity achieved in 2012 shows how the IT investment in the RADAR system performed as expected, with the consequent reorganization of the whole process of acquiring, analysing and transmitting STRs that made it possible to overcome the serious imbalance of recent years and bring the inflows and outflows of reports into line. The productivity gains achieved, with scope for further improvements from the IT projects under way at the FIU, will make it possible to reduce the backlog of reports to be processed to a normal level.

Among the STRs transmitted to the investigative bodies, the Bureau of Antimafia Investigation examines those where there appears to be evidence of organized crime. The Special Foreign Exchange Unit of the Finance Police carries out a preliminary analysis to identify the reports to be examined in more detail and informs the FIU of the reports it has dispatched to territorial units. On the basis of additional information available at local level, these can request the delegation of special powers to carry out further investigation.

Although the FIU does not have data on the results of the investigations of the reports transmitted in 2012, the information available confirms that the system based on STRs makes a significant contribution both to the investigations and to the judicial proceedings against money launderers, as well as to the fight against numerous other crimes. According to the Finance Police, in 2012 investigations into more 12,000 STRs were completed; of this number about 2,000 were related to criminal proceedings already under way and about 1,200 were taken over by the judicial authorities or gave rise to new criminal investigations. More than 700 reports led to charges being brought for administrative infractions.

3.4. Suspensions

The FIU – also at the request of the Special Foreign Exchange Unit of the Finance Police, the Bureau of Antimafia Investigation and the judicial authorities – may suspend transactions that are suspected of involving money laundering or terrorist financing for up to five working days.

In addition to the funds blocked in Italy, in 2012 the exchange of information between Italy's FIU and foreign financial intelligence units again made it possible to identify funds abroad that were then seized, thereby facilitating the subsequent judicial collaboration among the countries concerned.

Table 3.3

*Suspensions and value of suspended transactions
(amounts in millions of Euros)*

Increase in
STRs
transmitted to
the investigative
bodies

The
investigative
bodies

Exercise of
the power to
suspend

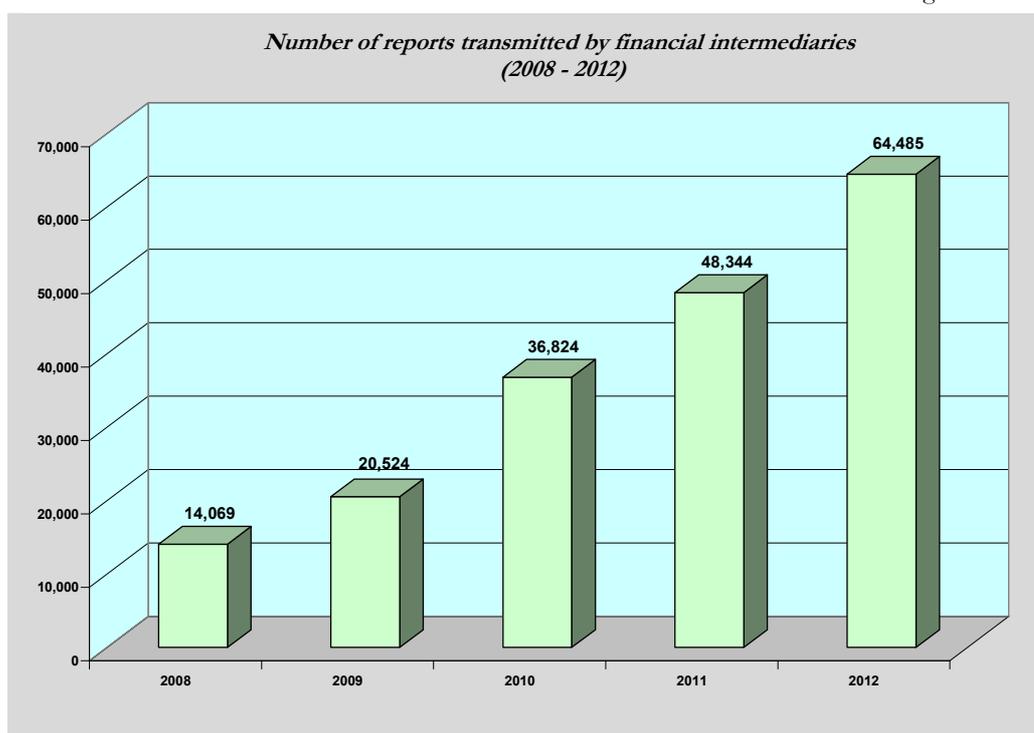
	<i>Number of suspended transactions</i>	<i>Total value of the suspended transactions</i>
2008	27	10.41
2009	14	29.66
2010	34	64.87
2011	45	90.33
2012	40	21.64
Total	160	216.91

4. PREVENTING AND COMBATING MONEY LAUNDERING

4.1. Reports from financial intermediaries and other entities engaged in financial activity

In 2012 financial intermediaries and other entities engaged in financial activity transmitted 64,485 reports of transactions suspected of money laundering (Figure 4.1). More than 184,000 reports have been transmitted since 2008.

Figure 4.1



As regards the distribution of reports by type of intermediary, banks and Poste Italiane S.p.A. were again the category that sent the most, more than 90% of the total, with an increase of 3% on 2011. This was basically due to the growth of more than 100% in the number of reports on the anomalous use of payment cards.

Distribution of STRs by type of intermediary

There was a further decline, from 11% to about 7%, in the share of reports transmitted by financial intermediaries referred to in Articles 106 and 107 of the Consolidated Law on Banking, while the shares sent by insurance companies and other reporting entities were basically unchanged (Table 4.1).

The fall in the number of banks that filed at least one report in 2012 appears to be in line with the overall reduction over the year in the number of banks in operation, from 795 to 745. There was a small increase in the number of reporting entities for the other types of intermediary.

<i>Distribution of number of reports by category of financial intermediary</i>					
<i>(per cent)</i>					
	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>
Banks and Poste Italiane S.p.A.	90.0	83.5	82.4	87.5	91.0
Financial companies (Articles 106/107 of the Consolidated Law on Banking)	8.7	15.1	16.6	11.0	6.9
Insurance companies	1.1	1.1	0.4	0.6	0.5
Other	0.2	0.3	0.6	0.9	1.6
Total	100	100	100	100	100

4.1.1. Geographical distribution

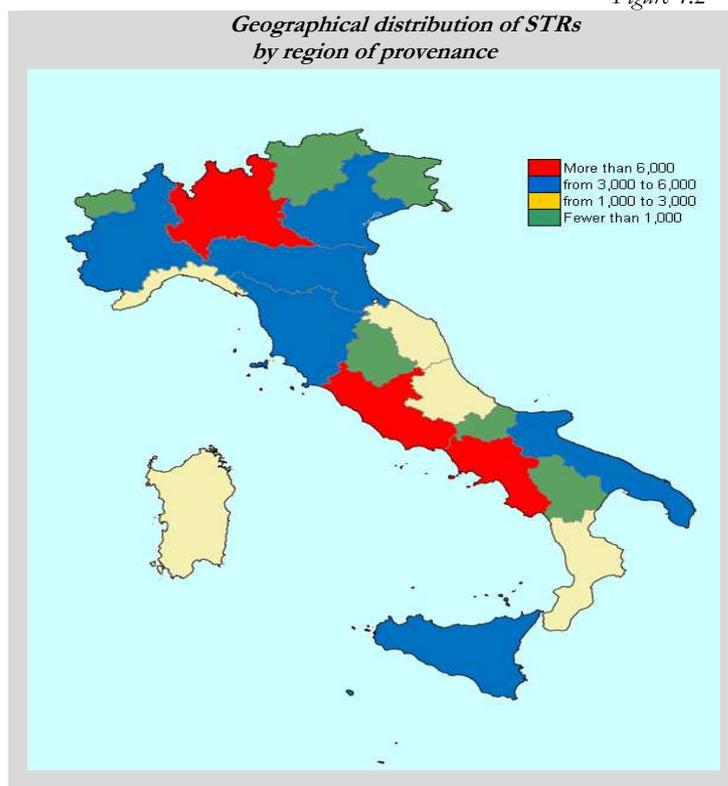
The number of STRs filed by financial intermediaries increased in 2012 in all the Italian regions (Table 4.2). Compared with earlier years, reports on transactions carried out abroad have been classified separately. This was made possible by the new report format, which allows the place where each transaction is carried out to be indicated and not just the location of the branch where the bulk of the suspicious business was done.

Table 4.2

<i>Distribution of reports from financial intermediaries by region of provenance</i>										
	<i>2008</i>		<i>2009</i>		<i>2010</i>		<i>2011</i>		<i>2012</i>	
	(STRs)	(%)								
Lombardy	3,768	26.9	5,656	27.7	7,805	21.2	8,778	18.20	12,171	18.87
Lazio	2,000	14.2	3,044	14.8	5,495	14.9	6,350	13.16	7,877	12.22
Campania	1,344	9.5	1,801	8.8	4,440	12.1	6,128	12.70	7,594	11.78
Emilia Romagna	986	7	1,422	6.9	3,151	8.6	4,343	9.00	5,192	8.05
Piedmont	1,006	7.1	1,448	7.1	3,030	8.2	3,714	7.70	4,942	7.66
Veneto	937	6.7	1,244	6.1	1,830	5	2,903	6.02	4,621	7.17
Tuscany	849	6	1,702	8.3	3,291	8.9	3,546	7.35	4,386	6.80
Puglia	575	4.1	703	3.4	1,422	3.9	1,948	4.04	3,091	4.79
Sicily	542	3.8	633	3.1	1,435	3.9	2,287	4.74	3,003	4.66
Marche	225	1.6	460	2.2	1,049	2.8	2,550	5.29	2,684	4.16
Calabria	477	3.4	541	2.6	835	2.3	1,135	2.35	1,738	2.70
Liguria	285	2	338	1.6	715	1.9	1,217	2.52	1,569	2.43
Sardinia	172	1.2	243	1.2	334	0.9	614	1.27	1,248	1.94
Abruzzo	253	1.8	367	1.8	446	1.2	892	1.85	1,233	1.91
Friuli Venezia Giulia	277	2	376	1.8	626	1.7	622	1.29	881	1.37
Trentino Alto Adige	127	0.9	192	0.9	342	0.9	490	1.02	580	0.90
Umbria	117	0.8	164	0.8	270	0.7	455	0.94	499	0.77
Abroad	n.a.		n.a.		n.a.		n.a.		470	0.73
Basilicata	78	0.6	84	0.4	131	0.4	171	0.35	359	0.56
Molise	39	0.3	87	0.4	114	0.3	101	0.21	189	0.29
Valle d'Aosta	12	0.1	19	0.1	63	0.2	100	0.21	158	0.25
Total	14,069	100	20,524	100	36,824	100	48,344	100	64,485	100

Lombardy was again the region that transmitted by far the largest number of reports and, with Lazio and Campania, accounted for more than 40% of the total number of STRs filed.

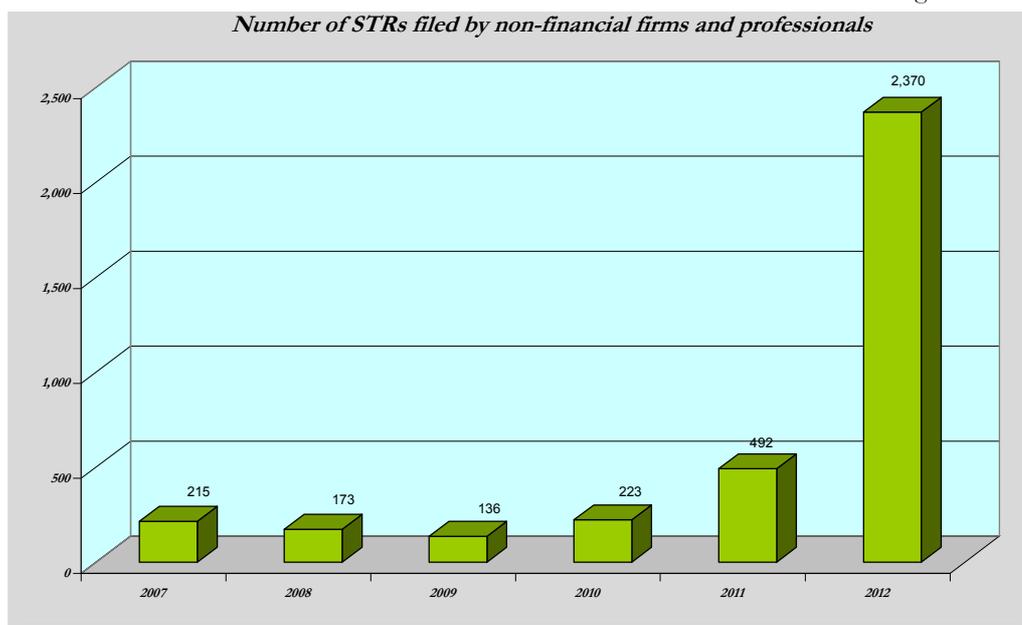
Figure 4.2



4.2. STRs filed by non-financial firms and professionals

In 2012 there was a very significant increase by a factor of nearly five in the number of STRs filed by non-financial firms and professionals,¹ from 492 in 2011 to 2,370 in 2012 (Figure 4.3).

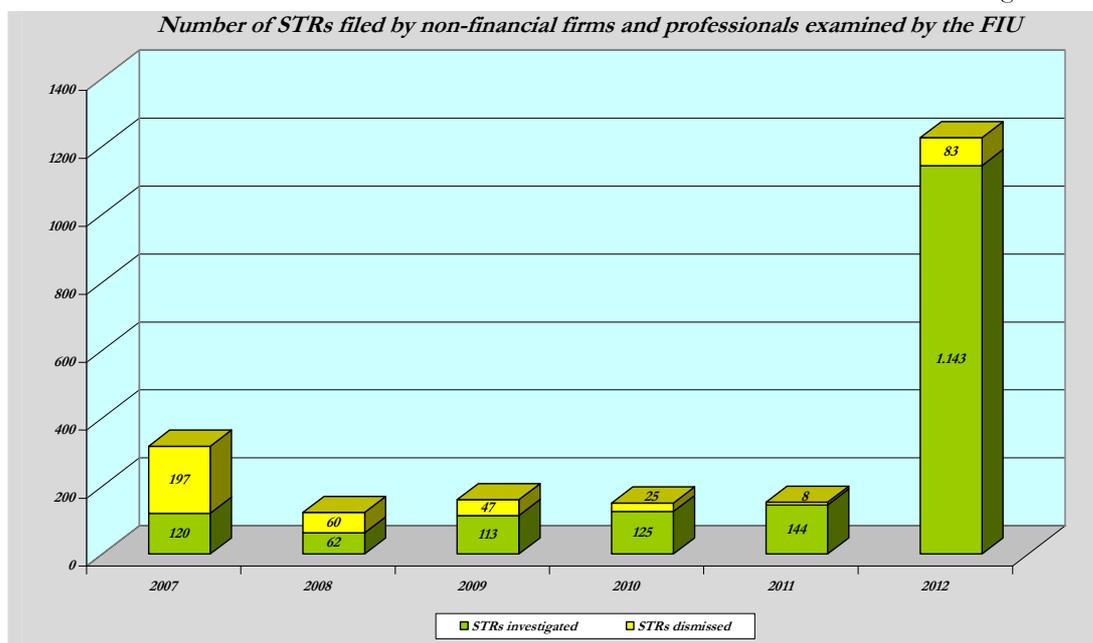
Figure 4.3



¹The data include the STRs filed by entities referred to in Articles 10(2)(e), 10(2)(g), 12, 13 and 14 of Legislative Decree 231/2007.

The FIU forwarded 1,215 of these reports to the investigative bodies in 2012, including 83 that it had dismissed as manifestly unfounded (Figure 4.4).

Figure 4.4



Overall the number of STRs filed by non-financial firms and professionals continued to be small, accounting for 3.5% of all reports as against 1% in 2011, despite the great number of potential reporting entities. As in other countries, it is likely that the scarcity of reports is partly due to the more personal nature of the relationship with customers and the persistence of a culture based on professional secrecy.

Table 4.3

<i>Number of reports by category of reporting party</i>						
<i>Category of reporting party</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>Totale</i>
Notaries, National Council of Notaries	103	69	66	195	1,876	2,309
Casino and betting operators ⁽¹⁾	4	6	34	130	283	457
Accountants	17	28	43	52	76	216
Book-keepers	19	10	23	30	12	94
Custody and transport of cash and securities by means of sworn private security guards	0	6	12	24	22	64
Registered auditors	3	7	12	15	1	38
Lawyers	6	3	12	12	4	37
Audit firms	2	2	6	10	4	24
Estate agents	13	3	3	7	1	27
Other ⁽²⁾	6	2	12	17	91	128
Total	173	136	223	492	2,370	3,394

⁽¹⁾ The category comprises the three types of person subject to reporting requirements that offer gambling in the different ways envisaged by law (casinos, on-line betting and physical points).

⁽²⁾ Comprises: labour consultants, professional partnerships, buyers/sellers (including exporters and importers) of gold for industrial and investment purposes, manufacturers of valuables and related intermediaries and retailers, government offices, experts and consultants, providers of services for companies and trust companies.

Notaries are the professional category that filed the largest number of STRs (1,876) and their share of the total rose from about 40% in 2011 to about 80% in 2012 (Table 4.3). The rapid rate of growth recorded in 2012 was thus mainly due to this category of professionals.

The contribution of the National Council of Notaries is important in this respect since, as provided by anti-money-laundering law, it acted as the go-between for most of the STRs filed by notaries in 2012 and the FIU's subsequent requests for information. The role played by the Council is likely to have made notaries' compliance with the reporting requirements less problematic by guaranteeing the transmission of reports to the FIU in a completely impersonal form and via a secure channel.

Although it has grown, the contribution of professionals and other non-financial operators still appears inadequate when compared with the role they play in the economy. In this respect an improvement in the quality of the reports filed would certainly be desirable, since often the description of the facts is too generic (e.g. a lack of references to the “financial” side of the transaction reported) and the reasons for the suspicion excessively vague. In this respect the adoption of the RADAR system, combined with a high level of activity aimed at training and sensitizing reporting entities, can certainly help to enhance the stock of information available for financial analysis significantly.

The substantial potential benefits – in terms of the quality and efficacy of the financial analysis – deriving from the inclusion of professionals among the persons subject to anti-money-laundering rules are confirmed by the fact that in some cases the persons referred to in their reports also appeared in reports filed by financial intermediaries. There is thus a clear and valuable complementarity between the financial component – inherent in the latter type of report – and the “real” component, which is characteristic of the reports filed by professionals.

4.3. Typology of transactions reported

Cash transactions and credit transfers continued to be the most frequently reported transactions (Table 4.4). More specifically, while the percentage of cash transactions has remained basically unchanged in recent years, in 2012 there was a large increase of about 9 percentage points in the number of suspicious domestic credit transfers. The surge in foreign credit transfer reports produced in 2011 by the foreign assets disclosure scheme was reversed and they returned to their 2010 level.

Table 4.4

		<i>Types of transaction reported (percentages of total number of transactions reported)</i>				
		<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>
Cash transactions		44.3	38.7	38.5	37.2	39.1
	<i>of which: withdrawals</i>	24.6	22.7	21.6	21.1	22.4
	<i>deposits</i>	19.7	16	16.9	16.1	16.7
Credit transfers made/received:		18.5	22.9	21.5	23.4	28.3
	<i>of which: domestic</i>	12.8	18.4	16.2	14.2	23
	<i>foreign</i>	5.7	4.5	5.3	9.2	5.3
Deposit of credit instruments		13.2	9.3	9.5	9.4	7.1
Debit for settlement of cheques		6.3	5	4.5	8.7	5.7
Issuance/Deposit/Negotiation of cashier's cheques		5.8	4.5	4.3	9.5	7.6
Money transfers		3.5	11.4	14.6	5.6	3.4
Transactions in financial instruments		1.6	1.7	2.2	2.2	1.3
Savings book deposits/withdrawals		1.3	0.6	0.5	0.7	1.2
Services provided by non-financial firms and professionals		n.a.*	n.a.*	n.a.*	n.a.*	1.9
Other		5.5	5.9	4.4	3.3	4.4
Total		100	100	100	100	100

* Prior to 2012, in view of the small number of reports filed by professionals, the data were included in the item "Other".

The downward trend of the share of suspicious money transfer transactions continued in 2012, while the shares of the other types of transaction were basically stable.

5. CLASSIFICATION OF SUSPICIOUS TRANSACTION REPORTS AND TYPES OF CASES

5.1. Classification of STRs

The assessment and analysis of suspicious transaction reports comprises not only the risk-based classification described above but also a behaviour-based classification (highlighting, that is, combinations of transactions linked together by a presumably illicit purpose) and “profiles” (single aspects of the suspicious transaction that experience suggests are useful features for purposes of calculating “money laundering risk.”¹). Experience to date suggests that only a relatively few reports identify real patterns, while the recurrence of a number of different profiles is frequent.

Type classification – especially that based on “patterns” – allows more efficient handling of reports that fit known “types” or that display typical traits of anomaly. It also facilitates the distinct activity of devising and maintaining models and patterns common to many intermediaries. Monitoring the types of “patterns” observed provides information on the extent of types of conduct that should be considered to be at risk and helps to detect the ways in which they are changing in advance.

Profile classification – more modestly – permits the grouping of reports with homogeneous features, making it easier to detect, within the groups, common risk factors and signs of anomaly. This type of monitoring can bring out new “indicators of anomaly” and new “patterns” which – after internal verification and dialogue with the other members of the prevention system (intermediaries, trade associations, the authorities, law enforcement bodies) – are published as guidelines for reporting institutions generally.

By the nature of the information available to the FIU, type classifications do not bear on the possible “criminal” profile of the transactions (though in some cases they will permit some limited inferences) so much as on models of financial behaviour used to create osmosis between the “legal” and the “illegal” economy. For the most part these models of behaviour are neutral with respect to the presumed predicate crime and can accordingly serve for every possible variety of motivations for concealing the illicit origin of money, whether it derives from tax evasion (which in fact may serve as a sort of workshop for developing these models) or the enormous flows of funds for drug trafficking.² In any case, bear in mind that the same models of behaviour frequently serve the opposite purpose: to conceal “legitimate” funds to be used for criminal operations (e.g., “slush funds” for purposes of corruption). In terms of “patterns,” then, tax evaders, drug traffickers, corrupt officials and other criminals would appear to operate with the same “catalogue” of transactions, which financial

¹ For example: the use of certain instruments or “channels” for transferring funds (cash, prepaid cards, money transfers), the recurrence of certain types of business (gold buying, construction, sporting companies, etc.).

² One instance is the invoicing of non-existent transactions linked to the movement of funds via credit transfer, which is an effective way either of artificially reducing company income (tax evasion) or of shifting funds around to make it hard to detect their illicit origin (money laundering). In these cases, the financial analysis can suggest a hypothesis concerning the typical purpose (tax crime) of the sequence of transactions, but there is no way of hypothesizing other criminal purposes of the suspicious activity.

analysis can identify as suspicious but whose particular criminal purposes can be uncovered only by investigation.

For these reasons type classification serves for the operational purposes of surveying and constructing behavioural patterns “at risk of money laundering” but it does not lend itself, at present, to statistical information on the financial-criminal cases detected. In the future, with stronger feedback on the findings of investigations, ways of matching financial with law enforcement classifications may be developed, favouring perception of the diffusion of the various models in the various “segments” of criminal activity.

With the rising number of reports and ever-increasing cooperation of intermediaries, information-processing capacity is more and more vital for the FIU, among other things for the prompt identification of “new risks”. Accordingly, the Unit has paid special attention, in redesigning its information system, to the treatment of classification data. The RADAR system for collecting and handling STRs, in fact, provides that the prime actor in classification is the reporting institution, which must specify whether the transactions comprise any of the FIU’s patterns of anomaly; soon reporting institutions will also be invited to highlight profile classification elements as well. Another, broader classification activity is that performed by the FIU’s analysts; the results of this classification are transmitted to the investigative bodies, as it is an important element in characterizing the transactions reported.

In future more advanced results may be obtained by more effective exploitation – thanks to data- and text-mining tools – of the RADAR system’s potential and of the data warehouse now in course of formation.

5.2. Recurrent patterns of behaviour in transactions reported

As anomalous “patterns” of behaviour are marked by observable connections among a number of transactions, it is possible to identify a “typical” and immediate purpose for the activity (e.g., for the pattern of international tax fraud by means of non-existent transactions, the typical and immediate purpose is to transfer funds abroad in the form of payment of invoices for commercial transactions that never took place). This may be quite different from the end goal actually pursued by the person engaging in the activity (e.g., the non-existent-transaction pattern is used recurrently not only for tax fraud but for the laundering of the proceeds of crime, including drug trafficking).¹ Conventionally, the patterns are designated according to the apparent typical function of the behaviour (tax fraud, usury, and so on). But in order to avoid erroneous, narrow reading of the reports one must always remember that this function may very often deviate from the suspect’s “concrete” objectives.

Fiscal aspects

STRs very often bear on models of behaviour that display anomalies apparently relating to tax evasion.

Last year as in the past, among the most commonly observed procedures were the improper use of personal current accounts for the movement of company funds (cited

¹ For instance, Operation ZAMA, described in *Rapporto Narco traffico 2012* (p. 112) by Fondazione ICSA, Direzione Centrale per i Servizi Antidroga del Ministero dell’Interno, and Arma dei Carabinieri.

in over 5,000 STRs), funds transfers among inter-connected natural and legal persons (1,600 reports) and recurrent cash transactions on company accounts (2,300 reports).

Many STRs involve transactions designed to conceal the identity of the beneficial owner of the asset through the use of nominees, false invoices issued by front companies for non-existent services (“paper mills”), and the payment of fees for fictitious services, fictitious import/export activities, or some combination of these methods; in these cases it is possible to assign an apparent cause for the transfer of funds to suppliers abroad or for the re-entry of funds.

Reports of transactions with counterparties located in tax havens are also frequent. They are often conducted by means of “triangulation,” whereby funds initially accumulated in “cooperative” countries are then transferred to other countries where – in conditions of opaque ownership, income and finances – front companies are quickly and cheaply formed and rigid regimes of banking secrecy and extremely competitive tax rates are exploited.

“Misappropriation phenomena” include patterns of behaviour that may be widely divergent but are linked by a common type of financial conduct that invites the suspicion that the ultimate purpose – whether achieved by some financial artifice (phishing), exploitation of a situation of difficulty (usury) or other means – is the illicit appropriation of the victim’s assets.

Misappropriation of funds

The FIU has repeatedly informed intermediaries of patterns of behaviour relevant to these phenomena. The analyses conducted in 2012 highlighted the effective recurrence of these patterns. There was a special focus on usury, the model of which was found in over 1,000 STRs. In some thirty cases the transactions could be traced to attempts at criminal infiltration of firms that were in economic difficulty and hence vulnerable.

Reports of computer fraud were again very numerous (nearly 2,000 cases).

The reports examined also cited other recurrent patterns, which have not yet been systematically analysed and communicated to intermediaries. In particular, the FIU received several STRs describing conduct which, in the light of subsequent inquiry, could be ascribed, once the proceedings were initiated, to “bankruptcy crime”. For the most part these cases involve the diversion of assets by sole proprietorships or companies in severe financial difficulty or actually insolvent, even in the absence of a court judgment to that effect.

Some 400 STRs involving gold buyers were analysed in 2012, mostly submitted by banks. Their business operations were characterized by deposits of cheques or receipt of credit transfers from jewellers and numerous withdrawals of cash. In addition to the massive use of cash, the reports signalled other recurrent elements of anomaly:

Gold buyers

- misuse of the owners’ personal bank accounts, which frequently handle funds actually relating to the business of the gold-buying company;
- efforts to split or conceal the real amount of cash transactions, with gyro transfers to other intermediaries from which they are withdrawn in cash or else with numerous reloading of prepaid cards in the name of the owner or employees, who later withdraw the entire amount at various banks’ ATMs;

- deposit on accounts of the company or the owner of a relatively large number of cheques that are returned unpaid or protested, suggesting abusive exercise of pledge credit and possibly usury.

Although the use of cash is normal for gold buyers,¹ the size of the transactions reported (sometimes millions of euros for a single gold buyer) and the presence of indicators of anomaly invite the suspicion that the transactions are not just normal business operations but involve illegal conduct.

Corruption

Given its serious economic and social effects, corruption is a phenomenon of fundamental interest, quite apart from the number of cases uncovered.

Actually, as regards corruption as such, it is not easy to define patterns of behaviour strictly speaking. As a rule the mere analysis of financial movements as reported does not immediately reveal corrupt behaviour, which can be reasonably hypothesized only with the acquisition of additional information derived from the context of the suspicious conduct, with special regard to the activity of the persons involved and their membership of the public sector. In this regard special importance attaches to the attention paid by reporting entities to the set of persons who while not qualified as “politically exposed” in any case wield considerable decision-making power. For it is clear that describing a series of financial operations as potentially directed to corruption requires the identification, apart from the specific means utilized, of the actual beneficiaries of the transactions observed and of their public role.

In the wake of major judicial investigations provoked by the findings of inquiries into suspicious transaction reports concerning misappropriation of the funds of political parties and their subsequent investment in real estate or other assets, the system has spotlighted dealings concerning political parties or their leaders, or related persons, with a view to detecting operational anomalies.

These controls have resulted in a significant number of suspicious transaction reports, mainly involving anomalous use of cash and, in some cases, the commingling of personal and party accounts.

Some reports in 2012 expressed intermediaries’ suspicions concerning the correct application of the rules for the traceability of the financial flows relating to contracts for public works, services and supplies, with the specific purpose of ensuring the transparency of the financial transactions involving amounts deriving from public contracts, so as to permit ex-post controls on the flow of resources from general government entities and detect their possible use by criminal enterprises.

Traceability of public funds

5.3. “Profiling” of specific instruments and vehicles

In and of themselves, the various financial instruments or legal, corporate and sectoral vehicles that can be used to launder the proceeds of illegal acts are “neutral,” cutting across the many purposes of money laundering. Nevertheless, it is often useful to classify reports according to these profiles, insofar as the operational experience of

¹ Gold buyers generally make substantial cash withdrawals from the accounts in order to buy gold or jewellery. The valuables acquired in this way are then resold as “scrap gold” for smelting to gold workers, who settle their invoices by traceable instruments such as credit transfers and cheques.

the FIU involves observations of “families” of reports in which the profiles are recurrent both singly and in combination.

In terms of this type of profiling, there have been special investigations into the anomalous use of payment cards, money transfer agencies, trusts, gaming and wagering, and securities market transactions.

There was a substantial increase in 2012 in the number of STRs for anomalous use of prepaid cards. This suggests that the illegal economy is paying greater attention to channels and financial instruments – alternatives to cash for small commercial transactions – for fraudulent or illegal purposes, thanks in part to their defective traceability. Many reports highlight uses of the cards for amounts and by procedures that distort their proper function. In many cases the outcome, in practice, is the transfer from one person to another of significant sums in cash, for amounts larger than the recently introduced limits on cash transactions.

Prepaid and credit cards

THE ANOMALOUS USE OF PAYMENT CARDS

The processing of a good number of suspicious transaction reports, the analysis of financial flows and the findings of inspections conducted during the year made it possible to profile anomalies in the massive use of credit cards and prepaid cards by customers.

These anomalous patterns, though not always indicating the concrete risk of money laundering, should induce intermediaries to institute more effective operational safeguards, to acquire more information and to carry out appropriate assessments of the possibly suspicious nature of the transactions, so as to prevent these instruments, which are increasingly essential to economic development, from being exploited for purposes of money laundering.

Inadequate investigation sometimes prevents correct identification of the customer’s profile, hence the proper distinction between business and retail customers. In the type of transactions considered here, there is often an evident inconsistency between the volume of the transactions and the apparent retail features of the payment instrument, which actually serves business functions. One factor in the relative lack of knowledge of customers is the distribution of the payment cards via external networks or online.

Many cases were uncovered in which the same individual was the owner of extremely large numbers of prepaid cards; there also emerged considerable differences between institutions in setting limits to the number of cards a person could hold.

Transactions revealed a very large number of cases in which the cards were used by persons other than the cardholder. The lack of information on these users makes it impossible to determine whether these operations are consistent with the cardholder’s profile.

Anomalies have also been discovered in the use of credit cards issued by intermediaries headquartered in other countries. These cards have been found to be used at times for substantial cash withdrawals from Italian ATMs fed by funds previously transferred to accounts of shell companies. The large number of these reports would appear to indicate that the phenomenon is widespread. Proper analysis will require fruitful collaboration with the financial intelligence units of the other countries involved in the suspicious transfers.

One of the channels most commonly used for suspicious transactions is money transfer agencies (which in fact submitted over 4,000 reports). Alongside their many small and presumably legitimate transfers (e.g. foreign workers’ remittances), they also

Money transfer agencies

frequently report transactions that are suspicious for lack of a logical relationship between the origin/destination and the nationality of the senders/beneficiaries or because they are effected between localities so close to one another (sometimes within the same city) that this channel is patently uneconomic.

Gaming and wagering

Gaming and wagering have now become a significant focus of interest. As regards transactions at the physical branch network, the most common actions specified in the reports involved various simulations of gaming activity designed to confer legitimacy on holdings of cash of unknown origin.

A good many STRs in 2012 reported frequent, repeated credits to the accounts of natural persons of amounts deriving from winnings. The systematic, frequent deposit of these winnings confirms that there is a lively secondary market in winning tickets, which launderers purchase – at a premium – from the real winners in order to conceal the actual origin of the money.

The types of transaction most commonly reported by the online wagering sector continue to include the use of credit cards, presumably cloned or stolen, to reload online gaming accounts and the use of forged identity documents.

Sports wagering warrants special consideration. Analysis of the STRs from this sector has now permitted the identification of a behaviour pattern marked by the systematic placing of a series of bets on the same event, of medium risk, covering the entire gamut of possible outcomes. This expedient – which guarantees “sure” winnings (although obviously less than the total amount wagered) – is a tool for money laundering at a cost consisting in the difference between winnings and bets.

Trusts

Another area that deserves special consideration is trusts, which given their inherent flexibility are open to exploitation for various illicit ends. The FIU is now developing indications of anomalous patterns of behaviour designed to identify the typical ways in which trusts are utilized for purposes of money laundering.

Securities transactions

Last year the Unit received a number of STRs concerning peculiar trades in financial instruments, exchanged above all outside regulated markets. Investigation confirmed that under some conditions financial instruments can be utilized improperly for money laundering or other illicit purposes.

6. PREVENTING AND COMBATING THE FINANCING OF TERRORISM AND OF THE PROLIFERATION OF WEAPONS OF MASS DESTRUCTION

The FIU's financial analysis also concerns reports of suspected financing of terrorism and of plans for the proliferation of weapons of mass destruction. The Unit's powers also comprise compiling notifications of freezes of funds and disseminating the lists of persons designated by the competent international authorities as part of the fight against these phenomena.

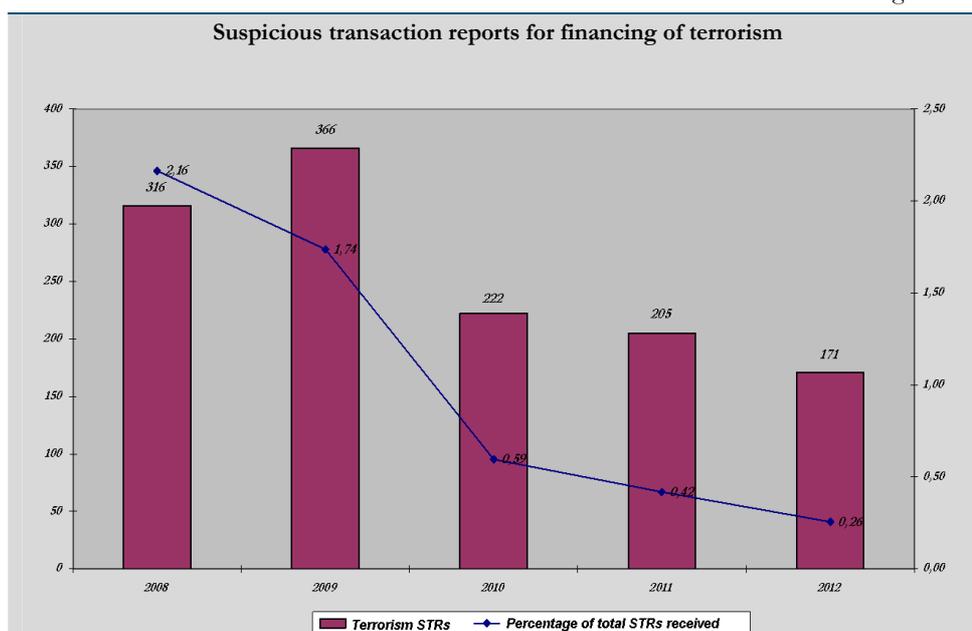
Financial analysis of the reports

6.1. Suspicious transaction reports

The number of reports of suspected financing of terrorism declined again in 2012, as in previous years. The FIU received 171 such reports (0.26% of all the reports received), down from 205 in 2011 and 222 in 2010 (Figure 6.1). Overall, since 2011 the Italian FIU has received 4,572 reports relating to terrorist financing, or 1.85% of the total; the annual average is about 400.

STRs for terrorist financing

Figure 6.1



The overwhelming majority of the reports (90.6%) were submitted by banks, as in STRs relating to money laundering. The contributions of insurance companies and other financial intermediaries were more limited (2.4% and 7% respectively).

The FIU forwarded to the investigative authorities 171 terrorist financing reports in 2012, of which it dismissed 30 as manifestly unfounded (Table 6.1).

Table 6.1

Terrorist financing STRs transmitted to the investigative bodies

	2008	2009	2010	2011	2012
STRs transmitted	291	240	124	82	141
STRs dismissed	31	217	60	62	30
Total	322	457	184	144	171

STRs on weapons of mass destruction

In 2012 there were 21 suspicious transaction reports bearing on the financing of the proliferation of weapons of mass destruction, a decrease from previous years. A total of 62 reports in which the reporting institution suspected the financing of such plans were analysed and transmitted to the investigative authorities.¹

Regional distribution of STRs

The regional distribution of reports of suspected terrorist financing and WMD proliferation was practically unchanged from previous years, essentially mirroring the geographical distribution of immigrants of nationalities “at risk” and of enterprises in economic sectors most involved in trade with Iran. In this context, more than 40% of the reports came from Lombardy, with significant roles also for Emilia Romagna (11%), Lazio (8%) and Veneto (8%).

6.2. Terrorism lists and fund freezes

The FIU’s duties include compiling information and financial data on “designated” natural and legal persons and on funds and economic resources subject to freezes and fostering the dissemination of the lists of “designated” persons and their updates.

In 2012 the FIU received 59 notifications of the freezing of funds of natural or legal persons included in the lists of entities subject to international sanctions. Most of the freezes referred to transactions and relations between Italian intermediaries and Iranian or Syrian intermediaries on the EU lists.

At the end of 2012 the resources frozen, belonging to 164 persons, amounted to €44 million and \$773 million. The bulk of the funds in Euros referred to transactions and relations with Syrian banks listed in EU Regulation No. 36/2012. The frozen funds belonging to persons or entities traceable to Al-Qaeda involved some 40 persons (mostly natural persons) and a total amount of €103,000 (Table 6.2).

	<i>Accounts and transactions subject to freezes</i>	<i>Persons subject to freezes</i>	<i>Amounts frozen</i>				
			EUR	USD	GBP	JPY	CHF
Taleban and Al-Qaeda	55	40	102,969.17	11,707.10			50.00
Iran	56	17	8,139,539.77	238,711.59			37,593.47
Libya	18	8	2,128,952.86	772,207,044.31	63.65	3,413.00	39.54

¹ Including the handling of some reports from previous years.

Tunisia	1	1	50,624.55				
Syria	31	6	31,771,597.41	240,992.14			153,368.90
Ivory Coast	3	1	1,700,213.94	34,816.37			
TOTAL	164	73	43,893,897.70	772,733,271.51	63.65	3,413.00	191,051.91

Table 6.2

The Italian Treasury's Financial Security Committee¹ continued its work towards application of UN and EU decisions on countering WMD proliferation. Further lines of action on this front were agreed at international level.

In the framework of active cooperation, the FIU received STRs mainly relating to transactions through Iranian credit institutions on the lists. In most cases their inclusion on the lists was the sole reason for suspicion. As a rule the transactions reported consisted in negotiation of documentary credits or payment for goods or services by or on account of resident commercial firms.

Under its powers, the FIU verified intermediaries' compliance with measures freezing funds and with the derogations authorized by the Committee for the cases specifically envisaged by the regulations.

In the course of 2012 the Committee and its network of experts² examined some 3,200 applications for authorization of funds transfers to or from Iranian persons pursuant to Community law, which subjects all financial transactions larger than €40,000 with Iranian persons to the authorization of the competent national authority. The FIU's role in this activity, which is part of its normal work with the Committee and the network, consisted in searching its database for relevant information on the persons involved in the financial transactions and in helping to settle the numerous regulatory and operational questions submitted to the Committee's technical secretariat by private commercial and financial enterprises.

¹ The FIU is a member of the Committee.

² Representatives designated by the various entities that belong to the Committee.

7. ANALYSIS OF AGGREGATE DATA AND RESEARCH ACTIVITY

7.1. Analysis of data for anti-money-laundering purposes

Aggregate reports

Analysis of financial flows plays a strategic role in preventing and combating money laundering and terrorist financing and is one of the FIU's chief functions. In performing it the Unit examines anomalies that emerge from the data and conducts studies of broader phenomena relating, for instance, to specific payment instruments, territories or economic sectors. To this end the FIU uses the information and data collected in the course of its own activity and, in particular, the aggregate anti-money-laundering reports it receives each month from banks and other intermediaries. Many foreign countries use a system whereby the local financial intelligence unit receives systematic reports referring to certain types of transaction and threshold amounts that do not contemplate assessment of individual transactions' suspiciousness. A distinctive feature of the system in Italy is that the data are aggregate and the information is accordingly anonymous.

The new aggregate report transmission system

Under the new aggregate report transmission procedure, fully operational since January 2012, aggregate reports must be transmitted electronically via a dedicated Internet portal.

Furthermore, the aggregate report format has been expanded with the inclusion of additional information, enhancing the analytical possibilities provided by the aggregate data. Table 7.1 shows the main statistics regarding the aggregate reports received by the FIU in 2012 for each type of intermediary.

The bulk of the data (96% of the total) come from banks. Compared with 2011 the total number of records jumped by more than 50% to exceed 100 million as a consequence of the expansion of the information conveyed in the new system. The details reported now include the specific branch of the intermediary where the transactions were ordered and the customer's Italian municipality (or foreign country) of residence. The total money amount of the transactions reported declined by 10%, while the number of transactions underlying the records transmitted remained about the same. The repercussions of the recession on banking activity presumably contributed to this outcome.

Table 7.1

<i>Aggregate anti-money-laundering reports</i>				
<i>Descriptive statistics - 2012</i>				
<i>Type of intermediary</i>	<i>Number of entities submitting reports</i>	<i>Total number of aggregate data sent¹</i>	<i>Total money amount of the aggregate data sent (billions of euros)</i>	<i>Total number of transactions underlying the aggregate data</i>
Banks, Poste Italiane and CDP	746	99,483,686	23,408.3	295,113,701
Trust companies	289	80,241	51.1	190,831
Other financial intermediaries ²	196	1,182,124	334.5	4,472,616
Asset management companies and SICAVs	190	1,122,748	169.1	3,788,026
Investment firms	144	164,132	78.8	4,878,328
Insurance companies	93	1,191,053	102.7	2,530,498
Electronic money institutions	3	12,126	1.0	112,521
Total	1,661	103,236,110	24,145.5	311,086,521

¹ The aggregate record is the basic item of the anti-money-laundering aggregate report. The entity submitting the report calculates it by grouping the individual transactions according to the different aggregation criteria envisaged (for example, type of transaction, location of the intermediary, etc.).

² Intermediaries entered in the special register referred to in Article 107 of the Consolidated Law on Banking under the legislation in force before the changes introduced by Legislative Decree 141/2010.

In 2012 the Unit continued to monitor cross-border credit transfers.

Special attention was devoted to credit transfers involving counterparties or financial intermediaries resident in geographical areas deemed “sensitive” from the standpoint of anti-money-laundering action. The overall picture is similar to that of 2011, with a high concentration of credit transfers involving the same jurisdictions, the first eight of which accounted for more than 90% of the transactions.

Switzerland continues to be the leader (over 60% of the flows in both directions). It is trailed at a distance by several financial centres in the Far East (Hong Kong, Singapore and Taiwan), the United Arab Emirates (Abu Dhabi and Dubai), the Principality of Monaco and the Republic of San Marino.

Table 7.2 shows the amount and distribution by Italian region of flows of credit transfers to and from jurisdictions that are non-cooperative or have favourable tax regimes.

The scale of the phenomenon tends to reflect the size of the regional economy and its corresponding openness to trade and business relations with abroad. In 2012 most of the transactions with jurisdictions deemed non-cooperative or having favourable tax regimes again involved the regions of the North-West (some 60% of the total). The North-East and the Centre again accounted for 15%-20% each, while the share involving the South and Islands was far smaller, though stable with respect to the past.

Cross-border
credit transfers

Table 7.2

<i>Credit transfers to/from jurisdictions that are non-cooperative or have favourable tax regimes, by Italian region - 2012</i>				
	<i>Outgoing credit transfers (millions of euros)</i>	<i>% of total</i>	<i>Incoming credit transfers (millions of euros)</i>	<i>% of total</i>
North-West	38,212	64.3%	40,818	57.3%
Liguria	2,501	4.2%	2,122	3.0%
Lombardy	30,368	51.1%	32,576	45.8%
Piedmont	5,305	8.9%	6,057	8.5%
Valle d'Aosta	37	0.1%	63	0.1%
North-East	10,254	17.2%	14,162	19.9%
Emilia Romagna	4,101	6.9%	6,697	9.4%
Friuli Venezia Giulia	1,122	1.9%	1,052	1.5%
Trentino Alto Adige	469	0.8%	471	0.7%
Veneto	4,563	7.7%	5,942	8.3%
Centre	9,209	15.5%	12,828	18.0%
Lazio	5,813	9.8%	5,770	8.1%
Marche	350	0.6%	882	1.2%
Tuscany	2,931	4.9%	5,895	8.3%
Umbria	115	0.2%	280	0.4%
South	1,502	2.5%	2,810	3.9%
Abruzzo	128	0.2%	1,250	1.8%
Basilicata	12	0.0%	47	0.1%
Calabria	37	0.1%	126	0.2%
Campania	917	1.5%	1,032	1.4%
Molise	11	0.0%	22	0.0%
Puglia	397	0.7%	333	0.5%
Islands	286	0.5%	559	0.8%
Sardinia	69	0.1%	279	0.4%
Sicily	218	0.4%	280	0.4%
Total Italy	59,463	100.0%	71,176	100.0%

Note: The data do not include transactions where the customer is a general government entity or a resident bank or financial intermediary. Transactions carried out by entities belonging to these institutional sectors are exempt from reports as they are subject to simplified due diligence.

7.2. Data monitoring and research activity

The aggregate reports are also used to monitor the operations of the banking and financial sector. The changeover to the new Internet-based data acquisition procedure has made it easier to extend the well-established monitoring system for bank data to non-bank financial intermediaries. Monitoring activity uses techniques of quantitative analysis in order to identify, by comparison with past transaction patterns and with other operators, possible anomalies warranting further examination as part of anti-money-laundering action.

Anomalous data – *outliers* – are identified both by comparing the data transmitted by a reporting institution in the same period and by analysing the pattern of the data supplied by a reporting institution over time. In both cases the data for comparison are first grouped according to certain criteria (customer's sector of economic activity, type of transaction, etc.).

Research and analysis for the fight against money laundering is one of the FIU's main functions. In 2012 the Unit conducted a number of studies on payment instruments or jurisdictions deemed to be of special interest in an anti-money-laundering perspective.

As part of its activity of research and analysis, in 2012 the Unit continued to make innovative use of aggregate reports, employing econometric models and exploiting the synergies with the Unit's other databases. The goal is to develop the most suitable techniques for identifying anomalies in the aggregate report data, with a view to furthering the fight against money laundering.

8. CONTROLS

8.1. Inspections

The Unit conducts general and targeted inspections of the persons covered by the rules against money laundering.

General inspections, which are meant to be preventive, check the adequacy of reporting procedures and fulfilment of the obligations of active cooperation. They provide useful information, including to the Bank of Italy, regarding the degree of corporate compliance with the provisions against money laundering. Targeted inspections are triggered by reports received or by evidence indicating a possible failure to report a suspicious transaction. In addition, they are increasingly carried out as part of the Unit's cooperation with the authorities involved in preventing and combating money laundering, particularly with the judicial and investigative authorities. Targeted inspections permit flexibility of intervention and speedy gathering of relevant information.

In 2012 the Unit conducted a total of 17 inspections, of which seven general and ten targeting specific goals. As in previous years, a number of inspections – ten in all – concerned banks or banking groups.

The growing attention devoted by the Unit during the year to non-bank intermediaries enabled it to detect structural weaknesses, due at times to insufficient knowledge and awareness of the requirements established by anti-money laundering regulations.

The Unit continued its programme of targeted inspections of trust companies belonging to banking groups, examining the financial transfers carried out by trustors reported by other intermediaries or under investigation by the judicial authorities.

The Unit enjoyed ever closer and more productive synergies with the sectoral supervisory authorities. With the Bank of Italy's Supervision Area, in particular, the Unit carried out simultaneous inspections that proved especially fruitful in terms of coverage and depth. Six of the inspections conducted during the year continued the probe begun in 2011 into the anomalous utilization of payment cards.

8.2. Administrative irregularities

On-site and off-site controls singled out not only potentially criminal offences, which were reported to the judicial authorities, but also administrative irregularities, for which the Unit is empowered to start sanction procedures, subsequently transmitting the acts to the Ministry for the Economy and Finance for further investigation. Last year 39 sanction procedures for failure to file STRs were initiated, of which 32 following inspections.

9. INTERNATIONAL COOPERATION

9.1. Cooperation with FIUs in other countries

The exchange of information with foreign financial intelligence units continued to be particularly intense in 2012. Italy's FIU cooperates with its counterparts in other countries when requested and obtains information from them as part of its investigations into reports of suspicious transactions and in order to provide information for the Italian judicial and police authorities.

The scale of this cooperation has increased over the last few years. In 2012 the FIU received a total of 723 requests for feedback from foreign financial intelligence units. In the same period it made 217 requests for information from its foreign counterparts, a sharp increase compared with the previous year.

When the FIU receives a request for information, it carries out an analysis of the case in question, identifying and then obtaining the information, including from official sources, that is required by the foreign FIU, involving the Italian investigative authorities by forwarding them the requests it receives (with the prior express consent of the counterparts according to the international standards governing inter-FIU cooperation) and it asks these bodies for the information that is needed for the international cooperation.

Sharing information with foreign counterparts is an important way of enhancing the resources available to the FIU in the performance of its own institutional activities. It receives requests for information in relation to suspicious activities which are linked in some way to Italy, both as regards the persons or firms involved and in terms of the characteristics of the transactions (international financial transactions with Italy as the sending or receiving country).

The exchange of information with foreign financial intelligence units has often led to the detection of funds from illegal sources placed in other countries by persons or firms under investigation in Italy. Access to financial information from abroad and its analysis have allowed the FIU to identify cases of the registration of fictitious nominees, to get around the interposition of shell companies, and to reconstruct the real ownership of the interests involved in complex financial transactions. These are all important and useful elements – both for financial analysis and for effective international judicial cooperation, for which cooperation between financial intelligence units has often paved the way.

Despite these achievements, it has been observed over the years that some problem areas still persist in cooperation between financial intelligence units. There are big differences between FIUs in terms of their institutional characteristics, their powers, and the information at their disposal, which is reflected in the field of international cooperation. In some cases there are still limitations to their capacity to acquire and provide banking or financial information (in particular because of some countries' maintaining banking secrecy), corporate information (above all in countries whose legal systems protect the anonymity of company shareholders and

representatives) or investigative information (especially on the part of FIUs which are “administrative” in nature). The application of the reciprocity conditions increases the difficulties of information exchange in some cases. Moreover, there are sometimes limits to the use of information obtained from foreign counterparts to be sent to the competent authorities for investigation, especially when judicial proceedings are under way. This can also influence the effectiveness of cooperation between FIUs.

9.2. Outlook

The new international and community regulations and the innovative functions of the technical instruments available for international cooperation (connected in particular with the development of the FIU.NET system¹), could lead to a significant expansion of the forms and methods of information exchange among FIUs.

The recent FATF standards, in line with the Egmont Group’s “Principles of Information Exchange”, put the requests for information from foreign FIUs on the same footing as reports of suspicious domestic transactions, establishing the duty for the cooperating FIU to use the same information-gathering powers at its disposal for its own investigations. As a result, the tasks involved in information-sharing are increasing. Furthermore, the new FATF regulations provide for forms of international cooperation between different kinds of authorities in various countries: besides the traditional kind of information-sharing among FIUs, “diagonal” cooperation channels could be developed for sending (and receiving) information relating to suspicious transactions between FIUs and foreign agencies with different functions (such as supervisory or investigative authorities).

In the framework of the European Union, the FIU Platform is examining proposals to ensure that following reports of suspicious transactions relating to individuals and firms resident in other EU states, the relevant information will be exchanged with the FIUs in the countries concerned. The analysis is also intended to mitigate some of the effects of the geographical criteria regulating the reporting of suspicious transactions, on the basis of which reports must be made to the FIU in the country in which the reporting entities are located, notwithstanding the place where the transaction took place or the nationality or place of residence of the client.

The development of FIU.NET, besides an exchange of information on specific names, allows for cross-checks between the databases of two or more FIUs in order to identify *en masse* any matches between the names held there. The cross-checks are carried out anonymously using encryption tools. This is an especially powerful technical instrument which makes it possible to detect links between cases being investigated by different FIUs, leading to the activation of targeted information-sharing on cases of interest.

Besides exchanging information on specific cases, the Italian FIU is active in other forms of bilateral cooperation with foreign counterparts, especially through technical assistance and pooling of experience.

¹ Information exchange between FIUs is done by means of a shielded Egmont Group infrastructure. In Europe, additionally, a dedicated communication network (FIU.NET) allows the member FIUs the use of more advanced facilities, some of them still under further development, and the possibility of multilateral exchanges of information.

10. COOPERATION WITH THE JUDICIAL AUTHORITIES AND OTHER NATIONAL AUTHORITIES

The FIU stepped up exchanges of information and cooperation with the judiciary and investigative bodies in 2012. This cooperation was also useful for the FIU, which took advantage of the opportunities to carry out a financial analysis of the cases under investigation in order to study new money-laundering techniques and practices.

Cooperation
with the
judicial
authorities

The information acquired was used to draw up new models of anomalous conduct that will help the entities subject to active cooperation requirements detect anomalies to be reported. The number of requests for information from the judicial authorities rose to 247, compared with 170 in 2011.

As a member of Italy's Financial Security Committee¹ the FIU contributed to the debate on the Ministry for the Economy and Finance's decree on equivalent third countries, on the measures applicable to transactions with residents of the Republic of San Marino and the banks and financial institutions operating there, and on developments in cooperation between the local and the Italian authorities.

Activity as a
member of the
Financial
Security
Committee

The FIU also submitted to the Committee, in accordance with Article 47.1 of Legislative Decree 231/2007, a list of the criteria to be followed when examining suspicious transaction reports, in conformity with the guidelines set down in the relevant international fora.

The FIU is also aware of the need to strengthen the network of relations between national institutions with a view to ensuring the effectiveness of measures to prevent and combat money laundering. Accordingly, it continued to broaden its cooperation with other authorities during the course of 2012.

Cooperation
with other
national
authorities

¹ On the subject of cooperation with the Financial Security Committee see also Chapter 6.

11. ORGANIZATION AND RESOURCES

11.1 Human resources and organization

The staff of Italy's Financial Intelligence Unit increased from 115 to 121 in 2012. It continues to be made up of 6 Divisions, supplemented by three collegial bodies (the Advisory Committee for the Examination of Irregularities, the On-site Controls Supervision Team and the Coordination Group), whose members are managers in the FIU.

In accordance with the law, a Committee of Experts has been set up at the FIU, consisting of the Director and four members appointed for three years by a decree issued by the Minister for the Economy and Finance after consulting the Governor of the Bank of Italy. The new members of the Committee were appointed by the Minister in October 2012 when the previous appointments expired.

11.2 Technology resources: information technology

In March the new system for collecting aggregate data reported monthly by intermediaries came into operation. The new electronic platform for the exchange of integrated data, which brings together all categories of reporting entities, has successfully replaced the previous fragmented processes. The reporting scheme for the new data collection system has been extended to include additional information such as the location of the reporting entity and the place of residence of the party to the reported transactions. The project will bring a number of advantages in terms of more efficient information exchange and better quality data thanks to the availability of on-line services for reporting entities. These will include preliminary diagnostics of reports, input and consultation of investigation results, and drafting/despatch of information flows. Thanks to the new information system for collection and analysis of anti-money-laundering data (*RADAR*), available on an internet platform since 2011, the handling of reports was further automated, enabling the Unit to cope with the ever-growing volume of STRs.

The FIU worked together with the investigative bodies to streamline the computerized procedure used to assist in the handling of reports, thus helping to establish an order of priority for their processing. New methods were developed and put into operation for information exchanges relating to the management of large volumes of data. An electronic transmission system to and from the investigative bodies is currently being developed. The new functions supplement those of the *RADAR* project and are based on the same architecture and technology.

The projects implemented so far have created a more structured framework for the collection of reports and the related flows of aggregate data, greatly improving the FIU's stock of information. Given the enormous volume of data gathered by the FIU and the complex links between the various elements, automatic support systems are needed to analyse and identify these inter-connections and provide important information that would be difficult to extract otherwise. In order to find a solution to these problems a project has been launched for a data warehouse to collect and handle the whole mass of information, ensuring more robust, agile and efficient analysis of reports.

Aggregate
anti-money-
laundering
data

Reporting of
suspicious
transactions

Data
warehouse